JSCB “UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES

Consolidated Financial Statements and Independent Auditor’s Report For the Year Ended 31 December 2019

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries ("the Group") as at 31 December 2019 and the related consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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

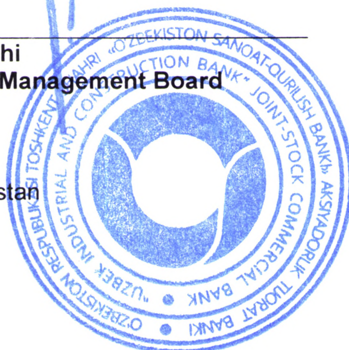
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient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

Management is also responsible for:

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

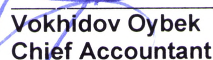
The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Management on 29 June 2020.

On behalf of the Management Board:



Annaklichev Sakhi
Chairman of the Management Board

29 June 2020
Tashkent, Uzbekistan



Vokhidov Oybek
Chief Accountant

29 June 2020
Tashkent, Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment of expected credit losses on loans and advances to customers	
As at 31 December 2019, loans and advances to customers represent UZS 30,039,785 million or 93% of total assets, net of allowance for expected credit losses ("ECL") of UZS 532,813 million assessed on a collective basis and UZS 113,604 million on an individual basis.	We updated our understanding of the credit risk management processes and ECL assessment and measurement, including identification of events leading to significant increase in credit risk ("SICR") and events of default.
The collective assessment of ECL on loans and advances to customers is associated with the risk of inadequately collected historical data of the Group and its inconsistent application in the ECL models. Specifically, data on loans' maturity dates, outstanding balances, and status of arrears could be incomplete and/or inaccurate, which, as a consequence, could lead to inappropriate assumptions and inputs used in determining the risk factors such as probability of default (PD), loss given default (LGD), and exposure at default (EAD). While assessing the ECL on an individual basis, significant assumptions are used in determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition (migration between stage 1, 2 and 3).	We assessed reasonableness of the Group's assumptions in respect of loans' staging, probabilities of default and cash flows from defaulted loans, with the reference to the historical information and market forecasts. We tested, on a sample basis, the accuracy and completeness of input data and other information used in the models, including principle balances, allocation of loans by days in arrears, and checked other parameters, such as delinquency of interest or principle, restructuring events, existence of litigation processes and statistics for recoveries of loans. For collectively assessed loans, we challenged appropriateness of identification of significant increase in

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Additionally, the assessment of ECL requires an analysis of financial and non-financial data for estimating the future cash flows under different scenarios weighted for their probabilities. Information used for such analysis includes current financial performance of the borrower, forecasts of the industry trends, collateral value and costs and time required to sell the collateral.

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

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

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

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

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

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

Going concern

As discussed in Note 18 to the consolidated financial statements, as at 31 December 2019, the Group had not complied with certain financial covenants of its long-term subsidiary loan agreements with the Ministry of Finance of the Republic of Uzbekistan set by the Asian Development Bank ("ADB") for the total amount of UZS 416,656 million. This, as a result, triggered cross default clauses stipulated in the credit facility agreements signed between the Group and two other financial institutions with the year end aggregate outstanding balance of UZS 387,276 million. This non-compliance gives the Ministry of Finance and two other financial institutions the right to demand early payment of the loans advanced to the Group.

Therefore, the Management classified these borrowings with the total amount of UZS 803,932 million as on demand in the liquidity analysis as described in Note 34. The Group has communicated these breaches to ADB, Ministry of Finance and other respective creditors. The remediation action plan has been agreed with the ADB. Subsequent to the reporting date, the Group and respective creditors have agreed not to consider above non-compliance as a trigger for cross default.

The Bank has concluded that the going concern basis remains appropriate according to actions taken and plans as described in Note 2.

We updated our understanding of management's processes related to assessment of the Group's ability to continue as a going concern. We focused on evaluating and challenging the reasonableness of the Group's assumptions in respect of its strategic role in governmental programs and the continuing financial support by the Government.

We read the Management's board and the Council meeting minutes and reviewed management's action plan.

As part of the review of the Management's action plan, we analyzed the sources of planned funding from the Government and international financial institutions and checked the status of negotiating and agreeing the terms of financing.

We also assessed the Group's ongoing support from the Government and performed the following procedures:

- we reviewed the Group's participation in the strategically important state programs and checked supporting documentation on eligibility for the Government's financing;
- we also reviewed the Government's plan for the Bank's share capital injections, checked the progress and reviewed relevant supporting documentation.
- we reviewed and analysed remediation action plan, as well as formal letters received from ADB and respective creditors in relation to non-compliance and cross default events.

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Due to a significant impact of the covenant breaches as well as potential impact of COVID-19 on the liquidity and financial position of the Bank and pervasiveness of the conclusion on appropriateness of going concern assumption on the financial statements, this area is determined as a key audit matter.	We analysed the impact of possible downside scenarios on non-state customer base, including the effect of significant withdrawal of deposits. Further, we assessed the Bank's ability to take mitigating actions by attracting additional funding or renegotiating current borrowings with the state and state entities, if required, in advance of any such scenario threatening the compliance with covenants both at the reporting and subsequent to the reporting dates. We reviewed key loan agreements with regards to the risk of non-compliance with covenants and performed loan covenant recalculations. We also performed critical analysis of Management forecasts and assessed the possible effects of the immediate loans' settlement. We checked appropriateness and completeness of the disclosures made in the financial statements in respect of going concern.

Other Information – Annual Report

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

29 June 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

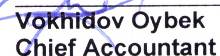
Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central bank of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**
(in millions of Uzbek Soums)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	2,862,574	1,897,133
Due from other banks	8	2,037,090	812,092
Loans and advances to customers	9	30,039,785	28,020,629
Investment securities measured at amortised cost	10	84,648	-
Financial assets at fair value through other comprehensive income	11	88,714	41,804
Investment in associates	14	-	587
Premises, equipment and intangible assets	12	435,280	200,407
Insurance assets	24	2,391	-
Other assets	13	276,693	52,613
Non-current assets held for sale	14	18,943	813
TOTAL ASSETS		**35,846,118**	**31,026,078**
LIABILITIES			
Due to other banks	15	465,109	676,700
Customer accounts	16	9,123,970	5,129,176
Debt securities in issue	17	2,920,894	67,741
Other borrowed funds	18	16,803,214	21,756,155
Deferred tax liability	26	13,880	86,865
Insurance liabilities	24	15,631	-
Other liabilities	19	99,520	105,972
Subordinated debt	20	83,332	-
TOTAL LIABILITIES		**29,525,550**	**27,822,609**
EQUITY			
Share capital	21	4,640,011	1,884,186
Share premium	21	-	696
Treasury shares	21	-	(1,330)
Retained earnings		1,669,225	1,312,607
Revaluation reserve of financial assets at fair value through other comprehensive income		6,404	2,261
Net assets attributable to the Bank's owners		6,315,640	3,198,420
Non-controlling interest		4,928	5,049
TOTAL EQUITY		**6,320,568**	**3,203,469**
TOTAL LIABILITIES AND EQUITY		**35,846,118**	**31,026,078**

Approved for issue and signed on behalf of the Management Board on 29 June 2020.



Annaklichev Sakhi
Chairman of the Management Board

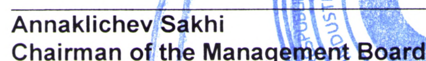
Vokhidov Oybek
Chief Accountant

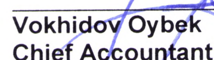
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	2019	2018
Continuing operations			
Interest income	22	2,290,730	1,359,390
Interest expense	22	(1,133,409)	(687,788)
Net interest income before provision on loans and advances to customers		1,157,321	671,602
Provision for credit losses on loans and advances to customers	9	(95,454)	(99,526)
Initial recognition adjustment on interest bearing assets		(12,995)	(6,833)
Net interest income		**1,048,872**	**565,243**
Fee and commission income	23	334,039	255,141
Fee and commission expense	23	(76,880)	(51,751)
Net gain/(loss)on foreign exchange translation		44,750	(25,880)
Net gain from trading in foreign currencies		21,475	19,528
Insurance operations income		18,754	-
Insurance operations expense		(5,600)	-
Change in insurance reserves, net	24	(13,240)	-
Dividend income		12,041	3,261
Other operating income	25	16,695	3,214
Provision for impairment of other assets	28	(17,479)	(4,078)
Impairment of assets held for sale	14	(12,488)	-
Administrative and other operating expenses	26	(659,403)	(497,539)
Share of result from associates		-	(253)
Profit before tax		**711,536**	**266,886**
Income tax expense	27	(107,056)	(48,695)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**604,480**	**218,191**
Discontinued operations			
(Loss from) / Profit for the year from discontinued operations	14	(14)	1,205
PROFIT FOR THE YEAR		**604,466**	**219,396**
Attributable to:			
- Owners of the Bank		604,587	219,823
- Non-controlling interest	31	(121)	(427)
PROFIT FOR THE YEAR		**604,466**	**219,396**
Total basic and diluted EPS per ordinary share (expressed in UZS per share)	29	**4**	**3**
Total basic and diluted EPS per equity component of preference share (expressed in UZS per share)	29	**4**	**4**
PROFIT FOR THE YEAR		**604,466**	**219,396**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Fair value gain on equity securities at fair value through other comprehensive income		5,179	1,743
Tax effect		(1,036)	(349)
Other comprehensive income		**4,143**	**1,394**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**608,609**	**220,790**
Attributable to:			
- Owners of the Bank		608,730	221,217
- Non-controlling interest		(121)	(427)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**608,609**	**220,790**

Approved for issue and signed on behalf of the Management Board on 29 June 2020.





Annaklichev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(in millions of Uzbek Soums)

	Notes	Share capital	Share premium	Treasury shares	Retained earnings	Revaluation reserve of financial assets at fair value through other comprehensive income	Non-controlling interest	Total equity
31 December 2017		**1,459,340**	**696**	**(2,477)**	**996,126**	**4,220**	**5,476**	**2,463,381**
Effect of IFRS 9 adoption on 1 January 2018		-	-	-	127,171	(3,353)	-	123,818
Balance at 1 January 2018 (restated under IFRS 9)		**1,459,340**	**696**	**(2,477)**	**1,123,297**	**867**	**5,476**	**2,587,199**
Profit for the period		-	-	-	219,823	-	(427)	219,396
Other comprehensive income for the period		-	-	-	-	1,394	-	1,394
Total comprehensive income for the period		-	-	-	219,823	1,394	(427)	220,790
Shares issued	21	424,846	-	-	-	-	-	424,846
Disposal of treasury shares		-	-	1,147	-	-	-	1,147
Dividends declared		-	-	-	(30,513)	-	-	(30,513)
31 December 2018		**1,884,186**	**696**	**(1,330)**	**1,312,607**	**2,261**	**5,049**	**3,203,469**
Profit for the period		-	-	-	604,587	-	(121)	604,466
Other comprehensive income for the period		-	-	-	-	4,143	-	4,143
Total comprehensive income for the period		-	-	-	604,587	4,143	(121)	608,609
Shares issued	21	292,467	-	-	-	-	-	292,467
Conversion of debt into equity by the shareholder, net of tax	21, 27	2,465,358	(696)	-	(176,619)	-	-	2,288,043
Recognition of liability component of preference shares	21	(2,000)	-	-	-	-		(2,000)
Disposal of treasury shares	14, 21	-	-	1,330	-	-	-	1,330
Dividends paid		-	-	-	(71,350)	-	-	(71,350)
31 December 2019		**4,640,011**	**-**	**-**	**1,669,225**	**6,404**	**4,928**	**6,320,568**

Approved for issue and signed on behalf of the Management Board on 29 June 2020.

Annaklichev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(in millions of Uzbek Soums)

	Notes	2019	2018
Cash flows from operating activities			
Interest received		2,888,001	941,562
Interest paid		(1,767,974)	(346,213)
Fee and commission received		331,724	258,394
Fee and commission paid		(76,880)	(51,751)
Insurance operations income received		18,754	-
Insurance operations expense paid		(5,600)	-
Net gain from trading in foreign currencies		21,475	19,528
Other operating income received		7,593	2,775
Staff costs paid		(516,670)	(299,660)
Administrative and other operating expenses paid		(167,238)	(154,546)
Income tax paid		(140,309)	(29,117)
Cash flows from operating activities before changes in operating assets and liabilities		**592,876**	**340,972**
Net increase in due from other banks		(1,047,465)	(126,428)
Net increase in loans and advances to customers		(10,292,410)	(6,634,702)
Net increase in investment securities measured at amortised cost		(84,422)	-
Net decrease/(increase) in other assets		32,167	(6,637)
Net (decrease)/increase in due to other banks		(189,679)	33,155
Net increase in customer accounts		3,513,345	1,186,114
Net (decrease)/increase in other liabilities		(2,745)	1,613
Net cash used in operating activities		**(7,478,333)**	**(5,205,913)**
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(44,998)	(25,301)
Proceeds from disposal of financial assets at fair value through other comprehensive income		3,267	805
Acquisition of premises, equipment and intangible assets		(448,700)	(105,496)
Proceeds from disposal of premises, equipment and intangible assets		14,737	1,353
Proceeds from disposal of subsidiary, net of disposed cash	14	(7)	3,472
Proceeds from disposal of investment in associates		2,907	-
Dividend income received		12,041	3,261
Net cash used in investing activities		**(460,753)**	**(121,906)**
Cash flows from financing activities			
Proceeds from borrowings due to other banks		929	298,033
Repayment of borrowings due to other banks		(77,068)	(31,736)
Proceeds from other borrowed funds		14,811,572	6,107,019
Repayment of other borrowed funds		(9,094,144)	(2,608,701)
Proceeds from debt securities in issue		2,992,944	3,950
Repayment of debt securities in issue		(144,157)	(4,910)
Proceeds from other subordinated debt		80,000	-
Issue of ordinary shares		292,467	424,846
Dividends paid		(71,145)	(29,965)
Treasury shares sold		-	1,147
Net cash from financing activities		**8,791,398**	**4,159,683**
Effect of exchange rate changes on cash and cash equivalents		113,129	5,902
Net increase/(decrease) in cash and cash equivalents		**965,441**	**(1,162,234)**
Cash and cash equivalents at the beginning of the period	7	1,897,133	3,059,367
Cash and cash equivalents at the end of the period	7	**2,862,574**	**1,897,133**
Non-cash transactions			
Transfer of loans funded by UFRD	9, 18	11,575,708	-
Conversion of debt into equity by the shareholder	9, 21	2,288,043	-

Approved for issue and signed on behalf of the Management Board on 29 June 2020.

Annaklichev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

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 31 December 2019 (31 December 2018: 45 branches).

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

As at 31 December 2019, the number of Bank’s employees was 3,902 (31 December 2018: 3,584).

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

At 31 December 2019 and 2018, the Group consolidated the following companies in these consolidated financial statements:

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

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

During 2019, the Group completed liquidation of its subsidiary Asset Invest Trust, LLC (Note 14).

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

Shareholders	31 December 2019	31 December 2018
The Fund of Reconstruction and Development of the Republic of Uzbekistan	82.09%	55.78%
The State Assets Management Agency of the Republic of Uzbekistan	12.77%	0.00%
The Ministry of Finance of the Republic of Uzbekistan	0.00%	30.44%
Joint Stock Company "Uztransgaz"	1.21%	2.98%
Tashmuxamedov Ravshan Irkinovich	0.48%	1.19%
Unitary Enterprise "Bukhara oil refinery plant"	0.45%	1.11%
Joint Stock Company "Uzneftmahsulot"	0.40%	0.99%
Private limited company "Shurtan gas chemical complex"	0.37%	0.91%
Joint Stock Company "Uzbekenergo"	0.00%	1.09%
Other legal entities and individuals (individually hold less than 1%)	2.23%	5.51%
Total	**100%**	**100%**

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

2. OPERATING ENVIRONMENT OF THE GROUP

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

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

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have 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 may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Uzbekistan economy.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment. The financial position and the results of the Bank continue to be significantly impacted by the reforms of the new government, including those directed at increasing living standards, incomes, and job opportunities in rural regions.

As at 31 December 2019, the Bank was in a breach of certain financial covenants stipulated in the tripartite subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017 and #3673-UZB from November 2018 as discussed in detail in Note 18. On 5 November 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of the financial covenants stipulated in these subsidiary loan agreements.

This, as a result, triggered cross default clauses stipulated in the credit facility agreements signed between the Group and the Gazprombank and AKA Ausfuhrkredit-Gesellschaft mbH with the year end aggregate outstanding balance of UZS 387,276 million as discussed in detail in Note 18.

As at 31 December 2019, the Group had a cumulative liquidity shortfall of UZS 1,163,354 million up to one months (Note 34), which reflects the effects of the decision to classify UZS 416,656 million and UZS 387,276 million as "demand and less than 1 month" as a result of the non-compliance with the covenants and the triggered cross default, respectively.

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

- The Management has communicated these non-compliances and cross default events to Gazprombank and AKA Ausfuhrkredit-Gesellschaft mbH. As at report issuance date, none of the creditors have demanded from the Group for early repayment of the funds. Subsequent to the reporting date, the Group and respective creditors have agreed not to consider above non-compliance as a trigger for cross default.
- 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. Additionally, the Bank attracted an unsecured synthetic loan of USD 50 million from the investment management company Daryo Finance B.V. for financing the small and medium sector.
- Subsequent to the reporting date, the OPEC Fund for International Development (the OPEC Fund) has signed a loan agreement of USD 20 million in favor of the Bank to support the trade finance requirements of small- and medium-sized enterprises (SMEs). The Bank will extend trade loans to finance sub-borrowers in different sectors such as agriculture, healthcare, construction and textiles.
- As at 31 December 2019, deposits of state entities callable within one year amounted to UZS 1,913,147 million and borrowings from the State and state entities with the same maturity amounted to UZS 447,862 million (total UZS 2,361,009 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 for the foreseeable future.

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented except for the accounting policies and impact of the adoption of new Standard and Interpretations IFRS 9 Financial Instruments.

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

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

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest, except for:

a) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

b) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;

c) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiaries use uniform accounting policies.

Non-controlling interest. Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interest are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

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

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

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

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

Investments in associates or joint ventures are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates or joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates or joint ventures reduce the carrying value of the investment in associates or joint ventures. Other post-acquisition changes in Group's share of net assets of an associate or a joint venture are recognised as follows: (i) the Group's share of profits or losses of associates or joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates or joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates or joint ventures are recognised in profit or loss within the share of result of associates or joint ventures. However, when the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

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

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

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

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

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

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

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 32.

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are

amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

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

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

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

Accounting for financial assets from 1 January 2018. Financial assets in the scope of IFRS 9 "Financial Instruments" ("IFRS 9") are classified as either financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

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

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

Specifically:

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

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

- loans and advances to customers classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;

- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through other comprehensive income;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss or other comprehensive income.

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

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

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

A financial liability is classified as held for trading if:

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

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

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

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

Equity instruments at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets
Expected credit loss (ECL) measurement - definitions

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

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

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

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

- In order to calculate the expected credit losses, the Group performs loan assessment on an individual basis and on a group basis depending on general credit risk features.
- Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified

information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and the Management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.

- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.

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

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

Stage 1: Loans without significant increase in credit risk (SICR)
- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 until the identification of factors that indicate a significant increase in credit risk, except for acquired or created loan-impaired loans.

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

Stage 3: Financial asset is in default
- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);
- Presence of debt on off-balance sheet accounts for the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU;
- Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;
- Purchased or created credit impaired financial asset (POCI);

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

Bank, in this case it is possible to normalize the calculated amount of capital for the relevant period by excluding from the calculation the amount of such gains / losses).

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

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

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

Stage 2: "Loans with increased credit risk"
- Breach of contract terms, such as a delay of payment from 31 to 90 calendar days;
- The Bank has information about overdue debts in other credit institutions (if information is available for the Bank) on the principal debt and / or the borrower's remuneration from 31 to 90 calendar days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Actual or expected significant change in the operating results of the borrower. Examples include actual or expected decrease in revenues or margins, increased operational risks, working capital inefficiencies, management problems, or changes in the scale of business or organizational structure (for example, termination of a business segment), which lead to a significant change in the borrower's ability to repay debt liabilities. The criteria is reduction of the financial condition of the borrower by one class. Class of the financial condition of the borrower score based on the calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales profitability
- Actual or expected (based on reasonable and corroborated information) reduction of the borrower's external credit rating by 2 or more notches;
- Reduction of financial support from the state, the parent organization or another affiliated organization;
- Significant deterioration in the quality or condition of the collateral according to the data of the last monitoring report, which is expected to reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract or otherwise affect the probability of a default. When the security is a guarantee of third parties, significant financial difficulties of the guarantor or surety;
- Existing or projected adverse changes in commercial, financial or economic conditions (actual or expected increase in interest rates or actual or expected increase in unemployment) or actual or expected adverse change in regulatory, economic or technological conditions of the borrower's activity (for example, decrease in demand for the borrower of the product due to changes in technology);
- Borrower who has no evidence of impairment or evidence of a significant increase in credit risk at the reporting date, but who has been classified as credit impaired (in Stage 3) based on the calculation of expected credit loss at the previous reporting date.
- Expected breach of contract that could lead to the provision of exemptions for covenants or amendments to covenants, provision of temporary exemption from interest payments, increase in interest rates, introduction of requirements for additional security or guarantees or other changes to the contractual base of the instrument;
- Reasonable and corroborated information about one or more of the following factors:
  - the presence of uncertainty in respect of continuous operations in the auditor's report of the financial statements of the borrower;
  - involvement in legal proceedings of the borrower (co-borrower), which may worsen its financial condition;
  - violation of covenants 1 or more times within three months before the reporting date;

Stage 3: "Credit-impaired loans"
- Breach of contract terms, such as default or delay of payments for 90 days and more;
- Cross-default, the Bank has information about overdue debts in other credit institutions (if the Bank has information) on the principal debt and / or interest for 90 calendar days or more;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU.
- Presence of significant financial difficulties of the borrower. The criteria is reduction of financial condition of the borrower by two or more classes. The class of the financial condition of the borrower is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales margin);
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Bank and when restructuring occurs at the decision of higher authorities);

- Lack of communication with the borrower (co-borrower), as well as the lack of information to determine the financial condition of the borrower (co-borrower) for the last 12 months;
- Decrease in the external credit rating of the borrower to the "CC" rating and below, assigned by the rating agencies Standard & Poor's, Moody's Investors Service and Fitch;
- Write-off of part and / or the entire amount of debt on the principal debt and / or remuneration of the borrower during the previous 2 years;
- Suspension of the accrual of interest on the loan due to the deteriorating financial condition of the borrower (non-accrual status);
- Availability of information about the death of the borrower (co-borrower) of an individual;
- Purchase or creation of a financial instrument with a large discount, which reflects the incurred credit losses;
- The borrower's appeal to the court with a statement of recognition of its bankruptcy or the filing of a claim by a third party to declare the borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans that have a court decision or are in court proceedings (loans that have court decision dates in the loan portfolio);
- Revocation of a license or other title document for the implementation of activities;
- Disappearance of an active market for a given financial asset.

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

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

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

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

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

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

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

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

Investment securities measured at amortized cost. The Group has designated some investment securities measured at amortised cost using the effective interest method, with interest income recognised on an effective yield basis. The Group plans to hold these investments until maturity, as these assets are treated as highly liquid assets as per statutory requirements set by the CBU.

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

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

At the end of each reporting period the Management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Management estimates the recoverable amount, which is determined

as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount and are recognised in profit and loss.

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

	Useful lives in years
Building and leasehold improvements	20
Office and computer equipment	5-10

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

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

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

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

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

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the

current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

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

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

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

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

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

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

Subordinated debt. Subordinated debt is measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. As per the requirements of the CBU, subordinated debts must meet the following criteria:

- In the event of bankruptcy or liquidation of the Bank, repayment of these debts is subordinate to the repayment of the Bank's liabilities to all other creditors;
- These debts should not be secured by a pledge;
- The initial contractual maturity must be more than 5 years;
- Consent of the CBU is required for early repayments.

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

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

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

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the

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

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

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

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

Uncertain tax positions. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.
Large-scale tax system transformations are taking place in the Republic of Uzbekistan associated with the adoption of the Concept for Improving the Tax Policy of the Republic of Uzbekistan. Its main reforms are implemented in the Tax Code, other regulatory acts, including the annual "budgetary" resolution and entered into force on 1 January 2019.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of accounting for insurance activities.

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

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

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated using "pro rata temporis". The "pro rata temporis" method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date.

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

Loss provision. Loss provision represents the accumulation of estimates for ultimate losses and includes provision for losses reported but not settled ("RBNS") and incurred but not yet reported ("IBNR"). Estimates of claims handling expenses are included in both RBNS and IBNR. RBNS is provided in respect of claims reported, but not settled as at the

reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases before or after the reporting date. IBNR is determined by the Group by line of business, and includes assumptions based on prior years' claims and claims handling experience. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of comprehensive income as they arise. Loss provision is estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

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

Preventive measures reserve. The Group is restricted in its use of a portion of premiums received by the Group on certain types of insurance under terms established by insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of November 20, 2008 N 107, registered by the Ministry of Justice on December 15, 2008 N 1882). The reserve is calculated as a percentage provided for tariff structure. The purpose of the Preventive Measures Reserve ("PMR") is to provide funds for the cost of financing measures that prevent accidents, promote general safety, and prevent the loss of or damage to insured property. There is no obligation that the funds be spent, and no requirement for the return of these funds, if unused, to the insured. However, the Group is restricted from distributing these funds to shareholders in the form of dividends. For IFRS purposes, this restriction is initially shown as a transfer from retained earnings to the PMR in the period when the restriction is created. Subsequently, when the funds are used for the purpose intended, the amount spent is expensed and a corresponding amount is restored to retained earnings from the PMR.

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

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

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

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

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

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

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

As at 31 December 2019, the rate of exchange used for translating foreign currency balances was USD 1 = UZS 9,507.56 (2018: USD 1 = UZS 8,339.55) and EUR 1 = UZS 10,624.70 (2018: EUR 1 = UZS 9,479.57).

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Significant increase of credit risk. As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty’s/issuer’s environment in the future. In

particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default ("PD").

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

The key inputs used for measuring ECL are:

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

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

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

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

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

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

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

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

Establishing groups of assets with similar credit risk characteristics

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

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

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

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to notes 11 and 32 for more details on fair value measurement.

Valuation of incurred but not reported insurance claims reserve. The Group establishes IBNR reserve to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. This reserve is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have

not yet been reported, the Group relies upon historical information, loss experience analysis, type and extent of coverage to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and comparisons with the results of industry benchmarks in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

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

Due to inherent uncertainty underlying IBNR reserve estimates, including, but not limited to, the future settlement environment, final resolution of the estimated liability may be different from that anticipated at the reporting date.

Therefore, actual paid losses in the future may yield a significantly different amount than currently reserved — favorable or unfavorable.

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

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

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

Impact of initial application of IFRS 16 Leases.

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

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

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the lessee has:

a) The right to obtain substantially all of the economic benefits from the use of an identified asset; and
b) The right to direct the use of that asset.

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

On initial application of IFRS 16 for the long-term leases the Group plans to apply the following:

a) Right-of-use assets and lease liabilities are recognized in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Depreciation of right-of-use assets and interest on lease liabilities are recognized in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) are recognized in the consolidated cash flow statement.

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

Judgements related to the application of IFRS 16

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

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

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

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).
Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards: IAS 12 Income Taxes. The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. IFRS 3 Business Combinations. The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

	IFRS 11 Joint Arrangements. The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.
IFRIC 23 Uncertainty over Income Tax Treatments	The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to: - determine whether uncertain tax positions are assessed separately or as a group; and - assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method. The Group applies judgement in identifying uncertainties over income tax treatments, as the Group operates only in Republic of Uzbekistan, it assessed whether the Interpretation had a material impact on its consolidated financial information. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that the interpretation did not have an impact on the consolidated financial information of the Group, given that the Bank's and the subsidiaries' tax filings are in the same jurisdiction.

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

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 Insurance Contracts.

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

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

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

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after January 1, 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The management of the Group does not expect that the application of these changes will have a material impact on the consolidated financial statements of the Group.

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

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

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

Amendments to IFRS 3 Definition of a Business.

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

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

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

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted. The management of the Group does not expect that the application of these amendments will have an impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8 Definition of Material.

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted. The management of the Group does not expect that the application of these changes will have an impact on the consolidated financial statements of the Group.

Amendments to References to the Conceptual Framework in IFRS Standards.

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains

amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

6. SEGMENT REPORTING

The Group’s operations are a single reportable segment.

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

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

7. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	662,864	456,067
Cash balances with the CBU (other than mandatory reserve deposits)	1,014,834	813,180
Correspondent accounts and placements with other banks with original maturities of less than three months	1,184,977	627,940
Less: Allowance for expected credit losses	(101)	(54)
Total cash and cash equivalents	**2,862,574**	**1,897,133**

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
Neither past due nor impaired			
- 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)**
Total cash and cash equivalents, excluding cash on hand	**1,014,781**	**1,184,929**	**2,199,710**

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

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

8. DUE FROM OTHER BANKS

	31 December 2019	31 December 2018
Mandatory cash balances with CBU	373,156	240,488
Placements with other banks with original maturities of more than three months	1,350,298	334,145
Restricted cash	329,802	242,270
Less: Allowance for expected credit losses	(16,166)	(4,811)
Total due from other banks	**2,037,090**	**812,092**

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

Analysis by credit quality of due from other banks outstanding at 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
Neither past due nor impaired				
- 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)
Total due from other banks	**373,143**	**1,334,311**	**329,636**	**2,037,090**

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

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

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

9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

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

Loans and advances to customers comprise:

	31 December 2019	31 December 2018
State and municipal organisations	13,030,368	20,614,186
Corporate loans	14,532,135	6,193,791
Loans to individuals	3,123,699	1,673,984
Total loans and advances to customers, gross	**30,686,202**	**28,481,961**
Less: Allowance for expected credit losses	(646,417)	(461,332)
Total loans and advances to customers	**30,039,785**	**28,020,629**

Loans and advances to customers classification by stages:

	31 December 2019	31 December 2018
Originated loans to customers	30,654,925	28,468,512
Overdrafts	31,277	13,449
Total loans and advances to customers, gross	**30,686,202**	**28,481,961**
Stage 1	21,174,347	24,580,970
Stage 2	8,644,898	3,341,788
Stage 3	866,957	559,203
Total loans and advances to customers, gross	**30,686,202**	**28,481,961**
Less: Allowance for expected credit losses	(646,417)	(461,332)
Total loans and advances to customers	**30,039,785**	**28,020,629**

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

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

- Reduce the share of low-margin loans funded by the Government in the loan portfolio of the Group. The Group executed the transaction by transferring from its loan portfolio 22 loans specified in the Decree ("the Non-core loans") to the UFRD. To compensate for the reduction of assets, the Group simultaneously discharged from its liabilities by decreasing the 'Other borrowed funds' from the UFRD for the same amount. In accordance with the Decree, these loans, denominated predominantly in USD and lesser in EUR, were provided to twelve large State owned companies to fund national projects in the energy, oil & gas, chemicals and transportation sectors of the economy and amounted to an equivalent of UZS 11,575,708 million on the date of transaction as described in Note 18.
- In accordance with the Decree, increase the Share capital of the Group and the UFRD's stake in it, respectively, by capitalizing 7 loans ("the Capitalized loans") funded by the UFRD. The transaction occurred by converting the Group's borrowings, obtained from the UFRD to fund these loans, into the Group's share capital. These loans were provided to three large State owned companies to fund the national projects in oil & gas, chemicals

and transportation sectors of economy and amounted to USD 258.5 million (UZS 2,465,358 million) as at the date of actual transaction which has been executed as at 31 October 2019, as described in Note 21.

- Also, the Government, in its capacity as a shareholder of the Group, has instructed to substantially modify initial terms of the capitalized loans by changing their currency profile, interest rates and maturity. These modifications resulted in derecognition of old assets with the carrying value of UZS 2,465,358 million and recognition of new assets with the fair value on initial recognition of UZS 2,243,000 million. As a result, loss on initial recognition of the asset in the amount of UZS 222,358 million was recognized directly in shareholder's equity by utilizing the available share premium and reducing the retained earnings for the remaining amount net of tax as described in Note 21.

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2019	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Changes in the gross carrying amount				
- Transfer from stage 1	(2,907,052)	2,510,568	396,484	-
- Transfer from stage 2	315,431	(493,493)	178,062	-
- Transfer from stage 3	18,705	107,734	(126,439)	-
- Changes due to modifications that did not result in derecognition*	(3,541,080)	2,139,075	34,754	**(1,367,251)**
New assets issued or acquired	21,544,064	-	-	**21,544,064**
Matured or derecognized assets (except for write off)	(20,801,314)	(371,392)	(231,594)	**(21,404,300)**
Recovery of written off assets	-	-	25,838	**25,838**
Written off assets	-	-	(4,382)	**(4,382)**
Foreign exchange differences	1,964,623	1,410,618	35,031	**3,410,272**
Gross carrying amount as at 31 December 2019	**21,174,347**	**8,644,898**	**866,957**	**30,686,202**
Loss allowance for ECL as at 31 December 2019	(136,991)	(193,828)	(315,598)	**(646,417)**
Total loans and advances to customers	**21,037,356**	**8,451,070**	**551,359**	**30,039,785**

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

* The 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.

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2019	**175,253**	**70,747**	**215,332**	**461,332**
Changes in the gross carrying amount				
- Transfer from stage 1	(26,203)	20,967	5,236	-
- Transfer from stage 2	17,966	(24,399)	6,433	-
- Transfer from stage 3	1,992	86,316	(88,308)	-
- Changes due to modifications that did not result in derecognition*	(207,675)	5,780	189,704	**(12,191)**
New assets issued or acquired	293,830	-	-	**293,830**
Matured or derecognized assets (except for write off)	(124,657)	(13,046)	(48,482)	**(186,185)**
Recovery of assets previously written off	-	-	25,838	**25,838**
Written off assets	-	-	(4,382)	**(4,382)**
Foreign exchange differences	6,485	47,463	14,227	**68,175**
Loss allowance for ECL as at 31 December 2019	**136,991**	**193,828**	**315,598**	**646,417**

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

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

	31 December 2019		31 December 2018	
	Amount	**%**	**Amount**	**%**
Manufacturing	9,201,743	30%	3,429,674	12%
Oil and gas & chemicals	6,762,641	22%	14,152,593	50%
Trade and Services	3,650,471	12%	1,370,942	5%
Energy	3,621,465	12%	4,633,970	16%
Individuals	3,123,699	10%	1,673,984	6%
Transport and communication	1,867,812	6%	1,677,406	6%
Agriculture	1,642,841	5%	1,010,762	4%
Construction	815,530	3%	532,630	2%
Total loans and advances to customers, gross	**30,686,202**	**100%**	**28,481,961**	**100%**
Less: Allowance for expected credit losses	(646,417)		(461,332)	
Total loans and advances to customers	**30,039,785**		**28,020,629**	

As at 31 December 2019, the Group granted loans to 10 (31 December 2018: 7) borrowers in the amount of UZS 10,434,535 million (31 December 2018: UZS 18,563,205 million), which individually exceeded 10% of the Group's equity.

Information about loans and advances to individuals as at 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
Mortgage	1,792,916	898,144
Car Loan	525,977	350,223
Microloan	357,977	121,115
Consumer Loans	300,598	181,389
Other	146,231	123,113
Total loans and advances to individuals, gross	**3,123,699**	**1,673,984**
Less: Allowance for expected credit losses	(30,355)	(2,322)
Total loans and advances to individuals	**3,093,344**	**1,671,662**

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**
Total loans and advances to customers, gross	**13,030,368**	**14,532,135**	**3,123,699**	**30,686,202**
Less: Allowance for expected credit losses	(147,668)	(468,394)	(30,355)	**(646,417)**
Total loans and advances to customers	**12,882,700**	**14,063,741**	**3,093,344**	**30,039,785**

Information about collateral as at 31 December 2018 are as follows:

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

Analysis by credit quality of loans 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:

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

31 December 2018	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans assessed for impairment on a collective basis (gross):				
Not past due loans	20,563,999	5,703,413	1,656,456	**27,923,868**
Past due loans				
- less than 30 days overdue	1,044	153,237	6,141	**160,422**
- 31 to 90 days overdue	18,549	109,076	7,788	**135,413**
- 91 to 180 days overdue	997	29,399	1,920	**32,316**
- 181 to 360 days overdue	1,135	10,850	1,287	**13,272**
- over 360 days overdue	1,559	5,153	392	**7,104**
Total loans assessed for impairment on a collective basis, gross	**20,587,283**	**6,011,128**	**1,673,984**	**28,272,395**
Loans individually determined to be impaired (gross):				
Not past due loans	26,903	68,688	-	**95,591**
Restructured loans	-	87,486	-	**87,486**
Past due loans				
- 31 to 90 days overdue	-	26,489	-	**26,489**
Total loans individually determined to be impaired, gross	**26,903**	**182,663**	**-**	**209,566**
- Impairment provisions for individually impaired loans	(781)	(104,689)	-	**(105,470)**
- Impairment provisions assessed on a collective basis	(143,708)	(209,832)	(2,322)	**(355,862)**
Less: Allowance for expected credit losses	**(144,489)**	**(314,521)**	**(2,322)**	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

The components of net investment in finance lease as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Not later than one year	71,317	37,973
From one year to five years	150,078	267,030
More than five years	-	-
Minimum lease payments	**221,395**	**305,003**
Less: unearned finance income	(53,800)	(106,676)
	167,595	**198,327**
Less: Allowance for expected credit losses	(846)	(1,742)
Net investment in finance lease	**166,749**	**196,585**
Current portion	45,596	4,670
Long-term portion	121,153	191,915
Net investment in finance lease	**166,749**	**196,585**

As at 31 December 2019, finance lease receivables include five lease agreements for the total amount of UZS 174,040 million (31 December 2018: UZS 185,000 million) with one-year grace period for repayment of principal amounts.

10. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	Currency	Annual coupon/ interest rate %	Maturity date month/year	31 December 2019	31 December 2018
Government Bonds	UZS	15%	November - December / 2020	83,095	-
Corporate bonds	UZS	20%	July / 2026	2,503	-
Less: Allowance for expected credit losses				(950)	-
Total investment securities measured at amortised cost				**84,648**	**-**

During 2019, the Group has purchased government bonds of the Ministry of Finance of the Republic of Uzbekistan in quantity 79,009 with nominal value of UZS 1,000,000 per each and coupon rate of 15% p.a.

As at 31 December 2019, the subsidiary PSB Insurance, LLC has purchased corporate bonds of JSCB "Asia Alliance Bank" in quantity 2,500 with nominal value of UZS 1,000,000 per each and coupon rate of CBU refinancing rate (16%) + 4% p.a.

As at 31 December 2019, these bonds were not pledged for the obligation of the Group.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Ownership	31 December 2019	31 December 2018
LLC "Steel Property Construction"	7.1%	41,662	24,938
LLC "Binokor"	4.3%	28,736	-
Visa Inc.	0.0%	10,338	6,331
JSC "Republican Currency Exchange"	11.1%	4,528	5,739
JSC "Qurilishmashlizing"	8.8%	1,821	1,243
JSC "Tashkent" Stock Exchange	6.8%	554	-
JSC "UzMed-Leasing"	16.7%	356	421
LLC "Xojayli Agrosanoat markazi"	25.0%	116	125
JSC "Republican Commodity Exchange"	-	-	1,473
JSCB "Agrobank"	-	-	1,194
Other	3-8%	603	340
Total financial assets at FVTOCI		**88,714**	**41,804**

Financial assets at FVTOCI as at 31 December 2019, other than Visa Inc., include equity securities and equity investments, registered in Uzbekistan and not actively traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. Some of the investees have not published recent financial information about their operations, recent trade prices of shares are not publicly accessible.

As at 31 December 2019 and 2018, Visa Inc. is measured using level 1 hierarchy and investment securities other than Visa Inc. are measured using level 3 hierarchy of fair value measurement.

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

In accordance with the Presidential Decree "On the development of the innovative business in Tashkent regions" dated 21 December 2018, the Group made an investment in share capital of LLC "Steel Property Construction" in the amount of UZS 24,938 million and UZS 41,662 million during the year ended 31 December 2018 and 31 December 2019, respectively.

As a result, the Group's ownership share in LLC "Steel Property Construction" comprised 12.4% and 7.1% as at 31 December 2018 and 31 December 2019, respectively. The Group has neither control nor significant influence over the Entity during the periods. The Group's plan is to earn from this investment in the form of dividends, as such classified it as Financial assets at fair value through other comprehensive income. As at 31 December 2019, the Management of the Group did not consider this investment as impaired, as the company is newly established construction company under the Presidential Decree, and its construction projects are on-going and, strategic for the Government being by long term nature.

In accordance with the Presidential Decree #4335 "On additional measures for acceleration of development of the construction materials industry" dated 23 May 2019, the Group made an investment in share capital of LLC Binokor in the amount of USD 3 million, equivalent to UZS 28,736 million as at 31 December 2019.

The Group made an investment in share capital of LLC "Xojayli Agrosanoat markazi" in the amount of UZS 116 million. As at 31 December 2019, the Group has neither control nor significant influence over the entity from initial recognition, which is evidenced by the facts that the Group does not participate in the policy-making process and there is no interchange of managerial personnel. The Group's initial intention is plan to earn from this investment in the form of dividends, as such classified it as Financial assets at fair value through other comprehensive income.

During 2019, the subsidiary Asset Invest Trust, LLC was liquidated in accordance with the Decision of the Management dated 31 October 2019, as a result of which the subsidiary has disposed of its investment in JSCB "Agrobank".

As at 31 December 2019, the Group has also disposed of its equity security investment in "JSC "Republican Commodity Exchange".

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

The tables below represent the movement of Financial instruments at FVTOCI for the years ended 31 December 2019 and 2018:

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

	31 December 2017	Additions	Disposal	FV Adjustments 2018	31 December 2018
Financial assets at FVTOCI	**15,565**	25,301	(805)	1,743	**41,804**

12. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
Carrying amount as at 1 January 2018	**92,026**	**44,086**	**9,822**	**145,934**	**999**	**146,933**
Additions	-	36,119	39,312	75,431	665	76,096
Disposals (net of depreciation)	(152)	(648)	(101)	(901)	(13)	(914)
Transfers	14,086	-	(14,086)	-		-
Depreciation/amortization charge	(6,516)	(14,688)	-	(21,204)	(504)	(21,708)
Carrying amount as at 31 December 2018	**99,444**	**64,869**	**34,947**	**199,260**	**1,147**	**200,407**
Cost as at 31 December 2018	132,205	142,389	34,947	309,541	10,024	319,565
Accumulated depreciation/amortisation	(32,761)	(77,520)	-	(110,281)	(8,877)	(119,158)
Carrying amount as at 31 December 2018	**99,444**	**64,869**	**34,947**	**199,260**	**1,147**	**200,407**
Additions	2,737	111,841	151,167	265,745	2,228	267,973
Disposals (net of depreciation)	(4,300)	(837)	(293)	(5,430)	(205)	(5,635)
Transfers	38,997	9,020	(48,065)	(48)	48	-
Depreciation/amortization charge	(5,254)	(21,672)	-	(26,926)	(539)	(27,465)
Carrying amount as at 31 December 2019	**131,624**	**163,221**	**137,756**	**432,601**	**2,679**	**435,280**
Cost as at 31 December 2019	168,637	257,579	137,756	563,972	12,057	576,029
Accumulated depreciation/amortisation	(37,013)	(94,358)	-	(131,371)	(9,378)	(140,749)
Carrying amount as at 31 December 2019	**131,624**	**163,221**	**137,756**	**432,601**	**2,679**	**435,280**

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

During the financial year ending 31 December 2019, the Group budgeted to invest on renovation of its branches UZS 218,026 million of which UZS 151,167 million was recorded in CIP as at 31 December 2019:

- UZS 27,677 million on renovation of the Head office;
- UZS 11,279 million on renovation of Chilanzar branch;
- UZS 8,646 million on renovation of Yashnabad branch;
- UZS 8,481 million on renovation of Mirzo Ulugbek branch;
- UZS 6,979 million on construction of Tashkent City;
- UZS 6,183 million on renovation of Sirdarya regional branch;
- UZS 6,051 million on renovation of Olmazor ranch;
- UZS 5,737 million on renovation of Uchtepa branch;
- UZS 5,404 million on renovation of Al-Khorezmi branch;
- UZS 5,290 million on renovation of Khorezm regional branch and
- Others UZS 55,356 million.

During the financial year ending 31 December 2019, the Group purchased POS terminals recorded in Office and Computer Equipment for the amount UZS 54,881 million.

As at 31 December 2019 and 2018, included in premises and equipment were fully depreciated assets totaling UZS 45,495 million and UZS 37,129 million, respectively.

As at 31 December 2019 and 2018, fixed assets in the warehouse are included in office and computer equipment category in the amount of UZS 11,928 million and UZS 12,202 million, respectively.

As at 31 December 2019 and 2018, premises and equipment of the Group were not pledged.

13. OTHER ASSETS

	31 December 2019	31 December 2018
Other financial assets		
Commission income receivable	6,468	4,153
Receivable from JSC "Republican Currency Exchange"	137	-
Other receivables	836	3,306
Less: Allowance for expected credit losses	(2,279)	(485)
Total other financial assets	**5,162**	**6,974**
Other non-financial assets		
Prepayment for construction of building	209,997	29,142
Prepaid expenses and advances	20,819	7,845
Prepaid income tax	26,536	5,762
Tax settlements, other than income tax	6,291	-
Inventory	3,378	139
Prepayments for equipment and property	685	813
Repossessed collateral	212	574
Other	3,742	1,673
Less: Provision for impairment	(129)	(309)
Total other non-financial assets	**271,531**	**45,639**
Total other assets	**276,693**	**52,613**

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and those assets were initially recognised at fair value when acquired.

As at 31 December 2019, the prepayment for the construction of a building comprises prepayment to Shanghai Construction company in the amount of UZS 194,848 million equivalent (USD 20.48 million) for construction of building in Tashkent city in accordance with the Decree of Cabinet of Ministers #961 dated 27 November 2018. The construction works have started on 20 June 2019 and expected to be completed by the end of 2021.

14. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2019	31 December 2018
Repossessed assets:		
- Buildings held for sale	17,706	336
- Others assets held for sale	1,237	477
Total non-current assets (or disposal groups) held for sale	**18,943**	**813**

As at 31 December 2019, buildings held for sale comprise repossessed collaterals of "Toshbozorsavdo" LLC. In December 2019, the Group's Management approved and initiated an active programme to locate a buyer within one year. Repossessed assets were measured at the lower of their carrying amount and fair value less costs to sell. As at 31 December 2019 impairment losses on assets classified as held for sale were recognized in the amount of UZS 12,488 million.

Major classes of assets and liabilities of subsidiary disposed in 2019 and 2018 are as follows:

	2019	2018
Non-current assets	680	14,255
Current assets	17	-
Total assets of subsidiary disposed of	**697**	**14,255**
Current liabilities	-	2,552
Total liabilities directly associated with disposed subsidiary	**-**	**2,552**
Net assets of subsidiary disposed of	**697**	**11,703**

Based on the decision of the Management of the Group made on 31 October 2019, the subsidiary Asset Invest Trust, LLC was liquidated:

	2019	2018
Consideration received in cash and cash equivalents	10	3,476
Less: cash and cash equivalent of disposed balances	17	(4)
Total cash (paid) / received	**(7)**	**3,472**

The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and 2018 are set out below:

	2019	2018
Net assets of subsidiary disposed of	(697)	(11,703)
Consideration received in cash and cash equivalents	10	3,476
Present value of deferred cash proceeds	-	10,079
Gain from/(loss on) disposal of subsidiary	(687)	1,852
Total revenue	167	-
Total expenses	(1,514)	(647)
(Loss from) / Profit for the period from disposed subsidiary	**(2,034)**	**1,205**
Disposal of investment in associate	2,020	-
Profit for the period of disposed associate	**2,020**	**-**
(Loss from) / Profit for the year from discontinued operations	**(14)**	**1,205**

15. DUE TO OTHER BANKS

	31 December 2019	31 December 2018
Long term placements of other banks	358,687	434,827
Short term placements of other banks	68,427	187,535
Correspondent accounts and overnight placements of other banks	37,995	54,338
Total due to other banks	**465,109**	**676,700**

As at 31 December 2019 and 2018, "Long term placements of other banks" comprised borrowings from Halk Bank for the amount UZS 358,259 million and borrowings from National Bank of Uzbekistan and Halk Bank for the amount UZS 434,827 million, respectively, obtained to finance strategic government infrastructural projects.

16. CUSTOMER ACCOUNTS

	31 December 2019	31 December 2018
State and public organisations		
- Current/settlement accounts	1,283,604	1,313,514
- Term deposits	3,149,784	560,420
Other legal entities		
- Current/settlement accounts	2,666,070	2,078,622
- Term deposits	391,449	76,529
Individuals		
- Current/demand accounts	760,410	405,623
- Term deposits	872,653	694,468
Total customer accounts	**9,123,970**	**5,129,176**

Economic sector concentrations within customer accounts are as follows:

	31 December 2019		31 December 2018	
	Amount	**%**	**Amount**	**%**
Public administration	3,290,644	30%	549,218	11%
Individuals	1,633,063	18%	1,100,091	21%
Manufacturing	1,086,499	16%	1,472,136	29%
Mining	665,537	5%	363,430	7%
Oil and gas	525,546	4%	602,301	12%
Services	394,745	4%	108,121	2%
Trade	380,999	3%	183,992	4%
Energy	366,456	2%	59,299	1%
Communication	231,197	3%	87,489	2%
Construction	191,363	3%	150,062	3%
Engineering	115,351	4%	55,663	1%
Finance	55,491	4%	190,245	4%
Agriculture	41,478	1%	120,156	2%
Transportation	22,044	2%	20,607	0%
Medicine	1,384	0%	709	0%
Other	122,173	1%	65,657	1%
Total customer accounts	**9,123,970**	**100%**	**5,129,176**	**100%**

As at 31 December 2019, the Group had two (31 December 2018: nil) customers the Ministry of Finance of the Republic of Uzbekistan and JSC "Almalyk MMC" with a total balance UZS 3,188,457 million (31 December 2018: UZS nil), which individually exceeded 10% (31 December 2018: 10%) of the Group's equity.

17. DEBT SECURITIES IN ISSUE

	31 December 2019			31 December 2018		
	Amount	**Nominal interest, %**	**Maturity, year**	**Amount**	**Nominal interest, %**	**Maturity, year**
Eurobonds	2,808,987	5.75	2024	n/a	n/a	n/a
Certificates of deposit	79,627	5-18	2022	25,540	7-16	2021
Bonds	32,280	7.5-18	2024	42,201	14-16	2022
Total debt securities issued	**2,920,894**			**67,741**		

In December 2019, the Group has issued Eurobonds in London Stock Exchange with nominal value of USD 300,000 thousand with a discount of USD 3,198 thousand and five years maturity. Amortised cost of Eurobonds equivalent to UZS 2,808,987 million represent the present value of future cash payments discounted using effective interest rate of 6.28%. The present value calculation includes all costs directly associated with the issuance and form an integral part of the effective interest rate.

The debt securities issued do not stipulate financial covenants except for Eurobonds, which stipulate the Group is required to comply with certain financial covenants, non-compliance of which may give the lender a right to demand repayment. As at 31 December 2019, the Group was in compliance with respective financial covenants for Eurobonds.

18. OTHER BORROWED FUNDS

	31 December 2019	31 December 2018
International financial institutions		
The Export-Import Bank of China	4,959,868	4,468,352
Commerzbank AG	1,480,537	161,308
International Bank of Reconstruction and Development	1,000,829	570,042
China Development Bank	859,232	586,801
Landesbank Baden-Wuerttemberg	761,952	219,093
Raiffeisen Bank International AG	594,624	113,023
The Export-Import Bank of Russia	588,330	175,372
International Development Association of World Bank	570,406	485,878
CREDIT Suisse	530,136	-
Asian Development Bank	416,656	151,492
Amsterdam Trade Bank N.V	323,041	-
Gazprombank	268,974	-
Baobab Securities Limited	232,573	-
VTB Bank Europe	203,333	-
Turk Eximbank	130,332	-
AKA Ausfuhrkredit-Gesellschaft mbH	118,302	-
Citibank Europe PLC	115,094	-
The Export-Import Bank of Korea	100,959	47,600
ODDO BHF	77,111	-
KfW IPEX-Bank	36,317	1,749
UniCredit	19,427	-
Sberbank Kazakhstan	12,816	-
Sberbank Europe AG	6,661	-
International Fund for Agricultural Development	2,495	2,737
Financial institutions of Uzbekistan		
Long term borrowings from the Ministry of Finance	1,998,012	1,418,359
Fund for Reconstruction and Development of Uzbekistan	1,299,791	13,072,873
Long term borrowings from CBU	73,889	269,238
Preference shares	8,647	8,647
Khokimiyat of Tashkent Region	5,953	-
Children's Sports Development Fund of Uzbekistan	1,478	-
Ipak Yuli Bank	687	-
Other	4,752	3,591
Total other borrowed funds	**16,803,214**	**21,756,155**

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

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

- Reduce the share of low-margin loans funded by the Government in the loan portfolio of the Group. As at 31 October 2019, the Group executed the transaction by transferring from its loan portfolio 22 loans in the amount of equivalent of UZS 11,575,708 million specified in the Decree ("the Non-core loans") to the UFRD. To compensate for the reduction of assets, the Group simultaneously discharged from its liabilities by decreasing the 'Other borrowed funds' from the UFRD for the same amount. In accordance with the Decree, these loans, denominated predominantly in USD and lesser in EUR, were provided to twelve large State owned companies to fund national projects in the energy, oil & gas, chemicals and transportation sectors of the economy.
- Convert the currency denomination of USD 15 million of borrowings from the UFRD to fund a government program "Each family – entrepreneur" into Uzbek soums using the exchange rate effective as at the date of transaction.

Since 2008, the Group signed several memorandums with the Export-Import Bank of China on loan facility to finance oil & gas and energy sectors of the Republic of Uzbekistan. All loans are guaranteed by the State.

The Group was granted a loan facility by the China Development Bank to finance SME and industrial sectors. There are geographical limits requiring that funds can only be provided to purchase technological equipment from China.

The Group was granted a loan facility by the International Bank of Reconstruction and Development to finance agriculture and energy efficiency of manufacturing entities in the Republic of Uzbekistan.

The International Development Association of the World Bank has signed credit facility agreements with the Group to finance agriculture, energy efficiency of manufacturing entities and projects supporting the Aral Sea.

In accordance with basic loan agreement signed between Landesbank Baden-Wurttemberg and the Group, the Group was granted funds to support the import of technological equipment from European countries.

On 17 August 2018, the Group was granted a loan facility by Export-Import Bank of Russia to finance import of high technological equipment.

In accordance with the Loan Agreement #081/008 between Commerzbank AG and the Group signed on 21 July 2010, the Group was granted funds to support trade relations between the Republic of Uzbekistan and the Federal Republic of Germany.

During 2019, the Group was granted a loan facility by the Credit Suisse and Gazprombank to finance the development of wholesale and retail trade sector in the Republic of Uzbekistan.

In accordance with the Loan agreement dated 04 June 2019 signed between Amsterdam Trade Bank N.V. and the Group, the funds were granted to finance projects involving the industrial and manufacturing sectors.

On 10 July 2019, the Group was granted a loan facility by Baobab Securities Limited to finance investment projects of the private sectors.

The loan facility was provided by the Turk Exim and VTB Bank Europe to finance private sector companies.

The borrowings from the ODDO BHF, Citibank Europe PLC and AKA Ausfuhrkredit-Gesellschaft mbH are provided for financing of trade finance and development of agricultural industry of small and medium business enterprises respectively.

In accordance with the refinancing agreements between the Ministry of Finance of the Republic of Uzbekistan, Asian Development Bank and the Group, funds were granted to finance the project "Horticulture value chain Development Project".

In accordance with the Loan agreement dated 31 March 2016 signed between Raiffeisen Bank International AG and the Group, the funds were granted to finance projects involving the export of goods and services from European countries.

In accordance with the Loan Agreement #2 dates 21 November 2017 between the Export-Import Bank of Korea and the Group, the funds were granted to finance the development of Small business in the Republic of Uzbekistan.

The borrowings from the Fund for Reconstruction and Development of Uzbekistan are provided on the basis of General agreement dated 19 April 2013 for financing of investment projects related to large strategic companies of the Republic of Uzbekistan.

The Group was granted a loan facility by the Ministry of Finance of the Republic of Uzbekistan based on loan agreement #03-05-17/24 signed on 29 December 2017 to finance the construction of social housing.

The loan facility provided by the CBU was to finance NHC Uzbekneftegaz companies as well as to finance low-income households.

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

As at 31 December 2019, the Bank was not in compliance with the following covenants in the Subsidiary Loan Agreements:

- a cost to income ratio.

Under the terms of the Subsidiary Loan Agreements, any non-compliance with such covenants gives the Republic the right to demand prepayment of the loans advanced to the Bank. As at 31 December 2019, in accordance with IFRS, the Bank classified the long-term borrowings from the Republic under the Subsidiary Loan Agreements as "demand and less than 1 month".

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

This non-compliance has triggered cross default clauses stipulated in the credit facility agreements signed between the Group and the Gazprombank and AKA Ausfuhrkredit-Gesellschaft mbH.

Under these credit facility agreements cross default events also give the respective financial institutions the right to demand prepayment of the loans advanced to the Bank. As at 31 December 2019, in accordance with IFRS, the Bank classified the long-term borrowings from these financial institutions as "demand and less than 1 month".

As at 31 December 2019, the Group had a cumulative liquidity shortfall of UZS 1,163,354 million up to one months (Note 34), which reflects the effects of the decision to classify UZS 416,656 million and UZS 387,276 million as "demand and less than 1 month" as a result of the non-compliance with the covenants and the triggered cross default, respectively.

The Management has communicated these non-compliances and cross default events to Gazprombank and AKA Ausfuhrkredit-Gesellschaft mbH. As at report issuance date, none of the creditors have demanded from the Group for early repayment of the funds. Subsequent to the reporting date, the Group and respective creditors have agreed not to consider above non-compliance as a trigger for cross default.

19. OTHER LIABILITIES

	31 December 2019	31 December 2018
Other financial liabilities		
Trade payables	18,956	3,364
Payable to other creditors	3,292	817
Dividends payable	1,777	1,572
Total other financial liabilities	**24,025**	**5,753**
Other non-financial liabilities		
Income tax payable	28,657	14,657
Prepayments received	17,575	15,463
Provision for Bank's guarantees and letters of credit	12,077	6,530
Taxes payable other than income tax	10,759	20,944
Payable to employees	2,022	39,370
Other	4,405	3,255
Total other non-financial liabilities	**75,495**	**100,219**
Total other liabilities	**99,520**	**105,972**

As at 31 December 2019, trade payables comprise payables for terminals for "Humo" cards in accordance with contract with CBU dated 25 March 2019. Payment will be made upon receipt of the full number of terminals required by the CBU.

20. SUBORDINATED DEBT

	Currency	Maturity date	Nominal interest rate %	Effective interest rate %	31 December 2019	31 December 2018
Subordinated debt of JSCB Asaka Bank	UZS	30 September 2026	16	17	83,332	-
Total subordinated debt					**83,332**	**-**

21. SHARE CAPITAL

	Number of outstanding ordinary and preference shares	Ordinary and preference shares	Share premium	Treasury shares	Total
1 January 2018	**76,413**	**1,459,340**	**696**	**(2,477)**	**1,457,559**
Issue of new shares	22,360	424,846	-	-	**424,846**
Disposal of treasury shares	-	-	-	1,147	**1,147**
31 December 2018	**98,773**	**1,884,186**	**696**	**(1,330)**	**1,883,552**
Shares issued	15,393	292,467	-	-	292,467
Conversion of debt into equity by the shareholder	129,756	2,465,358	(696)	-	**2,464,662**
Recognition of liability component of preference shares	-	(2,000)	-	-	**(2,000)**
Disposal of treasury shares (Note 14)	-	-	-	1,330	**1,330**
31 December 2019	**243,922**	**4,640,011**	**-**	**-**	**4,640,011**

As at 31 December 2019 and 2018, the nominal registered amount of the Bank's issued share capital was UZS 4,634,513 million and UZS 1,876,690 million, respectively, prior to restatement of capital contributions to the purchasing power of the UZS in the amount of UZS 12,527 million (effects of hyperinflation in accordance with IAS29) and adjustment for liability component of preference shares.

The share capital was increased in 2019 by total amount of UZS 2,757,824 million through two emissions executed:

- The first emission was executed in accordance with the Shareholders' resolution #27 dated 25 December 2018 and the Order #15-09/009 of the Capital Development Agency of the Republic of Uzbekistan dated 25 March 2019 on the issuance of 21,963,818,421 pieces of ordinary shares (19 UZS each) in the total amount of UZS 417,313 million of which UZS 124,846 million and UZS 292,467 were paid in 2018 and 2019, respectively.

- The second emission was executed in accordance with the Shareholders' resolution #28 dated 18 October 2019 on the issuance of 133,000,000,000 pieces of ordinary shares (19 UZS each) with 40 days expire period of payment in the total amount of UZS 2,527,000 of which UZS 2,465,358 million was exchanged with the Group's liability to the UFRD in accordance with the Presidential Decree #PD-4487 ("the Decree") dated 9 October 2019 and remaining pieces of ordinary shares were cancelled due to the expiration maturity. In accordance with the Decree, increase the Share capital of the Group and the UFRD's stake in it, respectively, by capitalizing 7 loans ("the Capitalized loans") funded by the UFRD. The transaction occurred by converting the Group's borrowings, obtained from the UFRD to fund these loans, into the Group's share capital. These loans were provided to three large State owned companies to fund the national projects in oil & gas, chemicals and transportation sectors of economy and amounted to USD 258.5 million (UZS 2,465,358 million) as at the date of actual transaction which has been executed as at 31 October 2019.

- Also, the Government, in its capacity as a shareholder of the Group, has instructed to substantially modify initial terms of the capitalized loans by changing their currency profile, interest rates and maturity. These modifications resulted in derecognition of old assets with the carrying value of UZS 2,465,358 million and recognition of new assets with the fair value on initial recognition of UZS 2,243,000 million. As a result, loss on initial recognition of the asset in the amount of UZS 222,358 million was recognized directly in shareholder's equity by utilizing the available share premium and reducing the retained earnings for the remaining amount net of tax in the amount of UZS 45,044 million. (Note 27).

As at 31 December 2019, the total authorised number of ordinary shares is 243,552 million (31 December 2018: 98,403 million shares) with a par value of UZS 19 per share (31 December 2018: UZS 19 per share). Each share carries one vote. Dividends on preference shares will not be less than dividends on ordinary shares.

As at 31 December 2018, share premium represents the excess of contributions receipt over the nominal value of shares issued. The number of ordinary shares issued but not fully paid in was Nil (31 December 2018: Nil).

As at 31 December 2019,the total authorised number of preference shares is 370,000 thousand (2018: 370,000 thousand shares), with a par value of UZS 19 per share (2018: UZS 19 per share) in the amount of UZS UZS 7,030 million (31 December 2018: UZS 7,030 million).

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

In 2016, the Group increased its preference share par value from UZS 3,252 to UZS 3,282 with the minimum rate unchanged of 20%. In 2017, as a result of share split, the Group decreased its preference share par value to UZS 19 with the minimum rate unchanged of 20%. In 2018 and 2019, the minimum rate 20% remains unchanged.

As at 31 December 2018, treasury shares included ordinary shares in the amount of UZS 1,330 million, owned by wholly owned subsidiary of the Group, Asset Invest Trust LLC. These ordinary shares carried voting rights in the same proportion as other ordinary shares. During 2019, Asset Invest Trust LLC was liquidated, as a result treasury shares were sold to third parties as at 31 December 2019.

Reconciliation of liabilities arising from financing activities

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

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

			Non-cash changes			
	31 December 2017	**Financing cash inflows/ (outflow)**	**Effect of exchange rate changes**	**Dividends declared**	**Interest accrued**	**31 December 2018**
Debt securities in issue	**68,885**	(960)	-	-	(184)	**67,741**
Other borrowed funds	**17,380,160**	3,498,318	537,755	-	339,922	**21,756,155**
Due to other banks (long term placements of other banks)	**168,527**	266,297	-	-	3	**434,827**
Dividends payable	**1,024**	(29,965)	-	30,513	-	**1,572**

22. INTEREST INCOME AND EXPENSE

	2019	2018
Interest income		
Interest income on assets recorded at amortised cost comprises:		
Interest on loans and advances to customers	2,193,553	1,323,370
Interest on balances due from other banks	88,186	36,020
Interest on government bonds	8,991	-
Total interest income	**2,290,730**	**1,359,390**
Interest expense		
Interest expense on liabilities recorded at amortised cost comprises:		
Interest on other borrowed funds	(708,391)	(519,267)
Interest on customer accounts	(285,010)	(102,583)
Interest on balances due to other banks	(123,951)	(58,950)
Interest on debt securities in issue	(12,725)	(6,988)
Interest on subordinated debt	(3,332)	-
Total interest expense	**(1,133,409)**	**(687,788)**
Net interest income before provision on loans and advances to customers	**1,157,321**	**671,602**

During 2019 and 2018, the Group earned interest income from loans individually determined to be impaired in the amount of UZS 5,836 million and UZS 9,383 million, respectively.

23. FEE AND COMMISSION INCOME AND EXPENSE

	2019	2018
Fee and commission income		
Settlement transactions	219,272	184,740
Foreign currency exchange	55,060	31,885
International money transfers	34,206	21,933
Guarantees issued	9,076	2,289
Letters of credit	8,076	6,155
Services of engineers for conducting control measurements	6,937	7,430
Other	1,412	709
Total fee and commission income	**334,039**	**255,141**
Fee and commission expense		
Settlement transactions	(35,994)	(21,220)
Cash collection	(26,566)	(21,843)
Foreign currency exchange	(5,647)	(3,335)
Loan commission expenses	-	(420)
Other	(8,673)	(4,933)
Total fee and commission expense	**(76,880)**	**(51,751)**
Net fee and commission income	**257,159**	**203,390**

24. CHANGE IN INSURANCE RESERVES, NET

	Insurance assets	Insurance liabilities	Change in insurance reserves, net
1 January 2019	-	-	-
Unearned premium reserve	2,154	13,855	**(11,701)**
Reserves for incurred but not reported losses	237	1,776	**(1,539)**
31 December 2019	**2,391**	**15,631**	**(13,240)**

25. OTHER OPERATING INCOME

	2019	2018
Gain on disposal of premises and equipment	9,102	439
Income from rent of POS terminals	651	651
Other	6,942	2,124
Total other operating income	**16,695**	**3,214**

26. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Notes	2019	2018
Staff costs		479,322	315,463
Security services		28,587	20,075
Depreciation and amortisation	12	27,465	21,708
Stationery and other low value items		16,083	10,454
Consultancy fee		13,064	1,960
Membership fees		11,106	12,465
Legal and audit fees		13,707	2,557
Taxes other than income tax		8,085	65,099
Advertising expenses		7,603	4,613
Travel expenses		5,909	4,941
Representation and entertainment		5,907	3,624
Communication expenses		5,683	3,322
Rent expenses		4,268	3,030
Repair and maintenance of buildings		4,086	5,030
Utilities expenses		3,974	2,219
Charity expenses		3,435	11,950
Fuel		1,587	2,086
Other operating expenses		19,532	6,943
Total administrative and other operating expenses		**659,403**	**497,539**

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

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

27. INCOME TAXES

		2019	2018
Current income tax expense		136,033	59,950
Deferred tax expense/(benefit):			
- Deferred tax (benefit)/expense		(28,977)	(11,255)
- Deferred tax expense relating to the components of other comprehensive income		1,036	349
Total income tax expense through profit or loss and other comprehensive income		**108,092**	**49,044**
- Deferred tax relating to conversion of debt into equity by the shareholder	21	(45,044)	-

In accordance with the Presidential Decree #UP-5468 dated 29 June 2018 "On the concept of improvements of tax policy of the Republic of Uzbekistan", the corporate income tax for banks was substantially enacted at 20% with effective date from 1 January 2019.

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

	2019	2018
IFRS profit before tax	**711,535**	**266,886**
Theoretical tax charge at the applicable statutory rate - 20% (2018: 20%)	142,307	58,715
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	7,401	7,010
- Tax rate difference	(39,715)	(10,517)
- Tax incentives	-	(1,682)
- Tax exempt income	(2,432)	(652)
- Change of tax rate	-	(2,228)
- Other	(505)	(1,951)
Income tax expense	**107,056**	**48,695**
Net income tax (benefit)/expense relating to the components of other comprehensive income	1,036	349
Income tax expense through profit or loss and other comprehensive income	**108,092**	**49,044**

"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.

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 % (2018: 20 %).

	31 December 2019	(Debited)/ credited to profit or loss	Charged to other comprehensive income	Tax credit in equity on conversion of debt into equity by the shareholder	31 December 2018	(Debited)/ credited to profit or loss	Charged to other comprehensive income	1 January 2018	IFRS 9	31 December 2017
Tax effect of deductible/(taxable) temporary differences										
Cash and cash equivalents	119	108	-	-	11	(13)	-	24	24	-
Due from other banks	3,421	2,641	-	-	780	691	-	89	89	-
Loans and advances to customers	(17,308)	18,980	-	45,044	(81,332)	15,935	-	(97,267)	(37,380)	(59,887)
Financial assets at fair value through other comprehensive income	(1,216)	(996)	(1,036)	-	816	1,221	(349)	(56)	946	(1,002)
Property, equipment and intangible assets	354	119	-	-	235	563	-	(328)	-	(328)
Investments in associates and subsidiaries	(6,405)	2,945	-	-	(9,350)	(6,909)	-	(2,441)	-	(2,441)
Investment securities measured at amortised cost	190	190	-	-	-	-	-	-	-	-
Other assets	1,770	956	-	-	814	(90)	-	904	95	809
Non-current assets held for sale	2,498	2,498	-	-	-	-	-	-	-	-
Customer accounts	(458)	(458)	-	-	-	-	-	-	-	-
Debt securities in issue	(3,276)	(3,276)	-	-	-	-	-	-	-	-
Other borrowed funds	1,061	1,061	-	-	-	-	-	-	-	-
Other liabilities	4,704	3,543	-	-	1,161	(143)	-	1,304	1,304	-
Subordinated debt	666	666	-	-	-	-	-	-	-	-
Net deferred tax liability	**(13,880)**	**28,977**	**(1,036)**	**45,044**	**(86,865)**	**11,255**	**(349)**	**(97,771)**	**(34,922)**	**(62,849)**
Recognised deferred tax asset	14,783	33,707	-	45,044	3,817	18,410	-	2,321	2,458	809
Recognised deferred tax liability	(28,663)	(4,730)	(1,036)	-	(90,682)	(7,155)	(349)	(100,092)	(37,380)	(63,658)
Net deferred tax (liability)/asset	**(13,880)**	**28,977**	**(1,036)**	**45,044**	**(86,865)**	**11,255**	**(349)**	**(97,771)**	**(34,922)**	**(62,849)**

28. ALLOWANCES FOR IMPAIRMENT LOSSES

The tables below analyse information about the changes in the ECL amount of financial assets and commitments during 2019 and 2018:

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

	Other financial assets (Note 13)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)	Letters of Credit and Guarantees (Note 30)				Other non-financial assets (Note 13)
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	
Loss allowance for ECL as at 1 January 2018	**53**	**379**	**107**	**403**	**5,927**	**-**	**-**	**6,869**	**485**
- Transfer from stage 2	(1)	1	-	-	-	-	-	**-**	-
- Transfer from stage 3	2	(2)	-	-	-	-	-	**-**	-
- Changes due to modifications that did not result in derecognition	11	76	(20)	68	413	-	-	**548**	(176)
New assets issued or acquired	151	106	-	4,523	295	354	242	**5,671**	-
Matured or derecognized assets (except for write off)	(42)	(251)	(34)	(190)	(831)	-	-	**(1,348)**	-
Foreign exchange differences	1	1	1	7	118	7	5	**140**	-
Loss allowance for ECL as at 31 December 2018	**175**	**310**	**54**	**4,811**	**5,922**	**361**	**247**	**11,880**	**309**

29. EARNINGS PER SHARE

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

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

According to the charter of the Group, and as described in Note 21, 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.

	2019	2018
Profit for the year attributable to ordinary shareholders	602,815	217,990
Profit for the year attributable to preference shareholders	1,651	1,406
Profit/(loss) for the year from discontinued operations attributable to ordinary shareholders	(14)	1,205
Profit for the year from discontinued operations attributable to preference shareholders	-	-
Earnings used in calculation of earnings per ordinary share from continuing operations	**602,829**	**216,785**
Earnings used in calculation of earnings per preference share from continuing operations	**1,651**	**1,406**
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	135,077,691,812	79,900,068,175
Weighted average number of preference shares for the purpose of basic and diluted earnings per share	370,000,000	370,000,000
From continuing operations		
Basic and diluted EPS per ordinary share in UZS	4.46	2.71
Basic and diluted EPS per equity component of preference share in UZS	4.46	3.80
From discontinued operations		
Basic and diluted EPS per ordinary share in UZS	(0.00)	0.02
Basic and diluted EPS per equity component of preference share in UZS	-	-
Total basic and diluted EPS per ordinary share in UZS	**4**	**3**
Total basic and diluted EPS per equity component of preference share in UZS	**4**	**4**

30. COMMITMENTS AND CONTINGENCIES

Operating lease commitments. As at 31 December 2019 and 2018, the Group had no material operating lease commitments outstanding

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

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank’s tax, currency legislation and customs positions will be sustained. Accordingly, as at 31 December 2019, no provision for potential tax liabilities had been recorded (2018: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.
Capital expenditure commitments. As at 31 December 2019, the Group had contractual capital expenditure commitments for the total amount of UZS 11,708 million in respect of premises and equipment (2018: UZS 16,790 million).

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

	31 December 2019	31 December 2018
Guarantees issued	1,599,403	932,286
Letters of credit, non post-financing	390,788	682,212
Letters of credits, post-financing with commencement after reporting period end	260,499	1,542,353
Undrawn credit lines	297,764	77,561
Total gross credit related commitments	**2,548,454**	**3,234,412**
Less - Cash held as security against letters of credit and guarantees	(270,951)	(895,798)
Less – Provision for expected credit losses	(12,077)	(6,530)
Total credit related commitments	**2,265,426**	**2,332,084**

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

31. NON-CONTROLLING INTEREST

The following table provides information about subsidiary LLC "Xorazm Nasli Parranda" that has a non-controlling interest that is material to the Group:

	31 December 2019	31 December 2018
Information about subsidiary:		
Place of business (and country of incorporation if different)	Uzbekistan	Uzbekistan
Proportion of non-controlling interest	42.8%	42.8%
Proportion of non-controlling interest's voting rights held	42.8%	42.8%
Profit or loss attributable to non-controlling interest	(121)	(427)
Accumulated non-controlling interest in the subsidiary	4,928	5,049
Dividends paid to non-controlling interest during the year	-	-
Summarised financial information:		
Current assets	4,424	4,860
Non-current assets	13,953	13,953
Current liabilities	223	23
Non-current liabilities	6,640	6,994
Revenue	-	5,013
Net loss	(283)	(998)

32. FAIR VALUE

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

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

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

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

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values as at 31 December 2019:

Financial Assets/ Liabilities as at 31 December 2019	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	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
Eurobonds	2,808,987	2,987,751	Level 1	Quoted bid prices in an active market.	N/A	N/A
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 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.

Financial Assets/ Liabilities as at 31 December 2018	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	28,020,629	23,130,481	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Due from other banks	812,092	802,125	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	676,700	895,900	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	5,129,176	5,063,919	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	21,756,155	21,680,150	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 31 December 2018, the Group determined the fair value of financial instruments using the discounted cash flow model based on the rates of the deals concluded towards the end of the reporting period. Due to the absence of an active market or observable inputs for instruments with characteristics similar to the Bank's financial instruments, the Management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these long-term financial instruments that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

The fair value of the equity instruments at fair value through other comprehensive income disclosed in note 11 were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. 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.

33. CAPITAL RISK MANAGEMENT

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2018: 12.5%). Actual ratio as at 31 December 2019: 23% (31 December 2018: 13.4%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2018: 9.5%). Actual ratio as at 31 December 2019: 18% (31 December 2018: 12.6%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2018: 6%). Actual ratio as at 31 December 2019: 13.4% (31 December 2018: 7%).

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

	31 December 2019 (unaudited)	**31 December 2018 (unaudited)**
Tier 1 capital	5,335,685	2,570,953
Less: Deductions from capital	(100,001)	(5,705)
Tier 1 capital (adjusted)	**5,235,684**	**2,565,248**
Tier 2 capital	**1,463,606**	**166,324**
Total regulatory Capital	**6,699,290**	**2,731,572**

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

34. RISK MANAGEMENT POLICIES

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

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

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

Group's internal ratings scale:

Standard	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Sub-standard	2	"Sub-standard" loans are loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are in the present, which raise doubts on the ability of the borrower to repay on time. "Standard" loans with insufficient information in the credit file or missed information on collateral could be also classified as "sub-standard" loans.

Unsatisfactory	3	Unsatisfactory loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "unsatisfactory" loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "unsatisfactory" with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.
Loss	5	Loans classified as "loss" are considered uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

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

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

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

Some other specific control and mitigation measures are outlined below.

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

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

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

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

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

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

- The maximum risk to single borrower or group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- Total amount of unsecured credits 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;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings and etc.

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

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

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

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

31 December 2019	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
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
Off-balance sheet items:					
Letters of credit and guarantees issued	2,238,613	(270,951)	1,967,662	(66,150)	1,901,512

31 December 2018	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	1,897,133	(456,067)	1,441,066	-	1,441,066
Due from other banks	812,092	-	812,092	-	812,092
Loans and advances to customers	28,020,629	(53,993)	27,966,636	(27,885,595)	81,041
Financial assets at fair value through other comprehensive income	41,804	-	41,804	-	41,804
Other financial assets	6,974	-	6,974	-	6,974
Off-balance sheet items:					
Letters of credit and guarantees issued	3,150,321	(895,798)	2,254,523	(305,341)	1,949,182

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The

risk-based limits are subject to review by the Bank Council on a quarterly basis. Overall Group's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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

The Group measures its currency risk by:

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

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

Non-derivative monetary assets and liabilities:

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

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

The CBU sets a number of requirements for foreign currency position. As at 31 December 2019, the Bank has a long position in respect of USD currency above statutory requirements. As part of these reforms, the Presidential Decree #4487 was issued on 9 October 2019, which, among other initiatives, stipulated a withdrawal of government directed low-margin and subsidized assets out from the State owned banks, including the Group, to improve their return on assets. As part of this Decree, the Group reduced its Other borrowed funds from the Government (UFRD) by transferring low margin and subsidized loans and advances to customers. As a result, the Group had foreign currency surplus in USD currency in monetary financial assets as at 31 December 2019.

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

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

	At 31 December 2019 Impact on profit or loss	At 31 December 2018 Impact on profit or loss
US Dollars strengthening by 20% (31 December 2018: 10%)	275,890	9,439
US Dollars weakening by 20% (31 December 2018: 10%)	(275,890)	(9,439)
EUR strengthening by 20% (31 December 2018: 10%)	(15,311)	13,747
EUR weakening by 20% (31 December 2018: 10%)	15,311	(13,747)

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.

31 December 2019	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	256,933	-	-	-	-	-	**256,933**
Due from other banks	3,496	71,218	114,857	698,730	3,572	445,999	**1,337,872**
Loans and advances to customers	1,056,345	4,000,702	3,156,815	8,496,128	6,125,037	6,704,737	**29,539,764**
Investment securities measured at amortised cost	-	-	74,923	-	-	2,504	**77,427**
Total % bearing financial assets	**1,316,774**	**4,071,920**	**3,346,595**	**9,194,858**	**6,128,609**	**7,153,240**	**31,211,996**
Liabilities							
Due to other banks	-	57,372	9,146	27,298	80,107	242,965	**416,888**
Customer accounts	228,361	789,256	563,816	516,982	1,635,942	504,538	**4,238,895**
Debt securities in issue	9,903	29,850	38,750	31,560	2,808,987	-	**2,919,050**
Other borrowed funds	1,020,611	1,203,960	1,791,775	3,066,109	2,574,204	6,505,692	**16,162,351**
Subordinated debt	-	-	-	-	-	80,000	**80,000**
Total financial % bearing liabilities	**1,258,875**	**2,080,438**	**2,403,487**	**3,641,949**	**7,099,240**	**7,253,195**	**23,817,184**
Net interest sensitivity gap	**57,899**	**1,991,482**	**943,108**	**5,552,909**	**(970,631)**	**(99,955)**	**7,394,812**

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	542,071	-	-	-		-	**542,071**
Due from other banks	-	108,149	3,336	219,781	48,097	-	**379,363**
Loans and advances to customers	666,568	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**26,966,364**
Total % bearing financial assets	**1,208,639**	**2,112,976**	**1,795,148**	**11,526,683**	**5,018,840**	**6,225,512**	**27,887,798**
Liabilities							
Due to other banks	100,000	72,460	-	36,525	-	-	**208,985**
Customer accounts	156,076	491,452	357,461	319,514	1,167	287	**1,325,957**
Debt securities in issue	3	22,250	11,200	25,010	8,000	-	**66,463**
Other borrowed funds	401,989	789,964	395,556	2,519,808	7,329,128	9,001,520	**20,437,965**
Total financial % bearing liabilities	**658,068**	**1,376,126**	**764,217**	**2,900,857**	**7,338,295**	**9,001,807**	**22,039,370**
Net interest sensitivity gap	**550,571**	**736,850**	**1,030,931**	**8,625,826**	**(2,319,455)**	**(2,776,295)**	**5,848,428**

As at 31 December 2019, if interest rates at that date had been 140 basis points lower (2018: 100 basis points lower) with all other variables held constant, profit for the year would have been UZS 40,723 million higher (2018: UZS 20,016 million higher).

If interest rates had been 140 basis points higher (2018: 100 basis points higher), with all other variables held constant, profit would have been UZS 40,723 million lower (2018: UZS 20,016 million lower).

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

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

	2018			
In % p.a.	**UZS**	**USD**	**EUR**	**Other**
Assets				
Cash and cash equivalents	-	2	-	-
Due from other banks	3.1-5	0-5	-	-
Loans and advances to customers	0-48	0.25-15	0.75-10	
Liabilities				
Due to other banks	0-16	-	-	-
Customer accounts:				
-term deposits	0-35	4-17	5-6	5
Debt securities in issue	7-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	-	0-6	Euribor+1.6-5	-
-Local Financial Institutions	0-12	0-6	0.5-1	-

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

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

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,954,937	900,972	6,665	**2,862,574**
Due from other banks	1,661,265	301,531	74,294	**2,037,090**
Loans and advances to customers	30,039,785	-	-	**30,039,785**
Financial assets at fair value through other comprehensive income	78,376	10,338	-	**88,714**
Investment securities measured at amortised cost	84,648	-	-	**84,648**
Other financial assets	4,429	240	493	**5,162**
Total financial assets	**33,823,440**	**1,213,081**	**81,452**	**35,117,973**
Liabilities				
Due to other banks	456,822	1,100	7,187	**465,109**
Customer accounts	9,123,970	-	-	**9,123,970**
Debt securities in issue	111,907	2,808,987	-	**2,920,894**
Other borrowed funds	3,393,210	6,297,467	7,112,537	**16,803,214**
Other financial liabilities	24,025	-	-	**24,025**
Subordinated debt	83,332	-	-	**83,332**
Total financial liabilities	**13,193,266**	**9,107,554**	**7,119,724**	**29,420,544**
Net balance sheet position	**20,630,174**	**(7,894,473)**	**(7,038,272)**	**5,697,429**
Credit related commitments (Note 30)	**2,265,426**	**-**	**-**	**2,265,426**

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

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,275,203	614,243	7,687	**1,897,133**
Due from other banks	574,008	237,805	279	**812,092**
Loans and advances to customers	28,020,629	-	-	**28,020,629**
Financial assets at fair value through other comprehensive income	35,473	6,331	-	**41,804**
Other financial assets	3,673	3,210	91	**6,974**
Total financial assets	**29,908,986**	**861,589**	**8,057**	**30,778,632**
Liabilities				
Due to other banks	674,396	-	2,304	**676,700**
Customer accounts	5,129,176	-	-	**5,129,176**
Debt securities in issue	67,741	-	-	**67,741**
Other borrowed funds	14,772,708	1,601,430	5,382,017	**21,756,155**
Other financial liabilities	5,753	-	-	**5,753**
Total financial liabilities	**20,649,774**	**1,601,430**	**5,384,321**	**27,635,525**
Net balance sheet position as 31 December 2018	**9,259,212**	**(739,841)**	**(5,376,264)**	**3,143,107**
Credit related commitments (Note 30)	**2,332,084**	**-**	**-**	**2,332,084**

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

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

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

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

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

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

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

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

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

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	176,122	100,052	33,031	161,934	159,923	429,359	**1,060,421**
Customer accounts	3,969,697	536,292	386,091	332,108	4,512	418	**5,229,118**
Debt securities in issue	1,992	25,371	14,287	29,272	9,999	-	**80,921**
Other borrowed funds	621,862	1,172,713	707,188	4,346,182	8,059,701	9,860,788	**24,768,434**
Other financial liabilities	5,753	-	-	-	-	-	**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total potential future payments for financial obligations	**4,819,071**	**2,041,356**	**1,204,587**	**6,181,604**	**8,263,238**	**10,973,406**	**33,483,262**

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

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

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

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 31 December 2019:

31 December 2019	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	2,862,574	-	-	-	-	-	**2,862,574**
Due from other banks	412,400	305,773	170,616	698,730	3,572	445,999	**2,037,090**
Loans and advances to customers	1,556,366	4,000,702	3,156,815	8,496,128	6,125,037	6,704,737	**30,039,785**
Financial assets at fair value through other comprehensive income	-	-	-	88,714	-	-	**88,714**
Investment securities measured at amortised cost	-	-	82,144	-	-	2,504	**84,648**
Other financial assets	5,162	-	-	-	-	-	**5,162**
Total financial assets	**4,836,502**	**4,306,475**	**3,409,575**	**9,283,572**	**6,128,609**	**7,153,240**	**35,117,973**
Liabilities							
Due to other banks	48,221	57,372	9,146	27,298	80,107	242,965	**465,109**
Customer accounts	4,710,833	430,187	629,544	1,202,836	694,959	1,455,611	**9,123,970**
Debt securities in issue	10,311	31,286	38,750	31,560	2,808,987	-	**2,920,894**
Other borrowed funds	1,029,026	1,339,792	1,801,274	3,414,962	2,599,136	6,619,024	**16,803,214**
Other financial liabilities	24,025	-	-	-	-	-	**24,025**
Subordinated debt	3,332	-	-	-	-	80,000	**83,332**
Undrawn credit lines	5,364	110,495	69,517	59,854	36,597	15,937	**297,764**
Guarantees issued	136,010	21,109	50,481	-	67,361	1,283,724	**1,558,685**
Letters of credit	32,734	279,741	94,552	1,950	-	-	**408,977**
Total financial liabilities	**5,999,856**	**2,269,982**	**2,693,264**	**4,738,460**	**6,287,147**	**9,697,261**	**31,685,970**
Net liquidity gap	**(1,163,354)**	**2,036,493**	**716,311**	**4,545,112**	**(158,538)**	**(2,544,021)**	**3,432,003**
Cumulative liquidity gap	**(1,163,354)**	**873,139**	**1,589,450**	**6,134,562**	**5,976,024**	**3,432,003**	

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

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	1,897,133	-	-	-	-	-	1,897,133
Due from other banks	331,538	212,563	48,210	171,684	48,097	-	812,092
Loans and advances to customers	1,720,833	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	28,020,629
Financial assets at fair value through other comprehensive income	-	-	-	41,804	-	-	41,804
Other financial assets	6,974	-	-	-	-	-	6,974
Total financial assets	**3,956,478**	**2,217,390**	**1,840,022**	**11,520,390**	**5,018,840**	**6,225,512**	**30,778,632**
Liabilities							
Due to other banks	169,416	72,460	-	36,525	44,223	354,076	**676,700**
Customer accounts	3,959,295	491,452	357,461	319,514	1,168	286	**5,129,176**
Debt securities in issue	1,281	22,250	11,200	25,010	8,000	-	**67,741**
Other borrowed funds	574,831	951,361	440,822	3,343,437	7,349,138	9,096,566	**21,756,155**
Other financial liabilities	5,753	-	-	-			**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,503	**718,700**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total financial liabilities	**4,754,221**	**1,744,451**	**873,473**	**5,036,594**	**7,431,632**	**10,133,768**	**29,974,139**
Net liquidity gap	**(797,743)**	**472,939**	**966,549**	**6,483,796**	**(2,412,792)**	**(3,908,256)**	**804,493**
Cumulative liquidity gap	**(797,743)**	**(324,804)**	**641,745**	**7,125,541**	**4,712,749**	**804,493**	

The above analysis is based on remaining contractual maturities.

As at 31 December 2019, the Bank was not in compliance with certain financial covenants stipulated in the tripartite subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017 and #3673-UZB from November 2018 as discussed in detail in Note 18. On 5 November 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of the financial covenants stipulated in these subsidiary loan agreements.

This non-compliance has triggered cross default clauses stipulated in the credit facility agreements signed between the Group and the Gazprombank and AKA Ausfuhrkredit-Gesellschaft mbH as discussed in detail in Note 18.

As at 31 December 2019, the Group had a cumulative liquidity shortfall of UZS 1,163,354 million up to one months, which reflects the effects of the decision to classify of the borrowings in the total amount of UZS 803,932 million as "demand and less than 1 month" as a result of the breach and the cross default.

The Management has communicated these non-compliances and cross default events to Gazprombank and AKA Ausfuhrkredit-Gesellschaft mbH. As at report issuance date, none of the creditors have demanded from the Group for early repayment of the funds. Subsequent to the reporting date, the Group and respective creditors have agreed not to consider above non-compliance as a trigger for cross default.

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

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

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

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

As at 31 December 2019, the contingency plan of the Group consisted of the following:

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

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

35. 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.

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

	31 December 2019		31 December 2018	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents				
- entities under common control	1,291,956	45%	814,561	43%
Due from other banks				
- entities under common control	1,444,897	71%	393,675	48%
Loans and advances to customers				
- key management personnel	166	0%	219	0%
- significant shareholders	3,767,645	13%	14,870,027	53%
- entities under common control	9,262,723	31%	5,744,159	20%
Investment securities measured at amortised cost				
- entities under common control	84,648	100%	-	0%
Financial assets at fair value through other comprehensive income				
- entities under common control	6,903	8%	9,649	23%
Due to other banks				
- entities under common control	515,690	111%	656,806	97%
Customer accounts				
- key management personnel	1,265	0%	2,715	0%
- significant shareholders	363,226	4%	912,552	18%
- entities under common control	4,310,188	47%	961,382	19%
Debt securities in issue				
- entities under common control	32,320	1%	37,878	56%
Other borrowed funds				
- significant shareholders	1,299,160	8%	14,491,232	67%
- entities under common control	2,088,610	12%	277,885	1%
Other liabilities				
- key management personnel	-	-	543	1%
- significant shareholders	76	0%	9,712	11%
- entities under common control	42,683	92%	36,407	42%
Subordinated debt				
- entities under common control	83,332	100%	-	0%

	2019		2018	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Interest income				
- key management personnel	51	0%	18	0%
- significant shareholders	36,645	2%	520,642	38%
- entities under common control	93,110	4%	83,893	6%
Interest expense				
- key management personnel	(66)	0%	(17)	0%
- significant shareholders	(17,343)	2%	(370,414)	54%
- entities under common control	(71,313)	6%	(6,949)	1%
Recovery of provision for credit losses on loans and advances to customers				
- significant shareholders	62,479	-	192,155	-
Fee and commission income				
- significant shareholders	12,234	4%	39,043	15%
- entities under common control	23,802	7%	32,364	13%
Net gain from trading in foreign currencies				
- significant shareholders	347	4%	1,251	6%
- entities under common control	632	8%	1,013	5%
Other operating income				
- significant shareholders	271	2%	116	4%
- entities under common control	73	0%	441	14%
Administrative and other operating expenses				
- key management personnel	(4,296)	1%	(1,946)	0%
- entities under common control	(23,165)	4%	(79,783)	16%

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

Key management compensation is presented below:

	2019	2018
Salaries and other benefits	2,061	1,491
Bonuses	1,323	162
Social security contributions	912	293
Total	**4,296**	**1,946**

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 March 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak, which have impacted global business operations.

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 in additional government spending in response to the coronavirus pandemic.

The Group have implemented remote work arrangements and restricted business travel effective mid-March, and to date, these arrangements have not materially affected the bank's ability to maintain business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

However, after introduction of quarantine measures in March 2020, the production and economic activity in Uzbekistan has declined which as a consequence has resulted in an increased number of requests from the Bank's borrowers to restructure their loans. The Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future.
Although the Group's operations have not been significantly impacted by the COVID-19 as of the date of issuance of the financial statements, the Management is not yet in the position to quantify the full effects of the outbreak on the Bank's

operations. The Group continues to monitor the situation and intend to adapt strategies as needed to continue to drive the business and meet obligations.

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" as part of providing commercial banks with additional liquid resources in the amount of UZS 2,600 billion by easing requirements for mandatory reserves and implementation of a special mechanism on the part of the Central Bank of Uzbekistan for providing liquidity to commercial banks with a term of up to 3 years in the amount of up to UZS 2 billion, the Bank has the opportunity to use the funds that appeared due to the simplification of requirements.

On 10 March 2020, a new member of the Council, Ferdinand Willem Tuinstra, was appointed.

On 1 May 2020 a collapse occurred in the earth-filled dam of Sardoba Reservoir in Uzbekistan, causing flooding near the town of Sardoba, Sirdaryo region. As a result the Group will be involved in realisation of 85 projects worth UZS 342.1 billion in such areas as industry, agriculture, services, which are aimed at restoring the economic potential of the region in 2020-2021.

Subsequent to the reporting date, the OPEC Fund for International Development (the OPEC Fund) has signed a loan agreement of USD 20 million in favor of the Bank to support the trade finance requirements of small- and medium-sized enterprises (SMEs). The Bank will extend trade loans to finance sub-borrowers in different sectors such as agriculture, healthcare, construction and textiles.

During 2020, the Group 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 acquisition of modern equipment and updating the technological base in production processes, as well as replenishing the raw material base of business entities. Additionally, the Bank attracted an unsecured synthetic loan of USD 50 million from the investment management company Daryo Finance B.V. For financing the small and medium sector.

On 23 June 2020, the Bank signed a loan agreement with the European Bank for Reconstruction and Development to attract a credit line in the amount of USD 40 million for the purpose of financing the small and medium sector.