INVEST FINANCE BANK
JOINT STOCK - COMMERCIAL BANK
with foreign capital

Financial Statements for the year ended 31 December 2019
and Independent Auditors' Report

Contents

Independent Auditors' Report

To the Shareholders and Supervisory Board of the Joint-Stock Commercial bank «Invest Finance Bank» with foreign capital

Opinion

We have audited the financial statements of Joint-Stock Commercial bank «Invest Finance Bank» with foreign capital (the "Bank"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

Audited entity:
Joint-Stock Commercial Bank "Invest Finance Bank" with foreign capital

Registered by the Central Bank of the Republic of Uzbekistan on 03.08.2019 #75.

Tashkent, the Republic of Uzbekistan

Key audit matters

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

Expected credit losses («ECL») for loans and advances to customers

See Note 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Loans and advances to customers make up 69% of assets and are recognized less the allowance for expected credit losses ("ECL"), regularly reviewed and sensitive to assumptions used	We analyzed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement of financial risks management specialists.
To estimate ECL the Bank's management applies professional judgement and makes assumptions related to the following key areas:	To analyze the adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate, we performed the following audit procedures:
- Timely identification of significant increase in credit risk and default events related to loans to customers (Stages 1, 2 and 3 in accordance with IFRS 9);	- We tested the design and operating effectiveness of internal controls for timely classification of loans to Stages of credit risk; - For the sample of loans, potential change in ECL estimate of which may have a significant impact on the financial statements, we tested whether stages are correctly assigned by the Bank by analyzing financial and non-financial information for selected borrowers, as well as assumptions and professional judgments applied by the Bank.
- Estimate of probability of default (PD) and loss given default (LGD);	- For the selected loans issued to corporate clients, we checked correctness of the original data used in calculation of PD, LGD and EAD. - For loans to customers classified to Stages 1 and 2, for which the Bank assesses ECL on a collective basis, we tested the principles of appropriate models and reconciled the inputs of models to supporting documents on a sample basis.
- Expected cash flows forecast on loans to customers classified to Stage 3.	- For selected sampled loans classified to Stage 3, where ECL allowance is assessed on an individual basis, we critically assessed assumptions used by

	the Bank in calculating future cash flows, including estimated proceeds from realizable collateral and expected disposal terms, based on our understanding and publicly available market information. We focused on loans to customers which may potentially have the most significant impact on the financial statements. - In respect of loans to individuals, we have checked completeness and accuracy of the inputs used to calculate the ECL, timely recognition of delinquencies and repayments in the respective systems and the allocation of loans by stages. On a sample basis, we compared the original model data with primary documents.
Due to the significant volume of loans to customers and the related ECL allowance estimation uncertainty, this area is a key audit matter.	We also ensured that disclosures in the financial statements appropriately reflect the Bank's exposure to credit risk.

Other matter

The financial statements of the Bank as at and for the year ended 31 December 2018, were audited by other auditors, who expressed unmodified opinion on the those statements on 3 June 2019.

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Bank 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats and safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Saidov S.K.
Engagement Director
General Director of
Audit organisation «KPMG Audit» LLC

Qualification certificate of bank auditor #16/3 dated 1 February 2019, issued by Central Bank of the Republic of Uzbekistan

Kouznetsov A.A.
Engagement Partner

Audit organisation «KPMG Audit» LLC
Tashkent, Republic of Uzbekistan

28 August 2020

INVEST FINANCE BANK JOINT STOCK - COMMERCIAL BANK
with foreign capital
Statement of Financial Position as at 31 December 2019

(in thousands of Uzbek soums)

	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	6	715 082 232	539 982 438
Amounts due from other banks	7	247 053 062	117 623 316
Loans and advances to customers	8	3 090 299 762	2 039 759 190
Investment property	9	25 799 713	-
Prepayment of current income tax liabilities		5 468 968	582 557
Deferred tax assets	23	5 852 769	3 788 210
Property, plant and equipment and intangible assets	9	380 125 719	329 429 727
Other assets	10	40 960 638	31 765 459
TOTAL ASSETS		**4 510 642 863**	**3 062 930 897**
Liabilities			
Amounts due to other banks	11	327 228 684	328 761 208
Amounts due to customers	12	3 046 305 920	1 980 026 672
Other borrowed funds	13	559 923 606	170 540 597
Debt securities issued	14	1 606 466	140 415 350
Subordinated loan	15	71 726 273	63 000 000
Other liabilities	16	13 474 415	9 591 531
TOTAL LIABILITIES		**4 020 265 364**	**2 692 335 358**
Equity			
Share capital	18	400 000 000	320 000 000
Share premium	18	1 853 395	1 853 395
Retained earnings		88 524 104	48 742 144
TOTAL EQUITY		**490 377 499**	**370 595 539**
TOTAL LIABILITIES AND EQUITY		**4 510 642 863**	**3 062 930 897**

Approved and signed on behalf of the Management Board:

Burkhanov .
The C t
Board of the Bank
28 August 2020

Toshpulatkhujayev J. O.
Chief Accountant of the Bank
28 August 2020

The accompanying notes are an integral part of these financial statements.

INVEST FINANCE BANK JOINT STOCK - COMMERCIAL BANK
with foreign capital
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

(in thousands of Uzbek soums)

	Note	For the year ended 31 December 2019	For the year ended 31 December 2018
Continuing operations			
Interest income calculated using the effective interest rate method	19	375 550 777	195 880 941
Other interest income	19	22 268 640	4 666 451
Interest expenses	19	(214 471 165)	(113 795 348)
Net interest income		**183 348 252**	**86 752 044**
Provision for expected credit losses on loans to customers, amounts due from other banks and cash and cash equivalents	8	(14 465 041)	(681 180)
Net interest income after allowance for the loan portfolio impairment		**168 883 211**	**86 070 864**
Fee and commission income	20	117 436 857	84 065 926
Fee and commission expense	20	(27 555 193)	(14 448 171)
Net gains from trading in foreign currencies		11 509 392	22 183 254
Net (loss)/ gain on revaluation of foreign currency		(27 139 182)	999 363
Loss on initial recognition		(1 089 673)	-
(Creation) / reversal of allowance for impairment of financial assets and credit-related commitments	10	(648 480)	2 030 077
Dividends received		-	11 738
Other operating income	21	7 482 001	1 820 303
Administrative and other operating expenses	22	(156 121 231)	(137 901 199)
Profit before tax		**92 757 702**	**44 832 155**
Income tax expenses	23	(17 187 742)	(10 716 333)
Discontinued operation			
Profit from discontinued operation for the year		-	14 288 768
Profit for the year		**75 569 960**	**48 404 590**
Total comprehensive income for the year		**75 569 960**	**48 404 590**

Approved and signed on behalf of the Management Board:

Burkhanov B.N.
The Chairman of the Management Board of the Bank

28 August 2020

Toshpulatkhujayev J. O.
Chief Accountant of the Bank

28 August 2020

The accompanying notes are an integral part of these financial statements.

INVEST FINANCE BANK JOINT STOCK - COMMERCIAL BANK with foreign capital
Statement of Cash Flows for the year ended 31 December 2019

(in thousands of Uzbek soums)

		For the year ended 31 December 2019	For the year ended 31 December 2018
Cash flows from operating activities			
Interest received		382 548 015	186 882 514
Interest paid		(206 535 700)	(112 434 248)
Fees and commissions received		108 032 295	93 012 316
Fees and commissions paid		(24 413 510)	(13 437 416)
Net receipts on foreign currency transactions		11 509 392	22 183 254
Other operating income received		6 182 457	1 160 372
Personnel expenses paid		(88 357 707)	(61 319 591)
Administrative and other operating expenses paid		(57 617 657)	(68 540 399)
Cash flows from operating activities before changes in operating assets and liabilities		**131 347 585**	**47 506 802**
Net (increase)/ decrease in:			
- amounts due from other banks		(127 618 192)	140 845 934
- loans and advances to Customers		(1 018 305 488)	(1 288 414 007)
- other assets		(10 896 759)	(8 668 222)
Net increase/ (decrease) in:			
- amounts due to other banks		(4 192 796)	42 914 215
- amounts due to customers		1 023 927 410	963 878 645
- debt securities issued		(138 200 000)	120 859 192
- other liabilities		5 278 331	5 037 940
Net cash (used in)/from operating activities before income tax		**(138 659 909)**	**23 960 499**
Income tax paid		(24 647 345)	(7 869 331)
Net cash flows used in operating activities from continuing operations		**(163 307 254)**	**16 091 168**
Total net cash flows used in operating activities		**(163 307 254)**	**16 091 168**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(92 601 399)	(235 080 606)
Proceeds from sale of property, plant and equipment and intangible assets		1 551 819	12 600 323
Purchase of investment securities		-	(3 863 365)
Dividends received		-	11 738
Proceeds from sale of subsidiaries, net of cash disposed		-	18 266 531
Net cash flows used in investing activities		**(91 049 580)**	**(208 065 379)**
Cash flows from financing activities			
Emission of ordinary shares	18	80 000 000	20 000 000
Proceeds from other borrowed funds	17	544 609 312	166 995 360
Repayment of other borrowed funds	17	(164 526 604)	(39 952 261)
Proceeds from subordinated loan	17	-	63 000 000
Dividends paid	24	(35 788 000)	(21 954 359)
Net cash flows from financing activities		**424 294 708**	**188 088 740**
Effect of exchange rate fluctuations on cash and cash equivalents		5 161 561	3 502 757
Effect of changes in expected credit losses on cash and cash equivalents		359	(18 863)
Net increase/(decrease) in cash and cash equivalents		**175 099 794**	**(401 577)**
Cash and cash equivalents at the beginning of the year	6	539 982 438	540 384 015
Cash and cash equivalents at the end of the year	**6**	**715 082 232**	**539 982 438**

Burkhanov B.N.
The Chairman of the Management Board of the Bank

28 August 2020

Toshpulatkhujayev J. O.
Chief Accountant of the Bank

28 August 2020

The accompanying notes are an integral part of these financial statements.

INVEST FINANCE BANK JOINT STOCK - COMMERCIAL BANK
with foreign capital
Statement of Changes in Equity for the year ended 31 December 2019

(in thousands of Uzbek soums)

	Note	Attribute to the Bank's shareholders								
		Share capital	**Share premium**	**Equalization provision**	**Reserve for preventive activities**	**Capital component in insurance reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at January 1 2018		**300 000 000**	**1 853 395**	**3 716 447**	**2 233 135**	**(863 882)**	**19 756 858**	**326 695 953**	**9 048 339**	**335 744 292**
Effect of IFRS 9 application as at 1 January 2018		-	-	-	-	-	203 458	203 458	-	203 458
Restated balance as at 1 January 2018		**300 000 000**	**1 853 395**	**3 716 447**	**2 233 135**	**(863 882)**	**19 960 316**	**326 899 411**	**9 048 339**	**335 947 750**
Profit and total comprehensive income for 2018		-	-	-	-	-	47 238 468	47 238 468	1 166 122	48 404 590
Share issue:										
- cash		20 000 000	-	-	-	-	-	20 000 000	-	20 000 000
- dividends capitalized		-	-	-	-	-	-	-	1 408 402	1 408 402
Dividends declared		-	-	-	-	-	(18 456 640)	(18 456 640)	(3 497 719)	(21 954 359)
Sale of subsidiaries		-	-	(3 716 447)	(2 233 135)	863 882	-	(5 085 700)	(8 125 144)	(13 210 844)
Balance as at 31 December 2018		**320 000 000**	**1 853 395**	**-**	**-**	**-**	**48 742 144**	**370 595 539**	**-**	**370 595 539**
Profit and total comprehensive income for 2019		-	-	-	-	-	75 569 960	75 569 960	-	75 569 960
Share issue:										
- cash	18	80 000 000	-	-	-	-	-	80 000 000	-	80 000 000
Dividends declared	24	-	-	-	-	-	(35 788 000)	(35 788 000)	-	(35 788 000)
Balance as at 31 December 2019		**400 000 000**	**1 853 395**	**-**	**-**	**-**	**88 524 104**	**490 377 499**	**-**	**490 377 499**

Burkhanov B.N.
The Chairman of the Management Board of the Bank

28 August 2020

Toshpulatkhujayev J. O.
Chief Accountant of the Bank

28 August 2020

The accompanying notes are an integral part of these financial statements.

(in thousands of Uzbek soums)

1 ORGANIZATION

These financial statements were prepared in accordance with the International Financial Reporting Standards for Invest Finance Bank Joint Stock - Commercial Bank with foreign capital (hereinafter referred to as - the "Bank").

The Bank is registered and domiciled in the Republic of Uzbekistan. The Bank is a joint stock company with the responsibility of shareholders within the limits of their shares and was established in accordance with the requirements of the legislation of the Republic of Uzbekistan.

Principal activities The Bank's principal business activity is commercial and retail banking operations within the Republic of Uzbekistan. The Bank performs its business under General Banking License No. 75 issued by the Central Bank of the Republic of Uzbekistan ("CBU") on 03 August 2018. The Bank participates in the state deposit insurance scheme, which was approved by Law of the Republic of Uzbekistan No. 360-N "On guarantees of protection of deposits of citizens in banks" dated 5 April 2002. The State Deposit Insurance System guarantees repayment of 100% of deposits, regardless of the amount of the deposit, in case of withdrawal of the license from the bank.

Registered address and place of business The Bank is registered at the following address: 1 T.Shevchenko Street, Mirabadsky District, Tashkent 100029, Republic of Uzbekistan. The Bank has sixteen (2018 - sixteen) branches on the territory of the Republic of Uzbekistan.

Shareholders As at 31 December 2019 and 2018, the structure of the Bank's shareholders is presented in the following table:

	31 December 2019	31 December 2018
Legal entities:		
Swiss capital international Group AG (Switzerland)	35.00	18.75
Alfa Group JV JSC	-	15.88
Prestige Realt LLC	9.28	11.60
Agroplastimpex LLC	-	10.19
Real Plast Servis LLC	-	3.66
Azia Trans Terminal LLC	8.15	-
Uz tex Tashkent JV LLC	12.70	-
Total legal entities	**65.13**	**60.08**
Individuals:		
Mamazhanov Fakhritdin Dzhuraevich	29.88	39.92
Akhmadzhanov Aziz Nigmadzhonovich	4.99	-
Total individuals	**34.87**	**39.92**
Total	**100.00**	**100.00**

The Bank has no ultimate controlling party.

In November 2018, the Bank sold its subsidiaries - INFINLEASING LLC, Master Leasing LLC and Asia Insurance LLC, which performed leasing and insurance operations. Therefore, the Bank does not have any investments in subsidiaries, associates and affiliates as at 31 December 2019 and 31 December 2018.

Business environment

Emerging markets, including Uzbekistan, are exposed to economic, political, social, judicial and legal risks that are different from those inherent in more developed markets. In 2019, the Government of Uzbekistan continued the implementation of social and economic reforms initiated in 2016 and market liberalization with a focus on expanding export potential and improving the business climate in Uzbekistan to attract foreign direct investment. As a result, laws and regulations governing the business environment in Uzbekistan began to change rapidly. The future economic direction of the Republic of Uzbekistan is highly dependent on the tax and monetary policy of the state in the process of reforms, along with changes in legislative, regulatory and political spheres.

(in thousands of Uzbek soums)

Management monitor developments in the current circumstances and takes measures, which it deems necessary to support the sustainability and development of the Bank's business in the foreseeable future. However, the impact of further economic changes on the future operations and financial position of the Bank is difficult to determine at this stage.

For 12 months 2019 the following key economic indicators are specific to Republic of Uzbekistan:

- Inflation: 15.2 % (2018: 14.3%);
- Official exchange rate: 31 December 2019: USD 1 = UZS 9 507.56 (December 31, 2018: USD 1 = UZS 8 339.55).
- GDP growth: 5.7% (2018: 5.1%);
- Refinancing rate of the CBU: 16.0% (2018: 16.0%)

2 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS").

This is the first set of the Bank's annual financial statements prepared using the requirements of IFRS 16 *Leases*. Changes to significant accounting policies are described below.

These financial statements are based on accounting records prepared according to the accounting legislation of the Republic of Uzbekistan, adjusted and reclassified to comply with IFRS.

The principles of accounting policies applied in the preparation of these financial statements are disclosed in Note 3. These policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

Functional and presentation currency

The national currency of the Republic of Uzbekistan is Uzbek soum (hereinafter referred to as "UZS"), which is the Bank's functional currency and the currency in which these financial statements are presented. All financial information presented in UZS has been rounded to the (nearest) thousand, unless otherwise stated.

Foreign currencies, especially the US dollar and the Euro, are significant in determining the economic parameters of numerous economic transactions carried out in the Republic of Uzbekistan. The table below shows the rates of the Uzbek soum in relation to the US dollar and the Euro, set by the CBU:

	31 December 2019	**31 December 2018**
UZS/1 USD	9 507.56	8 339.55
UZS/1 EUR	10 624.70	9 479.57

Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results can differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

-classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3.

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4.

- impairment of loans to customers – Note 8.

- estimates of fair values of financial assets and liabilities – Note 30.

Assessment of the fair value of loans issued within the frameworks of the Government progarmme.

Loans issued by the Bank but in accordance with Government decrees, do not have similar market instruments, were issued within the framework of the Government programmes, and as a result of its specific terms and borrowers types resulted in forming separate market segment. Management believes, that contracted interest rates of such loans are market rates and the Bank at estimate their fair value upon recognition which is equal to nominal value.

Assessment of the fair value of financial liabilities, attracted within the frameworks of the Government progarmme.

Financial liabilities are initially recognized at fair value. In cases, where interest rates on attracted financial liabilities differ from market rates, and the purpose of such liabilities is to form related assets, for which interest rates taking into account the Bank's margin do not represent market rates, their fair value at initial recognition is equal to nominal value.

If financial liabilities are attracted without related assets on terms different from market terms, the fair value of the liabilities is determined by the use of valuation method, such as discounting of the liabilities at interest rate, recognized as average market rate for liabilities with similar terms at the date of initial recognition.

Going concern

These financial statements reflect the management's assessment of those impacts that affect the Bank's operations and financial position. The future development of the economy of the Republic of Uzbekistan depends to a large extent on the effectiveness of measures taken by the Government of the Republic of Uzbekistan and other factors, including legislative and political events that are not controlled by the Bank. The Bank's management is not able to predict the consequences of the impact of these factors on the financial position in the future. The accompanying financial statements did not include adjustments related to this risk.

These financial statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future.

In order to maintain the required level of liquidity, the Bank is able to attract additional funds in the interbank lending market. Diversification of liquidity sources allows minimizing the Bank's dependence on any source and ensuring full performance of its obligations. The Bank's accumulated current liquidity reserves and available sources of additional funds allow the Bank to continue to operate continuously in the long term.

Taxation

Uzbek tax legislation is subject to varying interpretations and frequent changes. Management's interpretation of this legislation as applied to the operations and activities of the Bank may be challenged by the relevant local and state authorities. The tax authorities can take a more assertive position in the interpretation of legislation and in the verification of tax calculations. Therefore, tax authorities may challenge transactions and accounting methods that they did not dispute previously. As a result, significant additional taxes, penalties and interest may be assessed. Tax audits may cover five calendar years of activity immediately preceding the year of audit. Under certain conditions, earlier periods may be subject to audit. As at 31 December 2019, management of the Bank believes that it adheres to an adequate interpretation of the relevant legislation, and the Bank's tax position will be supported.

Offsetting. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to sell the asset and settle the liability simultaneously. Income and expense are not offset in the income statement unless required or permitted by any accounting standard or corresponding interpretation and are specifically disclosed in the accounting policies of the Bank.

Significant accounting policies are presented below.

3 Significant accounting policies

Changes in significant accounting policies

IFRS 16 *Leases*

The Bank has initially applied IFRS 16 *Leases* on 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. According to this model, the Bank, as a lessee, recognises right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Bank applies IFRS 16 using a modified retrospective approach. Therefore, the comparative information presented for 2018 was not restated, i.e. it is presented according to the financial statements for the previous period, in accordance with IAS 17 and related interpretations. Information about the changes in accounting policies is disclosed below.

Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Bank now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is a lease or contains a lease relationship if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration under the contract to each lease and non-lease component on the basis of their relative stand-alone selling prices.

The Bank as lessee

The Bank recognizes finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine. Otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs that are directly related to the lessee's activities under a finance lease are included in the leased assets.

Significant accounting policies

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that became credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to a gross carrying value basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation of information

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortized cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expenses presented in the statement of profit or loss and other comprehensive income include:

- Interest expense on financial liabilities measured at amortized cost.

Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the remainder of the contract.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Financial assets and liabilities

Classification of financial instruments

Upon initial recognition, financial assets are classified as measured either at amortized cost or at fair value through other comprehensive income or at fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- on specified dates contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognized in other comprehensive income, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest income calculated using the effective interest method;
- expected credit losses (ECL) and their reversal; and
- gains or losses from changes in exchange rates.

When a debt financial asset measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This choice is made for each investment separately.

For such equity instruments gains and losses are never reclassified into profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. This includes Management's strategy for earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of liabilities that are funding those assets, or expected cash outflows, or realizing cash flows through the sale of assets.

- How the performance of the portfolio is evaluated and reported to the Bank's management.

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected).

- The frequency, volume and timing of financial assets sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties under transactions that do not meet the criteria for derecognition are not considered as sales for this purpose, and the Bank continues to recognize such assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – assessment of whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that the financial asset would not meet

this condition. In making the assessment, the Bank considers:

– contingent events that would change the amount and timing of cash flows;

– conditions that may adjust the coupon rate provided by the contract, including variable rate terms;

– prepayment and extension terms; and

– terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – subsequent measurement and gains and losses

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the period.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Investments in debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss for the period.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of a part of the investment cost. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss for the period.

Non-recourse loans

In some cases, the loans issued by the Bank, and pledged as collateral by the borrower limit the Bank's claim to cash flows from the specified collateral (non-recourse loans). The Bank applies judgment when measuring compliance of non-recourse loans with SPPI criterion. When forming the judgment, the Bank generally analyzes the following:

- whether the relevant contract determines the specified amounts and terms for loan payments;
- fair value of pledged collateral regarding the financial asset pledged;
- borrower's ability or willing to continue making the contractual payments, despite the cost decrease of pledged collateral;
- whether the borrower is an individual or an entity actually operating, or a special purpose entity;
- risk of loss on pledged financial asset on a limited recourse basis in comparison with the loan issued to the borrower on a full recourse basis;
- the extent to which the collateral represents all or a significant portion of the borrower's assets; and
- whether the Bank will gain benefit from an increase in cost of underlying asset(s).

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is classified as held for sale, is a derivative or it is designated by the entity at its own discretion as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value, and net amounts of profit and loss, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Bank has bank loans with a fixed rate, giving the banks the right to change interest rates due to changes in the key rate of the CBU. The Bank has the right to prepay the loan at par without significant penalty. The Bank considers such instruments as in essence floating-rate instruments.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset was derecognized, and a new financial asset was recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in the amount of cash flows related to existing financial assets or liabilities are not treated as modification if they arise from the current terms of the agreement, for example, changes of interest rates by the Bank due to the change of the key rate by the CBU, if the related loan agreement permits the Bank to change interest rates.

The Bank performs quantitative and qualitative assessment of whether the modification is significant, i.e. whether cash flows related to the original financial asset differ significantly from the modified or new financial asset. The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. Similarly, in performing this assessment the Bank acts in line with the requirements with regard to the derecognition of financial liabilities.

The Bank concludes that a modification is significant based on the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of a financial asset that lead to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature) (applicable from 1 January 2018).

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is caused by a financial distress of the borrower, the related profit or loss is presented in impairment losses. In other cases, the related profit or loss is presented in interest income calculated using the effective interest method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. The Bank concludes that a modification is significant based on the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;

- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Impairment

The Bank recognizes loss allowances for ECLs on:

-financial assets measured at amortized cost;

-investments in debt instruments at FVOCI;

-financial guarantees.

The Bank measures loss allowances at an amount equal to lifetime ECLs, except for the following, for which they are measured as 12-month ECLs:

-debt securities that are determined to have low credit risk at the reporting date; and

-other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and an analysis based on the Bank's historical experience and a reasonable credit assessment, including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

-the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realization of collateral (if any is held); or

-the financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Measurement of ECLs

ECLs are a default probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantees: as the present value of the expected payments to reimburse the holder's credit losses less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized, and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).

If the expected restructuring results in the derecognition of the existing asset, then the expected fair value of the new asset is considered as the final cash flow from the existing asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls under the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets recognized at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making the assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- market assessment of solvency as reflected in the bonds yield;
- assessments of solvency performed by rating agencies;
- the country's ability to access capital markets to issue new debt;
- probability of the debt restructuring leading to the holders suffering losses due to a voluntary or forced forgiveness of the debt;
- availability of international support mechanisms allowing to provide required support to such country as a "lender of last resort" and a publicly announced intent of state institutions and agencies to use such mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

Presentation of allowance for ECL in the statement of financial position

Amounts of loss allowance for expected credit losses are presented in the statement of financial position in the following way:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantees: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECLs on the loan commitment component separately from those on the drawn component (loan issued): the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the expected credit loss allowance is disclosed and recognised in the revaluation reserve for changes in fair value.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on debt financial assets" in the consolidated statement of profit or loss and other comprehensive income

Financial assets that are written off could still be subject to enforcement activities of the Bank in order to comply with the Bank's procedures for recovery of amounts due.

Loans to customers

The "Loans to customers" item of the statement of financial position includes loans to customers measured at amortized cost (see Note 8). They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Investment financial assets

The item "Investment financial assets" in the statement of financial position includes debt investment securities measured at amortized cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Fair value through profit or loss

- Trading assets are assets that are acquired by the Bank or arise principally for the purpose of selling or repurchasing in the near future, or are part of a portfolio in which the assets are managed together for generating short-term profits. Trading assets were initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

- Assets classified at the discretion of the Bank. Some investment securities are classified at the discretion of the Bank as at fair value through profit or loss with immediate recognition of changes in fair value in profit or loss.

Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus related transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

When the Bank classifies a financial liability at its own discretion into the fair value through profit or loss measurement category, the amount of changes in the fair value of a financial liability caused by changes in its own credit risk under such liability is presented in other comprehensive income as a reserve for changes in the fair value of financial liabilities caused by changes in its own credit risk. On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with

- the impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide a loan on pre-agreed terms and on time.

Liabilities on financial guarantees contracts or the commitments to loans extent, which were issued with a yield below the market one, are initially recognized at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has no loan commitments that are measured at FVTPL.

For other loan commitments:

- The Bank recognises allowance for expected credit losses.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBU, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Amounts due from credit institutions

In the normal course of business, the Bank maintains advances for various periods of time in credit institutions. Amounts due from other banks are not held for immediate or short-term sale and are recognized at amortized cost using the effective interest method if they have fixed maturity terms. Amounts without fixed maturity terms are recognized at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Mandatory cash balances with the CBU represent funds deposited with the CBU and not intended to finance current operations of the Bank. Mandatory cash balances with the CBU are included in amounts due from credit institutions for the purpose of preparing a statement of cash flows.

Amounts due to credit institutions are recorded when cash or other assets are advanced to the Bank by counterparty banks. These non-derivative financial liabilities are recognized at amortized cost.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Uzbekistan and of the cities in which the Bank's subsidiaries and branches are located.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major components of property, plant and equipment items are capitalized and the replaced part is retired.

Gains and losses from disposals determined by comparing revenue with carrying amount are recognised in the income statement for the year as other operating income and expenses.

Land owned by the Bank under its ownership is not depreciated.

Land and construction in progress are not depreciated. Depreciation on other property, plant and equipment items is calculated using the straight-line method, i.e. by evenly reducing their cost to the residual value over the following estimated useful lives:

	Useful lives (years)
Buildings and constructions	50
Office and computer equipment, motor vehicles	5-10
Intangible assets	5

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

Intangible assets

The Bank's intangible assets have definite useful life and primarily include capitalised software costs. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Intangible assets are amortised on a straight-line basis over expected useful lives of five to ten years.

Investment property

Investment property is property held by the Bank to receive rental income or capital appreciation, or both and which is not occupied by the Bank. Investment property is stated at cost less accumulated amortisation and impairment (if necessary). In case of indications of impairment of investment property, the Bank evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to Property, plant and equipment. Rental income earned is recorded in profit or loss for the year within other operating income.

Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In cases where it is impossible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit related to the asset. The value of corporate assets is also allocated to individual cash-generating units or the smallest groups of cash-generating units for which a reasonable and consistent allocation method can be identified.

Leases

Policy applicable before 1 January 2019

***Finance lease* – the Bank as a lessee**

The Bank recognizes finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine. Otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs that are directly related to the lessee's activities under a finance lease are included in the leased assets.

Finance lease – the Bank as a lessor

The Bank recognizes lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying value of net investment. Initial direct costs are included in the initial measurement of the lease receivables.

Operating lease – the Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease contract are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating lease – the Bank as a lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating lease contracts is recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred in relation to an operating lease are added to the carrying amount of the leased asset.

Policy applicable from 1 January 2019

The new accounting policies adopted by the Bank in connection with the application of IFRS 16 used from the date of first-time adoption are set out below.

The Bank recognizes right-of-use assets and lease liabilities in respect of leases previously classified as operating leases, except for short-term leases and leases where the underlying asset is of low value.

Right-of-use assets

The Bank recognizes right-of-use assets from the date of lease commencement (i.e. from the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment taking into account revaluation of lease liabilities. The value of the right-of-use assets includes the amount of the recognised lease liabilities and lease payments made at or before the commencement of the lease, any initial direct costs incurred by the lessee in connection with the conclusion of the lease agreement. The Bank does not apply materiality to the amount of initial direct costs incurred by the lessee. If it is not reasonably certain that the Bank will obtain ownership of the leased asset at the end of the lease term, recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term.

Lease liabilities

Upon inception of lease the Bank recognises lease liability at the present value of lease payments to be made during the lease term. Lease payments include fixed payments (including substantive fixed payments) less incentive payments, variable lease payments based on an index or rate and amounts expected to be paid at the residual value guarantee, and termination penalties if the lease term reflects the lessee's potential exercise of the termination option. Variable lease payments that are not dependent on an index or rate are recognised as expenses in the period in which the event or condition giving rise to such payments occurs. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the inception of the lease if the interest rate implicit in the lease agreement cannot be easily determined. The amount of lease liabilities after the date of lease commencement is increased to reflect interest accrued and decreased to reflect lease payments made. In addition, the carrying amount of lease liabilities is revalued when the agreement is modified, or the lease term is changed, or the fixed lease payments are changed substantially, or the value is changed for the purpose of obtaining the underlying asset.

Component Accounting

In relation to vehicles and office real estate lease agreements, simplifications of practical nature are applied, according to which the Bank does not separate components that are not leases from components that are leases, but instead takes into account each component of the lease and respective components that are not leases as one component of the lease, provided that under such agreements there are no embedded derivatives that meet the criteria of IFRS 9 clause 4.3.3.

The agreement may include the amount payable by the lessee for the activities and costs that do not transfer the goods or services to the lessee: administrative fees or other costs (e.g. property tax, insurance fees) that the lessor bears in connection with the lease that do not transfer the goods or services to the lessor. Such amounts payable do not constitute a separate component of the agreement, but are considered part of the total refund, which is allocated to the separately identified components of the agreement. The Bank assesses whether such payments are fixed (or substantive fixed) lease payments or variable lease payments.

Short-term leases and leases of low value assets

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Bank applies the exception for recognition of short-term leases to its short-term leases of premises, office equipment (i.e. leases expiring within 12 months from the date of initial application and not subject to a call option). The Bank also applies an exception for the recognition of low value assets to leases of premises, office equipment, which are considered as low value assets. Short-term lease payments and low value assets lease payments are recognized as expenses on a straight-line basis over the lease term and included into general and administrative expenses. The Bank excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Impairment of right-of-use assets

Right-of-use asset is subject to an assessment for impairment at the end of each reporting year.

IAS 36 determines whether right-of-use asset is impaired. If there is an impairment, an impairment loss is recognised. Depreciation will then be charged to the revised carrying amount.

Impact on the financial statements

Impact on transition

The Bank as lessee

On transition to IFRS 16, the Bank did not recognise additional right-of-use assets and additional lease liabilities.

Amounts due to customers

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

Borrowings

Borrowings are non-derivative liabilities received from government and financial organizations and are carried at amortized cost.

Offset of financial instruments

Financial assets and liabilities are offset, and the net amount is recorded in the statement of financial position only if there is a legally enforceable right to offset the reported amounts, as well as the intention either to offset, or simultaneously realize the asset and settle the liability.

Pledged property recovered from unpaid loans

Pledged property recovered from unpaid loans represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in property and equipment or other non-financial assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Prepayment

Prepayment is a non-financial asset that is initially measured at cost less accumulated impairment losses.

Provisions

Provisions are recognised when the Bank has a legal or voluntary obligation as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation which can be reliably estimated.

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date, provided they have been declared on or before the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Remuneration of employees and deductions to social insurance funds

On the territory of the Republic of Uzbekistan the Bank implements deductions for a single social tax These deductions are also reflected on the accrual basis. The single social tax includes contributions to the pension fund. The Bank does not have its own pension scheme. Salaries, contributions to the state pension fund and social insurance fund, paid annual leave and sick leave, bonuses and non- monetary benefits are accrued as the services are provided by the Bank's employees.

Segment reporting

Operating segments are allocated on the basis of internal reports on the components of the Bank that are regularly

audited by the chief executive officer responsible for making decisions on operating activities in order to allocate resources to the segments and evaluate the performance of their activities.

The Bank evaluates information on the reporting segments in accordance with IFRS. The reporting operating segment is allocated when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from operations with other segments is at least 10 percent of total revenue - external and internal - of all operating segments; or
- the absolute profit or loss ratio is at least 10 percent of the largest of (i) the cumulative profit of all operating segments without a loss, and (ii) the cumulative loss of all operating segments with a loss; or
- its assets are at least 10 percent of the total assets of all operating segments;
- its assets and liabilities are at least 10 percent of total capital.

If the total revenue from external sales, represented by the operating segments, is less than 75 percent of the Bank's revenue, additional operating segments are allocated as reportable (even if they do not meet the quantitative criteria given above) until the reporting segments will include at least 75 percent of the Bank's revenues.

Foreign currency translation

The financial statements are presented in Uzbek soums, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Income and expenses arising from translation of transactions in foreign currencies are recognised in the statement of profit and loss as "Net Income from Foreign Currency Transactions - Revaluation of Foreign Exchange Items". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The difference between the contractual exchange rate for a transaction in foreign currency and the official exchange rate of the CBU at the date of the transaction is included in income less expenses for transactions in foreign currency.

4 Financial risk review

This note presents information about the Bank's exposure to financial risks.

Credit risk - Amounts arising from ECL

Significant increase in credit risk

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort. The assessment includes both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative criterion based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

Corporate exposure	All exposures (corporate and retail clients)
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	• Payment record – this includes overdue status
• Data from credit reference agencies, press articles, changes in external credit ratings	• Utilisation of the granted limit • Requests for and granting of forbearance
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Existing and forecast changes in business, financial and economic conditions.
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. The criterion of significance is different for different types of lending, in particular, for corporate clients and individuals.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due which is applicable to all segments except for accounts receivable, transactions with financial institutions and issuers of securities; 1 day – for transactions with banks and issuers of securities, 2 days – for transactions with other financial institutions. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

An increase in the credit risk may be considered significant if it is indicated by qualitative features associated with the Bank's credit risk management process, the effect of which cannot be fully detected in a timely manner as part of the quantitative analysis. This applies to those credit risk positions that meet certain high risk criteria, such as being on a watch list. The assessment of these qualitative factors is based on professional judgment and considering relevant past experience.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable.
- exposures are not generally transferred directly from 12-month ECL (Stage 1) measurement to credit-impaired (Stage 3).
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (Stage 1) and lifetime ECL measurements (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank uses expert judgment in assessment of forward-looking information. This assessment is also based on external information.

The Bank has identified and documented key drivers of credit risk and credit losses and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. GDP forecasts were designated as the key factor. However, this analysis did not reveal a significant dependency of the portfolio default rate on GDP.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects the comparison of:

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

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

(in thousands of Uzbek soums)

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are adjusted for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For loan commitments, the EAD comprises potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantee contracts, the EAD value is the amount payable at the time the financial guarantee is executed. For some financial assets, the EAD is determined by modeling the range of possible positions exposed to credit risk at various points in time using scenarios and statistical methods.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grades;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. Examples of portfolios for which external benchmark information is used as a source for estimating expected credit losses are presented below.

	Exposure as at 31 December 2019	**PD**
Cash and cash equivalents	715 082 232	Moody's default statistics
Amounts due from credit institutions	247 053 062	

5 Application of new and revised International Financial Reporting Standards (IFRS)

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 with earlier application permitted. However, the Bank has not early adopted them in preparing these financial statements.

Amendment to IFRS 3 *Business Combinations*

In October 2018, the International Accounting Standards Board (IASB) issued *Definition of a Business* (amendments to IFRS 3) that changed the definition of a 'business' and are to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, add guidance to assess whether an acquired process is substantive, narrow the definition of a business and outputs, and introduce an optional concentration test to permit a simplified assessment. The amendments also add illustrative examples.

Amendment to IAS 1 and IAS 8 – Definition of Material

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments to IFRS 9, IAS 39 and IFRS 7 include a number of exemptions that apply to all hedging relationships that are directly affected by interest rate benchmark reform. The hedging relationship will be affected if the Reform introduces uncertainties regarding the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. The reform may result in uncertainties regarding the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument for the period until the replacement of the existing interest rate benchmark with an alternative, almost risk-free interest rate. This may lead to uncertainty regarding the assessment of the probability of the forecast transaction and whether the hedging relationship will be highly effective. Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

(in thousands of Uzbek soums)

6 Cash and cash equivalents

	31 December 2019	31 December 2018
Cash on hand	141 302 322	119 622 531
Current accounts with the CBU	376 437 608	328 537 475
Current accounts with other credit institutions	197 360 806	91 841 295
ECL allowance	(18 504)	(18 863)
Total cash and cash equivalents	**715 082 232**	**539 982 438**

As at 31 December 2019 and 31 December 2018, cash and cash equivalents in the amount of UZS 196 737 706 thousand (99%) and 90 514 021 (99%) were placed in five commercial banks.

The table below shows credit quality analysis of cash and cash equivalents as at 31 December 2019:

	Cash balances with the CBU (other than mandatory reserves)	Deposits with other banks with an initial maturity of less than 90 days:	Total
The Central Bank of the Republic of Uzbekistan	376 437 608	-	376 437 608
Nostro accounts with other banks			
Aa3 (Moody's)	-	95 372 148	95 372 148
A1 (Moody's)	-	737 637	737 637
A3 (Moody's)	-	96 691 773	96 691 773
Baa3 (Moody's)	-	918 977	918 977
Ba1 (Moody's)	-	489 518	489 518
Ba3 (Moody's)	-	20 062	20 062
B2 (Moody's)	-	3 111 915	3 111 915
B3 (Moody's)	-	18 776	18 776
Total cash and cash equivalents, excluding cash on hand and ECL allowance	**376 437 608**	**197 360 806**	**573 798 414**

The table below shows credit quality analysis of cash and cash equivalents as at 31 December 2018:

	Cash balances with the CBU (other than mandatory reserves)	Deposits with other banks with an initial maturity of less than 90 days:	Total
The Central Bank of the Republic of Uzbekistan	328 537 475		328 537 475
Aa3 (Moody's)	-	190 577	190 577
A1 (Moody's)	-	346 115	346 115
A3 (Moody's)	-	53 047 383	53 047 383
Ba2 (Moody's)	-	484 357	484 357
Ba3 (Moody's)	-	158 188	158 188
B1 (Moody's)	-	37 614 675	37 614 675
Total cash and cash equivalents, excluding cash on hand and ECL allowance	**328 537 475**	**91 841 295**	**420 378 770**

(in thousands of Uzbek soums)

7 Amounts due from other banks

Amounts due from other banks include the following items:

	31 December 2019	31 December 2018
Mandatory deposits with the CBU	168 160 008	81 391 450
Restricted cash	39 885 419	20 016 418
Deposits with other banks with an initial maturity of more than 90 days	39 017 117	16 308 882
ECL allowance	(9 482)	(93 434)
Total amounts due from other banks	**247 053 062**	**117 623 316**

Mandatory deposits with the CBU include non-interest reserves for customers' deposits. The Bank is not permitted to use these funds to finance its operations.

As at the end of 2019, the Bank has concluded a number of transactions that required a collateral deposit with a foreign bank. As a result, the amount of restricted cash doubled as at 31 December 2019. Such funds include interbank deposits under letters of credit and collateral deposits under guarantees (placed in Raiffeisen Bank International AG), insurance coverage under IPC VISA (placed in Ipak Yuli Bank). The use of funds is restricted until certain obligations are performed.

Amounts due from other banks are not secured by collateral.

The credit quality of amounts due from other banks as at 31 December 2019 is as follows.

	Mandatory deposits with the CBU	Restricted cash	Deposits with other banks with an initial maturity of more than 90 days:	Total
The Central Bank of the Republic of Uzbekistan	168 160 008	-	-	168 160 008
B2 (Moody's)	-		-	-
A3 (Moody's)	-	39 885 419	-	39 885 419
Baa3 (Moody's)	-	-	39 017 117	39 017 117
ECL allowance	-	-	(9 482)	(9 482)
Total due from other banks, excluding ECL allowance	**168 160 008**	**39 885 419**	**39 007 635**	**247 053 062**

The credit quality of amounts due from other banks as at 31 December 2018 is as follows:

	Mandatory deposits with the CBU	Restricted cash	Deposits with other banks with an initial maturity of more than 90 days:	Total
The Central Bank of the Republic of Uzbekistan	81 391 450	-	-	81 391 450
A1 (Moody's)	-	-	5 548 999	5 548 999
Ba3 (Moody's)		-	10 215 949	10 215 949
B2 (Moody's)	-	15 016 418	543 934	15 560 352
B3 (Moody's)	-	5 000 000	-	5 000 000
ECL allowance			(93 434)	(93 434)
Total due from other banks, excluding ECL allowance	**81 391 450**	**20 016 418**	**16 215 448**	**117 623 316**

See Note 30 for assessment of fair value of each category of amounts due from other banks. Interest rate analysis of amounts due from other banks is disclosed in Note 27.

(in thousands of Uzbek soums)

8 Loans and advances to customers

	31 December 2019	31 December 2018
Loans to legal entities	2 181 036 281	1 394 640 118
Loans to large corporate customers	*1 281 768 020*	*1 227 461 647*
Loans to small and medium businesses	*899 268 261*	*167 178 471*
Loans to individuals	746 874 037	556 214 599
Net investment in finance lease	185 125 884	95 207 296
Loans to large corporate customers	*85 666 615*	*93 879 362*
Loans to small and medium businesses	*99 459 269*	*1 327 934*
Loans and advances to customers, gross amount	**3 113 036 202**	**2 046 062 013**
Less ECL allowance	(22 736 440)	(6 302 823)
Total loans and advances to customers	**3 090 299 762**	**2 039 759 190**

The Bank uses the following classification of loans by classes:

- Loans to large corporate customers - loans granted to customers with an organizational and legal form of ownership of joint-stock companies and limited liability companies, where credit quality assessment is performed on an individual basis;

- Loans to small and medium businesses - loans granted to customers with an organizational and legal form of ownership of joint-stock companies and limited liability companies, private businesses, individual entrepreneurs, where credit quality assessment is performed on a collective basis;
- Loans to individuals - loans granted to individuals that include:
  - i) Mortgage loans
  - ii) Consumer loans
  - iii) Education loans;
  - iv) Other.
- Net investment in finance lease - loans granted to legal entities that meet the definition of finance lease.

The following tables provide information on the quality of the loan portfolio before ECL allowance as at 31 December 2019 and 31 December 2018:

The analysis of the credit quality of loans presented in the tables below is based on the credit quality scale of borrowers developed by the Bank:

- "Low credit risk" - assets with low probability of default by counterparties have high ability to fulfill their financial obligations in time;
- "Moderate credit risk" – assets, counterparties to which have a moderate probability of default demonstrate the average ability to meet financial obligations in a timely manner and require more careful attention at the monitoring stage;
- "High credit risk" - assets with higher probability of default by counterparties require particular attention during the monitoring;
- "Distressed assets" - assets which meet the definition of default under the impairment indicators.

(in thousands of Uzbek soums)

The credit quality of loans and advances to large corporate customers individually assessed for impairment as at 31 December 2019 is as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs for assets that are not credit-impaired	Stage 3 Lifetime ECLs for assets that are credit-impaired	Total
Corporate clients, incl. net investment in finance lease				
Low credit risk	1 239 458 034	-	-	1 239 458 034
Medium credit risk	-	-	-	-
High credit risk	-	127 976 601	-	127 976 601
Distressed assets	-	-	-	-
Total	**1 239 458 034**	**127 976 601**	**-**	**1 367 434 635**
Allowance for expected credit losses	**(1 664 344)**	**(2 131 513)**	**-**	**(3 795 857)**
Carrying amount	**1 237 793 690**	**125 845 088**	**-**	**1 363 638 778**

The credit quality of loans and advances to small and medium businesses collectively assessed for impairment as at 31 December 2019 is as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs for assets that are not credit-impaired	Stage 3 Lifetime ECLs for assets that are credit-impaired	Total
Small and medium businesses, incl. net investment in finance lease				
Not overdue	912 285 639	33 348 744	-	945 634 383
Overdue less than 30 days	-	1 180 850	10 679 561	11 860 411
Overdue 30-90 days	-	11 771 042	4 745 853	16 516 895
Overdue 91-180 days	-	-	12 229 132	12 229 132
Overdue 181-360 days	-	-	7 762 824	7 762 824
Overdue more than 360 days	-	-	4 723 885	4 723 885
Total	**912 285 639**	**46 300 636**	**40 141 255**	**998 727 530**
Allowance for expected credit losses	**(797 518)**	**(819 157)**	**(16 507 368)**	**(18 124 043)**
Carrying amount	**911 488 121**	**45 481 479**	**23 633 887**	**980 603 487**

The credit quality of loans and advances to individuals collectively assessed for impairment as at 31 December 2019 is as follows:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs for assets that are not credit-impaired	Stage 3 Lifetime ECLs for assets that are credit-impaired	Total
Loans to customers recognised at amortized cost – individuals				
Not overdue	733 782 551	156 765	-	733 939 316
Overdue less than 30 days	-	10 442 921	-	10 442 921
Overdue 30-90 days	-	805 167	-	805 167
Overdue 91-180 days	-	-	1 165 055	1 165 055
Overdue 181-360 days	-	-	489 371	489 371
Overdue more than 360 days	-	-	32 207	32 207
Total	**733 782 551**	**11 404 853**	**1 686 633**	**746 874 037**
Allowance for expected credit losses	**(257 117)**	**(158 258)**	**(401 165)**	**(816 540)**
Carrying amount	**733 525 434**	**11 246 595**	**1 285 468**	**746 057 497**

(in thousands of Uzbek soums)

The credit quality of loans and advances to large corporate customers collectively and individually assessed for impairment as at 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for assets that are credit-impaired	
Corporate clients, incl. net investment in finance lease				
Low credit risk	1 210 551 728	-	-	1 210 551 728
Medium credit risk	-	-	-	-
High credit risk	-	109 083 279	-	109 083 279
Distressed assets	-	-	1 706 002	1 706 002
Total	**1 210 551 728**	**109 083 279**	**1 706 002**	**1 321 341 009**
Allowance for expected credit losses	**(3 829 673)**	**(818 100)**	**(673 160)**	**(5 320 933)**
Carrying amount	**1 206 722 055**	**108 265 179**	**1 032 842**	**1 316 020 076**

The credit quality of loans and advances to small and medium businesses collectively assessed for impairment as at 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for assets that are credit-impaired	
Small and medium business, incl. net investment in finance lease				
Not overdue	163 065 353	413 028	-	163 478 381
Overdue less than 30 days	74 326	1 953 995	-	2 028 321
Overdue 30-90 days	664 509	1 235 649	-	1 900 158
Overdue 91-180 days	-	-	489 228	489 228
Overdue 181-360 days	-	-	610 317	610 317
Overdue more than 360 days	-	-	-	-
Total	**163 804 188**	**3 602 672**	**1 099 545**	**168 506 405**
Allowance for expected credit losses	**(16 720)**	**(63 060)**	**(319 670)**	**(399 450)**
Carrying amount	**163 787 468**	**3 539 612**	**779 875**	**168 106 955**

The credit quality of loans and advances to individuals collectively assessed for impairment as at 31 December 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for assets that are credit-impaired	
Loans to customers recognised at amortized cost – individuals				
Not overdue	551 134 194	226 209	-	551 360 403
Overdue less than 30 days	92 335	563 398	-	655 733
Overdue 30-90 days	-	3 507 021	-	3 507 021
Overdue 91-180 days	-	-	325 068	325 068
Overdue 181-360 days	-	-	299 359	299 359
Overdue more than 360 days	-	-	67 015	67 015
Total	**551 226 529**	**4 296 628**	**691 442**	**556 214 599**
Allowance for expected credit losses	**(229 663)**	**(37 394)**	**(315 383)**	**(582 440)**
Carrying amount	**550 996 866**	**4 259 234**	**376 059**	**555 632 159**

(in thousands of Uzbek soums)

An analysis of changes in ECL allowance during 2019 and 2018 is presented below; for a stage analysis of changes in ECL allowance, see Note 27 Financial Risk Management Policy, Credit quality of financial assets.

	Loans to legal entities and net investment in finance lease	**Loans to individuals**	**Total**
ECL allowance as at 1 January 2019	**5 720 383**	**582 440**	**6 302 823**
Creation of ECL allowance	14 373 343	176 009	14 549 352
Change in exchange rates and other changes	699 531	-	699 531
Unwinding of discount in respect of ECL present value	1 126 643	58 091	1 184 734
ECL allowance as at 31 December 2019	**21 919 900**	**816 540**	**22 736 440**

	Loans to legal entities and net investment in finance lease	**Loans to individuals**	**Total**
ECL allowance as at 1 January 2018	**7 041 388**	**767 083**	**7 808 471**
Effect of transition to IFRS 9	(1 561 159)	(625 669)	(2 186 828)
Creation of ECL allowance	240 154	441 026	681 180
ECL allowance as at 31 December 2018	**5 720 383**	**582 440**	**6 302 823**

The concentration of the loan portfolio by industry sector is presented below:

	31 December 2019		**31 December 2018**	
	Amount	**%**	**Amount**	**%**
Production	1 442 704 750	46%	926 937 718	**45%**
Individuals	746 874 037	24%	556 214 599	**27%**
Trade	356 258 590	11%	233 321 930	**11%**
Services	304 206 376	10%	90 335 329	**4%**
Transport and communications	82 555 651	3%	55 270 819	**3%**
Financial services	80 647 591	3%	119 743 998	**6%**
Construction	67 051 534	2%	43 024 893	**2%**
Agriculture	32 737 673	1%	21 212 727	**1%**
Total loans and advances to customers (gross amount)	**3 113 036 202**	**100%**	**2 046 062 013**	**100%**

As at 31 December 2019, the Bank had 5 borrowers (2018: 5 borrowers) with aggregate loan amounts exceeding UZS 80 000 000 thousand (2018: UZS 39 000 000 thousand). The total aggregate amount of these loans was UZS 465 387 861 thousand (2018: UZS 333 868 318 thousand) or 15% of the total loan portfolio (2018: 16%).

The gross collateral amount as at 31 December 2019 is presented below:

2019 *(In thousands of UZS)*	**Gross carrying amount of loans to customers**	**Fair value of collateral for collateral estimated at the reporting date**	**Fair value of collateral is not determined**
Loans which are not credit-impaired			
Real estate	969 890 831	969 890 831	-
Insurance policies	857 947 522	857 947 522	-
Equipment	462 677 961	-	462 677 961
Transport	288 263 101	288 263 101	
Guarantees and sureties	218 606 017	-	218 606 017
Cash (deposits)	193 693 561	193 693 561	-
Goods in turnover	72 096 200	-	72 096 200
Unsecured loans	8 033 123	-	-
Total loans which are not credit-impaired	**3 071 208 316**	**2 309 795 015**	**753 380 178**
Credit-impaired loans			
Real estate	23 369 742	23 369 742	-
Equipment	8 392 820	-	8 392 820
Insurance policies	4 597 585	4 597 585	-
Guarantees and sureties	3 734 556	3 734 556	
Transport	1 262 456	1 262 456	-
Goods in turnover	272 035	-	272 035
Unsecured loans	198 695	-	-
Total credit-impaired loans	**41 827 889**	**32 964 339**	**8 664 855**

The gross collateral amount as at 31 December 2018 is presented below:

2018 *(In thousands of UZS)*	**Gross carrying amount of loans to customers**	**Fair value of collateral for collateral estimated at the reporting date**	**Fair value of collateral is not determined**
Loans which are not credit-impaired			
Real estate	588 518 766	588 518 766	-
Insurance policies	553 089 860	553 089 860	-
Equipment	419 846 970	-	419 846 970
Guarantees and sureties	224 608 733	224 608 733	
Transport	141 257 828	141 257 828	-
Cash (deposits)	100 269 328	100 269 328	-
Goods in turnover	10 933 821		10 933 821
Unsecured loans	4 039 718	-	-
Total loans which are not credit-impaired	**2 042 565 024**	**1 607 744 515**	**430 780 791**
Credit-impaired loans			
Real estate	1 682 516	1 682 516	-
Insurance policies	594 250	594 250	-
Guarantees and sureties	522 974	522 974	-
Transport	385 528	385 528	
Unsecured loans	311 989	-	-
Total credit-impaired loans	**3 497 257**	**3 185 268**	**-**

(in thousands of Uzbek soums)

The analysis of accounts receivable under finance lease and its present value as at 31 December 2019 and 31 December 2018 is as follows:

	Up to 1 Year	From 1 to 5 years	More than 5 years	Total
Payments receivable under finance lease as at 31 December 2019	**56 203 478**	**197 832 854**	**16 900 138**	**270 936 470**
Unearned finance income	(10 081 921)	(65 961 762)	(9 766 903)	(85 810 586)
Impairment allowance	(258 801)	(531 093)	(16 695)	(806 589)
Discounted value of lease payments receivable as at 31 December 2019	**45 862 756**	**131 339 999**	**7 116 540**	**184 319 295**
Payments receivable under finance lease as at 31 December 2018	**37 223 635**	**103 214 653**	**24 222 391**	**164 660 679**
Unearned finance income	(13 316 556)	(44 837 342)	(11 299 485)	(69 453 383)
Impairment allowance	(3 097)	(7 642)	(1 576)	(12 315)
Discounted value of lease payments receivable as at 31 December 2018	**23 903 982**	**58 369 669**	**12 921 330**	**95 194 981**

9 Property, plant and equipment and intangible assets

	Buildings	Office and computer equipment	Construction in progress	Total property, plant and equipment	Intangible assets	Intangible assets under development	Total
Carrying amount at 1 January 2018	**75 678 522**	**36 088 573**	**11 589 109**	**123 356 204**	**536 070**	**19 000 557**	**142 892 831**
Additions	153 969 145	32 366 829	38 121 927	224 457 901	172 001	9 710 234	234 340 136
Disposals, net amount	(11 732 975)	(207 417)	-	(11 940 392)	-	-	(11 940 392)
Disposal of subsidiaries	(22 923 934)	(2 253 639)	-	(25 177 573)	(102 200)	-	(25 279 773)
Transfers	173 436	(529 922)	356 486	-	-	-	-
Depreciation charges (Note 22)	(1 354 497)	(9 098 653)	-	(10 453 150)	(129 925)	-	(10 583 075)
Carrying amount at 31 December 2018	**193 809 697**	**56 365 771**	**50 067 522**	**300 242 990**	**475 946**	**28 710 791**	**329 429 727**
Cost at 31 December 2018	202 842 998	79 663 234	50 067 522	332 573 754	1 311 334	28 710 791	362 595 879
Accumulated depreciation	(9 033 301)	(23 297 463)	-	(32 330 764)	(835 388)	-	(33 166 152)
Carrying amount at 31 December 2018	**193 809 697**	**56 365 771**	**50 067 522**	**300 242 990**	**475 946**	**28 710 791**	**329 429 727**
Additions	-	41 964 629	40 713 907	82 678 536	1 600 195	10 983 839	95 262 570
Disposals, net amount	-	(3 747 993)	-	(3 747 993)	-	-	(3 747 993)
Transfer into investment property	-	-	(26 113 832)	(26 113 832)	-	-	(26 113 832)
Transfers	13 331 948	-	(13 331 948)	-	39 694 630	(39 694 630)	-
Depreciation charges (Note 22)	(4 235 937)	(12 447 488)	-	(16 683 425)	(1 517 046)	-	(18 200 471)
Disposal of depreciation charges	188 771	3 278 652	-	3 467 423	28 295	-	3 495 718
Carrying amount at 31 December 2019	**203 094 479**	**85 413 571**	**51 335 649**	**339 843 699**	**40 282 020**	**-**	**380 125 719**
Cost at 31 December 2019	216 174 946	117 879 870	51 335 649	385 390 465	42 606 159	-	427 996 624
Accumulated depreciation	(13 080 467)	(32 466 299)	-	(45 546 766)	(2 324 139)	-	(47 870 905)
Carrying amount at 31 December 2019	**203 094 479**	**85 413 571**	**51 335 649**	**339 843 699**	**40 282 020**	**-**	**380 125 719**

(in thousands of Uzbek soums)

Construction in progress mainly includes construction and repair of branch premises. Upon completion, assets are transferred to buildings and equipment.

Intangible assets include SAP software acquired under license and modified for using by the Bank. The implementation process included three stages. The first and the second stages were started in 2017 and completed in February 2019 and accepted to use from 1 March 2019. The depreciation period of the SAP software was defined as 10 years. The third stage of the program implementation is planned to be completed in 2020, the planned cost of the third stage is USD 5 million.

Investment property

In 2019, a building was transferred from construction in progress to investment property at the following address: 66, Yashnabad district, Tashkent. The building is partly operated (30%) by leasing to Tenge Bank JSCB, while the remaining 70% of the building is currently under construction.

	Commercial real estate
Carrying amount at 31 December 2018	**-**
Transfer from plant and equipment	26 113 832
Accrued depreciation	(314 119)
Carrying amount at 31 December 2019	26 113 832
Accumulated depreciation at 31 December 2019	(314 119)
Carrying amount at 31 December 2019	**25 799 713**

(in thousands of Uzbek soums)

10 Other assets

	31 December 2019	31 December 2018
Other financial assets:		
Commissions and other cash receivable from customers	11 563 483	2 542 233
Paynet accounts receivable	5 891 444	5 014 735
Dividends receivable from sold subsidiaries	1 915 240	1 773 010
Settlements with VISA International	813 557	-
Money transfer accounts receivable	691 706	166 791
Accounts receivable under plastic card systems	276 389	1 137 993
Advance payment for equipment for further lease	-	12 290 623
Less ECL allowance	(1 825 669)	(1 185 051)
Total other financial assets	**19 326 150**	**21 740 334**
Other non-financial assets:		
Life insurance for employees	8 000 000	-
Office supplies and other inventories	3 780 785	1 576 927
Advance payment for services	3 446 117	2 006 337
Prepaid expenses and advances	3 543 449	1 433 941
Prepaid taxes other than income tax	914 058	382 903
Advance payment for vehicles	-	740 470
Prepayments to suppliers	451 580	2 372 281
Other	1 498 499	1 512 266
Total other non-financial assets	**21 634 488**	**10 025 125**
Total other assets	**40 960 638**	**31 765 459**

As at 31 December 2019, other non-financial assets include the insurance premium paid to the employee life insurance company for a period up to 3 January 2021, office supplies, advances for self-service terminal maintenance services and other operational support services.

The following information is an analysis of the credit quality of other financial assets assessed for impairment as at 31 December 2019:

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs for assets that are not credit-impaired	Stage 3 Lifetime ECLs for assets that are credit-impaired	Total
Other financial assets recognized at amortized cost				
Not overdue	6 320 093	-	-	6 320 093
Overdue less than 30 days	-	9 268 110	-	9 268 110
Overdue 30-90 days	-	2 095 763	-	2 095 763
Overdue 91-180 days	-	-	224 497	224 497
Overdue 181-360 days	-	-	61 494	61 494
Overdue more than 360 days	-	-	3 181 862	3 181 862
Total	**6 320 093**	**11 363 873**	**3 467 853**	**21 151 819**
ECL allowance	**(345)**	**(201 497)**	**(1 623 827)**	**(1 825 669)**
Carrying amount	**6 319 748**	**11 162 376**	**1 844 026**	**19 326 150**

(in thousands of Uzbek soums)

The following information is an analysis of the credit quality of other financial assets assessed for impairment as at 31 December 2018:

	Stage 1	Stage 2	Stage 3	
	12-month ECLs	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for assets that are credit-impaired**	**Total**
Other financial assets recognized at amortized cost				
Not overdue	6 335 024	-	-	6 335 024
Overdue less than 30 days	-	13 397 968	-	13 397 968
Overdue 30-90 days	-	1 628 876	-	1 628 876
Overdue 91-180 days	-	-	85 447	85 447
Overdue 181-360 days	-	-	105 792	105 792
Overdue more than 360 days	-	-	1 372 277	1 372 277
Total	**6 335 024**	**15 026 844**	**1 563 516**	**22 925 384**
ECL allowance	**(375)**	**(67 021)**	**(1 117 655)**	**(1 185 051)**
Carrying amount	**6 334 649**	**14 959 823**	**445 861**	**21 740 333**

The analysis of change in ECL allowance on other financial assets during 2019 and 2018 is presented below:

	31 December 2019	31 December 2018
ECL allowance as at 1 January	**1 185 051**	**6 122 804**
Effect of transition to IFRS 9	-	1 323 931
Amounts written off during the year as uncollectible	-	(4 652 032)
Creation (reversal) of ECL allowance	640 618	(1 609 652)
ECL allowance as at 31 December	**1 825 669**	**1 185 051**

11 Due to other banks

	31 December 2019	31 December 2018
Commitments on letters of credit	96 049 814	70 646 457
Short-term deposits to other banks	25 111 765	134 280 796
Long-term deposits to other banks	206 067 105	123 833 955
Total due to other banks	**327 228 684**	**328 761 208**

See Note 30 for disclosure on fair value of each category of amounts due to other banks. Interest rate analysis of amounts due to other banks is disclosed in Note 27.

As at 31 December 2019, the Bank had large deposits from three banks (2018: one bank) with the total amount of UZS 198 614 590 thousand (2018: UZS 120,000,000 thousand) or 61% of due to other banks (2018: 37%).

(in thousands of Uzbek soums)

12 Amounts due to customers

	31 December 2019	31 December 2018
State and public organisations		
- Current/settlement accounts	96 083 193	64 581 496
- Term deposits	137 561 231	131 350 072
Other legal entities		
- Current/settlement accounts	704 377 542	651 141 212
- Term deposits	1 080 081 199	603 281 382
Individuals		
- Current/settlement accounts	131 564 405	58 311 996
- Term deposits	896 638 350	471 360 514
Total customer accounts	**3 046 305 920**	**1 980 026 672**

Economic sector risk concentrations of the customer accounts are as follows:

	31 December 2019		31 December 2018	
	Amount	%	Amount	%
Production	1 101 149 134	36.2%	618 436 750	31.2%
Individuals	1 028 202 756	33.8%	529 672 510	26.8%
State and public organisations	233 644 424	7.7%	195 931 568	9.9%
Trade	214 506 284	7.0%	202 391 280	10.2%
Services	192 396 083	6.3%	185 774 283	9.4%
Financial institutions	101 893 731	3.3%	52 763 281	2.7%
Construction	93 306 997	3.1%	104 108 151	5.3%
Transport and communications	53 129 560	1.7%	59 070 581	3.0%
Agriculture	16 137 571	0.5%	14 573 011	0.7%
Real estate	8 882 686	0.2%	9 089 627	0.5%
Other	3 056 695	0.1%	8 215 630	0.4%
Total customer accounts	**3 046 305 920**	**100.0%**	**1 980 026 672**	**100.0%**

As at 31 December 2019, the Bank had 24 customers (2018: 10 customers) with balances of more than UZS 15 000 000 thousand. The total balance of these customers was UZS 1 336 493 454 thousand (2018: UZS 303 327 983 thousand) or 44% (2018: 15%) of the total amount of customers accounts.

Information on the fair value of customers accounts is disclosed in Note 30. Interest rate analysis of customer accounts is disclosed in Note 27.

(in thousands of Uzbek soums)

13 Other borrowed funds

	Currency	Interest rate	31 December 2019	31 December 2018
Agricultural Sector Support Fund under the Ministry of Finance of the Republic of Uzbekistan	UZS	4%	321 756 357	92 248 575
Ipoteka-Bank	UZS	5%	64 615 935	-
Fund for Financing State Development Programs under the Cabinet of Ministers of the Republic of Uzbekistan	UZS	0%	51 414 216	18 891 346
INCOFIN CVSO CVBA 3671 Foreign fund	UZS	17%	42 730 002	-
INCOFIN CVSO CVBA 3472 Foreign fund	EUR	5%	16 089 443	-
INCOFIN CVSO CVBA 3471 Foreign fund	EUR	5%	15 839 153	-
INCOFIN CVSO CVBA 3473 VDK Bank	EUR	5%	10 551 349	-
Halk Bank SCJSC	UZS	3%	17 411 482	-
International Bank for Reconstruction and Development	USD	Libor 6m + variable spread + 0.2	11 419 644	9 763 648
National Bank of the Republic of Uzbekistan	UZS	3%	4 342 497	-
Long-term borrowings from the CBU	UZS	3%-5%	3 753 528	6 437 628
Islamic Corporation for the Development of the Private Sector	USD	-	-	43 199 400
Total other borrowed funds			**559 923 606**	**170 540 597**

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 53 dated 25 January 2018 "On measures to introduce modern forms of organization of cotton and textile production", on 20 July 2019, the Bank attracted funds to finance companies involved in cotton production for one year at 3.5% per annum in the amount of UZS 321 756 357 thousand (2018: UZS 92 248 575 thousand).

In April and December 2019, the Bank signed agreements with foreign fund INCOFIN CVSO CVBA to attract resources of the fund at an interest rate of 5% and 5.5% per annum in EUR and at an interest rate of 17.29% in local currency. The amount of attracted funds was EUR 4 million and UZS 42 895 800 thousand, respectively.

In accordance with Presidential Resolution No. PP - 3777 "Every family is an entrepreneur", the Bank attracted funds from a number of banks of Uzbekistan at an interest rate of 3% to 5% per annum, with a maturity date of three years, including a six-month grace period on the principal in 2018 and 2019.
The maturity date is from 2020 to 2026. As at 31 December 2019, borrowings under the program amounted to UZS 90 093 356 thousand.

In accordance with Presidential Resolution No. PP - 3651 "About measures for further stimulation and development of system of preschool education" ("the Presidential Resolution"), the Fund for Financing State Development Programs under the Cabinet of Ministers of the Republic of Uzbekistan ("the Fund") provided non-interest loans to commercial banks in Uzbekistan to further finance the creation of non-state preschool education institutions. The Bank signed a loan agreement with the Fund in a total amount of UZS 54 498 000 thousand with the maturity date from 2033 to 2034 in accordance with the Presidential Resolution. As at 31 December 2019, the amount used was UZS 51 389 346 thousand.

On 17 May 2018, the Bank signed an agreement with the International Bank for Reconstruction and Development in the total amount of USD 12 000 000 with an interest rate of LIBOR 6m + variable IBRD spread + 0.2% until June 2043. On 30 December 2018, the Bank made a payment in the amount of USD 1 200 000. Borrowings are intended for further financing of production facilities. As at 31 December 2019, the Bank used USD 1 200 000.

(in thousands of Uzbek soums)

14 Debt securities issued

	Maturity date	Annual coupon rate	31 December 2019	31 December 2018
Deposit certificates	8 April 2019 - 6 May 2021	16%-16.5%	1 606 466	138 105 932
Savings certificates	19 June 2019 - 17 December 2020	17%-20%	-	2 309 418
Total debt securities issued			**1 606 466**	**140 415 350**

As at 31 December 2019, the Bank had one customer (2018: one customer) with the total balance of UZS 1 000 000 thousand (2018: UZS 104 500 000 thousand) or 62% (2018: 74%) of total amount of debt securities issued.

Information on the fair value of debt securities issued is disclosed in Note 30. Interest rate analysis of debt securities issued disclosed in Note 27.

15 Subordinated loan

	Currency	Maturity date	Interest rate	31 December 2019	31 December 2018
Textile Finance Khorezm FE LLC	UZS	31 December 2025	10.1%	71 726 273	63 000 000
Total subordinated loan				**71 726 273**	**63 000 000**

On 30 December 2018, the Bank signed a subordinated loan agreement with Textile Finance Khorezm LLC in the amount of UZS 63 000 000 thousand with an interest rate of 10.1% p.a. with a maturity date until 31 December 2025. The agreement includes unconditional provision of principal amount and interest indexation linked to UZS/USD rate changes. During 2019, the foreign exchange difference amounted to UZS 8 726 273 thousand, which was recognised in the statement of profit or loss and other comprehensive income in the item "Net (loss)/gain on revaluation of foreign currency".
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16 Other liabilities

	31 December 2019	31 December 2018
Money transfer accounts payable	3 301 851	2 503 412
Accounts payable to Deposit Guarantee Fund	2 064 998	290 654
Trade accounts payable	1 641 552	2 487 380
Personnel expenses accrued	1 231 209	1 069 824
Settlements with employees	291 285	-
Building lease accounts payable	165 575	589 463
Accounts payable for professional services	-	157 500
Other	548 131	206 449
Total other financial liabilities	**9 244 601**	**7 304 682**
Advances received on operating lease	2 733 787	-
Taxes payable other than on income tax	1 053 787	784 788
Current income tax payable	365 047	873 680
Provision for guarantees	77 193	69 331
Other	-	559 050
Total other non-financial liabilities	**4 229 814**	**2 286 849**
Total other liabilities	**13 474 415**	**9 591 531**

(in thousands of Uzbek soums)

17 Reconciliation of liabilities resulting from financial activities

The table below provides changes in the Bank's liabilities resulting from financing activities, including both monetary and non-monetary changes.

Liabilities resulting from financing activities are those for which cash flows have been or future cash flows will be classified in the Bank's Statement of Cash flows as cash flows from financing activities.

	1 January 2019	Cash inflow from financing activities	Cash outflow from financing activities	Interest paid	Non-monetary changes				31 December 2019
					Effect of movements in exchange rates	Interest accrued	Dividends declared	Recognition of guarantees under the ICD credit line	
Other borrowed funds	170 540 597	544 609 312	(164 526 604)	(6 633 812)	5 452 820	10 481 293	-	-	**559 923 606**
Subordinated loan	63 000 000	-	-	(6 670 797)	8 726 273	6 670 797	-	-	**71 726 273**
Dividends paid to shareholders	-	-	(35 788 000)	-	-	-	35 788 000	-	**-**
Share capital	320 000 000	80 000 000	-	-	-	-	-	-	**400 000 000**

	1 January 2018	Cash inflow from financing activities	Cash outflow from financing activities	Interest paid	Non-monetary changes				31 December 2018
					Effect of movements in exchange rates	Interest accrued	Dividends declared	Recognition of guarantees under the ICD credit line	
Other borrowed funds	-	166 995 360	(39 952 261)	(612 748)	270 955	639 891	-	43 199 400	**170 540 597**
Subordinated loan	-	63,000 000	-	-	-	-	-	-	**63 000 000**
Dividends paid to shareholders	-	-	(18 456 640)	-	-	-	18 456 640	-	**-**
Share capital	300 000 000	20 000 000	-	-	-	-	-	-	**320 000 000**

18 Share capital

	Number of outstanding shares (in thousands)	Ordinary shares	Share premium	Total
As at 1 January 2018	**300 000**	**300 000 000**	**1 853 395**	**301 853 395**
The issue of new shares	20 000	20 000 000	-	20 000 000
As at 31 December 2018	**320 000**	**320 000 000**	**1 853 395**	**321 853 395**
The issue of new shares	80 000	80 000 000	-	80 000 000
As at 31 December 2019	**400 000**	**400 000 000**	**1 853 395**	**401 853 395**

In 2019, based on the decision of the shareholders meeting, the latest registered issue of shares was UZS 80 000 000 thousand (2018: UZS 20 000 000 thousand), which were paid in cash by new and current shareholders. Nominal value of each share is UZS 1 000 (2018: UZS 1 000).

Share premium is the excess of contributions received over the nominal value of shares issued.

19 Net interest income

	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income calculated using the effective interest method		
Loans and advances to customers	363 010 187	183 122 408
Due from other banks	10 071 406	12 758 533
Government bonds	2 469 184	-
Total interest income calculated using the effective interest rate method	**375 550 777**	**195 880 941**
Other interest income		
Net investment in finance lease	22 268 640	4 666 451
Interest expenses		
Amounts due to customers	172 945 699	66 057 283
Due to other banks	20 101 175	23 904 855
Other borrowed funds	14 132 305	829 882
Subordinated loan	6 670 797	-
Debt securities issued	621 189	23 003 328
Total interest expense	**214 471 165**	**113 795 348**
Net interest income	**183 348 252**	**86 752 044**

Interest income on cash and cash equivalents is included in interest income on amounts due from other banks.
Interest income on impaired loans and advances to customers for the year ended 31 December 2019 was UZS 3 257 676 thousand (2018: UZS 6 220 376 thousand).

(in thousands of Uzbek soums)

20 Fee and commission income and expense

Fee and commission income and expense comprise:

	For the year ended 31 December 2019	Reclassified For the year ended 31 December 2018
Fee and commission income		
- Subscription fee for the bank account maintenance	25 872 279	14 901 813
- International cash transfers	21 749 545	15 310 465
- Cash operations	16 173 776	7 033 663
- Conversion operations	16 049 401	12 923 433
- Settlement operations	15 470 516	18 372 932
- Guarantees	5 365 146	2 059 345
- Consulting services	5 286 054	2 570 907
- Paynet payment system	5 068 593	4 380 890
- Services for plastic cards	2 378 125	920 739
- SWAP transactions	1 185 129	1 241 357
- Internet banking	1 131 647	1 117 605
- Letters of credit	512 267	2 368 999
- Bank statements	80 380	700 134
- Registration fee	79 064	20 237
- Other	1 034 935	143 407
Total fee and commission income	**117 436 857**	**84 065 926**

The 2018 disclosure classification was changed to more properly recognise the content of the item for the 2019 comparative analysis:

	Before reclassification	Effect of reclassifications	As reclassified
Fee and commission income			
- Settlement operations	18 167 241	205 691	18 372 932
- International cash transfers	15 362 402	(51 937)	15 310 465
- Conversion operations	13 459 145	(535 712)	12 923 433
- Subscription fee for the bank account maintenance	12 020 989	2 880 824	14 901 813
- Internet banking	4 855 571	(3 737 966)	1 117 605
- Paynet payment system	4 401 853	(20 963)	4 380 890
- Cash operations	4 345 913	2 687 750	7 033 663
- Services for plastic cards	2 634 988	(1 714 249)	920 739
- Letters of credit	2 368 999	-	2 368 999
- Guarantees	2 059 345	-	2 059 345
- Bank statements	1 422 329	(722 195)	700 134
- SWAP transactions	1 320 395	(79 038)	1 241 357
- Registration fee	25 951	(5 714)	20 237
- Consulting services	-	2 570 907	2 570 907
- Other	1 620 805	(1 477 398)	143 407
Total fee and commission income	**84 065 926**	**-**	**84 065 926**

	For the year ended 31 December 2019	For the year ended 31 December 2018
Fee and commission expense		
- Cash operations	6 941 887	4 921 321
- Foreign currency operations	6 640 795	4 261 009
- Letters of credit	6 292 927	338 269
- Settlement operations	5 863 894	3 951 315
- Other	1 815 690	976 257
Total fee and commission expense	**27 555 193**	**14 448 171**

(in thousands of Uzbek soums)

21 Other operating income

	For the year ended 31 December 2019	For the year ended 31 December 2018
Income from investment property lease	5 375 422	642 495
Income from sale or disposal of items of property, plant and equipment	1 299 544	659 931
Fines and penalties	408 174	261 131
Other non-interest income	398 861	256 746
Total other operating income	**7 482 001**	**1 820 303**

22 Administrative and other operating expenses

	For the year ended 31 December 2019	For the year ended 31 December 2018
Personnel expenses	88 196 322	61 919 421
Depreciation and amortization	18 514 590	10 583 075
Contributions to the Citizens' Deposit Guarantee Fund	8 869 848	3 270 613
Security services expenses	7 685 378	4 964 053
Taxes, other than income tax	5 770 753	15 634 031
Stationery	5 386 329	3 608 786
Repair and maintenance	4 390 119	2 001 293
Leases	4 020 123	24 836 439
Professional services	3 406 652	2 319 415
Communication	1 598 613	1 257 320
Utilities	1 562 456	836 422
Advertising	1 521 957	959 067
Fuel	1 176 059	804 589
Charity	728 091	1 189 384
Representative expenses	712 697	395 256
Fines incurred	327 509	1 812 270
Other	2 253 735	1 509 765
Total administrative and other operating expenses	**156 121 231**	**137 901 199**

Personnel expenses include mandatory social contributions in the amount of UZS 8 989 726 thousand (2018: UZS 11 317 185 thousand).

23 Income tax

(a) Components of income tax expense

Income tax expense recognized in profit or loss for the year comprises the following:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Current income tax expense	19 252 301	10 224 029
Deferred tax	(2 064 559)	492 304
Income tax expense for the year	**17 187 742**	**10 716 333**

(in thousands of Uzbek soums)

(b) Reconciliation of tax expense and profit or loss multiplied by the applicable tax rate

In accordance with the Law of the Republic of Uzbekistan No. ZRU-136 dated 25 December 2007 and introduced changes in accordance with the Law of the Republic of Uzbekistan No. ZRU-526 dated 4 March 2019, corporate income tax and infrastructure development tax were merged. Introduced income tax rate for 2019 is 20% (2018: 20%).

The following is a reconciliation between the expected and actual tax levy:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit before tax, including profit from discontinued operations	**92 757 702**	**59 120 923**
Theoretical tax charges at statutory rate -20% (2018: 20%)	18 551 540	11 824 185
Non-deductible expenses	1 420 961	1 760 481
Tax-exempt income	(1 489 307)	(1 188 442)
Tax effect on income taxable at different rates (14% -16%)	(1 295 452)	(1 713 152)
- Change in tax rate	-	1 060 830
- Dividend income	-	(1 653 879)
- Other		626 310
Income tax expense for the year	**17 187 742**	**10 716 333**

(c) Deferred taxes analyzed by type of temporary difference

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in certain temporary differences between carrying amount of a number of assets and liabilities for the purpose of the financial statements and their tax base. The tax effect of movements in these temporary differences is detailed below and recognized at 20% rate (2018: 22%).

	2019	(Recognized)/ reversed in profit or loss	2018	(Recognized)/ reversed in profit or loss	Effect of IFRS 9	2017
Tax effect of temporary differences that decrease/(increase) the taxable base						
Loans and advances to customers	3 605 752	1 432 732	2 173 020	(959 908)	(481 102)	3 614 030
Property, plant and equipment and intangible assets	466 081	559 535	(93 454)	(49 662)	-	(43 792)
Other assets	1 815 188	907 944	907 244	(168 129)	291 265	784 108
Cash and cash equivalents	3 701	(72)	3 773	(17 093)	(20 866)	-
Amounts due from other banks	1 896	(16 791)	18 687	(89 907)	108 594	-
Other liabilities	116 418	(702 625)	819 043	812 423	2 991	3 629
Amounts due to customers	(156 267)	(116 164)	(40 103)	(20 028)		(20 075)
Net deferred tax assets	**5 852 769**	**2 064 559**	**3 788 210**	**(492 304)**	**(57 386)**	**4 337 900**

24 Dividends

	For the year ended 31 December 2019	For the year ended 31 December 2018
Dividends payable as at 1 January 2019	**-**	**-**
Dividends declared during the year	35 788 000	18 456 640
Dividends paid during the year	(35 788 888)	(18 456 640)
Dividends payable as at 31 December 2019	**-**	**-**
Dividends per share declared during the year (in UZS per share)	**93**	**58**

(in thousands of Uzbek soums)

25 Earnings per share

The Bank's shares are not traded in an active market. Therefore, disclosure on earnings per share is not presented in these IFRS financial statements.

26 Segment analysis

Operating segments are components that engage in business activities from which an entity may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. An individual or a group of individuals engaged in allocation of resources and evaluation of performance of the entity's activities may be the chief operating decision maker. The Bank's Management Board performs the responsibilities of the chief operating decision maker.

(a) Description of products and services from which each reportable segment derives its revenues

The Bank is organized on the basis of two main business segments:

- Corporate services are direct debit services, current accounts, deposits, overdrafts, loans and other credit lines, foreign currency derivatives for legal entities, including small and medium enterprises, and investments in legal entities;
- Retail services are banking services, current accounts of private customers, savings, deposits, investment savings products, storage, debit cards, consumer loans and mortgage loans.

(b) Factors used by management to identify the reportable segments

Segments of the Bank are strategic business units focused on different customers. They are managed separately because each business unit requires different marketing strategies and service levels. Management applies the key principle of IFRS 8 *Operating Segments* in determining which set of financial information should form the basis for operating segments.

(c) Measure of profit or loss of operating segment, assets and liabilities

The chief operating decision maker reviews the financial information prepared on the basis of International Financial Reporting Standards. The chief operating decision maker assesses the efficiency of each segment based on profit before tax.

(d) Information about profit and loss of reportable segment, assets and liabilities

Information on reportable segments for the year ended 31 December 2019 is set out below:

	Corporate services	**Retail services**	**Unallocated**	**Total**
Interest income	245 710 796	139 568 031	12 540 590	**397 819 417**
Fee and commission income	80 546 297	36 890 560	-	**117 436 857**
Net foreign exchange gain	-	-	11 509 392	**11 509 392**
Other operating income	6 102 670	79 787	1 299 544	**7 482 001**
Total income	**332 359 763**	**176 538 378**	**25 349 526**	**534 247 667**
Interest expenses	(120 238 538)	(74 131 452)	(20 101 175)	**(214 471 165)**
Fee and commission expense	(24 502 010)	(3 053 183)	-	**(27 555 193)**
Net foreign exchange loss	-	-	(27 139 182)	**(27 139 182)**
Administrative and other operating expenses	(93 777 435)	(29 768 416)	(32 575 380)	**(156 121 231)**
Loss on initial recognition	(1 089 673)	-	-	**(1 089 673)**
Allowance for loan portfolio impairment	(14 373 343)	(176 009)	84 311	**(14 465 041)**
Allowance for impairment of other assets	(648 480)	-	-	**(648 480)**
Income tax expenses	-	-	(17 187 742)	**(17 187 742)**
Total expenses	**(254 629 479)**	**(107 129 060)**	**(96 919 168)**	**(458 677 707)**
Segment results	**77 730 284**	**69 409 318**	**(71 569 642)**	**75 569 960**

(in thousands of Uzbek soums)

	Corporate services	Retail services	Unallocated	Total
Cash and cash equivalents	601 927 640	113 154 592	-	715 082 232
Amounts due from other banks	247 053 062	-	-	247 053 062
Loans and advances to customers	2 344 172 581	746 127 181	-	3 090 299 762
Prepayment of current income tax liabilities	-	-	5 468 968	5 468 968
Deferred tax assets	-	-	5 852 769	5 852 769
Property, plant and equipment and intangible assets	-	-	380 125 719	380 125 719
Investment property	-	-	25 799 713	25 799 713
Other assets	11 732 783	7 661 080	21 566 775	40 960 638
Total assets of reportable segments	**3 204 886 066**	**866 942 853**	**438 813 944**	**4 510 642 863**
Amounts due to other banks	-	-	327 228 684	327 228 684
Amounts due to customers	2 018 103 165	1 028 202 755	-	3 046 305 920
Other borrowed funds	469 830 250	3 753 529	86 339 827	559 923 606
Debt securities issued	6 466	1 600 000	-	1 606 466
Subordinated loan	71 726 273	-	-	71 726 273
Other liabilities	5 154 095	3 302 171	5 018 149	13 474 415
Total liabilities of reportable segments	**2 564 820 249**	**1 036 858 455**	**418 586 660**	**4 020 265 364**
Capital expenditures	**-**	**-**	-	**-**

(in thousands of Uzbek soums)

Information on reportable segments for the year ended 31 December 2018 is set out below:

	Corporate services	Retail services	Unallocated	Total
Interest income	140 301 159	47 487 700	12 758 533	**200 547 392**
Fee and commission income	65 643 840	18 422 086	-	**84 065 926**
Net foreign exchange gain	14 938 038	4 452 422	2 792 794	**22 183 254**
Net profit from revaluation of foreign currency	672 964	200 583	125 816	**999 363**
Dividends received	11 738	-	-	**11 738**
Other operating income	1 089 240	71 132	659 931	**1 820 303**
Profit from discontinued operations for the year	-	-	14 288 768	**14 288 768**
Reversal of allowance for impairment on other transactions	2 030 077	-	-	**2 030 077**
Total income	**224 687 056**	**70 633 923**	**30 625 842**	**325 946 821**
Interest expenses	(64 958 506)	(24 931 987)	(23 904 855)	**(113 795 348)**
Fee and commission expense	(10 934 819)	(3 513 352)	-	**(14 448 171)**
Administrative and other operating expenses	(88 189 346)	(16 563 926)	(33 147 927)	**(137 901 199)**
Allowance for loan portfolio impairment	(240 154)	(441 026)	-	**(681 180)**
Income tax expenses	-	-	(10 716 333)	**(10 716 333)**
Total income	**(164 322 825)**	**(45 450 291)**	**(67 769 115)**	**(277 542 231)**
Segment results	**60 364 231**	**25 183 632**	**(37 143 273)**	**48 404 590**

	Corporate services	Retail services	Unallocated	Total
Cash and cash equivalents	439 490 179	100 492 259	-	539 982 438
Amounts due from other banks	-	-	117 623 316	117 623 316
Loans and advances to customers	1 484 127 032	555 632 158	-	2 039 759 190
Prepayment of current income tax liabilities	-	-	582 557	582 557
Deferred tax assets	-	-	3 788 210	3 788 210
Property, plant and equipment and intangible assets	-	-	329 429 727	329 429 727
Other assets	15 411 271	6 329 093	10 025 095	31 765 459
Total assets of reportable segments	**1 939 028 482**	**662 453 510**	**461 448 905**	**3 062 930 897**
Amounts due to other banks	-	-	328 761 208	328 761 208
Amounts due to customers	1 450 354 162	529 672 510	-	1 980 026 672
Other borrowed funds	164 130 112	6 410 485	-	170 540 597
Debt securities issued	138 115 350	2 300 000	-	140 415 350
Subordinated loan	63 000 000	-	-	63 000 000
Other liabilities	69 331	2 794 066	6 728 134	9 591 531
Total liabilities of reportable segments	**1 815 668 955**	**541 177 061**	**335 489 342**	**2 692 335 358**
Capital expenditures	**-**	**-**	**78 778 313**	**-**

(e) Analysis of revenues by products and services

The Bank's revenues are analyzed by products and services in Note 19 (interest income), Note 20 (fee and commission income) and Note 21 (other operating income).

(f) Geographical information

The Bank operates in Uzbekistan and the Bank's operations with foreign counterparts are disclosed in Note 27. All of the Bank's revenue is generated in Uzbekistan as the majority of financial assets located outside of Uzbekistan are interest free.

(g) Major customers

The Bank has no customers with revenues exceeding 10% of the total Bank's revenues.

(in thousands of Uzbek soums)

27 Financial risk management policy

The Bank's risks are managed with respect to financial, operational and legal risks. Financial risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The main objective of financial risk management is to determine risk limits and further ensure compliance with established limits. Operational and legal risk management should ensure the proper compliance with the internal regulations and procedures in order to minimize these risks.

Credit risk The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank sets the level of its credit risk by establishing the maximum amount of the risk with respect to an individual borrower or a group of borrowers and industry segments.

The Bank's maximum exposure to credit risk varies considerably and depends on both individual risks and general market economy risks. For financial assets recognized in the statement of financial position, the maximum exposure equals the carrying amount of those assets before any offset or collateral.

The maximum level of exposure to credit risk in respect of financial assets as at the reporting date can be represented as follows.

	31 December 2019	**31 December 2018**
Cash and cash equivalents	573 798 414	420 378 770
Amounts due from other banks	247 062 544	117 716 750
Loans and advances to customers	3 113 036 202	2 046 062 013
Other financial assets	21 151 819	22 925 385
Total maximum exposure to credit risk	**3 955 048 979**	**2 607 082 917**

The maximum exposure to credit risk with respect to unrecognized contractual commitments at the reporting date is presented in Note 29.

The Bank assessed a credit quality to ensure early identification of possible changes in the solvency of counterparties, including regular collateral reviews. Counterparty limits are set using the Bank's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review aims to enable the Bank to assess a potential loss as a result of the risks it is exposed to and take corrective actions.

If necessary, a major portion of loans is either collateralized or secured with guarantees from companies or individuals.

Risk reduction and limitation policy

The Bank manages, sets limits and monitors the concentration of credit risk wherever it is identified - in particular, with respect to individual counterparties and groups, and for industries.

The Bank monitors credit risk by setting limits for one borrower or a group of related borrowers, and by setting limits on geographical and industry segments. Such risks are monitored regularly, and the limits are reviewed at least once a year. Limits of credit risk by products, industries and countries are approved quarterly by the Management.

Exposure to credit risk is managed through a regular analysis of the borrowers' and potential borrowers' ability to meet their obligations to repay interest and principal and, if necessary, by changing credit limits. The following are other specific methods of control and measures to reduce credit risk.

(a) *Collateral* The Bank uses a number of techniques and practices to reduce credit risk. The most traditional one of these is the receipt of collateral for loans issued, which is a common practice. The Bank applies instructions on the acceptability of specific groups of collateral or credit risk mitigation. The main types of collateral for loans and advances include:

- surety;
- vehicle;
- real estate;
- equipment;
- cash deposit;
- residential real estate;
- insurance certificate.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

(b) *Limits* The Bank has established several credit committees that approve credit limits for individual borrowers:

- The Credit Committee of the Supervisory Board reviews and approves credit limits within its powers in the course of the Bank's current activities for the period until the next annual meeting of shareholders;
- The Credit Committee of the Management Board reviews and approves credit limits exceeding 10% of Tier 1 capital and conducts weekly meetings.
- The Credit Committee of the Head Office reviews and approves credit limits up to 10% of Tier 1 capital and conducts weekly meeting; and
- The Credit Committee of branches reviews and approves credit limits established by the head office and conducts daily meetings.

Credit applications together with financial analysis of a potential borrower, which includes analysis of liquidity, profitability, interest coverage ratio and debt service ratio prepared by the relevant client managers, are submitted to the Credit Committee for approval of the credit limit.

(c) *Concentration of risks of financial assets exposed to credit risk* Concentration of risk occurs when several counterparties are engaged in similar business activities or similar geographical area, or have similar economic characteristics that could affect the performance of the contractual obligations, whether due to changes in economic, political or other conditions. Concentration shows the relative sensitivity of the Bank's performance to changes affecting a particular industry or geographic location.

In order to avoid an excessive concentration of risks, the Bank’s credit policies and procedures include specific recommendations of the Central Bank of the Republic of Uzbekistan aimed at maintaining a diversified portfolio. Certain concentrations of credit risks are controlled and managed accordingly. The Bank's management focuses on the concentration risk as follows:

- The maximum risk for one borrower or a group of borrowers should not exceed 25% of the Bank’s Tier 1 capital;
- The maximum exposure on unsecured loans should not exceed 5% of the Bank’s Tier 1 capital;
- The total amount of all large loans should not exceed 8 times the size of the Bank’s Tier 1 capital;
- The total amount of loan to a related party should not exceed the Bank’s Tier 1 capital.

(d) *Monitoring of quality of loan portfolio and reporting* In accordance with the Bank's credit policy, the loan portfolio monitoring department is responsible for monitoring of:

- intended use of borrowed funds
- financial indicators and status of borrowers
- collateral meeting market requirements and
- quality of loan portfolio.

The Internal Audit Service is responsible for control over compliance of the loan portfolio with the requirements and regulations of the Central Bank of the Republic of Uzbekistan, as well as the Bank's internal policies. Credit risk management processes within the Bank are audited annually by the Internal Audit Service that checks the adequacy of procedures and proper classification of loans. The Internal Audit Service discusses the results of all assessments with the management and submits reports on its findings and recommendations to the Bank's Board.

The management assesses the adequacy of the allowance for credit losses on a monthly basis. The Bank's management receives a full risk report once a quarter in order to provide all necessary information for assessment and conclusion on credit risks of the Bank.

The Bank’s Credit department analyzes loans by maturities and subsequently controls overdue balances. Therefore, the management believes it is necessary to provide information on periods outstanding and other credit risk information as disclosed in the Notes.

Credit risk for off-balance sheet financial instruments is defined as a probability of losses as a result of another party to a financial instrument transaction failing to fulfill the contractual terms. The Bank applies the same credit policy for contingent liabilities as for balance sheet financial instruments by approving transactions, using risk limits and monitoring procedures.

(in thousands of Uzbek soums)

Credit quality of financial assets

The tables below provide information about changes in the gross carrying amounts of financial assets for the period, that contributed to changes in the allowance for impairment during the year ended 31 December 2019 and 2018:

2019	**Loans and advances to customers**			**Contingencies**	**Amounts due from other banks**	**Cash and cash equivalents**	**Other assets**		
	Stage 1 12-months expected credit losses	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**
Gross carrying amount as at 1 January 2019	**1 925 582 445**	**116 982 579**	**3 496 989**	**266 844 506**	**117 716 750**	**540 001 301**	**6 329 013**	**14 159 810**	**2 436 562**
Changes in gross carrying amount									
- Transfer to Stage 1	84 100 081	(83 637 340)	(462 741)	-	-	-	-	-	-
- Transfer to Stage 2	(194 887 627)	194 901 783	(14 156)	-	-	-	(324 945)	326 814	(1 869)
- Transfer to Stage 3	(38 150 272)	(1 774 001)	39 924 273	-	-	-	(405 220)	(1 390 628)	1 795 878
Net change in gross carrying amount	(20 033 180)	(4 242 860)	4 930 532	7 260 421	86 828 896	48 307 305	678 760	728 429	11 420
Originated or reacquired financial assets	2 142 108 307			160 385 210	78 281 846	175 657 788	86 643	10 376 444	647 291
Financial assets that have been derecognized	(1 028 130 381)	(40 993 501)	(6 906 485)	(204 355 895)	(35 764 948)	(48 884 162)	(189 973)	(12 691 180)	(1 421 430)
Write-off of assets	-	-	-	-	-	-	-	-	
Change in exchange rates and other changes	14 936 851	4 445 432	859 473	-	-	-	-	-	
Gross carrying amount as at 31 December 2019	**2 885 526 224**	**185 682 092**	**41 827 885**	**230 134 242**	**247 062 544**	**715 082 232**	**6 174 278**	**11 509 689**	**3 467 852**
Allowances for ECL as at 31 December 2019	**(2 718 980)**	**(3 108 928)**	**(16 908 532)**	**(77 193)**	**(9 482)**	**(18 504)**	**(335)**	**(204 111)**	**(1 621 223)**

(in thousands of Uzbek soums)

2018	Loans and advances to customers			Contingencies	Amounts due from other banks	Cash and cash equivalents	Other assets		
	Stage 1 12-months expected credit losses	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**
Gross carrying amount as at 1 January 2018	**636 376 106**	**5 556 952**	**59 044 297**	**228 472 645**	**256 719 496**	**540 384 015**	**4 391 789**	**13 585 089**	**4 252 579**
Changes in gross carrying amount									
- Transfer to Stage 1	26 706 859	(3 966 230)	(22 740 629)	-	-	-	-	-	-
- Transfer to Stage 2	(148 176 335)	148 282 745	(106 410)	-	-	-	(13 417 941)	13 417 941	-
- Transfer to Stage 3	(11 627 657)	(1 514 537)	13 142 194	-	-	-	(126 316)	(2 678 485)	2 804 801
Net change in gross carrying amount	217 144 467	32 652 953	5 249 503	-	795 018 884	12 363 441 671	262 385 037	2 224 567	1 294 442
Originated or reacquired financial assets	2 570 388 448	-	-	231 251 868	3 117 051 735	40 445 842 748	7 873 375 913	-	-
Financial assets that have been derecognized	(1 384 017 228)	(64 728 758)	(51 095 567)	(192 602 648)	(4 052 995 122)	(52 813 168 681)	(8 121 020 208)	(13 971 083)	(1 335 388)
Write-off of assets	-	-	-	-	-	-	-	-	(4 652 032)
Change in exchange rates and other changes	18 787 785	699 454	3 601	(277 359)	1 921 757	3 501 548	740 739	1 581 781	72 160
Gross carrying amount as at 31 December 2018	**1 925 582 445**	**116 982 579**	**3 496 989**	**266 844 506**	**117 716 750**	**540 001 301**	**6 329 013**	**14 159 810**	**2 436 562**
Allowances for ECL as at 31 December 2018	**(4 076 056)**	**(918 554)**	**(1 308 213)**	**(69 331)**	**(93 434)**	**(18 863)**	**(345)**	**(67 051)**	**(1 117 655)**

(in thousands of Uzbek soums)

The tables below summarize the movements in the allowances for expected credit losses on financial assets for 2019 and 2018, respectively:

2019	**Loans and advances to customers**			**Contingencies**	**Amounts due from other banks**	**Cash and cash equivalents**	**Other assets**		
	Stage 1 12-months expected credit losses	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**
Allowances for ECL as at 1 January 2019	**4 076 056**	**918 554**	**1 308 213**	**69 331**	**93 434**	**18 863**	**345**	**67 051**	**1 117 655**
Movements in the allowances for ECL									
- Transfer to Stage 1	682 239	(581 695)	(100 544)	-	-	-	-	-	-
- Transfer to Stage 2	(2 426 507)	2 434 240	(7 733)	-	-	-	-	1 090	(1 090)
- Transfer to Stage 3	(5 114 750)	(15 791)	5 130 541	-	-	-	(82)	(6 471)	6 552
Net change in allowance	820 010	510 512	9 756 430	6 601	2 909	1 750	50	19 598	332 341
Originated or reacquired financial assets	8 901 306			63 597	2 218	5 353	12	183 999	350 198
Financial assets that have been derecognized	(4 398 941)	(322 861)	(717 105)	(62 336)	(89 079)	(7 462)	10	(61 156)	(184 433)
Write-off of assets	-	-	-	-	-	-	-	-	-
Change in exchange rates and other changes	179 567	165 969	353 996	-	-	-	-	-	-
Unwinding of discount in respect of ECL present value	-	-	1 184 734	-	-	-	-	-	-
Allowances for ECL as at 31 December 2019	**2 718 980**	**3 108 928**	**16 908 532**	**77 193**	**9 482**	**18 504**	**335**	**204 111**	**1 621 223**

(in thousands of Uzbek soums)

2018	**Loans and advances to customers**			**Contingencies**	**Amounts due from other banks**	**Cash and cash equivalents**	**Other assets**		
	Stage 1 12-months expected credit losses	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 1 12-months expected credit losses**	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**
Allowances for ECL as at 1 January 2018	**118 302**	**12 060**	**5 491 281**	**13 597**	**493 610**	**94 846**	**209**	**3 309 122**	**4 137 404**
Movements in the allowances for ECL									
- Transfer to Stage 1	1 760 428	(3 725)	(1 756 703)	-	-	-	-	-	-
- Transfer to Stage 2	(676 070)	711 545	(35 475)	-	-	-	-	-	-
- Transfer to Stage 3	(2 806 252)	(2 797)	2 809 048	-	-	-	-	(2 678 485)	2 678 485
Net change in allowance	1 229 639	200 789	274 672	-	(242 925)	(75 983)	-	-	-
Originated or reacquired financial assets	6 256 041	-	-	68 929	87 482	-	136	-	-
Financial assets that have been derecognized	(1 806 080)	(8 451)	(5 486 577)	(13 195)	(244 733)	-	-	(563 586)	(1 046 202)
Write-off of assets	-	-	-	-	-	-	-	-	(4 652 032)
Change in exchange rates and other changes	48	9 133	11 967	-	-	-	-	-	-
Allowances for ECL as at 31 December 2018	**4 076 056**	**918 554**	**1 349 446**	**69 331**	**93 434**	**18 863**	**345**	**67 051**	**1 117 655**

(in thousands of Uzbek soums)

Market risk The Bank is exposed to the market risk related to open positions in (a) currency, (b) interest and (c) equity instruments which are exposed to the risk of general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, in case of more significant changes in the market the use of this approach does not always prevent the formation of losses exceeding the established limits.

Currency risk The Management sets limits on the level of accepted risk in terms of currencies and in general, both at the end of each day and within a single day, and monitors their compliance on a daily basis.

	31 December 2019			31 December 2018		
	Monetary financial assets	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
USD	1 746 780 647	(1 728 160 402)	18 620 245	727 141 000	(730 562 369)	(3 421 369)
EUR	247 656 356	(225 984 292)	21 672 064	36 077 134	(36 091 101)	(13 967)
Others	2 987 858	(1 840 058)	1 147 800	1 858 120	(1 036 238)	821 882
Net balance sheet position on financial assets and liabilities	**1 997 424 861**	**(1 955 984 752)**	**41 440 109**	**765 076 254**	**(767 689 708)**	**(2 613 454)**

The above analysis includes only monetary assets and liabilities. Investments in equity and non-monetary assets are not considered to give rise to any significant currency risk.

In 2019, the Bank concluded term deposit agreements with Textile Finance Khorezm LLC and Textile Finance Namangan LLC for UZS 137 000 000 thousand with an interest rate of 10.1% per annum with maturity up to 28 January 2022, and on 30 December 2018 the Bank concluded a subordinated debt agreement with Textile Finance Khorezm LLC for UZS 63 000 000 thousand with an interest rate of 10.1% per annum with maturity up to 31 December 2025. The agreements include an unconditional provision of principal amount and interest indexation to UZS/UZS rate changes. During 2019, the foreign exchange difference amounted to UZS 31 543 628 thousand, which was recognized in the statement of profit or loss and other comprehensive income in the item “Net (loss)/gain on revaluation of foreign currency”.

The following table demonstrates the Bank's sensitivity to a 10% increase and decrease in USD and EUR exchange rate against UZS as at 31 December 2019 and 2018. These sensitivity coefficients are used in presenting internal currency risk to key management personnel and represent management's assessment of possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items in foreign currency and adjusts their transfer at year-end by 10% change in foreign exchange rates.

The following table demonstrates the sensitivity of the post-tax financial result and equity to possible changes in exchange rates.

	31 December 2019	**31 December 2018**
USD strengthening by 10% (2018: 10%)	1 489 620	(273 710)
USD weakening by 10% (2018: 10%)	(1 489 620)	273 710
EUR strengthening by 10% (2018: 10%)	1 733 765	(1 117)
EUR weakening by 10% (2018: 10%)	(1 733 765)	1 117

The table below provides a general analysis of the Bank's interest rate risk. It also shows total financial assets and liabilities of the Bank at carrying amount by repricing dates in accordance with agreements or maturity dates, whichever is earlier.

	On demand and less than 1 month	**From 1 to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Total**
As at 31 December 2019					
Total interest bearing financial assets	154 165 377	553 704 066	510 505 142	1 928 349 405	**3 146 723 990**
Total interest bearing financial liabilities	139 943 623	447 894 235	696 374 876	1 714 200 776	**2 998 413 510**
Net interest rate gap as at 31 December 2019	**14 221 754**	**105 809 831**	**(185 869 734)**	**214 148 629**	**148 310 480**

(in thousands of Uzbek soums)

As at 31 December 2018					
Total interest bearing financial assets	146 436 289	584 903 046	308 377 949	1 060 257 855	**2 099 975 139**
Total interest bearing financial liabilities	47 479 514	330 760 163	605 047 233	815 288 294	**1 798 575 204**
Net interest rate gap as at 31 December 2018	**98 956 775**	**254 142 883**	**(296 669 284)**	**244 969 561**	**301 399 935**

The Bank monitors interest rates on financial instruments. The table below shows interest rates as at the respective reporting date, based on reports that have been analyzed by the Bank's key management personnel. For securities, interest rates represent yield to maturity based on market quotations as at the reporting date:

	31 December 2019			**31 December 2018**		
in %	**UZS**	**USD**	**EUR**	**UZS**	**USD**	**EUR**
Assets						
Cash and cash equivalents	-	-	-	0.1-14	-	-
Amounts due from other banks	-	2.35	-	12-14	2.4-2.45	
Loans and advances to customers	1-38	7-16	7-11	2-36	7-16	7-11
Liabilities						
Amounts due to other banks	3-14	1.5-6.5	7-12	3-17	1.5-5.5	0.2-0.65
Amounts due to customers	1-22	2-7	0.5-5	1-21	3-7	3-5
Debt securities issued	17-20	-	-	17-20	-	-
Other borrowed funds	0-17.3	3.6	5.00	0-5	4	-
Subordinated loan	10	-	-	10	-	-

The sign "-" in the table above means that the Bank does not have assets or liabilities in the corresponding currency.

Other price risk The Bank is exposed to the risk of early repayment by providing loans, including mortgage loans, which give the borrower the right to early repayment of loans. The Bank's financial result and equity at the end of the current reporting period would not significantly depend on changes in prepayment rates because such loans are recognized at amortized cost and the prepayment amount is equal or close to the amortized cost of loans and advances to customers for 2019: no significant impact).

Geographical risk concentration

The following is an analysis of geographical concentration of the Bank's assets and liabilities as at 31 December 2019:

	Uzbekistan	**OECD**	**Other countries**	**Total**
Financial assets				
Cash and cash equivalents	520 801 308	193 563 400	717 525	715 082 233
Amounts due from other banks	168 678 734	78 374 328	-	247 053 062
Loans and advances to customers	3 090 299 762	-	-	3 090 299 762
Other financial assets	19 326 150	-	-	19 326 150
Total financial assets	**3 799 105 954**	**271 937 728**	**717 525**	**4 071 761 207**
Financial liabilities				
Deposits of other banks	133 734 117	78 762 150	114 732 417	327 228 684
Amounts due to customers	3 046 305 920	-	-	3 046 305 920
Other borrowed funds	462 448 581	97 475 025	-	559 923 606
Debt securities issued	1 606 466	-	-	1 606 466
Subordinated loan	71 726 273	-	-	71 726 273
Other financial liabilities	9 244 601	-	-	9 244 601
Total financial liabilities	**3 725 065 958**	**176 237 175**	**114 732 417**	**4 016 035 550**
Net position on balance sheet financial instruments	**74 039 996**	**95 700 553**	**(114 014 892)**	**55 725 657**
Credit related commitments	**167 823 650**	**148 491 328**	**9 432 168**	**325 747 146**

(in thousands of Uzbek soums)

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2018 is set out below.

	Uzbekistan	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	483 555 005	53 742 262	2 685 171	539 982 438
Amounts due from other banks	101 841 950	15 781 366	-	117 623 316
Loans and advances to customers	2 039 759 190	-	-	2 039 759 190
Other financial assets	21 740 334	-	-	21 740 334
Total financial assets	**2 646 896 479**	**69 523 628**	**2 685 171**	**2 719 105 278**
Financial liabilities				
Deposits of other banks	220 701 830	78 640 483	29 418 895	328 761 208
Amounts due to customers	1 980 026 672	-	-	1 980 026 672
Other borrowed funds	117 333 737	10 007 460	43 199 400	170 540 597
Debt securities issued	140 415 350	-	-	140 415 350
Subordinated loan	63 000 000	-	-	63 000 000
Other financial liabilities	7 304 682	-	-	7 304 682
Total financial liabilities	**2 528 782 271**	**88 647 943**	**72 618 295**	**2 690 048 509**
Net position on balance sheet financial instruments	**118 114 208**	**(19 124 315)**	**(69 933 124)**	**29 056 769**
Credit related commitments	**266 137 306**	**152 954 404**	**5 280 451**	**424 372 161**

Liquidity risk. Liquidity risk is the risk that the entity will encounter difficulty in meeting the financial liabilities. The Bank is exposed to the risk due to the daily need to use available cash for settlement of overnight deposits, customer accounts, repayment of deposits, provision of loans, payments under guarantees and derivative financial instruments that are settled in cash. The Bank does not maintain cash resources to meet all of these liabilities as experience shows that a minimum level of reinvestment of sufficient funds can be predicted with a high level of certainty. Liquidity risk is managed by the Committee for Assets and Liabilities of group I.

The Bank tries to maintain a stable funding base consisting mainly of amounts due to other banks, corporate/individual deposits and debt securities. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Liquidity management of the Bank requires an analysis of the level of liquid assets necessary to settle liabilities when they mature; access to various sources of funding; availability of plans in the event of problems with financing and monitoring the compliance of liquidity ratios with legislative requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Republic of Uzbekistan.

These ratios include:

- Current liquidity ratio (at least 30%), which is calculated as the ratio of liquid assets and liabilities maturing within 30 calendar days. As at 31 December 2019 this ratio was 91% (2018: 85.1%), as stated in the report of the Central Bank of the Republic Uzbekistan.

The Treasury receives information on financial assets and liabilities. The Treasury ensures an adequate portfolio of short-term liquid assets, mainly consisting of short-term liquid trading securities, deposits with banks and other interbank instruments, in order to maintain a sufficient level of liquidity in general within the Bank.

The Treasury monitors the daily liquidity position and regularly conducts stress testing for liquidity under different scenarios covering standard and more unfavorable market conditions.

The amounts of liabilities in the table represent the contractual undiscounted cash flows, including total financial lease liabilities (before future financial payments), total liabilities on loans received, and financial guarantees. Such non-discounted cash flows differ from the amounts included in the statement of financial position since the amounts in the statement of financial position are based on discounted cash flows. Financial derivatives are included in the table at their contract cost payable or receivable unless the Bank anticipates an unwinding of the derivative position before maturity. In this case derivative instruments are included based on expected cash flows.

Where the amount payable is not fixed, the amount in the table is determined by reference to the conditions existing at the end of the reporting period. Foreign exchange payments are translated using the spot exchange rate at the end of the reporting period.

The following table shows the cash flows without discounting on financial liabilities and credit-related contingencies on the basis of their earliest possible contractual maturity. The total cash outflows disclosed in the tables are the contractual undiscounted cash flows on financial liabilities and credit-related contingencies. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be used.

(in thousands of Uzbek soums)

The analysis of financial instruments by maturity dates without discounting as at 31 December 2019:

	On demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year	Total disposal of cash	Carrying amount
Liabilities						
Amounts due to other banks	53 732 614	123 377 698	67 303 710	130 958 984	375 373 006	327 228 684
Amounts due to customers	1 051 491 740	333 211 166	336 035 236	1 680 962 651	3 401 700 793	3 046 305 920
Other borrowed funds	-	-	323 322 802	291 740 282	615 063 084	559 923 606
Debt securities issued	-	520 401	1 000 000	600 000	2 120 401	1 606 466
Subordinated loan	-	-	-	115 836 337	115 836 337	71 726 273
Other financial liabilities	9 244 601	-	-	-	9 244 601	9 244 601
Total financial liabilities	**1 114 468 955**	**457 109 265**	**727 661 748**	**2 220 098 254**	**4 519 338 222**	**4 016 035 550**
Credit related commitments	**190 493 942**	**135 253 204**	**-**	**-**	**325 747 146**	**325 747 146**

The analysis of financial instruments by maturity dates without discounting as at 31 December 2018:

	On demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year	Total disposal of cash	Carrying amount
Liabilities						
Amounts due to other banks	71 505 254	75 757 528	64 079 267	140 380 969	351 723 018	328 761 208
Amounts due to customers	797 987 893	174 312 112	609 754 275	592 102 431	2 174 156 711	1 980 026 672
Other borrowed funds	43 199 400	92 592 644	-	35 761 976	171 554 020	170 540 597
Debt securities issued	615 350	323 803	116 547	189 350 536	190 406 236	140 415 350
Subordinated loan	-	-	-	76 230 000	76 230 000	63 000 000
Other financial liabilities	7 304 682	-	-	-	7 304 682	7 304 682
Total financial liabilities	**920 612 579**	**342 986 087**	**673 950 089**	**1 033 825 912**	**2 971 374 667**	**2 690 048 509**
Credit related commitments	**324 291 423**	**56 788 300**	**43 292 438**	**-**	**424 372 161**	**424 372 161**

The Bank is not authorized to use the obligatory deposits held with the Central Bank of Uzbekistan to finance its operating activities and management classifies them as demand deposits within liquidity gap analysis on the ground that their nature is, in fact, to finance a sudden withdrawal of customer funds.

The Bank's management believes that the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the successful management of the Bank. In banks, it is unusual for the specified items ever to be completely matched since transactions are often of an uncertain maturity and different type. The items mismatching 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 Bank and its risks in case of change in interest and exchange rates.

The liquidity requirements for guarantees and letters of credit are significantly lower than the amount of the respective liabilities, as the Bank does not normally expect that funds under these liabilities will be claimed by third parties. The total amount of contractual commitments to provide loans does not necessarily represent the amount of cash that will be required in future, since many of these commitments may be unclaimed or terminated before their expiration date.

(in thousands of Uzbek soums)

The Bank does not use the above analysis by maturities without discounting to manage liquidity. Instead, the Bank monitors the expected maturities and related expected liquidity gap as shown in the table below:

	On demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year	Total	Overdue payments
As at 31 December 2019						
Cash and cash equivalents	715 082 232	-	-	-	**715 082 232**	-
Amounts due from other banks	241 272 153	1 903 274	3 877 635	-	**247 053 062**	-
Loans and advances to customers	129 339 097	504 352 645	546 354 809	1 910 253 211	**3 090 299 762**	**32 108 299**
Other financial assets	19 326 150	-	-	-	**19 326 150**	-
Total financial assets	**1 105 019 632**	**506 255 919**	**550 232 444**	**1 910 253 211**	**4 071 761 206**	**32 108 299**
As at 31 December 2019						
Amounts due to other banks	53 806 000	107 676 264	63 041 094	102 705 326	**327 228 684**	-
Amounts due to customers	1 052 274 068	325 53 0314	315 890 508	1 352 611 030	**3 046 305 920**	-
Other borrowed funds	3 651 407	317 179 628	1 766 897	237 325 674	**559 923 606**	-
Debt securities issued	6 466	-	1 000 000	600 000	**1 606 466**	-
Subordinated loan	-	-	-	71 726 273	**71 726 273**	-
Other financial liabilities	9 244 601	-	-	-	**9 244 601**	-
Total financial liabilities	**1 118 982 542**	**750 386 206**	**381 698 499**	**1 764 968 303**	**4 016 035 550**	-
Net liquidity gap	**(13 962 910)**	**(244 130 287)**	**168 533 945**	**145 284 908**	**55 725 656**	-
Total liquidity gap as at 31 December 2019	**55 725 656**					

The expected maturities of financial instruments as at 31 December 2018 are as follows:

	On demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year	Total	Overdue payments
As at 31 December 2018						
Cash and cash equivalents	539 982 438	-	-	-	**539 982 438**	-
Amounts due from other banks	94 235 943	23 387 373	-	-	**117 623 316**	-
Loans and advances to customers	106 220 340	564 903 046	308 77 949	1 060 257 855	**2 039 59 190**	**6 383 343**
Other financial assets	21 740 334	-	-	-	**21 740 334**	-
Total financial assets	**762 179 055**	**588 290 419**	**308 377 949**	**1 060 257 855**	**2 719 105 278**	**6 383 343**
As at 31 December 2018						
Amounts due to other banks	71 317 600	73 425 342	60 184 311	123 833 955	**328 761 208**	-
Amounts due to customers	797 868 254	164 786 245	544 762 922	472 609 251	**1 980 026 672**	-
Other borrowed funds	43 199 400	92 004 763	-	35 336 434	**170 540 597**	-
Debt securities issued	615 350	300 000	100 000	139 400 000	**140 415 350**	-
Subordinated loan	-	-	-	63 000 000	**63 000 000**	-
Other financial liabilities	7 304 682	-	-	-	**7 304 682**	-
Total financial liabilities	**920 305 286**	**330 516 350**	**605 047 233**	**834 179 640**	**2 690 048 509**	-
Net liquidity gap	**(158 126 231)**	**257 774 069**	**(296 669 284)**	**226 078 215**	**29 056 769**	-
Total liquidity gap as at 31 December 2018	**29 056 769**					

The Bank's management believes that despite the significant share of customer funds with a status "On demand", diversification of such funds by the number and type of depositors, as well as the experience accumulated by the Bank for previous periods, indicate that these funds generate long-term and stable source of financing. Therefore, the management believes that a significant mismatch between the maturities of assets and liabilities with maturities of up to 12 months and more does not represent a significant risk for the Bank's liquidity, as a very low proportion of funds due from other banks, demand and short-term deposits are expected to be withdrawn based on the Bank's experience for the previous and current years that is consistent with the general banking practice in the banking sector of Uzbekistan.

(in thousands of Uzbek soums)

Operational liquidity risk management is provided by the Treasury Department responsible for liquidity management through asset and liability management and balancing of active and passive transactions.

The liquidity risk is monitored by compiling the following reporting data on a regular basis:

- cash flow forecast;

- report on liquidity position by maturity intervals;

- information on compliance with established limits;

- information on the amount of mandatory liquidity ratios established by regulatory documents of the Central Bank of the Republic of Uzbekistan.

The Bank calculates mandatory liquidity ratios on a monthly basis in accordance with the requirements of the Central Bank of the Republic of Uzbekistan. These ratios include:

- current liquidity ratio (N4), calculated as the ratio of highly liquid assets with a maturity of up to 30 days to liabilities on demand with a maturity of up to 30 days;

- coverage ratio, calculated as the ratio of highly liquid assets to net outflow in the next 30 days;

- net sustainable financing ratio, calculated as the ratio of the amount of available sustainable financing to the required amount of available sustainable financing.

As at 31 December 2019 and 2018, the Bank's liquidity ratios were compliant with statutory norms.

According to the Civil Code of the Republic of Uzbekistan, individuals have the right to withdraw deposits, including term deposits, at any time, usually with the loss of accrued interest. However, the deposits are presented in the liquidity tables according to the terms specified in the contract.

Information on contractual maturities of these deposits is presented below:

	31 December 2019	**31 December 2018**
On demand and less than 1 month	96 038 980	13 652 241
From 1 to 6 months	299 538 174	80 071 052
From 6 months to 1 year	161 163 194	120 156 552
More than 1 year	339 898 002	257 480 669
Total	**896 638 350**	**471 360 514**

28 Capital management

The Bank's objectives when managing capital are: (i) to comply with the capital requirements set by the CBU; and (ii) to safeguard the Bank'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 Bank's Chairman of the Management Board and Chief Accountant.

According to the current capital requirements set by the Central Bank of the Republic of Uzbekistan, banks must support:

- Capital to risk weighted assets ratio ("capital adequacy ratio") above the mandatory minimum level of 13% (31 December 2018: 12.5%)
- The Bank's Tier 1 capital to risk weighted assets ratio ("capital adequacy ratio") above the mandatory minimum level of 10% (31 December 2018: 9.5%.

According to the supplement dated October 23, 2017 No. 2693-2, the requirement is set for existing banks to increase the minimum share capital to UZS 100 billion, which must be formed until 1 January 2019.

As at 31 December 2019 and 31 December 2018, the Bank was in compliance with the regulatory capital requirements established by Resolution of the CBU No. 2693 "On Capital Adequacy Requirements of Commercial Banks" (the "Resolution") dated 6 July 2017.

The table below provides an analysis of the Bank's regulatory capital calculated based on the CBU Regulation No. 2693 (unaudited).

(In thousands of UZS)	**31 December 2019 (unaudited)**	**31 December 2018 (unaudited)**
Tier I capital		
Share capital	400 000 000	320 000 000
Share premium	1 853 395	1 853 395
Retained earnings	9 693 345	6 781 999
Less intangible assets	(1 764 805)	(475 946)
Less investments in unconsolidated companies	(40 000)	(40 000)
Total Tier I capital	**409 741 935**	**328 119 448**
Adjusted Tier II capital	137 168 915	94 631 126
Adjusted total amount of risk-based capital	**546 910 850**	**422 750 574**
Amount of balance sheet and off-balance sheet risk-weighted assets	**3 517 874 083**	**2 944 334 336**
Operational risk	148 981 850	148 981 850
Market risk	2 462 652	6 181 932
Adjusted total assets, risk-weighted	**3 669 318 585**	**3 099 498 118**
Capital adequacy ratios:		
Tier I capital	11.17%	10.59%
Tier II capital	14.90%	13.64%

29 Deferred liabilities and contingencies

Litigations. In January 2019, BTA Bank JSC (hereinafter referred to as - the "BTA Bank") initiated legal proceedings against the Bank in respect of a building owned by InFinBank JSCB with the carrying amount of UZS 86 152 963 thousand as at 31 December 2018. BTA Bank claimed the return of the building with reference to loan agreements concluded with the previous owner ("Borrower"), where the building was pledged as collateral. As the borrower failed to comply with its loan obligations, BTA Bank strived to recover the losses incurred under the collateral agreement signed with the borrower in June 2006 (the "Collateral Agreement").

The ownership of the building was transferred to InFinBank JSCB under the purchase and sale agreement No. 1 dated 22 September 2017. However, according to BTA Bank, the Collateral Agreement remains effective despite the transfer of ownership to another party. The amount of the claim on the outstanding obligations of the borrower is USD 2 070 510 (UZS 17 265 982 thousand). BTA Bank initiated similar legal case against the borrower to recover the collateral in 2011. However, in 2013, the Higher Economic Court of the Republic of Uzbekistan declared the collateral agreement invalid from the moment of its conclusion based on the fact that it was not registered with relevant cadastral bodies and was not notarized in accordance with the requirements of the Law "On mortgage" and the Civil Code of the Republic of Uzbekistan. There were no changes in the status of registration of the collateral agreement from the date of its occurrence.

In accordance with the decision of Tashkent City Economic Court dated 7 June 2019 on the case No. 4-10-1916/106 having considered the case on the claim of BTA Bank JSC (Kazakhstan) against several defendants, including InFinBank JSCB, on foreclosure of pledged property - building at 17B Mustakillik Street, M.Ulugbek District, Tashkent, the court made a decision on rejection of the claim.

Tax Legislation. The tax legislation of the Republic of Uzbekistan that is in force or in fact entered into force at the end of the reporting period 'is subject to various interpretations when applied to the transactions and activities of the Bank. As a result, the tax positions determined by management and the official documentation supporting the tax positions may be challenged by the tax authorities. The tax administration of the Republic of Uzbekistan is gradually tightening, including increase in the risk of reviewing the transactions that have no clear financial or business rationale or transactions performed with the participation of counterparties who are not compliant with the tax legislation. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year when the decision on review was made. Under certain circumstances reviews may cover longer periods.

Since the tax legislation of the Republic of Uzbekistan does not provide definitive guidance in certain areas, the Bank adopts, from time to time, such interpretations of the uncertain areas that reduce the total taxes payable by the Bank. Currently, management of the Bank believes that its tax position and used legal interpretations can be supported by appropriate documents, however, there is a risk that the Bank may incur additional costs if the tax authorities were successful in challenging the above. The impact of any such challenge cannot be reliably assessed; however, it may be significant to the financial position and/or the operations of the Bank.

(in thousands of Uzbek soums)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and guarantee letters of credit, which represent irrevocable commitments that the Bank 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 obligations of the Bank to make payments on behalf of clients within a specified amount when certain conditions are met, are secured by appropriate supplies of goods or cash deposits and, accordingly, have a lower risk level than direct lending.

Commitments to extend credit represent unused portions of amounts authorised by the management to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend loans, the Bank is potentially exposed to loss in an amount equal to the total unused commitments if the unused amounts were to be used. 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 Bank controls the term remaining until the repayment of credit commitments, since usually more long-term liabilities have a higher level of credit risk than short-term liabilities.

Credit related commitments in foreign currencies are presented below:

	31 December 2019	**31 December 2018**
Letters of credit without post-financing	42 324 128	35 672 244
Letters of credit, post-financing of which occurs after the end of the reporting period	70 684 484	68 644 670
Guarantees:	133 333 847	205 949 948
Financial guarantees	*117 125 630*	*162 527 692*
Performance guarantees	*16 208 217*	*43 422 256*
Undrawn credit facilities	64 472 408	152 871 237
Swap (obligations on sale of EUR and purchase of UZS)	21 084 460	-
Swap (obligations on sale of USD and purchase of UZS)	19 032 740	-
Total credit related commitments (gross amount)	**350 932 067**	**463 138 099**
Less provision for guarantees issued	(77 193)	(69 331)
Less commitments secured by cash deposits	(25 107 727)	(38 696 607)
Total credit related commitments less commitments secured by cash deposits and provision for guarantees issued	**325 747 147**	**424 372 161**

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements under the agreements, as the expiration or cancellation of these obligations is possible without providing the borrower with funds.

The principals under financial guarantee contracts, letters of credit applicants and borrowers under unused credit lines are mainly large corporate clients - borrowers of the Bank with low credit risk.

Credit related commitments by currency are presented below:

	31 December 2019	**31 December 2018**
USD	152 823 129	164 717 342
UZS	93 190 720	206 318 434
EUR	64 801 018	48 679 967
Total credit related commitments	**310 814 867**	**419 715 743**

In accordance with the Financing Agreement dated 13 July 2018, between the Bank and the Islamic Corporation for the Development of the Private Sector (hereinafter referred to as the “ICD”), the Bank is required to comply with financial covenants, the implementation of which has been complied with as at 31 December 2019.

In accordance with the Financing Agreement dated 5 July 2017, between the Bank and the Asian Development Bank (hereinafter referred to as the “ADB”), the Bank was established financial covenants to comply with, however, the additional agreement signed by the Bank and ADB dated 13 April 2020 did not establish mandatory implementation of previously established financial covenants.

(in thousands of Uzbek soums)

30 Fair value disclosure

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 the measurement date.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether such price is directly observable or calculated using a different valuation method. When measuring the fair value of an asset or liability the Bank considers characteristics of the asset or liability if the market participants would take those characteristics into account to price the asset or liability as at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on that basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 17, and estimates that have some similarity to fair value but are not fair value, such as net realizable value in IFRS 2 or value in use in IAS 36.

In addition, for the purpose of the financial statements, fair value measurements are divided into levels 1, 2 or 3 depending on the extent of observability of the inputs to the fair value measurement and the significance of the inputs to the overall fair value measurement, which are described as follows:

- Level 1 inputs represent quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for an asset or liability.

Fair value of financial assets and financial liabilities that are not measured at fair value on a regular basis (but fair value disclosure is required)

Except to the extent indicated in the following table, management believes that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances to customers	3 090 299 762	3 170 290 487	2 039 759 190	2 069 320 359
Amounts due to customers	3 046 305 920	3 067 136 581	1 980 026 672	2 048 977 260
Other borrowed funds	559 923 606	583 532 733	170 540 597	174 017 898

The Bank determines the fair value of financial assets and financial liabilities using the discounted cash flow model based on transaction rates at the end of the reporting period. Due to the absence of an active market or observable resources for assets with characteristics similar to the Bank's financial assets and financial liabilities, management considered the latest rates as the most acceptable inputs of all available data to calculate the fair value of financial assets and financial liabilities. Thus, these financial assets and financial liabilities that are not measured at fair value on a periodic basis but where fair value disclosure is required are classified as part of Level 3.

The following is the estimated fair value of the Bank's financial instruments not measured at fair value, by level of the hierarchy as at 31 December 2019:

(in thousands of Uzbek soums)

Measurement of fair values					
	Level 1	Level 2	Level 3	Total	Total per balance sheet
Financial assets					
Loans and advances to customers	-		3 170 290 487	3 170 290 487	3 090 299 762
Financial liabilities					
Amounts due to customers	-	3 067 136 581	-	3 067 136 581	3 046 305 920
Other borrowed funds	-	583 532 733	-	583 532 733	559 923 606

The following is the estimated fair value of the Bank's financial instruments not measured at fair value, by level of the hierarchy as at 31 December 2018:

Measurement of fair values					
	Level 1	Level 2	Level 3	Total	Total per balance sheet
Financial assets					
Loans and advances to customers	-		2 069 320 359	2 069 320 359	2 039 759 190
Financial liabilities					
Amounts due to customers	-	2 048 977 260	-	2 048 977 260	1 980 026 672
Other borrowed funds	-	174 017 898	-	174 017 898	170 540 597

31 Related party transactions

The parties are deemed to be related if they are under common control or one party has the ability to control the other party or may have a material influence in making financial and operational decisions by the other party. In considering each case of a relationship, the substance of the relationship should be taken into account, and not merely the legal form.
Other related parties include entities where members of the Supervisory Board of the Bank control any of these entities.

As at 31 December 2019, balances of transactions with related parties are presented as follows:

	Key management personnel	Other related parties	Total
Loans and advances to customers (contractual interest rate in UZS 14-32%, in currency 8%)	353 046	111 353 428	**111 706 474**
Customer accounts (contractual interest rate (contractual interest rate in UZS 6-22%, in currency 5-5.5%)	9 882 971	4 852 458	**14 735 428**
Prepayment to suppliers for Construction in-Progress	-	9 600 000	**9 600 000**
Debt securities issued	-	-	**-**
Subordinated loan	-	-	**-**
Other liabilities	-	-	**-**

Aggregate amounts lent to and repaid by related parties during 2019 are presented below:

	Key management personnel	Other related parties	Total
Amounts lent to related parties during the year	668 818	23 910 084	**24 578 902**
Amounts repaid by related parties during the year	408 595	38 788 196	**39 196 791**

(in thousands of Uzbek soums)

The income and expense items on related party transactions for 2019 are as follows:

	Key management personnel	Other related parties	Total
Interest income	55 764	14 464 413	**14 520 177**
Interest expenses	698 163	22 113	**720 276**
Fee and commission income	28 262	231 209	**259 471**
Administrative and other operating expenses	6 845 956	687	**6 846 643**

The items of contingent liabilities with related parties for 2019 are presented below:

	Key management personnel	Other related parties	Total
Guarantees issued	-	-	**-**

As at 31 December 2018, balances of transactions with related parties are presented as follows:

	Key management personnel	Other related parties	Total
Loans and advances to customers (contractual interest rate in UZS 2-22%, in currency 3-8%)	351 663	343 006 627	**343 358 290**
Customer accounts (contractual interest rate in UZS 12-16.2%, in currency 4-5%)	325 092	18 617 701	**18 942 793**
Property, plant and equipment and intangible assets	-	38 121 927	**38 121 927**
Debt securities issued	-	137 604 397	**137 604 397**
Subordinated loan	-	63 000 000	**63 000 000**
Other liabilities	-	318	**318**

The income and expense items on related parties transactions for 2018 are as follows:

	Key management personnel	Other related parties	Total
Interest income	67 739	58 632 109	**58 699 848**
Interest expenses	9 924	238 586	**248 510**
Fee and commission income	77 086	4 876 450	**4 953 536**
Administrative and other operating expenses	2 487 719	19 768 014	**22 255 733**

The items of contingent liabilities with related parties for 2018 are presented below:

	Key management personnel	Other related parties	Total
Guarantees issued	-	56 876 808	**56 876 808**

32 Subsequent events

On 11 March 2020, the World Health Organization announced that the spread of a new coronavirus infection had become a pandemic. In response to the potentially serious threat posed to public health by the COVID-19 virus, the authorities of the Republic of Uzbekistan have taken measures to contain the spread of coronavirus infection, including restrictions on the crossing of the Republic of Uzbekistan's borders, restrictions on the entry of foreign nationals, and recommendations to enterprises to transfer employees to remote work. During March 2020, local authorities have progressively implemented additional measures to ensure social distance, including the closure of schools, higher education institutions, restaurants, cinemas, theaters, museums and sports facilities. In order to ensure sanitary and epidemiological safety of population, the Special Republican Commission has introduced restrictive measures (quarantine) until 1 August 2020.

In April of this year, there was a significant decline in business activity, primarily due to the restrictive measures and deterioration of world markets conditions. Partial suspension of production and decline in household income resulted in a decrease in the aggregate demand in the economy. In particular, the total number of transactions through the interbank payment system decreased significantly. The decrease in this indicator as compared to the same period of the previous year was 39.8% in April and 34.7% in May. The maximum drop occurred in April, while in May there was a gradual recovery, when the volume of transactions increased by 7.6% compared to the previous month.

The Bank operates in corporate and retail banking. Over the past few weeks, the volume of the Bank's operations has been maintained at a stable level. Based on the publicly available information as at the date of approval of these financial statements, management has analysed the possible development of the situation and the expected impact on the Bank and the economic environment in which the Bank operates, including measures already taken by the Government of the Republic of Uzbekistan, and it is taking all necessary measures to minimise the negative impact and ensure sustainability of the Bank in the current circumstances.

(a) Assessment of the potential impact on the Bank's loan portfolio

In order to assess the impact of the economic decline and volatility of the Uzbekistan market on the quality of the Bank's loan portfolio, management has analysed the potential change in credit risk of on- and off-balance sheet instruments exposed to credit risk in stressful situations.

Based on the results of the analysis, taking into account the assumptions made for the credit quality category, collateral availability and borrowers' industry, according to the management's assessment, the potential creation of additional allowances for possible losses under the CBU Regulations on Commitments on Loans and Credit Facilities will not have a significant negative impact on the Bank's ability to meet capital adequacy ratios and other regulatory indicators.

(b) Capital adequacy and liquidity

Forecast for the end of 2020:

The Bank has sufficient resources, diversified sources of liquidity and a stable funding base to ensure continuous operations and funding of customers, which is evidenced by the results of regular liquidity stress testing.

Taking into account the above measures and current operating and financing results of the Bank, as well as publicly available information, the management does not expect significant negative impact of the coronavirus pandemic on the financial position and performance of the Bank in the short term. However, it cannot be excluded that the long-term extension of the self-isolation regime, further tightening of measures to prevent further spread of the infection or adverse impact of such measures on the economic environment in which the Bank operates will negatively affect the Bank's operations in the medium and long term. In addition, the Bank considers potential negative development scenarios and is prepared to adapt its operational plans accordingly. Management continues to monitor the situation closely and will take necessary measures to mitigate the impact of possible negative events and circumstances as they arise.

Burkhanov B.N.
The Chairman of the Management Board of the Bank

28 August 2020

Toshpulatkhujayev J. O.
Chief Accountant of the Bank

28 August 2020