

**JSC “NATIONAL BANK FOR FOREIGN ECONOMIC
ACTIVITY OF THE REPUBLIC OF UZBEKISTAN”**

**Interim condensed consolidated
financial statements**

30 June 2021



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Report on Review of Interim Financial Information

To the Board of Directors of JSC "National Bank of Foreign Economic Activity of the Republic of Uzbekistan"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "National Bank For Foreign Economic Activity of the Republic of Uzbekistan" and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Tashkent, Uzbekistan
29 October 2021

Audit organization "Ernst & Young LLC"

«Ernst & Young» Audit Organization LLC
Certificate authorizing audit of banks registered by
the Central Bank of the Republic of Uzbekistan under #11
dated 22 July 2019

A. Azamov

Anvarkhon Azamov
Qualified auditor
Auditor qualification certificate authorizing audit of banks
#11/4 dated 11 May 2017 issued by the Central Bank of
the Republic of Uzbekistan

Head of Uzbekistan Practice
«Ernst & Young» Audit Organization LLC

Interim consolidated statement of financial position**As at 30 June 2021***(Millions of Uzbek Soums)*

	Notes	30 June 2021 (unaudited)	31 December 2020
Assets			
Cash and cash equivalents	4	8,694,691	9,379,047
Amounts due from credit institutions	5	1,906,583	1,851,344
Derivative financial assets	6	136,248	119,170
Assets held for sale		82,400	91,512
Loans to customers	7	65,458,201	63,475,675
Investment securities	8	525,473	537,463
Investments in associates	9	610,389	409,730
Property and equipment	10	841,276	1,398,294
Deferred income tax assets		385,921	397,171
Other assets		499,279	474,154
Total assets		79,140,461	78,133,560
Liabilities			
Amounts due to Central Bank and Government	16	232,795	1,400,187
Amounts due to credit institutions	17	2,508,682	2,475,571
Amounts due to customers	18	18,284,383	17,452,610
Debt securities issued	19	3,276,181	3,188,044
Other borrowed funds	20	40,056,298	39,274,816
Current income tax liabilities		-	28,061
Deferred income tax liabilities		3,315	-
Subordinated loans	21	1,581,931	1,566,814
Other liabilities		274,088	317,297
		66,217,673	65,703,400
Equity			
Share capital	22	11,978,074	11,978,074
Contribution from shareholders		126,096	126,096
Retained earnings		560,204	72,956
Other reserves		129,466	121,258
Total equity attributable to shareholders of the Group		12,793,840	12,298,384
Non-controlling interests		128,948	131,776
Total equity		12,922,788	12,430,160
Total equity and liabilities		79,140,461	78,133,560

Signed and authorized for release on behalf of the Management Board of the Bank

Alisher Mirsoatov



Chairman of the Management Board

Bohodir Rikhsiev

Chief Accountant

29 October 2021

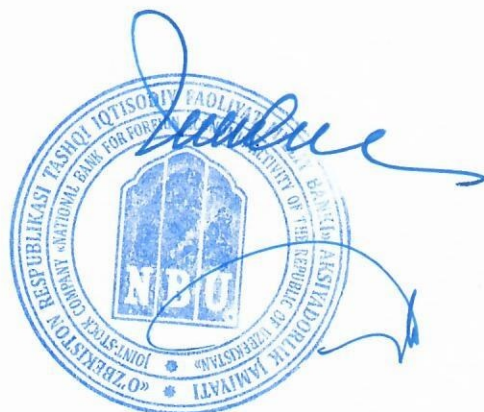
The accompanying selected explanatory notes on pages 9 to 33 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of profit or loss**For the six months ended 30 June 2021***(Millions of Uzbek Soums)*

	Notes	For the six months ended 30 June (unaudited)	
		2021	2020
Interest income		2,794,901	2,631,991
Interest expense		(1,030,662)	(1,012,443)
Net interest income		1,764,239	1,619,548
Credit loss expense	12	(956,111)	(705,439)
Initial recognition adjustment on interest bearing assets		(4,700)	(37,098)
Net interest income after credit loss expense and initial recognition of adjustment		803,428	877,011
Fee and commission income	13	194,519	175,542
Fee and commission expense	13	(35,880)	(35,387)
Net gain from financial instruments at fair value through profit or loss		17,078	4,145
<i>Net gains/(losses) from foreign currencies:</i>			
- dealing		84,258	27,382
- translation differences		(9,019)	(19,795)
Share of profit/(loss) of associates		(1,591)	5,011
Dividend income		2,998	-
Other income	14	56,462	26,462
Other impairment and provisions		(1,785)	(77,121)
Personnel and operating expenses	15	(554,646)	(369,465)
Revenue from non-banking activities		177,279	204,626
Costs of sales from non-banking activities		(77,475)	(163,657)
Net non-interest expense		(147,802)	(222,257)
Profit before income tax expense		655,626	654,754
Income tax expense	11	(134,647)	(158,971)
Profit for the period		520,979	495,783
Attributable to:			
- shareholders of the Group		487,248	505,861
- non-controlling interests		33,731	(10,078)
		520,979	495,783

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Bohodir Rikhsiev

Chief Accountant

29 October 2021

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Interim consolidated statement of comprehensive income

For the six months ended 30 June 2021

(Millions of Uzbek Soums)

	<i>For the six months ended 30 June (unaudited)</i>	
	<u>2021</u>	<u>2020</u>
Profit for the period	520,979	495,783
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>		
Exchange difference on translation of foreign operations	8,358	9,812
Total other comprehensive income that may be reclassified to profit or loss in subsequent periods	8,358	9,812
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Gains on equity instruments at fair value through other comprehensive income	193	985
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods	193	985
Other comprehensive income, net of tax	8,551	10,797
Total comprehensive income for the period	529,530	506,580
Attributable to:		
- shareholders of the Bank	495,456	516,256
- non-controlling interests	34,074	(9,676)
Total comprehensive income for the period	529,530	506,580

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Chairman of the Management Board

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Chief Accountant

29 October 2021

Interim consolidated statement of changes in equity

For the six months ended 30 June 2021

(Millions of Uzbek Soums)

Notes	Attributable to shareholders					Non-controlling interests	Total equity
	Share capital	Contribution from shareholders	Retained earnings	Other reserves	Total		
As at 1 January 2020	11,582,700	126,096	233,099	101,232	12,043,127	104,100	12,147,227
Net profit/(loss) for the period	-	-	505,861	-	505,861	(10,078)	495,783
Other comprehensive income for the period	-	-	-	10,395	10,395	402	10,797
Total Comprehensive income/(loss) for the period	-	-	505,861	10,395	516,256	(9,676)	506,580
Distribution to shareholders of the Bank	-	-	(356,005)	-	(356,005)	-	(356,005)
Dividends to shareholders of the Bank	-	-	(68,386)	-	(68,386)	-	(68,386)
Increase in share of subsidiary	-	-	-	15,410	15,410	(15,410)	-
Other movement	-	-	-	(4,029)	(4,029)	-	(4,029)
At 30 June 2020 (unaudited)	11,582,700	126,096	314,569	123,008	12,146,373	79,014	12,225,387
As at 1 January 2021	11,978,074	126,096	72,956	121,258	12,298,384	131,776	12,430,160
Net profit for the period	-	-	487,248	-	487,248	33,731	520,979
Other comprehensive income for the period	-	-	-	8,208	8,208	343	8,551
Total Comprehensive income for the period	-	-	487,248	8,208	495,456	34,074	529,530
Disposal of subsidiaries	-	-	-	-	-	(36,902)	(36,902)
At 30 June 2021 (unaudited)	11,978,074	126,096	560,204	129,466	12,793,840	128,948	12,922,788

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Bohodir Rikhsiev

Chief Accountant

29 October 2021

The accompanying selected explanatory notes on pages 9 to 33 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of cash flows**For the six months ended 30 June 2021***(Millions of Uzbek Soums)*

	Notes	For the six months ended 30 June (unaudited)	
		2021	2020
Cash flows from operating activities			
Profit before income tax		655,626	654,754
<i>Adjustments for:</i>			
Provision for impairment losses on interest bearing assets	12	956,111	705,439
Other impairment and provisions		1,785	77,121
Initial recognition adjustment on interest bearing assets		4,700	37,098
Net unrealized loss on foreign exchange operations		17,299	89,764
Net gains from financial instruments at FVTPL	6	(17,078)	(4,145)
Depreciation and amortization		66,218	40,201
Other Income	14	(31,626)	-
Share of profit or loss from associates		1,591	(5,011)
Change in interest income accrual		(404,770)	(696,126)
Change in interest expenses accrual		47,748	59,953
Other non-cash accruals		22,773	15,764
Cash flows from operating activities before changes in operating assets and liabilities		1,320,377	974,812
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions	5	(35,323)	915,515
Loans to customers	7	(1,971,101)	(3,505,921)
Other assets		(18,543)	(99,075)
<i>Net (increase)/decrease in operating liabilities</i>			
Amounts due to the CBU and the Government	16	(1,171,961)	(287,048)
Amounts due to credit institutions	17	22,095	946,550
Amounts due to customers	18	744,556	329,147
Other liabilities		(60,250)	(25,228)
Net cash flows used in operating activities before income tax		(1,170,150)	(751,248)
Income tax paid		(162,708)	(164,814)
Net cash used in operating activities		(1,332,858)	(916,062)

Interim consolidated statement of cash flows (continued)

	Notes	For the six months ended	
		30 June (unaudited)	
		2021	2020
Cash flows from investing activities			
Purchase of investment securities	8	(373,238)	(999,919)
Proceeds from sale and redemption of investment securities	8	386,022	-
Purchase of investments in associates	9	(129,263)	(209,068)
Dividends received from associates and investments securities		2,998	-
Purchase of property and equipment	10	(76,372)	(94,304)
Proceeds from sale of property and equipment	10	43,790	42,521
Assets held for sale		9,112	482
Net cash used in investing activities		(136,951)	(1,260,288)
Cash flows from financing activities			
Proceeds from issue of debt securities	19	61,839	790,884
Redemption of debt securities issued	19	(14,138)	-
Proceeds from other borrowed funds	20	3,965,050	3,465,090
Repayment of other borrowed funds	20	(3,162,754)	(1,110,819)
Change in non-controlling interests		-	(9,040)
Dividends paid to shareholders of the Bank		-	(68,386)
Net cash from financing activities		849,997	3,067,729
Effect of changes in foreign exchange rates on cash and cash equivalents		(64,514)	(115,531)
Effect of expected credit losses on cash and cash equivalents	12	(30)	44
Net increase in cash and cash equivalents		(684,356)	775,892
Cash and cash equivalents, beginning		9,379,047	7,001,599
Cash and cash equivalents, ending	4	8,694,691	7,777,491
Interest received		2,390,131	1,935,865
Interest paid		(982,914)	(1,072,396)

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Chief Accountant

29 October 2021

*(Millions of Uzbek Soums)***1. Principal activities**

The Joint Stock Company National Bank for Foreign Economic Activity of the Republic of Uzbekistan (the "Bank") is the parent company in the Group, it was formed by the Decree of the President of the Republic of Uzbekistan dated 7 September 1991 #PD-244. The Bank is part of the banking system of the Republic of Uzbekistan and operates under a general banking license #22 reissued by the Central Bank of Uzbekistan ("CBU") on 15 February 2020.

The Bank services the Government of the Republic of Uzbekistan, accepts deposits from the public and extends credits, transfers payments in the Republic of Uzbekistan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The main office of the Bank is located in Tashkent and it has 68 branches (2020:68) located in the territory of the Republic of Uzbekistan.

The Bank's registered legal address is 101 Amir Temur avenue, Tashkent, the Republic of Uzbekistan.

The Bank participates in the state deposit insurance program. The State Deposit Insurance Fund guarantees repayment of 100% of individual deposits in case of business failure and revocation of the CBU banking license.

The following shareholders owned the issued shares of the Group:

Shareholder	At 30 June 2021 (unaudited) %	At 31 December 2020 %
The Fund for Reconstruction and Development of the Republic of Uzbekistan	58.5	58.5
The Ministry of Finance of the Republic of Uzbekistan	41.5	41.5
Total	100	100

The ultimate shareholder and ultimate controlling party of the Bank is the Government of the Republic of Uzbekistan.

These interim condensed consolidated financial statements were authorized for issue by the Management Board of the Group on 29 October 2021.

2. Basis of preparation**General**

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments effective since 1 January 2021 were applied but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. Segment reporting

The Group's operations are a single reportable segment.

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

*(Millions of Uzbek Soums)***3. Segment reporting (continued)**

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

Substantially all the Group's operations and assets are located in the Republic of Uzbekistan.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2021 (unaudited)	31 December 2020
Current accounts with other credit institutions	4,736,905	7,314,459
Current accounts with the Central Banks	2,329,705	1,056,539
Cash on hand	988,058	657,965
Time deposits with credit institutions up to 90 days	640,143	350,174
	8,694,811	9,379,137
Less – allowance for impairment	(120)	(90)
Cash and cash equivalents	8,694,691	9,379,047

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the six months ended 30 June 2021 is, as follows:

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
ECL allowance as at 1 January	90	101
Changes in ECL	30	44
At 30 June 2021	120	145

5. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2021 (unaudited)	31 December 2020
Time deposits for more than 90 days	1,589,400	1,541,113
Obligatory reserve with the Central Banks	353,537	339,112
	1,942,938	1,880,225
Less – allowance for impairment	(36,355)	(28,881)
Amounts due from credit institutions	1,906,583	1,851,344

*(Millions of Uzbek Soums)***5. Amounts due from credit institutions (continued)**

All balances of due from credit institutions are allocated to Stage 1. An analysis of changes in the ECL allowances during the six months ended 30 June 2021 is as follows:

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
ECL allowance as at 1 January	28,881	4,691
New assets originated or purchased	7,457	27,636
Assets repaid	(185)	(3,459)
Foreign exchange adjustments	202	13
At 30 June 2021	36,355	28,881

6. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	30 June 2021 (unaudited)			31 December 2020		
	Notional amount	Fair values		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign exchange contracts						
Swaps – foreign currency	32,000	136,248	–	32,000	119,170	–
Total derivative assets	32,000	136,248	–	32,000	119,170	–

In 2019, the Group placed EUR 10,000,000 in PJSCB «Orient Finans» at a rate of 5.5% per annum for 60 months. For the same period, a deposit was received from PJSCB «Orient Finans» of UZS 32,000 at a rate of 12%. Swap contract is classified as derivative financial instrument at fair value through profit and loss.

7. Loans to customers

Loans to customers comprise:

	30 June 2021 (unaudited)	31 December 2020
Corporate lending		
Private companies	28,136,712	24,704,564
State companies	25,777,425	25,971,671
State budget or local authorities	8,835,423	9,160,258
Gross investment in finance lease	912,781	887,302
Non-banking financial institutions	122,796	122,076
Total corporate lending	63,785,137	60,845,871
Loans to individuals		
Mortgage loans	3,554,760	3,307,470
Car loans	1,122,030	1,124,770
Consumer loans	608,518	681,697
Agriculture loans	345,450	470,654
Education loans	57,014	54,381
Total loans to individuals	5,687,772	5,638,972
Gross loans to customers	69,472,909	66,484,843
Less: allowance for impairment	(4,014,708)	(3,009,168)
Loans to customers	65,458,201	63,475,675

*(Millions of Uzbek Soums)***7. Loans to customers (continued)**

An analysis of loans to customers at amortized cost allocated by stages is, as follows:

30 June 2021 (unaudited)	Stage 1	Stage 2	Stage 3	Total
Private companies	23,027,823	2,423,175	2,685,714	28,136,712
State companies	25,292,911	471,269	13,245	25,777,425
State budget or local authorities	8,513,682	260,470	61,271	8,835,423
Gross investment in finance lease	912,781	-	-	912,781
Non-banking financial institutions	122,796	-	-	122,796
Loans to Individuals	5,077,274	219,560	390,938	5,687,772
Gross loans to customers at amortised	62,947,267	3,374,474	3,151,168	69,472,909
Less – Allowance for impairment	(2,233,546)	(617,720)	(1,163,442)	(4,014,708)
Loans to customers at amortised cost	60,713,721	2,756,754	1,987,726	65,458,201
31 December 2020	Stage 1	Stage 2	Stage 3	Total
State companies	23,990,065	1,970,278	11,328	25,971,671
Private companies	20,609,126	2,218,394	1,877,044	24,704,564
State budget or local authorities	9,034,437	125,821	-	9,160,258
Gross investment in finance lease	887,302	-	-	887,302
Non-banking financial institutions	122,076	-	-	122,076
Loans to Individuals	5,063,147	297,907	277,918	5,638,972
Gross loans to customers at amortised	59,706,153	4,612,400	2,166,290	66,484,843
Less – Allowance for impairment	(1,817,456)	(550,258)	(641,454)	(3,009,168)
Loans to customers at amortised cost	57,888,697	4,062,142	1,524,836	63,475,675

Allowance for impairment of loans to customers at amortized cost

An analysis of changes in the ECL allowances in relation to loans issued to the private companies during the six months ended 30 June 2021 is, as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	493,450	250,022	520,811	1,264,283
New assets originated or purchased	114,775	-	-	114,775
Assets repaid	(5,904)	(20,893)	(11,328)	(38,125)
Transfers to Stage 1	176,685	(77,885)	(98,800)	-
Transfers to Stage 2	(68,580)	83,519	(14,939)	-
Transfers to Stage 3	(26,265)	(116,297)	142,562	-
Impact on period end ECL of exposures transferred between stages during the period	(139,183)	324,076	285,757	470,650
Net remeasurement of loss allowance	99,487	27,452	104,111	231,050
Foreign exchange adjustments	9,237	7,960	5,701	22,898
At 30 June 2021 (unaudited)	653,702	477,954	933,875	2,065,531

*(Millions of Uzbek Soums)***7. Loans to customers (continued)****Allowance for impairment of loans to customers at amortized cost (continued)**

An analysis of changes in the ECL allowances in relation to loans issued to the state companies during the six months ended 30 June 2021 is, as follows:

<i>State companies</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2021	1 081 062	256 569	6 423	1 344 054
New assets originated or purchased	118 365	-	-	118 365
Assets repaid	(40 370)	(4)	(11)	(40 385)
Transfers to Stage 1	189 202	(188 621)	(581)	-
Transfers to Stage 2	(82)	82	-	-
Transfers to Stage 3	(38)	-	38	-
Impact on period end ECL of exposures transferred between stages during the period	(102 523)	-	396	(102 127)
Net remeasurement of loss allowance	22 144	38 703	(109)	60 738
Foreign exchange adjustments	30 542	9 365	-	39 907
At 30 June 2021 (unaudited)	1 298 302	116 094	6 156	1 420 552

An analysis of changes in the ECL allowances in relation to loans issued to the state budget or local authorities during the six months ended 30 June 2021 is, as follows:

<i>State budget or local authorities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2021	143,367	1,622	-	144,989
New assets originated or purchased	2,299	-	-	2,299
Assets repaid	-	(766)	-	(766)
Transfers to Stage 2	(227)	227	-	-
Transfers to Stage 3	-	(855)	855	-
Impact on period end ECL of exposures transferred between stages during the period	-	148	28,870	29,018
Net remeasurement of loss allowance	17,365	(14)	-	17,351
Foreign exchange adjustments	1,449	12	-	1,461
At 30 June 2021 (unaudited)	164,253	374	29,725	194,352

An analysis of changes in the ECL allowances in relation to loans issued to the gross investment in finance lease during the six months ended 30 June 2021 is, as follows:

<i>Gross investment in finance lease</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2021	36,120	-	-	36,120
Net remeasurement of loss allowance	5,344	-	-	5,344
Foreign exchange adjustments	542	-	-	542
At 30 June 2021 (unaudited)	42,006	-	-	42,006

*(Millions of Uzbek Soums)***7. Loans to customers (continued)****Allowance for impairment of loans to customers at amortized cost (continued)**

An analysis of changes in the ECL allowances in relation to loans issued to the non-banking financial institutions in during the six months ended 30 June 2021 is, as follows:

<i>Non-banking financial institutions</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2021	2,691	-	-	2,691
New assets originated or purchased	1,640	-	-	1,640
Assets repaid	(16)	-	-	(16)
Net remeasurement of loss allowance	(1,930)	-	-	(1,930)
Foreign exchange adjustments	5	-	-	5
At 30 June 2021 (unaudited)	2,390	-	-	2,390

An analysis of changes in the ECL allowances in relation to loans to individuals in during the six months ended 30 June 2021 is, as follows:

<i>Loans to Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2021	60,766	42,045	114,220	217,031
New assets originated or purchased	10,977	-	-	10,977
Assets repaid	(2,032)	(2,122)	(4,952)	(9,106)
Transfers to Stage 1	36,120	(11,941)	(24,179)	-
Transfers to Stage 2	(2,508)	15,428	(12,920)	-
Transfers to Stage 3	(2,486)	(21,892)	24,378	-
Impact on period end ECL of exposures transferred between stages during the period	(28,953)	(3,405)	81,370	49,012
Net remeasurement of loss allowance	1,009	5,185	15,769	21,963
At 30 June 2021 (unaudited)	72,893	23,298	193,686	289,877

An analysis of changes in the ECL allowances in relation to loans issued to the state companies during the six months ended 30 June 2020 is, as follows:

<i>State companies</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2020	537,153	1,095	66,473	604,721
New assets originated or purchased	44,251	-	-	44,251
Assets repaid	(366)	(1,044)	(41)	(1,451)
Transfers to Stage 1	6,602	(9)	(6,593)	-
Transfers to Stage 2	(23,269)	41,677	(18,408)	-
Transfers to Stage 3	(273)	(16)	288	-
Impact on period end ECL of exposures transferred between stages during the period	(5,483)	(16,264)	1,012	(20,735)
Net remeasurement of loss allowance	417,248	(88)	(7,484)	409,676
Foreign exchange adjustments	36,446	79	2,394	38,919
At 30 June 2020 (unaudited)	1,012,309	25,430	37,643	1,075,382

*(Millions of Uzbek Soums)***7. Loans to customers (continued)****Allowance for impairment of loans to customers at amortised cost (continued)**

An analysis of changes in the ECL allowances in relation to loans issued to the private companies during the six months ended 30 June 2020 is, as follows:

<i>Private companies</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2020	306,815	89,829	434,636	831,280
New assets originated or purchased	101,568	-	-	101,568
Assets repaid	(11,079)	(21,926)	(32,601)	(65,606)
Transfers to Stage 1	232,204	(42,937)	(189,268)	-
Transfers to Stage 2	(10,029)	110,059	(100,030)	-
Transfers to Stage 3	(9,168)	(18,155)	27,323	-
Impact on period end ECL of exposures transferred between stages during the period	(191,592)	40,541	151,711	660
Net remeasurement of loss allowance	217,539	125	12,539	230,203
Foreign exchange adjustments	4,741	5,980	5,273	15,994
At 30 June 2020 (unaudited)	640,998	163,517	309,584	1,114,099

An analysis of changes in the ECL allowances in relation to loans issued to the state budget or local authorities during the six months ended 30 June 2020 is, as follows:

<i>State budget or local authorities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2020	404,364	-	-	404,364
New assets originated or purchased	13,606	-	-	13,606
Assets repaid	(31,324)	-	-	(31,324)
Net remeasurement of loss allowance	(75,249)	-	-	(75,249)
Foreign exchange adjustments	441	-	-	441
At 30 June 2020 (unaudited)	311,838	-	-	311,838

An analysis of changes in the ECL allowances in relation to loans issued to the gross investment in finance lease during the six months ended 30 June 2020 is, as follows:

<i>Gross investment in finance lease</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2020	21,141	-	-	21,141
Impact on period end ECL of exposures transferred between stages during the period	(1,801)	-	-	(1,801)
Foreign exchange adjustments	118	-	-	118
At 30 June 2020 (unaudited)	19,458	-	-	19,458

An analysis of changes in the ECL allowances in relation to loans issued to the non-banking financial institutions in during the six months ended 30 June 2020 is, as follows:

<i>Non-banking financial institutions</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2020	751	-	-	751
New assets originated or purchased	270	-	-	270
Assets repaid	(3)	-	-	(3)
Net remeasurement of loss allowance	(136)	-	-	(136)
At 30 June 2020 (unaudited)	883	-	-	883

*(Millions of Uzbek Soums)***7. Loans to customers (continued)****Allowance for impairment of loans to customers at amortised cost (continued)**

An analysis of changes in the ECL allowances in relation to loans issued to the non-banking financial institutions in during the six months ended 30 June 2020 is, as follows:

<i>Loans to Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2020	22,851	4,090	14,152	41,093
New assets originated or purchased	6,927	-	-	6,927
Assets repaid	(430)	(176)	(283)	(889)
Transfers to Stage 1	12,552	(3,519)	(9,034)	-
Transfers to Stage 2	(86)	1,191	(1,105)	(0)
Transfers to Stage 3	(39)	(202)	241	-
Impact on period end ECL of exposures transferred between stages during the period	(11,086)	(378)	1,584	(9,880)
Net remeasurement of loss allowance	29,598	(109)	(117)	29,372
At 30 June 2020 (unaudited)	60,286	898	5,439	66,623

8. Investment securities

Investment securities comprise:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Debt securities at amortised cost		
State bonds	425,952	438,736
Less: allowance for impairment	(1,245)	(2,039)
Debt securities at amortised cost	424,707	436,697
Equity securities at FVOCI		
Corporate shares	100,766	100,766
Equity securities at FVOCI	100,766	100,766
Investment securities	525,473	537,463

State bonds comprise debt securities issued by the Ministry of Finance of the Republic of Uzbekistan and the Central Bank of the Republic of Uzbekistan at 15%-16% interest rate with original maturity of 1-2 years for both dates as at 31 December 2020 and 30 June 2021.

Equity securities at FVOCI comprise equity investments in:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
JSC Uzbekinvest	47,036	47,036
JSC Uzbek Korean Development bank	25,603	25,603
JSC Uzbekistan Mortgage Refinancing Company	10,000	10,000
JSC Uzmetkombinat	7,715	7,715
JSC Kafolat	4,160	4,160
Republican Stock Exchange „Tashkent“	2,838	2,838
LLC "Toy Factory"	1,688	1,688
JSC Qurilishmashleasing	1,500	1,500
JSC Republican Currency Exchange	119	119
Other	107	107
Equity securities at FVOCI	100,766	100,766

*(Millions of Uzbek Soums)***8. Investment securities (continued)**

All balances of investment securities are allocated to Stage 1.

Debt securities at amortised cost	30 June 2021 (unaudited)	30 June 2020 (unaudited)
ECLs as at 1 January	2,039	951
Assets derecognised or matured (excluding write offs)	(794)	-
At 30 June 2021	1,245	951

9. Investments in associates

The following major associates are accounted for under the equity method:

30 June 2021 (unaudited)	Ownership/ voting, %	Principal place of business	Country of incorporation	Nature of activities	Carrying Value
Yangi Zamon Bino LLC	25%	Tashkent	Uzbekistan	Construction	235,834
Samarkand Touristic Center LLC	40%	Samarkand	Uzbekistan	Tourism	115,309
Uzbek Leasing International JSC	42%	Tashkent	Uzbekistan	Leasing	66,805
Navro'z Bogi LLC	50%	Tashkent	Uzbekistan	Amusement	42,500
Sherobod Textile Invest LLC	49%	Sherobod	Uzbekistan	Textile	41,217
Avtomatlashtirilgan Transport To'lov Tizimi Operatori LLC	42%	Tashkent	Uzbekistan	Transportation	28,335
O'zbekim otlari LLC	42%	Tashkent	Uzbekistan	Horse breeding	21,407
Shomanay Eco Tekes LLC	34%	Karakalpakstan	Uzbekistan	Textile	16,143
Ostex Jizzakh LLC	48%	Jizzakh	Uzbekistan	Textile	15,626
Khorezm Invest Project	33%	Khorezm	Uzbekistan	Invest project	12,286
Paxtakor Gold Textile LLC	36%	Jizzakh	Uzbekistan	Textile	10,704
Other associates, individually immaterial		Other	Other	Other	4,223
Total value of investments in associates					610,389

31 December 2020	Ownership/ voting, %	Principal place of business	Country of incorporation	Nature of activities	Carrying Value
Yangi Zamon Bino LLC	25%	Tashkent	Uzbekistan	Construction	165,083
Samarkand Touristic Center LLC	40%	Samarkand	Uzbekistan	Tourism	77,351
Uzbek Leasing International JSC	42%	Tashkent	Uzbekistan	Leasing	61,090
Navro'z Bogi LLC	50%	Tashkent	Uzbekistan	Amusement	42,500
O'zbekim Otlari LLC	42%	Tashkent	Uzbekistan	Horse breeding	21,408
Avtomatlashtirilgan Transport To'lov Tizimi Operatori LLC	26%	Tashkent	Uzbekistan	Transportation	28,335
Paxtakor Gold Textile LLC	36%	Jizzakh	Uzbekistan	Textile	10,704
Khorezm Invest Project	33%	Khorezm	Uzbekistan	Invest project	1,000
Other associates, individually immaterial		Other	Other	Other	2,259
Total value of investments in associates					409,730

During the first half of 2021, the Group made additional investments to the Yangi Zamon Bino LLC, Samarkand Touristic Center LLC and Khorezm Invest Project in the amount of UZS 70,750, UZS 45,086 and UZS 11,286 respectively. These additional investments did not affect the share of ownership since the investments were made proportionally by all parties.

*(Millions of Uzbek Soums)***10. Property and equipment**

The movements in property and equipment and right-of use assets were as follows:

	<i>Buildings and other real estate</i>	<i>Construction in progress</i>	<i>Furniture and equipment</i>	<i>Other</i>	<i>Total</i>
At cost					
31 December 2019	417,616	409,749	1,004,134	7,769	1,839,268
Additions	1,524	101,867	54,755	1,260	159,406
Disposal and write-offs	(3,100)	(130,824)	(1,477)	(536)	(135,937)
Transfers	-	-	-	-	-
30 June 2020	416,040	380,792	1,057,412	8,493	1,862,737
Accumulated depreciation					
31 December 2019	(208,984)	-	(247,930)	1,118	(455,796)
Charge for the year	(1,349)	-	(38,852)	-	(40,201)
Disposals	8,643	11,287	8,376	7	28,313
30 June 2020	(201,690)	11,287	(278,406)	1,125	(467,684)
	<i>Buildings and other real estate</i>	<i>Construction in progress</i>	<i>Furniture and equipment</i>	<i>Other</i>	<i>Total</i>
At cost					
31 December 2020	417,610	263,031	1,302,715	24,395	2,007,751
Additions	179	44,196	7,453	82	51,910
Acquisition of subsidiaries	24,461	-	-	-	24,461
Disposal and write-offs	(5,563)	(308)	(48,652)	(345)	(54,868)
Disposal of a subsidiary	(96,866)	(61,049)	(457,973)	(5,530)	(621,418)
Transfers	10,649	(13,068)	2,068	351	-
30 June 2021	350,470	232,802	805,611	18,953	1,407,836
Accumulated depreciation					
31 December 2020	(220,336)	-	(389,810)	689	(609,457)
Charge for the year	(7,570)	-	(58,224)	(424)	(66,218)
Disposals	3,081	-	7,781	216	11,078
Disposal of subsidiaries	3,473	-	94,103	461	98,037
30 June 2021	(221,352)	-	(346,150)	942	(566,560)
Net book value					
30 June 2020	214,350	392,079	779,006	9,618	1,395,053
30 June 2021	129,118	232,802	459,461	19,895	841,276

11. Taxation

The corporate income tax expense comprises:

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Current income tax	123,397	175,993
Deferred tax charge/(credit) - origination and reversal of temporary differences	11,250	(17,022)
Income tax expense	134,647	158,971

*(Millions of Uzbek Soums)***12. Credit loss expenses**

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the six months period ended 30 June 2021:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	4	30	-	-	30
Amounts due from credit institutions	5	7,474	-	-	7,474
Loans to customers at amortised cost	7	374,315	50,125	516,287	940,727
Debt securities measured at amortised cost	19	(794)	-	-	(794)
Other financial assets		(3,483)	-	(4,884)	(8,367)
Financial guarantees	23	(5,199)	-	-	(5,199)
Loan commitments	23	31,341	-	-	31,341
Letters of credit	23	(9,101)	-	-	(9,101)
Total credit loss expense		394,583	50,125	511,403	956,111

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the six months period ended 30 June 2020:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	4	44	-	-	44
Amounts due from credit institutions	5	(1,044)	-	-	(1,044)
Loans to customers at amortised cost	7	752,697	94,831	(162,596)	684,933
Debt securities measured at amortised cost	19	8,235	-	-	8,235
Other financial assets		(33)	-	(10,030)	(10,063)
Financial guarantees	23	9,929	-	-	9,929
Loan commitments	23	5,302	-	-	5,302
Letters of credit	23	8,103	-	-	8,103
Total credit loss expense/recovery		783,233	94,831	(172,626)	705,439

13. Net fee and commission income

Net fee and commission income comprise:

	For the six months ended	
	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Settlement operations	71,594	60,589
Cash operations	34,105	28,808
Letters of credit and guarantee issuance	23,017	21,322
Foreign settlement operations	22,954	18,504
Foreign currency exchange operations	20,284	27,130
Operations with plastic cards	15,879	13,549
Other	6,686	5,640
Fee and commission income	194,519	175,542
Settlement expenses	(11,651)	(7,550)
Operations with plastic cards	(9,084)	(8,846)
Cash collection services	(5,023)	(9,556)
Conversion expenses	(3,152)	(3,878)
Commission expense for conducting operations on guarantees	-	(1,056)
Other	(6,970)	(4,501)
Fee and commission expense	(35,880)	(35,387)
Net fee and commission income	158,639	140,155

*(Millions of Uzbek Soums)***14. Other Income**

	<i>For the six months ended</i>	
	<i>30 June 2021 (unaudited)</i>	<i>30 June 2020 (unaudited)</i>
Other Income		
Gain on disposal of subsidiaries	31,626	8,629
Gain on disposal of fixed assets	22,875	13,444
Rental Income	948	1,437
Other	1,013	2,953
Total	56,462	26,462

15. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	<i>For the six months ended</i>	
	<i>30 June 2021 (unaudited)</i>	<i>30 June 2020 (unaudited)</i>
Salaries and bonuses	304,087	184,574
Social security costs	32,556	19,717
Personnel expenses	336,643	204,291
Depreciation and amortization	66,218	60,188
Legal and consultancy	25,230	18,712
Security	24,256	15,698
Charity and Sponsorship	18,078	2,014
Membership fee	17,632	6,192
Operating taxes	17,278	11,614
Maintenance	16,589	16,643
Occupancy and rent	9,787	11,325
Office supplies	8,111	9,802
Communications	5,577	92
Penalties incurred	1,100	839
Transportation	1,266	954
Business travel and related expenses	499	532
Other	6,384	10,567
Other operating expenses	218,003	165,174
Total operating expenses	554,646	369,465

16. Amounts due to the CBU and the Government

Amounts due to the Central Bank of the Republic of Uzbekistan and the Government consist of the following short-term balances:

	<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Correspondent accounts of the CBU	232,795	1,400,187
Amounts due to the CBU and Government	232,795	1,400,187

*(Millions of Uzbek Soums)***17. Amounts due to credit institutions**

Amounts due to credit institutions comprise:

	30 June 2021 (unaudited)	31 December 2020
Correspondent accounts with other banks	2,334,955	2,238,966
Time deposits	173,727	236,605
Amounts due to credit institutions	2,508,682	2,475,571

18. Amounts due to customers

The amounts due to customers comprise:

	30 June 2021 (unaudited)	31 December 2020
Current accounts	10,499,546	10,709,616
Time deposits	7,784,837	6,742,994
Amounts due to customers	18,284,383	17,452,610
Held as security against letters of credit	1,804,833	2,020,598

As at 30 June 2021 and 31 December 2020, customer accounts in the amount of UZS 9,018,463 and UZS 9,308,866 (49% and 53% of total customer accounts), respectively, were due to ten customers, which represents a significant concentration.

19. Debt securities issued

Debt securities issued comprise:

	30 June 2021 (unaudited)	31 December 2020
Eurobonds	3,213,066	3,173,591
Certificates of deposit	63,115	315
Bonds	-	14,138
Debt securities issued	3,276,181	3,188,044

In October 2020, the Group had issued Eurobonds in London Stock Exchange having aggregate nominal value of USD 300,000,000 (UZS 3,181,590 with remaining balance represent accrued interest as at 30 June 2021) bearing annual interest rate of 4.85% and maturing in October 2025.

The debt securities issued do not stipulate financial covenants except for Eurobonds, which stipulate the Group is to comply with the certain financial covenants, non-compliance of which may give the lender a right to demand repayment. As at 30 June 2021, the Group was in compliance with respective financial covenants for Eurobonds.

*(Millions of Uzbek Soums)***20. Other borrowed funds**

Other borrowed funds consisted of the following:

	30 June 2021 (unaudited)	31 December 2020
Eximbank of China	11,071,292	11,307,276
China Development Bank Corporation	8,872,231	7,906,399
Ministry of Finance of the Republic of Uzbekistan	4,302,927	3,615,694
Fund for Reconstruction and Development of the Republic of Uzbekistan	3,453,190	3,419,160
State Development Corporation "VEB.RF"	1,897,539	1,686,657
Natixis Bank	1,677,729	1,929,127
Silk Road Fund	1,325,328	665,640
Sumitomo Mitsui Banking Corporation	1,251,761	1,405,315
Credit Suisse AG	1,251,191	1,275,124
Islamic Development Bank	829,801	910,840
VTB Bank (Europe)	662,190	664,871
Deutsche Bank AG	628,653	878,518
Eximbank of Korea	598,916	410,456
Landesbank Baden-Wuerttemberg	593,122	639,222
European Bank for Reconstruction and Development	443,489	565,954
Baobab Securities Limited	287,277	287,312
Commerzbank	186,680	146,437
KEB Hana Bank	164,259	141,384
Gazprombank JSC	127,094	805,441
Eximbank of Turkey	90,055	98,072
Eximbank of Russia	85,363	-
Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan	60,475	-
Central Bank of the Republic of Uzbekistan	47,514	63,993
Banque Du Caire	-	106,769
"Yoshlar-Kelajagimiz" Fund	-	261,613
Other	148,221	83,544
Other borrowed funds	40,056,298	39,274,816

In the first half of 2021 the Group entered into multiple loan agreements with the following creditors on the following terms:

- ▶ The Group entered into new loan agreement with Eximbank of Russia 25 December 2020 on the basis of which Eximbank of Russia made available to the Group credit line of up to RUB 2,500,000,000 from which the Group received RUB 583,018,029 (the equivalent of UZS 85,348 as at withdrawal date) during the first half of 2021. The maturity period of the facility is 64 months.
- ▶ The Group received new funds in the amount of RUB 604,230,000 (the equivalent to UZS 88,453 as at withdrawal date) from State Development Corporation "VEB.RF" based on agreement signed 25 December 2020.
- ▶ In April 2021 the Group received USD 104,806,067 (the equivalent of UZS 1,111,500 as at withdrawal date) from China Development Bank based on agreement signed in March 2020 with maturity of 120 months and grace period of 3 years.
- ▶ In accordance with the loan agreement concluded in June 2021 with Fund for Reconstruction and Development of the Republic of Uzbekistan (FRDU), the Group received a loan in the amount of UZS 400,000,000,000. Maturity period of the loan is 84 months with a grace period of 36 months.
- ▶ On the basis of loan agreements concluded with the Ministry of Finance of the Republic of Uzbekistan in February 2021 the Group received funds in the amount UZS 3,000 with grace period of 36 months and maturity of 189 months. Other two significant amounts were received on the basis of the two agreements concluded in March 2021, according to which the Group received a long-term loan in the amount UZS 379,801 with a grace period of 11 months and UZS 215,390 with the same grace period.
- ▶ During the first half of 2021 the Group received USD 650,000 (the equivalent of UZS 6,893 as at withdrawal date) from European Bank of Reconstruction and Development based on the agreement signed in November 2017.

*(Millions of Uzbek Soums)***20. Other borrowed funds (continued)**

- ▶ In accordance with the decree of the President of the Republic of Uzbekistan No. 4069 dated 20 December 2018 and No. 4135 dated 28 January 2019, the Group signed an agreement for the allocation of financial resources between Bank and Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan in February 2021. In March 2021 the Group received UZS 60,418 under this agreement with maturity of 12 months.
- ▶ The Group received funds from Raiffeisen Bank International AG by an amount of EUR 5,922,258 (equivalent of UZS 74,797 as at withdrawal date) with maturity of 72 months in January 2021.
- ▶ The Eximbank of Korea provided the Group with the amount of USD 16,462,955 (the equivalent to UZS 172,411 as at withdrawal date) with maturity period of 18 months.
- ▶ During the first half of 2021, the Group received the total of UZS 1,375,170 under already existing loan agreements with China Development Bank, Sumitomo Mitsui Banking Corporation, Landesbank Baden-Wuerttemberg, State Development Corporation "VEB.RF", Eximbank of Korea, KEB Hana Bank, Commerzbank, Ministry of Finance of the Republic of Uzbekistan and Silk Road Fund.

The Group repaid loans in the total amount of UZS 3,162,754 during the first half of 2021 under the loan agreements with Eximbank of China, China Development Bank Corporation, Sumitomo Mitsui Banking Corporation, Central Bank of the Republic of Uzbekistan, Landesbank Baden-Wuerttemberg, State Development Corporation "VEB.RF", Islamic Development Bank, Ministry of Finance of the Republic of Uzbekistan, Gazprombank JSC, Deutsche Bank AG, Eximbank of Korea, Fund for Development of Children Sport, Fund of Tashkent region Provision and Prosperity, FRDU, Natixis Bank, European Bank for Reconstruction and Development, Instituto de Credito Oficial, Banque Du Caire, Eximbank of Turkey, Raiffeisen Bank International AG, Qashqadaryo Region Administration and Commerzbank. Included in this amount were loans in the amount of UZS 804,050 fully repaid by the Group to Gazprombank JSC, Eximbank of Korea, FRDU, European Bank for Reconstruction and Development and Banque Du Caire.

21. Subordinated loans

Subordinated loans consisted of the following:

	30 June 2021 (unaudited)	31 December 2020
International Bank for Reconstruction and Development	937,503	919,600
Ministry of Finance of the Republic of Uzbekistan	361,054	367,647
Asian Development Bank	283,374	279,567
Subordinated loans	1,581,931	1,566,814

22. Equity**Distribution to shareholders of the Bank**

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. In the interim condensed consolidated statement of financial position, non-distributable reserves are part of retained earnings.

23. Commitments and contingencies**Operating environment**

Uzbekistan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Uzbekistan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the current circumstances.

*(Millions of Uzbek Soums)***23. Commitments and contingencies (continued)****Legal**

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation

Uzbekistan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations (like the State Tax Committee of the Republic of Uzbekistan and its various inspectorates) thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities that are empowered by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

As at 30 June 2021 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

Group's commitments and contingencies comprised the following:

	30 June 2021 (unaudited)	31 December 2020
Credit related commitments		
Letters of credit	4,614,993	5,417,476
Undrawn loan commitments	5,146,269	4,813,507
Financial guarantees	1,600,083	1,921,195
	11,361,345	12,152,178
Other commitments		
Performance guarantees	200,118	278,002
	200,118	278,002
Commitments and contingencies	11,561,463	12,430,180
Provision for ECL for credit related commitments	(92,882)	(75,841)
Deposits held as securities against letters of credit	(1,804,833)	(2,020,598)

*(Millions of Uzbek Soums)***23. Commitments and contingencies (continued)****Taxation (continued)**

All balances of commitments and contingencies are allocated to Stage 1. An analysis of changes in the ECL allowances during the six months ended 30 June 2021 is as follows:

<i>Undrawn loan commitments</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
ECLs as at 1 January 2021	11,146	7,937
New exposures	37,901	10,217
Amounts paid	(9,165)	(4,915)
Net remeasurement of loss allowance	2,605	-
At 30 June	42,487	13,239

<i>Letters of credit</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
ECLs as at 1 January 2021	24,147	20,750
New exposures	4,375	8,473
Amounts paid	(13,476)	(370)
Net remeasurement of loss allowance	-	-
At 30 June	15,046	28,853

<i>Financial guarantees</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
ECLs as at 1 January 2021	40,548	23,092
New exposures	377	-
Amounts paid	741	1,751
Net remeasurement of loss allowance	(6,317)	8,178
At 30 June	35,349	33,021

24. Fair values of financial instruments**Fair value measurement procedures**

The Group's investment committee determines the policies and procedures for both recurring fair value measurement, such as investment securities and for non-recurring measurement, such as assets held for sale.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The investment committee also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

*(Millions of Uzbek Soums)***24. Fair values of financial instruments (continued)****Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value measurement at the end of reporting period by level of the fair value hierarchy:

<i>At 30 June 2021 (unaudited)</i>	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
Assets measured at fair value					
Investment securities - equity securities at FVOCI	30-Jun-21	-	-	100,959	100,959
Derivative assets	30-Jun-21	-	-	136,248	136,248
Assets for which fair values are disclosed					
Cash and cash equivalents	30-Jun-21	8,694,691	-	-	8,694,691
Amounts due from credit institutions	30-Jun-21	-	-	1,542,610	1,542,610
Investment securities measured at amortised cost	30-Jun-21	-	-	424,028	424,028
Loans to customers	30-Jun-21	-	-	68,426,609	68,426,609
Liabilities for which fair values are disclosed					
Amounts due to CBU and Government	30-Jun-21	232,795	-	-	232,795
Amounts due to credit institutions	30-Jun-21	-	-	1,893,501	1,893,501
Amounts due to customers	30-Jun-21	-	-	18,284,383	18,271,060
Debt securities issued	30-Jun-21	-	3,276,007	-	3,276,007
Other borrowed funds	30-Jun-21	-	-	40,056,298	40,056,298
Subordinated loans	30-Jun-21	-	-	1,567,092	1,567,092

*(Millions of Uzbek Soums)***24. Fair values of financial instruments (continued)****Fair value hierarchy (continued)**

<i>At 31 December 2020</i>	<i>Date of valuation</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
Assets measured at fair value					
Investment securities - equity securities at FVOCI	31-Dec-20	-	-	100,766	100,766
Derivative assets	31-Dec-20	-	-	119,170	119,170
Assets for which fair values are disclosed					
Cash and cash equivalents	31-Dec-20	9,379,047	-	-	9,379,047
Amounts due from credit	31-Dec-20	-	-	1,760,663	1,760,663
Investment securities measured at amortised cost	31-Dec-20	-	-	422,965	422,965
Loans to customers	31-Dec-20	-	-	62,745,381	62,745,381
Fair value measurement using					
<i>At 31 December 2020</i>	<i>Date of valuation</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
Liabilities for which fair values					
Amounts due to CBU and Government	31-Dec-20	-	-	1,695,207	1,695,207
Amounts due to credit institutions	31-Dec-20	-	-	1,132,582	1,132,582
Amounts due to customers	31-Dec-20	-	-	15,507,241	15,507,241
Debt securities issued	31-Dec-20	-	-	131,641	131,641
Other borrowed funds	31-Dec-20	-	-	32,312,769	32,312,769
Subordinated loans	31-Dec-20	-	-	1,437,402	1,437,402

Recurring fair value measurements

The following is a description of the determination of fair value for recurring fair value measurements which are recorded using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivatives valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are valued using the binomial models. The models incorporate various non-observable assumptions, which include market rate volatilities.

*(Millions of Uzbek Soums)***24. Fair values of financial instruments (continued)****Fair value hierarchy (continued)***Fair value of financial assets and liabilities not carried at fair value*

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2021 (unaudited)			31 December 2020		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Amounts due from credit institutions	1,906,583	1,873,119	(33,464)	1,851,344	1,760,663	(90,681)
Loans to customers	65,458,201	64,411,901	(1,046,300)	63,475,675	62,745,381	(730,294)
Investment securities - debt securities at amortised cost	525,473	525,423	(50)	436,697	422,965	(13,732)
Financial liabilities						
Amounts due to CBU and Government	232,795	232,795	-	1,400,187	1,400,187	-
Amounts due to credit institutions	2,508,682	2,505,360	3,322	2,475,571	2,464,521	11,050
Amounts due to customers	18,284,383	18,271,060	13,323	17,452,610	17,534,663	(82,053)
Debt securities	3,276,181	3,276,007	174	3,188,044	3,188,044	-
Other borrowed funds	40,056,298	39,729,695	326,603	39,274,816	38,971,374	303,442
Subordinated loans	1,581,931	1,570,867	11,064	1,566,814	1,552,405	14,409
Total unrecognised change in fair value			<u>(725,328)</u>			<u>(587,859)</u>

Investment securities

Trading securities and investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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

*(Millions of Uzbek Soums)***24. Fair values of financial instruments (continued)****Fair value hierarchy (continued)***Movements in level 3 financial instruments measured at fair value*

The following tables show a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2021	Total gain recorded in profit or loss (unaudited)	Total gain recorded in OCI (unaudited)	Purchases (unaudited)	At 30 June 2021 (unaudited)
Financial assets					
Derivative financial instruments	119,170	17,078	-	-	136,248
Investment securities – equity securities at FVOCI	100,766	-	-	193	100,959
Total level 3 financial assets	219,936	17,078	-	193	237,207
	At 1 January 2020	Total gain recorded in profit or loss (unaudited)	Total gain recorded in OCI (unaudited)	Purchases (unaudited)	At 30 June 2020 (unaudited)
Financial assets					
Derivative financial instruments	102,510	-	-	-	102,510
Investment securities – equity securities at FVOCI	55,524	-	985	2,548	59,057
Total level 3 financial assets	158,034	-	985	2,548	161,567

During the six-months period ended 30 June 2021 and 2020, there were no transfers between the level of fair value hierarchy.

Gains on level 3 financial instruments included in the profit or loss for the period comprise:

	Six months ended 30 June 2021 (unaudited)			Year ended 31 December 2020		
	Realized gains	Unrealized gains	Total	Realized gains	Unrealized gains	Total
Total gains included in the profit or loss for the period	-	17,078	17,078	-	16,660	16,660

*(Millions of Uzbek Soums)***24. Fair values of financial instruments (continued)****Fair value hierarchy (continued)**

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

<i>30 June 2021 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation techniques</i>	<i>Unobservable input</i>	<i>Range (weighted average)</i>	<i>Sensitivity of the input to fair value</i>
Derivative financial instruments					
Foreign currency swaps	136,248	Discounted cash flow	Discount rate	14%-18% (16%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 2,725/ (UZS 2,725)
Investment securities measured at FVOCI					
Equity securities	100,959	Discounted cash flow of dividend	Discount rate	14%-18% (16%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value FVOCI by UZS 2,019 / (UZS 2,019)
<i>31-Dec-20</i>	<i>Carrying amount</i>	<i>Valuation techniques</i>	<i>Unobservable input</i>	<i>Range (weighted average)</i>	<i>Sensitivity of the input to fair value</i>
Derivative financial instruments					
Foreign currency swaps	119,170	Discounted cash flow	Discount rate	14%-18% (16%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 2,383/ (UZS 2,383)
Investment securities measured at FVOCI					
Equity securities	100,766	Discounted cash flow of dividend payment	Discount rate	14%-18% (16%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Investment securities measured at FVOCI by UZS 2,015 / (UZS 2,015)

25. Related party disclosures

In accordance with IAS 24, *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with government-related entities

The Government of the Republic of Uzbekistan, acting through The Fund for Reconstruction and Development of the Republic of Uzbekistan and The Ministry of Finance of the Republic of Uzbekistan controls over the Group.

The Government of the Republic of Uzbekistan, directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as "government-related entities"). The Group enters into banking transactions with these entities including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities and derivative transactions. These transactions comprise a large portion of the Group's transactions.

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note and are excluded from the consolidated financial statements.

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25. Related party disclosures (continued)

Transactions with government-related entities (continued)

The outstanding balances of related party transactions are as follows:

	30 June 2021 (unaudited)				31 December 2020					
	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption
Cash and cash equivalents	-	2,329,705	-	-	8,694,691	-	1,056,539	98,196	-	9,379,047
Amounts due from credit institutions	-	775,591	-	-	1,906,583	-	299,790	-	-	1,851,344
Investment securities	-	424,707	-	-	525,473	-	508,446	-	-	537,463
Loans to customers	-	34,231,718	1,896,785	-	69,472,909	-	34,644,130	405,241	-	63,475,675
Allowance for impairment losses – loans to customers	-	(1,614,904)	(139,356)	-	(4,014,708)	-	(1,528,471)	(37,991)	-	(3,009,168)
Debt securities issued	-	-	-	-	3,276,181	-	-	-	-	3,188,044
Subordinated loans	-	925,583	-	-	1,581,931	-	914,385	-	-	1,566,814
Amounts due to CBU and Government	-	232,795	-	-	232,795	-	1,400,502	-	-	1,400,187
Amounts due to customers	-	8,025,393	22,458	-	18,284,383	-	7,667,135	22,613	-	17,452,610
Amounts due to credit institutions	-	1,016,982	-	-	2,508,682	-	822,386	-	-	2,475,571
Other borrowed funds	7,756,117	7,811,799	-	-	40,056,298	7,034,854	7,370,744	-	-	39,274,816
Guarantees	-	1,366,571	-	-	1,800,201	-	1,424,442	-	-	1,921,195
Letters of credit	180,436	3,101,931	-	-	4,614,993	-	2,469,657	8,049	-	5,417,476

The income and expense arising from related party transactions are as follows:

	30 June 2021 (unaudited)				For the six months ended					
	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption
Interest income on loans	-	1,169,634	22,675	-	2,794,901	-	1,632,827	17,253	-	2,563,865
Impairment charge for loans	-	(125,861)	(28,938)	-	(956,111)	-	(263,626)	(1,466)	-	(705,439)
Interest expense on deposits	(3,593)	(120,428)	-	-	(320,004)	-	(118,175)	-	-	(305,867)
Amounts due to Central Bank and Government	-	(12,987)	-	-	(12,987)	-	-	-	-	-
Interest expense on other borrowed funds	(53,822)	(2,123)	-	-	(592,596)	(70,310)	(5,167)	-	-	(619,684)
Fee and commission income	-	16,726	114	-	194,519	-	16,740	114	-	175,542
Fee and commission expense	-	(23,059)	(670)	-	(35,880)	-	(28,634)	(832)	-	(35,387)
Operating expenses	-	-	-	(3,487)	(218,003)	-	-	-	(2,222)	(369,465)
Salaries and other benefits	-	-	-	(3,113)	304,087	-	-	-	(2,147)	204,291
Social Security Costs	-	-	-	(374)	32,556	-	-	-	(75)	19,717

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26. Subsidiaries**Subsidiaries**

The consolidated financial statements include the following major subsidiaries:

<i>Subsidiary</i>	<i>Principal place of business</i>	<i>Country of incorporation</i>	<i>Date of incorporation</i>	<i>Nature of activities</i>	<i>Ownership/ voting, %</i>	<i>Ownership/ voting, %</i>
30 June 2021 (unaudited)					2021	2020
Asia Invest Bank CJSC	Moscow	Russia	1996	Banking	96%	96%
Invest Group Center LLC	Tashkent	Uzbekistan	1999	Office maintenance	100%	100%
NBU Invest Group JSC	Tashkent	Uzbekistan	2008	Asset management	100%	100%
Tashkent Palace New LLC	Tashkent	Uzbekistan	2010	Hotel business	100%	100%
NBU Samarkand Invest LLC	Samarkand	Uzbekistan	2017	Asset management	100%	100%
NBU Gazgan Invest LLC	Navoiy	Uzbekistan	2017	Asset management	100%	100%
Zarbdor Textile LLC	Jizzakh	Uzbekistan	2017	Textile	53%	53%
NBU Bunyodkor Invest LLC	Tashkent	Uzbekistan	2017	Construction	100%	100%
United National Company LLC	Tashkent	Uzbekistan	2019	Manufacturing	74%	74%
Marmarobod LLC	Navoiy	Uzbekistan	2019	Manufacturing	100%	100%
Yagona Umumrespublika	Tashkent	Uzbekistan	2020	Payment processing	51%	51%
Protsessing Markazi LLC	Navoiy	Uzbekistan	2020	Manufacturing	74%	67%
Gazgan Stone Invest LLC	Navoiy	Uzbekistan	2020	Manufacturing	74%	67%
Royal Silk LLC	Andijan	Uzbekistan	2020	Textile	100%	100%
Property Market LLC	Tashkent	Uzbekistan	2021	Trade service	96%	0%

<i>Subsidiary</i>	<i>Principal place of business</i>	<i>Country of incorporation</i>	<i>Date of incorporation</i>	<i>Nature of activities</i>	<i>Ownership/ voting, %</i>
31 December 2020					2020
Asia Invest Bank CJSC	Moscow	Russia	1996	Banking	96%
Invest Group Center LLC	Tashkent	Uzbekistan	1999	Office maintenance	100%
NBU Invest Group LLC	Tashkent	Uzbekistan	2008	Asset management	100%
Tashkent Palace New LLC	Tashkent	Uzbekistan	2010	Hotel business	100%
NBU Bunyodkor Invest LLC	Tashkent	Uzbekistan	2017	Construction	100%
NBU Gazgan Invest LLC	Navoiy	Uzbekistan	2017	Asset management	100%
NBU Samarkand Invest LLC	Samarkand	Uzbekistan	2017	Asset management	100%
Shomanay Eco Teks LLC	Karakalpakstan	Uzbekistan	2017	Textile	59%
Zarbdor Textile LLC	Jizzakh	Uzbekistan	2017	Textile	53%
Ostex Jizzakh LLC	Jizzakh	Uzbekistan	2017	Textile	74%
Sherobod Textile LLC	Sherobod	Uzbekistan	2017	Textile	53%
Marmarobod LLC	Navoiy	Uzbekistan	2019	Manufacturing	100%
United National Company LLC	Tashkent	Uzbekistan	2019	Manufacturing	74%
Yagona Umumrespublika Prots	Tashkent	Uzbekistan	2020	Payment processing	51%
Gazgan Stone Invest LLC	Navoiy	Uzbekistan	2020	Manufacturing	67%
Royal Silk LLC	Andijan	Uzbekistan	2020	Textile	100%

Disposal of subsidiaries

In February 2021, the Group lost control over Shomanay Eco Teks LLC as a result of increase in share of second shareholder and admission of a new shareholder. The Group accounted for the remaining 34% of voting shares in Shomanay Eco Teks LLC as an investment in associate under the equity method (see Note 9).

In February 2021, the Group lost control over Sherobod Textile Invest LLC as a result of increase in share of second shareholder and withdrawal of third shareholder. The Group accounted for the remaining 49% of voting shares in Sherobod Textile Invest LLC as an investment in associate under the equity method (see Note 9).

In February 2021, the Group lost control over Ostex Jizzakh LLC as a result of increase in number of shareholders and increase in share of existing shareholders. The Group accounted for the remaining 48% of voting shares in Ostex Jizzakh LLC as an investment in associate under the equity method (see Note 9).

As a result of these transactions, the Group recognized in the Other income Gain on disposal of subsidiaries in the amount of UZS 54,421.

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27. Events after the end of the interim period

New borrowings

In July 2021 the Group signed a loan facility agreement with Landesbank Baden-Wuerttemberg for the amount of EUR 14,163,000 (the equivalent to UZS 181,171 as at the date of loan agreement) with maturity of 10 years. In addition, in August 2021 the Group signed a loan facility agreement with Eximbank of China for the amount of USD 127,500,000 (the equivalent to UZS 1,630,965 as at the date of loan agreement) with maturity of 15 years and grace period of 5 years. As at the date of these interim financial statements drawdown in the amount of EUR 1,305,056 (the equivalent to UZS 16,395 as at date drawdown) was made under these facility agreements.

New investments

According to the Presidential Decree #4921 of the Republic of Uzbekistan *On Measures to Radically Improve the System for the Provision of Postal Services* dated 14 December 2020, 29 July 2021 the Group acquired 5.9% shares of JSC “Uzbekiston Pochtasi” for the value of UZS 10,000 and accounted for as investment securities at fair value through other comprehensive income.