

**Joint Stock Commercial Bank
“UZBEK INDUSTRIAL
AND CONSTRUCTION BANK”**

**Condensed Consolidated
Interim Financial Information
prepared in accordance with
IAS 34, *Interim Financial
Reporting***

30 June 2023

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

CONTENTS

REVIEW REPORT

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

| | |
|---|---|
| Condensed Consolidated Interim Statement of Financial Position | 1 |
| Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income | 2 |
| Condensed Consolidated Interim Statement of Changes in Equity | 3 |
| Condensed Consolidated Interim Statement of Cash Flows | 4 |

Notes to the Condensed Consolidated Interim Financial Information

| | |
|--|----|
| 1. INTRODUCTION..... | 5 |
| 2. OPERATING ENVIRONMENT OF THE GROUP | 6 |
| 3. BASIS OF PRESENTATION..... | 7 |
| 4. ADOPTION OF NEW AND REVISED STANDARDS | 7 |
| 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY..... | 8 |
| 6. SEGMENT REPORTING..... | 9 |
| 7. CASH AND CASH EQUIVALENTS..... | 12 |
| 8. DUE FROM OTHER BANKS | 13 |
| 9. LOANS AND ADVANCES TO CUSTOMERS..... | 16 |
| 10. INVESTMENT SECURITIES MEASURED AT AMORTISED COST..... | 29 |
| 11. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS | 29 |
| 12. DUE TO OTHER BANKS..... | 30 |
| 13. CUSTOMER ACCOUNTS | 30 |
| 14. OTHER BORROWED FUNDS..... | 31 |
| 15. SUBORDINATED DEBT | 33 |
| 16. INTEREST INCOME AND EXPENSE..... | 33 |
| 17. ADMINISTRATIVE AND OTHER OPERATING EXPENSES..... | 34 |
| 18. INCOME TAXES..... | 34 |
| 19. EARNINGS PER SHARE..... | 35 |
| 20. COMMITMENTS AND CONTINGENCIES..... | 35 |
| 21. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES..... | 37 |
| 22. FAIR VALUE | 37 |
| 23. CAPITAL RISK MANAGEMENT | 40 |
| 24. RISK MANAGEMENT POLICIES..... | 41 |
| 25. RELATED PARTY TRANSACTIONS..... | 47 |
| 26. EVENTS AFTER THE END OF THE REPORTING PERIOD | 49 |



Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders and Supervisory Board of JSCB "Uzbek Industrial and Construction Bank":

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of JSCB "Uzbek Industrial and Construction Bank" and its subsidiaries (together – the "Group") as at 30 June 2023 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated 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.

Basis for qualified conclusion

Under International Accounting Standard 34, "Interim Financial Reporting", the Group should apply International Financial Reporting Standard 17 ("IFRS 17"), "Insurance Contracts", in the preparation of its condensed consolidated interim financial information for the six-months period ended 30 June 2023. Contrary to this requirement, the Group did not retrospectively change its accounting policies, but applied its prior year's accounting policies without implementing IFRS 17 in reporting insurance assets of UZS 19,250 million and insurance liabilities of UZS 143,021 million at 30 June 2023 (31 December 2022: insurance assets of UZS 20,336 million and insurance liabilities of UZS 117,348 million) and in reporting income from insurance operations of US\$ 67,167 million and expenses of insurance operations of UZS 35,711 million for the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: income from insurance operations of US\$ 41,666 million and expenses of insurance operations of UZS 23,939 million), and that we consider are material but not pervasive for the consolidated financial position and financial performance of the Group. Considering the complexity of implementing IFRS 17, it was impracticable for us to estimate the financial effects of this non-compliance.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
Tashkent, Uzbekistan
20 October 2023

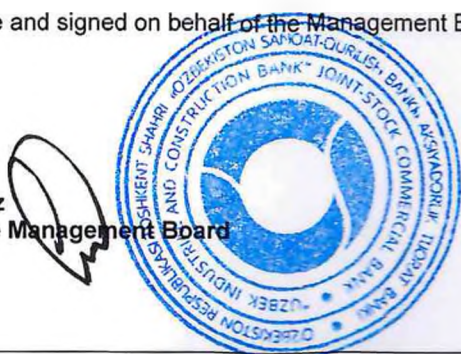
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JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK"
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(in millions of Uzbek Soums)

| | Notes | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | 7 | 4,183,936 | 7,119,489 |
| Due from other banks | 8 | 1,822,258 | 1,843,415 |
| Loans and advances to customers | 9 | 51,768,287 | 48,420,489 |
| Investment securities measured at amortised cost | 10 | 3,122,762 | 2,678,571 |
| Financial assets at fair value through other comprehensive income | | 67,458 | 42,007 |
| Investments in associates | | 46,068 | 35,834 |
| Premises, equipment and intangible assets | 11 | 2,559,649 | 2,082,504 |
| Current income tax prepayment | | 278,603 | 251,647 |
| Deferred tax asset | | 241,840 | 194,962 |
| Insurance assets | | 19,250 | 20,336 |
| Other assets | | 142,682 | 279,366 |
| Non-current assets held for sale | | 223,584 | 223,345 |
| TOTAL ASSETS | | 64,476,377 | 63,191,965 |
| LIABILITIES | | | |
| Due to other banks | 12 | 4,593,571 | 3,895,719 |
| Customer accounts | 13 | 13,925,018 | 15,328,819 |
| Debt securities in issue | | 3,444,406 | 3,361,256 |
| Other borrowed funds | 14 | 33,887,992 | 32,241,760 |
| Derivative financial liabilities | | 189,058 | 115,533 |
| Insurance liabilities | | 143,021 | 117,348 |
| Other liabilities | | 208,401 | 240,326 |
| Subordinated debt | 15 | 334,925 | 330,560 |
| TOTAL LIABILITIES | | 56,726,392 | 55,631,321 |
| EQUITY | | | |
| Share capital | | 4,640,011 | 4,640,011 |
| Retained earnings | | 3,093,206 | 2,905,010 |
| Revaluation reserve of financial assets at fair value through other comprehensive income | | 16,650 | 14,490 |
| Net assets attributable to the Bank's owners | | 7,749,867 | 7,559,511 |
| Non-controlling interest | | 118 | 1,133 |
| TOTAL EQUITY | | 7,749,985 | 7,560,644 |
| TOTAL LIABILITIES AND EQUITY | | 64,476,377 | 63,191,965 |

Approved for issue and signed on behalf of the Management Board on 20 October 2023.

Akbarjonov Aziz
Chairman of the Management Board



Ravshanov Avazbek
Acting Chief Accountant

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

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

| | Notes | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|---|-------|---|---|
| Interest income calculated using the effective interest method | 16 | 3,426,634 | 2,311,709 |
| Other similar income | 16 | 14,416 | 16,657 |
| Interest expense | 16 | (1,906,853) | (1,193,930) |
| Net interest income before provision on loans and advances to customers | | 1,534,197 | 1,134,436 |
| Provision for credit losses on loans and advances to customers | 9 | (802,965) | (457,076) |
| Net interest income | | 731,232 | 677,360 |
| Fee and commission income | | 239,803 | 191,316 |
| Fee and commission expense | | (49,402) | (62,729) |
| Loss on initial recognition on interest bearing assets | | (29,663) | (61,903) |
| Net gain on foreign exchange translation | | 85,853 | 46,788 |
| Net gain from trading in foreign currencies | | 233,886 | 136,570 |
| Gains less losses from financial derivatives | | (187,930) | - |
| Insurance operations income | | 67,167 | 41,666 |
| Insurance operations expense | | (35,711) | (23,939) |
| Change in insurance reserves, net | | (26,760) | (12,047) |
| Dividend income | | 3,995 | 2,298 |
| Other operating income | | 28,045 | 35,841 |
| Provision for credit losses on other assets | | (12,917) | (48,560) |
| Impairment of non-current assets held for sale | | (9,099) | (3,968) |
| Administrative and other operating expenses | 17 | (762,102) | (566,971) |
| Share of result from associates | | (465) | (1,004) |
| Profit before tax | | 275,932 | 350,718 |
| Income tax expense | 18 | (87,741) | (154,210) |
| PROFIT FOR THE PERIOD | | 188,191 | 196,508 |
| Other comprehensive income: | | | |
| <i>Items that will not be subsequently reclassified to profit or loss:</i> | | | |
| Fair value gain on equity securities at fair value through other comprehensive income | | 2,700 | 267 |
| Tax effect | | (540) | (53) |
| Other comprehensive income | | 2,160 | 214 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 190,351 | 196,722 |
| Attributable to: | | | |
| - Owners of the Bank | | 188,196 | 196,508 |
| - Non-controlling interest | | (5) | - |
| PROFIT FOR THE PERIOD | | 188,191 | 196,508 |
| Attributable to: | | | |
| - Owners of the Bank | | 190,356 | 196,722 |
| - Non-controlling interest | | (5) | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 190,351 | 196,722 |
| Total basic and diluted EPS per ordinary share (expressed in UZS per share) | 19 | 0.77 | 0.81 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(in millions of Uzbek Soums)

| | Share capital | Revaluation reserve of financial assets at fair value through other comprehensive income | Retained earnings | Non-controlling interest | Total equity |
|---|------------------|--|-------------------|--------------------------|------------------|
| 1 January 2022 | 4,640,011 | 14,132 | 2,284,459 | 6,200 | 6,944,802 |
| Profit for the period | - | - | 196,508 | - | 196,508 |
| Other comprehensive income for the period | - | 214 | - | - | 214 |
| Total comprehensive income for the period | - | 214 | 196,508 | - | 196,722 |
| 30 June 2022 (unaudited) | 4,640,011 | 14,346 | 2,480,967 | 6,200 | 7,141,524 |
| 1 January 2023 | 4,640,011 | 14,490 | 2,905,010 | 1,133 | 7,560,644 |
| Profit for the period | - | - | 188,196 | (5) | 188,191 |
| Other comprehensive income for the period | - | 2,160 | - | - | 2,160 |
| Total comprehensive income for the period | - | 2,160 | 188,196 | (5) | 190,351 |
| Decrease of investments in subsidiaries by non-controlling shareholders | - | - | - | (1,010) | (1,010) |
| 30 June 2023 (unaudited) | 4,640,011 | 16,650 | 3,093,206 | 118 | 7,749,985 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(in millions of Uzbek Soums)

| | | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|--|----------|---|---|
| | Notes | | |
| Cash flows from operating activities | | | |
| Interest received | | 2,780,905 | 2,071,873 |
| Interest paid | | (1,870,241) | (1,212,889) |
| Fee and commission received | | 232,277 | 188,486 |
| Fee and commission paid | | (49,402) | (62,729) |
| Financial derivatives | | (114,405) | - |
| Insurance operations income received | | 67,167 | 41,666 |
| Insurance operations expense paid | | (35,711) | (23,939) |
| Net gain from trading in foreign currencies | | 233,886 | 136,570 |
| Other operating income received | | 29,384 | 35,301 |
| Staff costs paid | | (453,142) | (245,534) |
| Administrative and other operating expenses paid | | (289,439) | (119,223) |
| Income tax paid | | (115,237) | (181,007) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 416,042 | 628,575 |
| <i>Net (increase)/decrease in:</i> | | | |
| - in due from other banks | | (145,750) | (832,347) |
| - in loans and advances to customers | | (2,564,635) | (865,306) |
| - in investment securities measured at amortised cost | | (418,981) | (257,740) |
| - in other assets | | 23,843 | (191,326) |
| <i>Net increase/(decrease) in:</i> | | | |
| - in due to other banks | | (198,454) | 111,412 |
| - in customer accounts | | (1,525,975) | (358,654) |
| - in other liabilities | | (5,092) | (8,705) |
| Net cash used in operating activities | | (4,419,002) | (1,774,091) |
| Cash flows from investing activities | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | (22,751) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 1 | 5,111 |
| Acquisition of premises, equipment and intangible assets | | (409,187) | (413,907) |
| Proceeds from disposal of premises, equipment and intangible assets | | 16,303 | 4,784 |
| Proceeds from disposal of repossessed assets | | (239) | 1,874 |
| Acquisition of investment in associates | | (10,699) | (5,458) |
| Dividend income received | | 3,995 | 2,298 |
| Net cash used in investing activities | | (422,577) | (405,298) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings due to other banks | | 1,094,636 | 2,447,336 |
| Repayment of borrowings due to other banks | | (244,287) | (334,155) |
| Proceeds from other borrowed funds | | 3,768,700 | 1,369,964 |
| Repayment of other borrowed funds | | (2,696,960) | (2,915,691) |
| Proceeds from debt securities in issue | | - | 28,000 |
| Repayment of debt securities in issue | | (98,405) | (39,602) |
| Proceeds from other subordinated debt | | - | 235,851 |
| Repayment of other subordinated debt | | (10,747) | - |
| Dividends paid | | (98) | (1,726) |
| Net cash from financing activities | | 1,812,839 | 789,977 |
| Effect of exchange rate changes on cash and cash equivalents | | 93,187 | 335,282 |
| Effect of expected credit losses | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | (2,935,553) | (1,054,130) |
| Cash and cash equivalents at the beginning of the period | 7 | 7,119,489 | 8,196,652 |
| Cash and cash equivalents at the end of the period | 7 | 4,183,936 | 7,142,522 |

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)**
(In millions of Uzbek Soums, unless otherwise indicated)

1. INTRODUCTION

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six months period ended 30 June 2023 for Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank” (the “Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license No.17 issued by the Central Bank of Uzbekistan (“CBU”) on 25 December 2021 (succeeded the licenses No.17 issued on 25 January 2003 and №25 issued on 29 January 2005 by the CBU for banking operations and general license for foreign currency operations, respectively).

Principal activity. The Bank's principal activity is commercial banking, retail banking, and operations with securities and foreign currencies. The Bank accepts deposits from legal entities and individuals, extends loans, and transfer payments. The Bank conducts its banking operations from its head office in Tashkent and 90 branches within Uzbekistan as of 30 June 2023 (31 December 2022: 87 branches).

The Bank participates in the state deposit insurance scheme, which was introduced by the Uzbek Law No.360-II “Insurance of Individual Bank Deposit” on 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree No.PD-4057 stating that in case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

As at 30 June 2023 (unaudited), the number of Bank's employees was 3,824 (31 December 2022: 3,759).

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

At 30 June 2023 (unaudited) and 31 December 2022, the Group consolidated the following companies in these consolidated financial statements:

| Name | Country of incorporation | The Bank's ownership | | Type of operation |
|---|--------------------------|----------------------|------------------|------------------------|
| | | 30 June 2023 | 31 December 2022 | |
| | | % | % | |
| Bank's direct interest in subsidiaries: | | | | |
| SQB Capital, LLC | Uzbekistan | 100 | 100 | Asset management |
| SQB Insurance, LLC | Uzbekistan | 100 | 100 | Insurance |
| Bank's indirect interest in subsidiaries via SQB Capital, LLC | | | | |
| SQB Securities, LLC | Uzbekistan | 100 | 100 | Asset management |
| SQB Construction, LLC | Uzbekistan | 100 | 100 | Construction |
| SQB Consulting, LLC | Uzbekistan | 100 | 100 | Consulting |
| “New Zomin Plaza” LLC | Uzbekistan | 100 | 100 | Hoteling |
| Bank's indirect interest in subsidiaries via SQB Construction, LLC | | | | |
| “Radius Serebro and Capital LLC | Uzbekistan | 99.8 | 99.8 | Construction materials |
| “Big Peak 777 and Capital, LLC | Uzbekistan | 99.9 | 99.9 | Construction materials |
| Malik Muxammad Ali Fayz and Capital, LLC | Uzbekistan | 99.9 | 99.9 | Construction materials |
| Parizod Mexr and Capital, LLC | Uzbekistan | 99.9 | 99.9 | Construction materials |
| Penoplast Surkhon and Capital LLC | Uzbekistan | 100 | 100 | Construction materials |
| Yuksalish Fayz Farovon and Capital LLC | Uzbekistan | 100 | 100 | Construction materials |
| Go`zal Madina Omad LLC | Uzbekistan | 99.3 | 99.3 | Construction materials |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

1. INTRODUCTION (Continued)

The table below represents the Group's investment in associates at 30 June 2023 (unaudited) and 31 December 2022.

| Name | Principal activity | Country | Group's ownership | |
|-------------------------------------|-----------------------|------------|-----------------------------|------------------|
| | | | 30 June 2023 (unaudited) | 31 December 2022 |
| "Kattaqurgon Business Services" LLC | Real state management | Uzbekistan | 41% | 33% |
| LLC "Khorezm Invest Project" | Asset management | Uzbekistan | 34% | 34% |
| LLC "Zomin Miracle Mountains" | Asset management | Uzbekistan | 33% | - |

During the first half of 2023 the Group invested to "Zomin Miracle Mountains" LLC in partnership with "TURON PLAZA HOTEL" LLC "and "Asaka Capital Invest" LLC for developing business environment in Jizzakh region in accordance with the government instruction No 91-8 from March 6, 2023.

The table below represents the interest of the shareholders in the Bank's share capital as at 30 June 2023 (unaudited) and 31 December 2022:

| Shareholders | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|------------------|
| The Fund of Reconstruction and Development of the Republic of Uzbekistan | 82.09% | 82.09% |
| Agency for Strategic Reforms under the President of the Republic of Uzbekistan | 13.06% | - |
| The Ministry of Finance of the Republic of Uzbekistan | - | 13.06% |
| Other legal entities and individuals (individually hold less than 5%) | 4.85% | 4.85% |
| Total | 100% | 100% |

The shareholding of The Ministry of Finance of the Republic of Uzbekistan was transferred to Agency for Strategic Reforms under the President of the Republic of Uzbekistan in March 2023. Ultimate shareholder is Government through The Fund of Reconstruction and Development of the Republic of Uzbekistan and Agency for Strategic Reforms under the President of the Republic of Uzbekistan at the reporting date (The Fund of Reconstruction and Development of the Republic of Uzbekistan and The Ministry of Finance of the Republic of Uzbekistan in previous year).

2. OPERATING ENVIRONMENT OF THE GROUP

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

Uzbekistan experienced the following key economic indicators in 2023:

- Inflation: 8.94% (2022: 12.2%)
- GDP growth 5.0% (2022: 5.4%).
- Official exchange rates: 30 June 2023: USD 1 = UZS 11,488.12 (31 December 2022: USD 1 = UZS 11,225.46).
- Central Bank refinancing rate: 14% (2022: 15%).

In June 2023 Standard & Poor's international rating agency affirmed the Republic of Uzbekistan's long-term foreign and short-term sovereign credit rating for foreign and local currency liabilities at the BB- level. The outlook was Stable. The agency expects that the sanctions imposed on Russia will put pressure on Uzbekistan's economic growth and slow down the pace of fiscal consolidation this year, as Russia is Uzbekistan's largest trading partner. The agency predicts that real GDP growth will average around 5% per year starting in 2023.

The regulator pursues the inflation targeting policy aimed to reaching 5% by the end of 2023 and averaging around that level for an extended period. This is achieved in large part by imposing tighter requirements on liquidity, which should narrow down monetary base and loan portfolios of banks.

In the first half 2023 inflation rate decreased year-on-year to 8.94% against 10.9% over the same period last year.

Influence of geopolitical events in the world

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by many countries. These sanctions are intended to have a negative economic impact

2. OPERATING ENVIRONMENT OF THE GROUP (Continued)

on the Russian Federation. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as volatility of UZS against the US dollar and euro.

After some decrease in the degree of influence of the external environment due to geopolitical events around Ukraine and Russia on the economy of the Republic of Uzbekistan, on March 17, 2023, the Board of the Central Bank of the Republic of Uzbekistan decreased the CBU refinancing rate by 1% to 14%.

For the purpose of managing the country risk, the Bank controls transactions with counterparties within the limits set by the Bank's collegial body, which are reviewed regularly. The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

The future effects of the current economic situation taking into consideration the sanctions to the Russian government and the above measures are difficult to predict, and management's current expectations and estimates could differ from actual results.

3. BASIS OF PRESENTATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed consolidated interim financial information as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2022.

The management has not adopted the IFRS 17, and applied IFRS 4 instead. This non-compliance specifically pertains to a subsidiary of the Group, SQB Insurance, LLC which is primarily engaged in insurance activities. The total assets and liabilities of the Subsidiary constitute less than 1% of the consolidated assets and liabilities of the Group. Besides, the net impact of the insurance operations on the Group's financial results is approximately 1% of the profit before tax in the consolidated financial results of the Group. The adoption of IFRS 17 is currently underway and has not been incorporated into the current condensed consolidated interim financial information. This omission is attributed to the inherent complexity of the standard. The Group's management is actively engaged in the comprehensive analysis of the considerable impact this transition will have on the consolidated financial statement and the presentation of results. The management believes that the effects of this standard transition will be thoroughly accounted for and result in full compliance in the consolidated financial statements for the year ending on 31 December 2023.

4. **INTERIM PERIOD TAX MEASUREMENT. INTERIM PERIOD INCOME TAX EXPENSE IS ACCRUED USING THE EFFECTIVE TAX RATE THAT WOULD BE APPLICABLE TO EXPECTED TOTAL ANNUAL EARNINGS, THAT IS, THE ESTIMATED WEIGHTED AVERAGE ANNUAL EFFECTIVE INCOME TAX RATE APPLIED TO THE PRE-TAX INCOME OF THE INTERIM PERIODS. ADOPTION OF NEW AND REVISED STANDARDS**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

4. INTERIM PERIOD TAX MEASUREMENT. INTERIM PERIOD INCOME TAX EXPENSE IS ACCRUED USING THE EFFECTIVE TAX RATE THAT WOULD BE APPLICABLE TO EXPECTED TOTAL ANNUAL EARNINGS, THAT IS, THE ESTIMATED WEIGHTED AVERAGE ANNUAL EFFECTIVE INCOME TAX RATE APPLIED TO THE PRE-TAX INCOME OF THE INTERIM PERIODS. ADOPTION OF NEW AND REVISED STANDARDS
(Continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely.

The requirements of the amended standards have not been taken into account in the preparation of this condensed consolidated interim financial information. The Group is currently assessing the effect of this amendments on its financial position and results of operations.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this condensed consolidated interim financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS. There have been changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2022.

In 2023 condensed consolidated interim financial statements, a number of changes were introduced to the procedure for calculating provisions for loans assessed on a collective basis, as described below:

Provision for collective basis assessment. Previously, the procedure for loan distribution was done in stages without initially implementing Basketing. To achieve a higher level of detail in assessing credit risk, the Group began using a larger number of categories, specifically 5 Baskets. In this setup, Baskets 1 and 2 correspond to Stage 1, Baskets 3 and 4 correspond to Stage 2, and Basket 5 corresponds to Stage 3.

In consideration of the composition and interrelationship of loan data attributes, the Bank has streamlined the Basketing (formerly Staging) allocation criteria. This criteria primarily assesses credit risk levels based on payment discipline (i.e., days overdue on principal or interest) and aligns with CBU classification regulations. Changes in category will also reflect events like restructurings and litigation.

The Group has introduced a 2-quarter (6-month) recovery period for impaired financial instruments. Financial instruments without impairment indicators at the end of the current quarter (with the recovery period being one quarter before the reporting quarter) will remain classified as impaired until the next quarter

Segmentation. The Group has implemented a more detailed segmentation of credit products for individual loans, including additional segments such as Overdraft cards and Credit cards. This refinement aims to improve the accuracy of PD statistics and ECL results.

Change in PD approach. The Group has made changes to the PD calculation approach. The PD calculation now relies on historical transition data spanning a minimum of five years, encompassing various stages of the business cycle. This transition data is based on loan counts rather than loan amounts. Consequently, the migration of loans with substantial balances between baskets more accurately impacts the PD statistics. The Group has also introduced Marginal PD to ensure smoother migration results.

Change in LGD approach. The Group has implemented changes in the LGD approach to provide a more accurate representation of actual payments, particularly in relation to write-offs. According to the Regulations on the classification procedure of the Central Bank of Uzbekistan, write-offs to off-balance sheet accounts are not classified as repayments. However, the calculation now includes actual repayments of amounts previously written off to off-balance sheet accounts. This revised approach captures the true customer repayment history and enhances the accuracy of LGD statistics.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Rather than assessing LGD on an aggregate level, now the ratio of quarterly repayments to defaulted gross book value loans is determined for each individual loan when it enters default (referred to as RR recovery rates). Additionally, in addition, LGD segmentation is updated, aligning it with the PD segmentation. This adjustment enables to better reflect segment-specific risks. In each segment, the average quarterly RR, expressed as a percentage, is calculated as the arithmetic average of the quarterly RR.

Calculation of expectation CCF. The Credit Conversion Factor (CCF) is now integrated into the ECL calculation to better reflect the Group's potential exposure to financial risk. The CCF measures the increase in the utilization of the available line of credit leading up to a default event. This parameter is recalculated quarterly, up to one year before default, if applicable. It is based exclusively on loans that have gone into default. Subsequently, the Bank calculates the average values for each month leading up to default.

These changes in the accounting estimate, as outlined above, have resulted in a significant difference when compared to the previous approach and they were prospectively applied by the Group management to align with best market practices for implementing IFRS 9. Measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Group incorporates forward-looking information into a measurement of ECL when there is a statistically proven correlation between the macro-economic variables and defaults. As at the reporting date the Group has obtained quarterly values for macroeconomic variables: export, import, GDP, CPI, current account balances, unemployment rates, aligned them with quarterly default rates across all loan portfolios and performed statistical tests for correlation considering different time lags. The Management analysed forward-looking information and applied the effect of macro to ECL. The Management updates its statistical tests for correlation as at each reporting date.

If probability of default (PD) increased by 10% for the whole loan portfolio then ECL would have increased by 5% and amounted UZS 99,220 million as of 30 June 2023. If LGD increased by 10% for the whole loan portfolio then ECL would have increased by 9% and amounted UZS 175,021 million.

6. SEGMENT REPORTING

Operating segments are components of the Group that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision makers (CODM) and for which discrete financial information is available. The CODM of the group is the Management Board. The Management Board regularly uses financial information based on IFRS for operational decision-making and resource allocation.

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

The Group is organized on the basis of two main business segments – corporate banking which represents direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products and retail banking which represents private banking services, private customer current accounts, savings, deposits and debit cards, consumer loans.

(b) Information about reportable segment profit or loss, assets, and liabilities

Segment information for the reportable segments for the period ended 30 June 2023 (unaudited) is set out below:

| | 30 June 2023 (Unaudited) | | |
|--|---------------------------------|------------------|-------------------|
| | Corporate | Retail | Total |
| Assets | | | |
| Cash and cash equivalents | 4,034,665 | 149,271 | 4,183,936 |
| Loans and advances to customers | 44,894,305 | 6,873,982 | 51,768,287 |
| Due from other banks | 1,822,258 | – | 1,822,258 |
| Investment securities measured at amortised cost | 3,122,762 | – | 3,122,762 |
| Total reportable segment assets | 53,873,990 | 7,023,253 | 60,897,243 |
| Liabilities | | | |
| Due to other banks | 4,593,571 | – | 4,593,571 |
| Customer accounts | 8,618,370 | 5,306,648 | 13,925,018 |
| Other borrowed funds | 33,881,466 | 6,526 | 33,887,992 |
| Debt securities in issue | 3,444,406 | – | 3,444,406 |
| Total reportable segment liabilities | 50,537,813 | 5,313,174 | 55,850,987 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

6. SEGMENT REPORTING (Continued)

Segment information for the reportable segments for the year ended 31 December 2022 is set out below:

| | 31 December 2022 | | |
|--|-------------------------|------------------|-------------------|
| | Corporate | Retail | Total |
| Assets | | | |
| Cash and cash equivalents | 7,004,220 | 115,269 | 7,119,489 |
| Loans and advances to customers | 42,913,084 | 5,507,405 | 48,420,489 |
| Due from other banks | 1,843,415 | - | 1,843,415 |
| Investment securities measured at amortised cost | 2,678,571 | - | 2,678,571 |
| Total reportable segment assets | 54,439,290 | 5,622,674 | 60,061,964 |
| Liabilities | | | |
| Due to other banks | 3,895,719 | - | 3,895,719 |
| Customer accounts | 11,097,447 | 4,231,372 | 15,328,819 |
| Other borrowed funds | 32,232,397 | 9,363 | 32,241,760 |
| Debt securities in issue | 3,361,256 | - | 3,361,256 |
| Total reportable segment liabilities | 50,586,819 | 4,240,735 | 54,827,554 |

The cash management is performed by Treasury Department to support liquidity of the Bank as a whole.

| | Six months ended 30 June 2023 (unaudited) | | |
|--|--|----------------|------------------|
| | Corporate | Retail | Total |
| Interest income | | | |
| Interest on Loans and advances to customers | 2,532,103 | 526,078 | 3,058,181 |
| Interest on balances Due from other banks | 185,374 | - | 185,374 |
| Interest on balances Cash and cash equivalents | 3,516 | - | 3,516 |
| Interest on investment securities measured at amortised cost | 193,979 | - | 193,979 |
| Interest expense | | | |
| Interest on balances Due to other banks | (152,111) | - | (152,111) |
| Interest on Customer accounts | (263,058) | (317,064) | (580,122) |
| Interest on Other borrowed funds | (1,065,691) | - | (1,065,691) |
| Interest on Debt securities in issue | (104,049) | - | (104,049) |
| Interest on subordinated debt | (4,880) | - | (4,880) |
| Segment results | 1,325,183 | 209,014 | 1,534,197 |

| | Six months ended 30 June 2022 (unaudited) | | |
|--|--|---------------|------------------|
| | Corporate | Retail | Total |
| Interest income | | | |
| Interest on Loans and advances to customers | 1,830,940 | 287,923 | 2,118,863 |
| Interest on balances Due from other banks | 96,857 | - | 96,857 |
| Interest on balances Cash and cash equivalents | 1,039 | - | 1,039 |
| Interest on investment securities measured at amortised cost | 111,607 | - | 111,607 |
| Interest expense | | | |
| Interest on balances Due to other banks | (35,665) | - | (35,665) |
| Interest on Customer accounts | (166,805) | (192,005) | (358,810) |
| Interest on Other borrowed funds | (682,142) | - | (682,142) |
| Interest on Debt securities in issue | (112,989) | - | (112,989) |
| Interest on subordinated debt | (4,324) | - | (4,324) |
| Segment results | 1,038,518 | 95,918 | 1,134,436 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

6. SEGMENT REPORTING (Continued)

(c) Reconciliation of income and expenses, assets, and liabilities for reportable segments:

| | 30 June 2023 (Unaudited) | 31 December 2022 |
|---|--|--|
| Total reportable segment assets | 60,897,243 | 60,061,964 |
| Financial assets at fair value through other comprehensive income | 67,458 | 42,007 |
| Investment in associates | 46,068 | 35,834 |
| Premises, equipment and intangible assets | 2,559,649 | 2,082,504 |
| Current income tax prepayment | 278,603 | 251,647 |
| Deferred tax asset | 241,840 | 194,962 |
| Insurance assets | 19,250 | 20,336 |
| Other assets | 142,682 | 279,366 |
| Non-current assets held for sale | 223,584 | 223,345 |
| Total assets | 64 476 377 | 63,191,965 |
| Total reportable segment liabilities | 55,850,987 | 54,827,554 |
| Derivative financial liabilities | 189,058 | 115,533 |
| Insurance liabilities | 143,021 | 117,348 |
| Other liabilities | 208,401 | 240,326 |
| Subordinated debt | 334,925 | 330,560 |
| Total liabilities | 56,726,392 | 55,631,321 |
| | | |
| | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
| Segment results | 1,534,197 | 1,134,436 |
| Provision for credit losses on loans and advances to customers | (802,965) | (457,076) |
| Loss on initial recognition on interest bearing assets | (29,663) | (61,903) |
| Fee and commission income | 239,803 | 191,316 |
| Fee and commission expense | (49,402) | (62,729) |
| Gains less losses from financial derivatives | (187,930) | - |
| Net gain on foreign exchange translation | 85,853 | 46,788 |
| Net gain from trading in foreign currencies | 233,886 | 136,570 |
| Insurance operations income | 67,167 | 41,666 |
| Insurance operations expense | (35,711) | (23,939) |
| Change in insurance reserves, net | (26,760) | (12,047) |
| Dividend income | 3,995 | 2,298 |
| Other operating income | 28,045 | 35,841 |
| Provision for credit losses on other assets | (12,917) | (48,560) |
| Impairment of assets held for sale | (9,099) | (3,968) |
| Administrative and other operating expenses | (762 102) | (566,971) |
| Share of result from associates | (465) | (1,004) |
| Profit before tax | 275 932 | 350,718 |
| Income tax expense | (87 741) | (154,210) |
| PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS | 188 191 | 196,508 |

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)**
(In millions of Uzbek Soums, unless otherwise indicated)

7. CASH AND CASH EQUIVALENTS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-------------------------------------|-----------------------------|
| Correspondent accounts and placements with other banks with original maturities of less than three months | 1,977,112 | 4,280,246 |
| Cash on hand | 1,166,373 | 1,522,206 |
| Cash balances with the CBU (other than mandatory reserve deposits) | 1,040,510 | 1,318,006 |
| Less: Allowance for expected credit losses | (59) | (969) |
| Total cash and cash equivalents | 4,183,936 | 7,119,489 |

As at 30 June 2023 (unaudited) and 31 December 2022 for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1 except for balances with Russian banks which were assigned Stage 2. The balances with Russian banks compose 5,836 million UZS are classified under the category Correspondent accounts and placements with other banks with original maturities of less than three months.

The credit quality of cash and cash equivalents at 30 June 2023 (unaudited) is as follows:

| | Cash balances with the CBU (other than mandatory reserve deposits) | Correspondent accounts and placements with other banks with original maturities of less than three months | Total |
|--|---|--|------------------|
| - Central Bank of Uzbekistan | 1,040,510 | - | 1,040,510 |
| - Rated Aa1 to Aa3 | - | 665,654 | 665,654 |
| - Rated A1 to A3 | - | 1,282,412 | 1,282,412 |
| - Rated Baa1 to Baa3 | - | 3,177 | 3,177 |
| - Rated Ba1 to Ba3 | - | 25,868 | 25,868 |
| - Unrated | - | 1 | 1 |
| Less: Allowance for expected credit losses | (22) | (37) | (59) |
| Total cash and cash equivalents, excluding cash on hand | 1,040,488 | 1,977,075 | 3,017,563 |

Moody's credit rating for Uzbekistan was set at BB- as at 30 June 2023 and at 31 December 2022 which is used for assessment of cash balances with the CBU.

The credit quality of cash and cash equivalents at 31 December 2022 is as follows:

| | Cash balances with the CBU (other than mandatory reserve deposits) | Correspondent accounts and placements with other banks with original maturities of less than three months | Total |
|--|---|--|------------------|
| - Central Bank of Uzbekistan | 1,318,006 | - | 1,318,006 |
| - Rated Aa1 to Aa3 | - | 2,410,338 | 2,410,338 |
| - Rated A1 to A3 | - | 1,679,585 | 1,679,585 |
| - Rated Baa1 to Baa3 | - | 37,064 | 37,064 |
| - Rated Ba1 to Ba3 | - | 70,656 | 70,656 |
| - Unrated | - | 82,603 | 82,603 |
| Less: Allowance for expected credit losses | (28) | (941) | (969) |
| Total cash and cash equivalents, excluding cash on hand | 1,317,978 | 4,279,305 | 5,597,283 |

The credit rating is based on the rating agency Moody's (if available) or the rating agencies Standard & Poor's and Fitch, which are converted to the nearest equivalent value on the Moody's rating scale.

Information on related party balances is disclosed in Note 25. Information on fair value of cash and cash equivalents is disclosed in Note 22.

8. DUE FROM OTHER BANKS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-----------------------------|---------------------|
| Placements with other banks with original maturities of more than three months | 1,580,291 | 1,659,444 |
| Mandatory cash balances with CBU | 167,185 | 192,572 |
| Restricted cash | 108,681 | 25,597 |
| Less: Allowance for expected credit losses | (33,899) | (34,198) |
| Total due from other banks | 1,822,258 | 1,843,415 |

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

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

At 30 June 2023 (unaudited) the Group had balances with twelve counterparty banks (31 December 2022: twelve counterparty banks) with aggregated amounts above UZS 20,000 million. The total aggregate amount of these deposits was UZS 1,724,556 million (2022: UZS 1,774,275 million) or 94% of the total amount due from other banks (31 December 2022: 96%).

The balances also include an account held with Asia Invest bank, a subsidiary of the National Bank of Uzbekistan (NBU), which operates in Russia.

As at 30 June 2023 (unaudited) and 31 December 2022 for the purpose of ECL measurement due from other bank balances are included in Stage 1 and Stage 3.

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

8. DUE FROM OTHER BANKS (Continued)

Analysis by credit quality of due from other banks outstanding at 30 June 2023 (unaudited) is as follows:

| | Mandatory cash balances with CBU | Placements with other banks with original maturities of more than three months | Restricted cash | Total |
|--|---|---|----------------------------|------------------|
| - Central Bank of Uzbekistan | 167,185 | - | - | 167,185 |
| - Rated Aa1 to Aa3 | - | 73,580 | - | 73,580 |
| - Rated A1 to A3 | - | - | 32,240 | 32,240 |
| - Rated Ba3 | - | 1,275,190 | 76,441 | 1,351,631 |
| - Rated B1 | - | 14,749 | - | 14,749 |
| - Rated B2 | - | 171,018 | - | 171,018 |
| - Rated B3 | - | 10,959 | - | 10,959 |
| - Unrated | - | 34,795 | - | 34,795 |
| Less: Allowance for expected credit losses | (430) | (33,016) | (453) | (33,899) |
| Total due from other banks | 166,755 | 1,547,275 | 108,228 | 1,822,258 |

Per credit quality table above the Turkiston and Hi-Tech Banks were classified as Unrated (both Unrated at 31 December 2022) as at 30 June 2023, since both banks went bankrupt in 2023. Both banks were classified under Stage 3 for purpose of ECL (both Stage 3 as at 31 December 2022).

Analysis by credit quality of due from other banks outstanding at 31 December 2022 is as follows:

| | Mandatory cash balances with CBU | Placements with other banks with original maturities of more than three months | Restricted cash | Total |
|--|---|---|----------------------------|------------------|
| - Central Bank of Uzbekistan | 192,572 | - | - | 192,572 |
| - Rated Aa1 to Aa3 | - | 1,566 | - | 1,566 |
| - Rated Baa1 | - | - | 25,597 | 25,597 |
| - Rated Ba3 | - | 1,114,311 | - | 1,114,311 |
| - Rated B1 | - | 450,109 | - | 450,109 |
| - Rated B2 | - | 48,033 | - | 48,033 |
| - Rated B3 | - | 11,407 | - | 11,407 |
| - Unrated | - | 34,018 | - | 34,018 |
| Less: Allowance for expected credit losses | (125) | (34,052) | (21) | (34,198) |
| Total due from other banks | 192,447 | 1,625,392 | 25,576 | 1,843,415 |

The credit rating is based on the rating agency Moody's (if available) or the rating agencies Standard & Poor's and Fitch.

Information on related party balances is disclosed in Note 25. Information on fair value of due from other banks is disclosed in Note 22.

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

8. DUE FROM OTHER BANKS (Continued)

The following tables discloses the changes in the credit loss allowance and gross carrying amount for due from banks between the beginning and the end of the reporting periods:

| | EAD | | | | ECL | | | |
|---|----------------------------|----------------------------|----------------------------|------------------|----------------------------|----------------------------|----------------------------|---------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL |
| As at 1 January 2023 | 1,843,596 | - | 34,017 | 1,877,613 | 12,121 | - | 22,077 | 34,198 |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | - | - | - | - | - | - | - | - |
| - Transfer from stage 2 | - | - | - | - | - | - | - | - |
| - Transfer from stage 3 | - | - | - | - | - | - | - | - |
| - Changes in EAD and risk parameters | - | - | - | - | (24) | - | 505 | 481 |
| New assets issued or acquired | 163,574 | - | - | 163,574 | 449 | - | - | 449 |
| Matured or derecognized assets (except for write off) | (180,403) | - | (1) | (180,404) | (1,201) | - | - | (1,201) |
| Foreign exchange differences | (5,404) | - | 778 | (4,626) | (28) | - | - | (28) |
| Loss allowance for ECL and Gross Carrying as at 30 June 2023 (unaudited) | 1,821,363 | - | 34,794 | 1,856,157 | 11,317 | - | 22,582 | 33,899 |

| | EAD | | | | ECL | | | |
|---|----------------------------|----------------------------|----------------------------|------------------|----------------------------|----------------------------|----------------------------|---------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL |
| Loss allowance for ECL as at 1 January 2022 | 1,958,937 | - | - | 1,958,937 | 14,779 | - | 20,668 | 35,447 |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | - | - | - | - | - | - | - | - |
| - Transfer from stage 2 | - | - | - | - | - | - | - | - |
| - Transfer from stage 3 | - | - | - | - | - | - | - | - |
| - Changes in EAD and risk parameters | - | - | - | - | 136 | - | 1,409 | 1,545 |
| New assets issued or acquired | 1,464,313 | - | - | 1,464,313 | 10,607 | - | - | 10,607 |
| Matured or derecognized assets (except for write off) | (1,613,343) | - | - | (1,613,343) | (13,440) | - | - | (13,440) |
| Foreign exchange differences | 33,689 | - | 1,204 | 34,893 | 39 | - | - | 39 |
| Loss allowance for ECL as at 31 December 2022 | 1,843,596 | - | 1,204 | 1,844,800 | 12,121 | - | 22,077 | 34,198 |

9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

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

Loans and advances to customers comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|-------------------|
| Corporate loans | 33,495,128 | 31,362,398 |
| State and municipal organisations | 13,320,517 | 14,368,999 |
| Loans to individuals | 7,075,172 | 5,566,991 |
| Total loans and advances to customers, gross | 53,890,817 | 51,298,388 |
| Less: Allowance for expected credit losses | (2,122,530) | (2,877,899) |
| Total loans and advances to customers | 51,768,287 | 48,420,489 |

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

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|-------------------|
| Originated loans to customers | 53,741,816 | 51,117,332 |
| Overdrafts | 149,001 | 181,056 |
| Total loans and advances to customers, gross | 53,890,817 | 51,298,388 |
| Stage 1 | 41,824,821 | 39,971,908 |
| Stage 2 | 10,078,525 | 7,542,437 |
| Stage 3 | 1,987,471 | 3,784,043 |
| Total loans and advances to customers, gross | 53,890,817 | 51,298,388 |
| Less: Allowance for expected credit losses | (2,122,530) | (2,877,899) |
| Total loans and advances to customers | 51,768,287 | 48,420,489 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The following tables discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to corporate customers between the beginning and the end of the reporting period:

| State and municipal organisations | Credit Loss Allowance | | | | Gross Carrying Amount | | | |
|---|----------------------------|----------------------------|----------------------------|------------------|-----------------------|------------------|---------------|--------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| As at 1 January 2023 | 108,869 | 273,773 | 9,391 | 392,033 | 12,615,316 | 1,741,219 | 12,464 | 14,368,999 |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | (4,478) | 4,262 | 216 | - | (910,062) | 897,967 | 12,095 | - |
| - Transfer from stage 2 | 273,281 | (273,735) | 454 | - | 1,723,709 | (1,740,360) | 16,651 | - |
| - Transfer from stage 3 | - | 9,391 | (9,391) | - | - | 12,464 | (12,464) | - |
| - Changes in EAD and risk parameters * | (324,571) | 7,669 | 10,422 | (306,480) | (894,619) | 227,005 | (414) | (668,028) |
| New assets issued or acquired | 11,664 | | | 11,664 | 1,917,770 | - | - | 1,917,770 |
| Matured or derecognized assets (except for write off) | (7,241) | (38) | - | (7,279) | (2,534,697) | (859) | - | (2,535,556) |
| Total movements with impact on credit loss allowance charge for the period | (51,345) | (252,451) | 1,701 | (302,095) | (697,899) | (603,783) | 15,868 | (1,285,814) |
| <i>Movements without impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Recovery of assets previously written off | - | - | - | - | - | - | - | - |
| Written off assets | - | - | - | - | - | - | - | - |
| Foreign exchange differences | (78) | (196) | (7) | (281) | 208,366 | 28,760 | 206 | 237,332 |
| Loss allowance for ECL and Gross Carrying as at 30 June 2023 (unaudited) | 57,446 | 21,126 | 11,085 | 89,657 | 12,125,783 | 1,166,196 | 28,538 | 13,320,517 |

(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The following tables discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to corporate customers between the beginning and the end of the reporting period:

| | Credit Loss Allowance | | | | Gross Carrying Amount | | | |
|---|-------------------------|----------------------------|----------------------------|--------------------|-----------------------|------------------|------------------|--------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| Corporate loans | | | | | | | | |
| As at 1 January 2023 | 312,367 | 273,865 | 1,840,048 | 2,426,280 | 22,016,654 | 5,672,749 | 3,672,995 | 31,362,398 |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | (91,088) | 86,691 | 4,397 | - | (5,238,565) | 4,971,073 | 267,492 | - |
| - Transfer from stage 2 | 134,895 | (148,454) | 13,559 | - | 2,871,257 | (3,150,989) | 279,732 | - |
| - Transfer from stage 3 | 59,583 | 252,520 | (312,103) | - | 206,082 | 556,783 | (762,865) | - |
| - Changes in EAD and risk parameters * | (260,378) | 236,691 | 1,059,041 | 1,035,354 | (910,988) | 631,029 | 277,461 | (2,498) |
| New assets issued or acquired | 85,427 | | | 85,427 | 7,060,158 | - | - | 7,060,158 |
| Matured or derecognized assets (except for write off) | (32,373) | (3,147) | (118,637) | (154,157) | (3,591,225) | (70,822) | (412,761) | (4,074,808) |
| Total movements with impact on credit loss allowance charge for the period | (103,934) | 424,301 | 646,257 | 966,624 | 396,719 | 2,937,074 | (350,941) | 2,982,852 |
| <i>Movements without impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Recovery of assets previously written off | - | - | 38,485 | 38,485 | - | - | 38,485 | 38,485 |
| Written off assets | - | - | (1,608,149) | (1,608,149) | - | - | (1,608,149) | (1,608,149) |
| Foreign exchange differences | 1,086 | 953 | 6,404 | 8,443 | 505,124 | 130,149 | 84,269 | 719,542 |
| Loss allowance for ECL and Gross Carrying as at 30 June 2023 (unaudited) | 209,519 | 699,119 | 923,045 | 1,831,683 | 22,918,497 | 8,739,972 | 1,836,659 | 33,495,128 |

*The line “Changes in EAD and risk parameters” under columns related to Gross Carrying Amount represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during the reporting period and transfers of new issued loans between stages.

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

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The following tables discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to corporate customers between the beginning and the end of the reporting period:

| | Credit Loss Allowance | | | | Gross Carrying Amount | | | |
|---|----------------------------|----------------------------|----------------------------|-----------------|-----------------------|----------------|----------------|------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| Loans to individuals | | | | | | | | |
| As at 1 January 2023 | 29,012 | 8,738 | 21,836 | 59,586 | 5,339,938 | 128,469 | 98,584 | 5,566,991 |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | (791) | 677 | 114 | - | (145,550) | 124,652 | 20,898 | - |
| - Transfer from stage 2 | 4,795 | (6,319) | 1,524 | - | 67,866 | (87,244) | 19,378 | - |
| - Transfer from stage 3 | 29 | 139 | (168) | - | 274 | 1,323 | (1,597) | - |
| - Changes in EAD and risk parameters * | 25,488 | 28,401 | 51,584 | 105,473 | 8,922 | 13,885 | (7,829) | 14,978 |
| New assets issued or acquired | 42,165 | | | 42,165 | 2,201,280 | - | - | 2,201,280 |
| Matured or derecognized assets (except for write off) | (1,604) | (437) | (7,161) | (9,202) | (692,189) | (8,728) | (10,328) | (711,245) |
| Total movements with impact on credit loss allowance charge for the period | 70,082 | 22,461 | 45,893 | 138,436 | 1,440,603 | 43,888 | 20,522 | 1,505,013 |
| <i>Movements without impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Recovery of assets previously written off | - | - | 14,437 | 14,437 | - | - | 14,437 | 14,437 |
| Written off assets | - | - | (11,269) | (11,269) | - | - | (11,269) | (11,269) |
| Foreign exchange differences | - | - | - | - | - | - | - | - |
| Loss allowance for ECL and Gross Carrying as at 30 June 2023 (unaudited) | 99,094 | 31,199 | 70,897 | 201,190 | 6,780,541 | 172,357 | 122,274 | 7,075,172 |

*The line “Changes in EAD and risk parameters” under columns related to Gross Carrying Amount represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during the reporting period and transfers of new issued loans between stages.

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

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to corporate customers between the 1 January 2022 and 31 December 2022:

| | Credit Loss Allowance | | | | Gross Carrying Amount | | | |
|---|-------------------------|----------------------------|----------------------------|----------------|-----------------------|------------------|-----------------|-------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| State and municipal organisations | | | | | | | | |
| As at 1 January 2022 | 111,428 | - | 5,037 | 116,465 | 14,246,280 | - | 32,171 | 14,278,451 |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | (13,250) | 13,250 | - | - | (1,843,922) | 1,843,922 | - | - |
| - Transfer from stage 2 | - | - | - | - | - | - | - | - |
| - Transfer from stage 3 | - | - | - | - | - | - | - | - |
| - Change in EAD and risk parameters* | (362,789) | 259,008 | 7,372 | (96,409) | (11,784,984) | (148,981) | (2,562) | (11,936,527) |
| New assets issued or acquired | 392,033 | - | - | 392,033 | 14,368,999 | - | - | 14,368,999 |
| Matured or derecognized assets (except for write off) | (25,878) | - | (3,018) | (28,896) | (2,641,140) | - | (17,145) | (2,658,285) |
| Total movements with impact on credit loss allowance charge for the period | (9,884) | 272,258 | 4,354 | 266,728 | (1,901,047) | 1,694,941 | (19,707) | (225,813) |
| <i>Movements without impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Recovery of assets previously written off | - | - | - | - | - | - | - | - |
| Written off assets | - | - | - | - | - | - | - | - |
| Foreign exchange differences | 7,325 | 1,515 | - | 8,840 | 270,083 | 46,278 | - | 316,361 |
| Loss allowance for ECL and Gross Carrying as at 31 December 2022 | 108,869 | 273,773 | 9,391 | 392,033 | 12,615,316 | 1,741,219 | 12,464 | 14,368,999 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to corporate customers between the 1 January 2022 and 31 December 2022:

| Corporate loans | Credit Loss Allowance | | | | Gross Carrying Amount | | | |
|---|----------------------------|----------------------------|----------------------------|------------------|-----------------------|--------------------|------------------|---------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| As at 1 January 2022 | 193,862 | 481,544 | 1,017,625 | 1,693,031 | 14,556,470 | 8,884,835 | 2,460,717 | 25,902,022 |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | (28,739) | 13,434 | 15,305 | - | (2,131,550) | 995,508 | 1,136,042 | - |
| - Transfer from stage 2 | 185,461 | (283,968) | 98,507 | - | 3,460,426 | (4,828,537) | 1,368,111 | - |
| - Transfer from stage 3 | 103,450 | 197,158 | (300,608) | - | 275,721 | 610,152 | (885,873) | - |
| - Change in EAD and risk parameters* | (1,814,340) | (46,402) | 1,441,444 | (419,298) | (20,107,255) | 1,928,731 | 269,946 | (17,908,578) |
| New assets issued or acquired | 1,704,220 | - | - | 1,704,220 | 30,343,916 | - | - | 30,343,916 |
| Matured or derecognized assets (except for write off) | (61,493) | (96,278) | (360,987) | (518,758) | (4,688,413) | (1,997,998) | (630,241) | (7,316,652) |
| Total movements with impact on credit loss allowance charge for the period | 88,559 | (216,056) | 893,661 | 766,164 | 7,152,845 | (3,292,144) | 1,257,985 | 5,118,686 |
| <i>Movements without impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Recovery of assets previously written off | - | - | 35,235 | 35,235 | - | - | 35,235 | 35,235 |
| Written off assets | - | - | (127,371) | (127,371) | - | - | (127,371) | (127,371) |
| Foreign exchange differences | 29,946 | 8,377 | 20,898 | 59,221 | 307,339 | 80,058 | 46,429 | 433,826 |
| Loss allowance for ECL and Gross Carrying as at 31 December 2022 | 312,367 | 273,865 | 1,840,048 | 2,426,280 | 22,016,654 | 5,672,749 | 3,672,995 | 31,362,398 |

(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to corporate customers between the 1 January 2022 and 31 December 2022:

| | Credit Loss Allowance | | | | Gross Carrying Amount | | | |
|---|----------------------------|----------------------------|----------------------------|------------------|-----------------------|-----------------|------------------|--------------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | TOTAL | Stage 1 | Stage 2 | Stage 3 | TOTAL |
| Loans to individuals | | | | | | | | |
| As at 1 January 2022 | 34,193 | 10,554 | 138,500 | 183,247 | 3,877,782 | 186,487 | 285,052 | 4,349,321 |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Changes in the gross carrying amount | | | | | | | | |
| - Transfer from stage 1 | (1,013) | 629 | 384 | - | (114,848) | 71,340 | 43,508 | - |
| - Transfer from stage 2 | 6,766 | (8,061) | 1,295 | - | 114,386 | (137,357) | 22,971 | - |
| - Transfer from stage 3 | 39,595 | 20,221 | (59,816) | - | 92,739 | 36,548 | (129,287) | - |
| - Changes in EAD and risk parameters * | (105,336) | (13,278) | 14,856 | (103,758) | (3,655,048) | 453 | 11,501 | (3,643,094) |
| New assets issued or acquired | 59,584 | - | - | 59,584 | 5,566,639 | - | - | 5,566,639 |
| Matured or derecognized assets (except for write off) | (4,777) | (1,327) | (57,456) | (63,560) | (541,712) | (29,002) | (119,234) | (689,948) |
| Total movements with impact on credit loss allowance charge for the period | (5,181) | (1,816) | (100,737) | (107,734) | 1,462,156 | (58,018) | (170,541) | 1,233,597 |
| <i>Movements without impact on credit loss allowance charge for the period:</i> | | | | | | | | |
| Recovery of assets previously written off | - | - | 48,120 | 48,120 | - | - | 48,120 | 48,120 |
| Written off assets | - | - | (64,047) | (64,047) | - | - | (64,047) | (64,047) |
| Foreign exchange differences | - | - | - | - | - | - | - | - |
| Loss allowance for ECL and Gross Carrying as at 31 December 2022 | 29,012 | 8,738 | 21,836 | 59,586 | 5,339,938 | 128,469 | 98,584 | 5,566,991 |

*The line “Changes in EAD and risk parameters” under columns related to Gross Carrying Amount represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during the reporting period and transfers of new issued loans between stages.

*The line “Changes in EAD and risk parameters” under columns related to Credit Loss Allowance represents changes in risk parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new loans originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of loans from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the loans could be assigned to throughout the reporting period. *The line “Changes in EAD and risk parameters” under columns related to Gross Carrying Amount represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during 2021 and transfers of new issued loans between stages.

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

| | 30 June 2023 | | 31 December 2022 | |
|---|---------------------|-------------|-------------------------|-------------|
| | (unaudited) | | | |
| | Amount | % | Amount | % |
| Manufacturing | 20,201,512 | 37% | 18,207,559 | 35% |
| Oil and gas & chemicals | 9,580,155 | 18% | 10,885,326 | 21% |
| Individuals | 7,075,172 | 13% | 5,566,991 | 11% |
| Trade and Services | 6,085,669 | 11% | 5,554,150 | 11% |
| Agriculture | 3,743,975 | 7% | 3,460,679 | 7% |
| Transport and communication | 2,978,300 | 6% | 2,883,334 | 6% |
| Energy | 2,598,935 | 5% | 3,114,928 | 6% |
| Construction | 1,627,099 | 3% | 1,625,421 | 3% |
| Total loans and advances to customers, gross | 53,890,817 | 100% | 51,298,388 | 100% |
| Less: Allowance for expected credit losses | (2,122,530) | | (2,877,899) | |
| Total loans and advances to customers | 51,768,287 | | 48,420,489 | |

As at 30 June 2023 (unaudited), the Group granted loans to 10 (31 December 2022: 13) borrowers in the amount of UZS 13,466,508 million (31 December 2022: UZS 15,844,779 million), which individually exceeded 10% of the Group's equity.

Information about loans and advances to individuals as at 30 June 2023 (unaudited) and 31 December 2022 are as follows:

| | 30 June 2023 | 31 December 2022 |
|---|---------------------|-------------------------|
| | (unaudited) | |
| Mortgage | 4,602,879 | 3,685,578 |
| Microloan | 1,442,508 | 744,719 |
| Car Loan | 740,569 | 982,316 |
| Consumer Loans | 161,459 | 73,449 |
| Other | 127,757 | 80,929 |
| Total loans and advances to individuals, gross | 7,075,172 | 5,566,991 |
| Less: Allowance for expected credit losses | (201,190) | (59,586) |
| Total loans and advances to individuals | 6,873,982 | 5,507,405 |

Information about collateral and other credit enhancement as at 30 June 2023 (unaudited) are as follows:

| | State and municipal organisations | Corporate loans | Loans to individuals | |
|---|--|------------------------|-----------------------------|--------------------|
| Loans guaranteed by letters of surety | 1,296,109 | 12,115,083 | 1,694,573 | 15,105,765 |
| Loans guaranteed by state guarantees | 6,518,692 | - | - | 6,518,692 |
| Not collateralised | 1,554 | 2,305 | 13,672 | 17,531 |
| Loans collateralised by: | | | | - |
| Real estate | 226,167 | 10,041,652 | 4,245,888 | 14,513,707 |
| Inventory and receivables | 3,355,018 | 2,184,868 | 1,017 | 5,540,903 |
| Equipment | 660,473 | 4,849,988 | - | 5,510,461 |
| Insurance policy | 9,164 | 3,886,851 | 867,791 | 4,763,806 |
| Cash deposits | 1,082,971 | 2,392 | - | 1,085,363 |
| Vehicles | 40,365 | 411,989 | 252,231 | 704,585 |
| Equity securities | 130,004 | - | - | 130,004 |
| Total loans and advances to customers, gross | 13,320,517 | 33,495,128 | 7,075,172 | 53,890,817 |
| Less: Allowance for expected credit losses | (89,657) | (1,831,683) | (201,190) | (2,122,530) |
| Total loans and advances to customers | 13,230,860 | 31,663,445 | 6,873,982 | 51,768,287 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Information about collateral and other credit enhancement as at 31 December 2022 are as follows:

| | State and municipal organisations | Corporate loans | Loans to individuals | |
|---|-----------------------------------|-------------------|----------------------|-------------------|
| Loans guaranteed by letters of surety | 2,458,999 | 12,094,239 | 1,351,316 | 15,904,554 |
| Loans guaranteed by state guarantees | 6,840,288 | - | - | 6,840,288 |
| Not collateralised | 284,934 | 5 | 182,288 | 467,227 |
| Loans collateralised by: | | | | |
| Real estate | 134,311 | 8,750,980 | 3,227,074 | 12,112,365 |
| Equipment | 700,259 | 5,169,125 | 1,049 | 5,870,433 |
| Inventory and receivables | 2,662,393 | 1,558,028 | - | 4,220,421 |
| Insurance policy | 9,271 | 3,254,185 | 632,134 | 3,895,590 |
| Cash deposits | 1,092,147 | 454 | - | 1,092,601 |
| Vehicles | 49,579 | 387,457 | 173,130 | 610,166 |
| Equity securities | 136,818 | 147,925 | - | 284,743 |
| Total loans and advances to customers, gross | 14,368,999 | 31,362,398 | 5,566,991 | 51,298,388 |
| Less: Allowance for expected credit losses | (392,033) | (2,426,280) | (59,586) | (2,877,899) |
| Total loans and advances to customers | 13,976,966 | 28,936,118 | 5,507,405 | 48,420,489 |

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 30 June 2023 (unaudited) is as follows:

| | State and municipal organisations | Corporate loans | Loans to individuals | Total |
|---|-----------------------------------|--------------------|----------------------|--------------------|
| <i>Loans assessed for impairment on a collective basis (gross)</i> | | | | |
| Not past due loans | 12,160,833 | 24,959,286 | 6,488,430 | 43,608,549 |
| Past due loans | - | - | - | - |
| - less than 30 days overdue | 355,959 | 2,637,089 | 414,823 | 3,407,871 |
| - 31 to 90 days overdue | 775,187 | 4,328,737 | 118,496 | 5,222,420 |
| - 91 to 180 days overdue | 13,227 | 543,739 | 41,386 | 598,352 |
| - 181 to 360 days overdue | 15,311 | 408,708 | 11,498 | 435,517 |
| - over 360 days overdue | - | 129,293 | 539 | 129,832 |
| Total loans assessed for impairment on a collective basis, gross | 13,320,517 | 33,006,852 | 7,075,172 | 53,402,541 |
| <i>Loans individually determined to be impaired (gross):</i> | | | | |
| <i>Restructured loans</i> | - | 488,276 | - | 488,276 |
| Not past due loans | - | - | - | - |
| Past due loans | - | - | - | - |
| 31-90 days | - | 73,543 | - | 73,543 |
| 91-180 days | - | 93,099 | - | 93,099 |
| 181-360 days | - | 80,687 | - | 80,687 |
| | | 240,947 | | 240,947 |
| Total loans individually determined to be impaired, gross | - | 488,276 | - | 488,276 |
| - Impairment provisions for individually impaired loans | - | (188,007) | - | (188,007) |
| - Impairment provisions assessed on a collective basis | (89,657) | (1,643,676) | (201,190) | (1,934,523) |
| Less: Allowance for expected credit losses | (89,657) | (1,831,683) | (201,190) | (2,122,530) |
| Total loans and advances to customers | 13,230,860 | 31,663,445 | 6,873,982 | 51,768,287 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 31 December 2022 is as follows:

| 31 December 2022 | State and municipal organisations | Corporate loans | Loans to individuals | Total |
|---|---|--------------------|-------------------------|--------------------|
| <i>Loans assessed for impairment on a collective basis (gross)</i> | | | | |
| Not past due loans | 14,280,484 | 27,311,705 | 5,241,219 | 46,833,408 |
| Past due loans | - | - | - | |
| - less than 30 days overdue | 20,850 | 557,948 | 167,139 | 745,937 |
| - 31 to 90 days overdue | 67,665 | 728,294 | 69,456 | 865,415 |
| - 91 to 180 days overdue | - | 353,762 | 52,258 | 406,020 |
| - 181 to 360 days overdue | - | 652,342 | 36,394 | 688,736 |
| - over 360 days overdue | - | 38,160 | 525 | 38,685 |
| Total loans assessed for impairment on a collective basis, gross | 14,368,999 | 29,642,211 | 5,566,991 | 49,578,201 |
| <i>Loans individually determined to be impaired (gross):</i> | | | | |
| <i>Restructured loans</i> | - | 1,720,187 | - | 1,720,187 |
| Not past due loans | - | 176,655 | - | 176,655 |
| Past due loans | - | - | - | - |
| 91-180 days | - | 1,095,776 | - | 1,095,776 |
| 181-360 days | - | 447,756 | - | 447,756 |
| Total loans individually determined to be impaired, gross | - | 1,720,187 | - | 1,720,187 |
| - Impairment provisions for individually impaired loans | - | (964,455) | - | (964,455) |
| - Impairment provisions assessed on a collective basis | (392,033) | (1,461,825) | (59,586) | (1,913,444) |
| Less: Allowance for expected credit losses | (392,033) | (2,426,280) | (59,586) | (2,877,899) |
| Total loans and advances to customers | 13,976,966 | 28,936,118 | 5,507,405 | 48,420,489 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The credit quality of loans to customers carried at amortised cost is as follows at 30 June 2023:

| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit im- paired) | Total |
|--|-------------------------------|---------------------------------------|---|-------------------|
| 30 June 2023 (unaudited) | | | | |
| Corporate loans | | | | |
| Standard | 22,918,496 | 809,814 | 52,084 | 23,771,043 |
| Substandard | - | 7,930,159 | 70,414 | 8,009,924 |
| Unsatisfactory | - | - | 817,372 | 817,372 |
| Doubtful | - | - | 482,592 | 482,592 |
| Loss | - | - | 414,197 | 414,197 |
| Gross carrying amount | 22,918,496 | 8,739,973 | 1,836,659 | 33,495,128 |
| Credit loss allowance | (209,518) | (699,120) | (923,045) | (1,831,683) |
| Carrying amount | 22,708,978 | 8,040,853 | 913,614 | 31,663,445 |
| State and municipal organisations | | | | |
| Standard | 12,125,783 | - | - | 12,125,783 |
| Substandard | - | 1,166,196 | - | 1,166,196 |
| Unsatisfactory | - | - | 13,030 | 13,030 |
| Doubtful | - | - | 15,508 | 15,508 |
| Loss | - | - | - | - |
| Gross carrying amount | 12,125,783 | 1,166,196 | 28,538 | 13,320,517 |
| Credit loss allowance | (57,446) | (21,126) | (11,085) | (89,657) |
| Carrying amount | 12,068,337 | 1,145,070 | 17,453 | 13,230,860 |
| Loans to individuals | | | | |
| Standard | 6,780,543 | 66,433 | 46,490 | 6,893,466 |
| Substandard | - | 105,923 | 19,234 | 125,157 |
| Unsatisfactory | - | - | 38,113 | 38,113 |
| Doubtful | - | - | 15,974 | 15,974 |
| Loss | - | - | 2,462 | 2,462 |
| Gross carrying amount | 6,780,543 | 172,356 | 122,273 | 7,075,172 |
| Credit loss allowance | (99,096) | (31,198) | (70,896) | (201,190) |
| Carrying amount | 6,681,447 | 141,158 | 51,377 | 6,873,982 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2022:

| | Stage 1 (12-months ECL) | Stage 2 (lifetime ECL for SICR) | Stage 3 (lifetime ECL for credit im- paired) | Total |
|---|-------------------------------|--|---|-------------------|
| 31 December 2022 | | | | |
| <i>Corporate loans</i> | | | | |
| Standard | 22,016,653 | 4,294,785 | 222,219 | 26,533,657 |
| Substandard | - | 1,377,965 | 818,208 | 2,196,173 |
| Unsatisfactory | - | - | 464,900 | 464,900 |
| Doubtful | - | - | 969,171 | 969,171 |
| Loss | - | - | 1,198,497 | 1,198,497 |
| Gross carrying amount | 22,016,653 | 5,672,750 | 3,672,995 | 31,362,398 |
| Credit loss allowance | (312,366) | (273,866) | (1,840,048) | (2,426,280) |
| Carrying amount | 21,704,287 | 5,398,884 | 1,832,947 | 28,936,118 |
| <i>State and municipal organisations</i> | | | | |
| Standard | 12,615,317 | 1,369,382 | - | 13,984,699 |
| Substandard | - | 371,837 | 12,463 | 384,300 |
| Unsatisfactory | - | - | - | - |
| Doubtful | - | - | - | - |
| Loss | - | - | - | - |
| Gross carrying amount | 12,615,317 | 1,741,219 | 12,463 | 14,368,999 |
| Credit loss allowance | (108,870) | (273,773) | (9,390) | (392,033) |
| Carrying amount | 12,506,447 | 1,467,446 | 3,073 | 13,976,966 |
| <i>Loans to individuals</i> | | | | |
| Standard | 5,339,939 | 68,124 | 16,071 | 5,424,134 |
| Substandard | - | 60,345 | 29,409 | 89,754 |
| Unsatisfactory | - | - | 25,563 | 25,563 |
| Doubtful | - | - | 19,748 | 19,748 |
| Loss | - | - | 7,792 | 7,792 |
| Gross carrying amount | 5,339,939 | 128,469 | 98,583 | 5,566,991 |
| Credit loss allowance | (29,013) | (8,738) | (21,835) | (59,586) |
| Carrying amount | 5,310,926 | 119,731 | 76,748 | 5,507,405 |

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”). The effect of collateral on credit impaired assets at 30 June 2023 and 31 December 2022 are as follows.

| | 30 June 2023 (unaudited) | | | |
|---|--|------------------------|---|------------------------|
| | Over-collateralised Carrying Value of the Assets | Value of Collateral | Under-collateralised Carrying Value of the Assets | Value of Collateral |
| Credit Impaired Assets | | | | |
| Loans to Corporate and State Companies carried at AC | | | | |
| Manufacturing | 169,346 | 169,346 | 751,155 | 367,623 |
| Oil and gas & Chemicals | - | - | 1,803 | 561 |
| Agriculture | 22,353 | 22,353 | 299,374 | 93,842 |
| Trade and services | 56,279 | 56,528 | 338,778 | 134,728 |
| Construction | 4,518 | 4,518 | 191,409 | 68,704 |
| Transport and communication | 21,040 | 21,040 | 9,142 | 5,287 |
| Loans to Individuals carried at AC | | | | |
| Mortgage | 73,950 | 73,950 | 35,467 | 16,017 |
| Microloan | 51 | 51 | 7,257 | - |
| Car Loan | - | - | 2,082 | 753 |
| Consumer Loans | 1,833 | 4,800 | 1,439 | 485 |
| Other | - | - | 125 | - |
| Student Loan | - | - | 70 | - |
| Total | 349,370 | 352,586 | 1,638,101 | 688,000 |
| | Over-collateralised | | Under-collateralised | |
| | Carrying Value of the Assets | Value of Collateral | Carrying Value of the Assets | Value of Collateral |
| 31 December 2022 | | | | |
| Credit Impaired Assets | | | | |
| Loans to Corporate and State Companies carried at AC | | | | |
| Trade and services | 251,869 | 775,301 | 400,798 | 2,316 |
| Agriculture | 170,326 | 571,935 | 275,837 | 3,056 |
| Manufacturing | 757,899 | 1,787,140 | 413,792 | 2,855 |
| Construction | 79,906 | 193,305 | 136,579 | 14,393 |
| Transport and communication | 37,049 | 82,936 | 49,562 | - |
| Oil and gas & Chemicals | 8,193 | 36,424 | 1,103,649 | - |
| Loans to Individuals carried at AC | | | | |
| Mortgage | 64,479 | 96,001 | 22,584 | 4,548 |
| Car Loan | - | - | 3,665 | - |
| Microloan | - | - | 4,137 | - |
| Consumer Loans | 428 | 1,044 | 2,171 | - |
| Other | - | - | 998 | - |
| Student Loan | 50 | 329 | 72 | - |
| Total | 1,370,199 | 3,544,415 | 2,413,844 | 27,168 |

10. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

| | Currency | Annual coupon/ interest rate % | EIR % | Maturity date month/year | 30 June 2023 (unaudited) | 31 December 2022 |
|---|----------|-----------------------------------|---------|-----------------------------|-----------------------------|---------------------|
| Government Bonds | USD/UZS | 5 - 18 | 8 - 19 | Sep 2023 - Jul 2032 | 2,452,784 | 2,069,871 |
| CBU Bonds | UZS | 16 - 16 | 17 - 18 | July 2023 - Sep 2023 | 681,855 | 610,315 |
| Corporate bonds | UZS | 20 | 20 | July 2026 | 2,606 | 8,435 |
| Less: Allowance for expected credit losses | | | | | (14,483) | (10,050) |
| Total investment securities measured at amortised cost | | | | | 3,122,762 | 2,678,571 |

Analysis by credit quality of investment securities measured at amortised costs at 30 June 2023 (unaudited) is as follows:

| | CBU Bonds | Government Bonds | Corporate Bonds | Total |
|---|----------------|------------------|-----------------|------------------|
| <i>Neither past due nor impaired</i> | | | | |
| - Rated BB- | 681,855 | 2,452,784 | - | 3,134,639 |
| - Rated B2 | - | - | 2,606 | 2,606 |
| Less: Allowance for expected credit losses | (14,011) | (421) | (51) | (14,483) |
| Total investment securities measured at amortised cost | 667,844 | 2,452,363 | 2,555 | 3,122,762 |

Analysis by credit quality of investment securities measured at amortised costs at and 31 December 2022 is as follows:

| 31 December 2022 | CBU Bonds | Government Bonds | Corporate Bonds | Total |
|---|----------------|------------------|-----------------|------------------|
| - Rated BB- | 610,315 | 2,069,871 | - | 2,680,186 |
| - Rated B2 | - | - | 2,610 | 2,610 |
| - Unrated | - | - | 5,825 | 5,825 |
| Less: Allowance for expected credit losses | (570) | (9,394) | (86) | (10,050) |
| Total investment securities measured at amortised cost | 609,745 | 2,060,477 | 8,349 | 2,678,571 |

At 30 June 2023, the Group holds government bonds of the Ministry of Finance of the Republic of Uzbekistan in the quantity of 2,539,750 (31 December 2022: 2,015,770) with nominal value of UZS 1,000,000 and in the quantity of 50 (31 December 2022: 50) with nominal value of USD 200,000 and coupon rate of 5-18 % p.a. (31 December 2022: 5-18% p.a.).

At 30 June 2023, the Group holds bonds of the CBU in the amount of UZS 681,842 million at 16% p.a. coupon rate.

At 30 June 2023, the subsidiary SQB Insurance LLC holds corporate bonds of JSCB “Asia Alliance Bank” in quantity 2,500 with nominal value of UZS 1,000,000 and coupon rate of CBU refinancing rate (14%) + 4% p.a. The maturity date of the bonds is July 2026.

11. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

In 2019, the Group has arranged a contract with construction company Shanghai Construction Group Co. Ltd on design and construction of the Headquarters for Group in the amount of USD 136.5 million. As at 30 June 2023 (unaudited), in accordance with the contract, the Group invested USD 156.608 million (equivalent to UZS 1,661,713 million) and recorded in CIP. The capitalization amount composed UZS 6,475 million as a part of borrowing cost. Refer to Note 26 for the disclosure of the events after the end of the reporting period.

As at 30 June 2023 (unaudited) and 31 December 2022, premises and equipment of the Group were not pledged.

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

12. DUE TO OTHER BANKS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|-------------------------------------|-------------------------|
| Short term placements of other banks | 2,517,496 | 1,750,362 |
| Long term placements of other banks | 1,622,430 | 1,617,476 |
| Correspondent accounts and overnight placements of other banks | 453,645 | 527,881 |
| Total due to other banks | 4,593,751 | 3,895,719 |

Short term placements of other banks increased due to attracting 8,000 million RUB (1,086,240 million equivalent UZS) deposit from Gazprombank Russia.

Refer to Note 22 for the disclosure of the fair value of due to other banks. Information on related party balances is disclosed in Note 25.

13. CUSTOMER ACCOUNTS

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---------------------------------------|---------------------------------|-------------------------|
| State and public organisations | | |
| - Current/settlement accounts | 1,822,287 | 3,844,463 |
| - Term deposits | 4,086,540 | 3,614,656 |
| Other legal entities | | |
| - Current/settlement accounts | 2,126,280 | 2,814,593 |
| - Term deposits | 583,263 | 823,735 |
| Individuals | | |
| - Current/demand accounts | 1,320,158 | 1,305,546 |
| - Term deposits | 3,986,490 | 2,925,826 |
| Total customer accounts | 13,925,018 | 15,328,819 |

Economic sector concentrations within customer accounts are as follows:

| | 30 June 2023 (unaudited) | | 31 December 2022 | |
|--------------------------------|---------------------------------|-------------|-------------------------|-------------|
| | Amount | % | Amount | % |
| Individuals | 5,306,648 | 38,10% | 4,231,372 | 28% |
| Public administration | 3,790,702 | 27,20% | 3,503,390 | 23% |
| Energy | 1,086,006 | 7,80% | 1,097,149 | 7% |
| Manufacturing | 1,033,933 | 7,40% | 2,051,712 | 13% |
| Oil and gas | 916,821 | 6,60% | 2,393,554 | 16% |
| Trade | 706,377 | 5,10% | 976,760 | 6% |
| Services | 400,026 | 2,90% | 276,907 | 2% |
| Finance | 311,313 | 2,20% | 314,223 | 2% |
| Construction | 187,194 | 1,30% | 198,880 | 1% |
| Transportation | 64,860 | 0,50% | 76,367 | 0% |
| Engineering | 42,112 | 0,30% | 93,099 | 1% |
| Medicine | 26,943 | 0,20% | 26,524 | 0% |
| Agriculture | 15,725 | 0,10% | 21,842 | 0% |
| Communication | 11,363 | 0,10% | 28,527 | 0% |
| Mining | 7,237 | 0,10% | 29,234 | 0% |
| Other | 17,758 | 0,10% | 9,279 | 0% |
| Total customer accounts | 13,925,018 | 100% | 15,328,819 | 100% |

As at 30 June 2023 (unaudited), the Group had deposits from The Ministry of Finance and Economy (31 December 2022: Ministry of Finance and JSC Uzbekneftegaz) with a total balance UZS 3,407,610 million (31 December 2022: UZS 4,965,415 million), which individually exceeded 10% of the Group's equity. During the year 2023 the Ministry of Finance was incorporated under the new structure referred as Ministry of Finance and Economy.

Refer to Note 22 for the disclosure of the fair value of customer accounts. Information on related party balances is disclosed in Note 25.

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)**
(In millions of Uzbek Soums, unless otherwise indicated)

| 14. OTHER BORROWED FUNDS | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-------------------------------------|-------------------------|
| China EXIMBANK | 4,782,921 | 4,921,786 |
| CREDIT Suisse | 2,861,495 | 3,521,090 |
| International Bank of Reconstruction and Development | 1,648,092 | 2,099,169 |
| Landesbank Baden-Wuerttemberg | 1,924,431 | 1,716,009 |
| Commerzbank AG | 1,678,672 | 1,476,741 |
| Cargill Financial Services International Inc | 1,877,790 | 1,213,728 |
| Daryo Finance B.V. | 1,249,373 | 965,102 |
| AK Bars Bank | 979,236 | 869,491 |
| International Finance Corporation | 889,838 | 848,223 |
| MFT XXI LLC | 877,497 | 903,254 |
| European Bank for Reconstruction and Development | 868,708 | 1,099,941 |
| Asian Development Bank | 620,486 | 622,999 |
| ICBC (London) plc | 582,677 | 663,986 |
| International Development Association of World Bank | 572,722 | 580,063 |
| Citibank Europe PLC | 614,269 | 525,606 |
| China Development Bank | 500,747 | 559,158 |
| Raiffeisen Bank International AG | 453,444 | 614,692 |
| UniCredit | 437,448 | 446,184 |
| JPMorgan Chase | 403,936 | 89,495 |
| Banca Popolare di Sondrio | 393,172 | 409,978 |
| OPEC Fund for International Development | 346,043 | 382,293 |
| Japan International Cooperation Agency (JICA) | 368,405 | 359,992 |
| Promsvyazbank PJSC | 355,810 | 350,846 |
| European Investment Bank | 346,815 | 334,728 |
| Citibank N.A. ADGM | 345,333 | 114,146 |
| DZ BANK HONG KONG BRANCH | 336,599 | - |
| Korea EXIMBANK | 319,650 | 54,837 |
| KfW IPEX-Bank | 221,292 | 36,973 |
| Turk EXIMBANK | 135,816 | 157,741 |
| Halyk Savings Bank of Kazakhstan JSC | 130,351 | 219,417 |
| Baobab Securities Limited | 111,881 | 112,088 |
| AKA Ausfuhrkredit-Gesellschaft mbH | 94,215 | 50,721 |
| EURASIAN BANK | 35,377 | - |
| JSC "BANK CENTERCREDIT" KZ | 34,020 | - |
| Gazprombank | 29,078 | 33,249 |
| The Export-Import Bank of the Republic of China | 25,995 | 29,321 |
| Jusan Bank | 25,714 | 68,280 |
| ODDO BHF | 23,241 | 40,179 |
| John Deere | 12,106 | 17,286 |
| International Fund for Agricultural Development | 1,846 | 1,934 |
| Sberbank Kazakhstan - JSC Bereke bank | - | 62,308 |
| Vitabank PJSC | - | 50,907 |
| Financial institutions of Uzbekistan | - | - |
| Long term borrowings from Ministry of Finance | 4,253,208 | 3,524,840 |
| Fund for Reconstruction and Development of Uzbekistan | 1,247,208 | 1,289,092 |
| Uzbekistan Mortgage Refinancing Company (UzMRC) | 521,649 | 416,619 |
| Export Promotion Agency under MIFT | 212,473 | 233,949 |
| KDB Bank Uzbekistan | 88,436 | 103,780 |
| Young Entrepreneurs Support Fund under MIFT | 30,388 | 28,003 |
| Preference Shares | 8,526 | 9,363 |
| Khokimiyat of Tashkent Region | 6,526 | 6,471 |
| Other | 3,037 | 5,702 |
| Total other borrowed funds | 33,887,992 | 32,241,760 |

On 25 July 2022 the Group has signed EUR 100 million Loan agreement with Cargill financial Services International Inc. Under the loan agreement the Group is responsible for the Loan solely to be directed to finance the exportation and/or importation of various commodities and goods, from/to the Republic of Uzbekistan to/from various countries by the Groups' clients. The maturity of Loan agreement is 5 years.

On 27 July 2022 the Group has signed USD 50 million convertible loan facility with European Bank for Reconstruction and Development (EBRD). Loan has maturity of 5 years with bullet repayment of principal and semi-annual interest repayments. The attraction of this loan facility creates additional opportunities to realize the goals set by the Groups' Strategy for the years 2021-2023.

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)**
(In millions of Uzbek Soums, unless otherwise indicated)

On 22 August 2022, IFC has disbursed USD 75 million under the convertible loan agreement, signed on 20 September 2021. Loan has maturity of 5 years with bullet repayment of principal and semi-annual interest repayments.

The Conversion Options together with the exercise manner for both EBRD and IFC are presented below.

The Conversion Option (EBRD/IFC)

The Conversion Shares, issued and delivered in the following manner:

- (1) shall be duly and validly issued, fully-paid and non-assessable;
- (2) shall rank pari passu and carry the same rights and privileges in all respects as any other Ordinary Shares and shall be entitled to all dividends and other distributions declared, paid or made thereon; and
- (3) shall be freely transferable, free and clear of all Liens, charges or other encumbrances or rights (including preemptive rights) of third parties and shall not be subject to calls for further funds.

Manner of Exercise of Conversion (EBRD)

- (a) The Conversion Option may be exercised by EBRD at any time in its sole discretion during the Conversion Period (as defined below) by delivering a Conversion Notice to the Borrower, as hereinafter provided.
- (b) Each Conversion Notice delivered by EBRD hereunder shall specify the amount of the USD Facility and the amount of the UZS Facility (or if amounts from only one Facility are proposed to be converted, that Facility) proposed to be converted into Ordinary Shares.
- (c) EBRD may not deliver a Conversion Notice after the date falling 120 days prior to the Final Maturity Date.
- (d) If EBRD issues a Conversion Notice the undisbursed amount of the Loan shall automatically be cancelled and cease to be available for borrowing.

Manner of Exercise of Conversion (IFC)

- (a) The Conversion Option may be exercised by IFC at any time in its sole discretion during the Conversion Period by delivering a Conversion Notice to the Borrower, as hereinafter provided.
- (b) Each Conversion Notice delivered by IFC hereunder shall specify the Maximum Converted Loan Amount.
- (c) IFC may not deliver a Conversion Notice after the date falling one hundred and twenty (120) days prior to the Final Maturity Date.
- (d) If IFC issues a Conversion Notice the undisbursed amount of the Loan shall automatically be cancelled and cease to be available for borrowing.

The Conversion Period is the period commencing on the date of the first Disbursement and terminating upon the earlier of: (a) the Conversion; and (b) the prepayment or repayment in full of the principal amount of the Loan.

On 8 June 2022 the Group and Mashreqbank PSC has signed an Agreement on attracting the Credit line facility in the amount of USD 15 million. The facility is to be used to finance the purchase of oil and gas products and spare parts for engine production. The maturity period of the loan is 12 months.

On 6 June 2022 the Group has received the Trade finance from Banca Popolare Di Sondrio in the amount of USD 2.7 million with the purpose of the Group client's working capital replenishment.

On 11 May 2022 the Group and Citibank Europe PLC has signed Continuing Agreement for reimbursement of Trade advances. In year 2022 the amount of USD 42.6 million were called by the Group.

On 12 May 2023 the Group and Cargill Financial Services, Inc. has signed an Agreement on attracting the Credit line facility in the amount of EUR 50 million. The facility is to be used to finance promising projects of clients. The maturity period of the loan is 3 years.

Further on 16 May 2023 the Group and Citibank Europe PLC has signed an Agreement in the amount of EUR 30 million on attracting the Credit line facility for trade finance. The loan maturity period is defined as 12 months.

On 24 April 2023 the Group and ICBC (London) PLC has signed an Agreement in the amount of USD 50 million on attracting the Credit line facility for trade finance. The loan maturity period is defined as 12 months.

As of 30 June 2023 (unaudited) the Group was in compliance with all covenants including the covenants related to issued Eurobonds.

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

The maturity analysis is disclosed in Note 24. Refer to Note 22 for disclosure of the fair value of other borrowed funds and Note 25 for information on related party balances.

15. SUBORDINATED DEBT

| | Currency | Maturity date | Nominal interest rate % | Effective interest rate % | 30 June 2023 (unaudited) | 31 December 2022 |
|---|----------|---------------|-------------------------|---------------------------|--------------------------|------------------|
| Subordinated debt held by Fund for Reconstruction and Development of Uzbekistan | UZS | 2041 | 9% | 9,2% | 100,557 | 101,989 |
| | USD | 2028 | 5% | 5,7% | 234,368 | 228,571 |
| Total subordinated debt | | | | | 334,925 | 330,560 |

Refer to Note 22 for the disclosure of the fair value of subordinated debt and Note 25 for information on related party balances.

16. INTEREST INCOME AND EXPENSE

| | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|--|---|---|
| Interest income calculated using the effective interest method | | |
| Interest income on assets recorded at amortised cost comprises: | | |
| Interest on loans and advances to customers | 3,043,765 | 2,102,206 |
| Interest on investment securities measured at amortised cost | 193,979 | 111,607 |
| Interest on balances due from other banks | 185,374 | 96,857 |
| Interest on balances cash and cash equivalents | 3,516 | 1,039 |
| Total interest income calculated using the effective interest method | 3,426,634 | 2,311,709 |
| Other similar income | | |
| Finance lease receivables | 14,416 | 16,657 |
| Total other similar income | 14,416 | 16,657 |
| Interest expense | | |
| Interest expense on liabilities recorded at amortised cost comprises: | | |
| Interest on other borrowed funds | (1,065,691) | (682,142) |
| Interest on customer accounts | (580,122) | (358,810) |
| Interest on debt securities in issue | (104,049) | (112,989) |
| Interest on balances due to other banks | (152,111) | (35,665) |
| Interest on subordinated debt | (4,880) | (4,324) |
| Total interest expense | (1,906,853) | (1,193,930) |
| Net interest income before provision on loans and advances to customers | 1,534,197 | 1,134,436 |

17. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

| | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|--|---|---|
| Staff costs | 425,987 | 284,119 |
| Social security costs | 61,035 | 32,433 |
| Total staff costs | 487,022 | 316,552 |
| Depreciation and amortisation | 52,809 | 43,350 |
| Taxes other than income tax | 47,364 | 27,164 |
| Security services | 29,591 | 24,571 |
| Charity expenses | 27,538 | 25,203 |
| Communication and software maintenance | 17,677 | 3,922 |
| Membership fees | 17,119 | 17,650 |
| Loss on Sale or Disposition of Fixed assets | 13,348 | 49,490 |
| Stationery and other low value items | 11,744 | 15,120 |
| Repair and maintenance of buildings | 9,034 | 7,423 |
| Rent expenses | 8,489 | 5,823 |
| Travel expenses | 6,776 | 4,177 |
| Consultancy fee | 6,151 | 4,784 |
| Legal and audit fees | 5,460 | 2,328 |
| Advertising expenses | 3,982 | 3,290 |
| Utilities expenses | 2,574 | 2,707 |
| Representation and entertainment | 3,114 | 1,544 |
| Fuel | 2,058 | 1,550 |
| Medical, Dental and Hospitalization | 42 | 190 |
| Other operating expenses | 10,210 | 10,133 |
| Total administrative and other operating expenses | 762,102 | 566,971 |

The substantial rise in staff costs is primarily attributed to a change in the calculation approach. The Group introduced Key Performance Indicators (KPIs) and eliminated the bonus system, which previously assessed branch performance rather than individual employee contributions based on assigned tasks. This increase in staff costs is predominantly associated with Group regional branches. Besides, Over the 6-month period in 2023, the base salary within the Group increased by an average of 10-15% to align with prevailing macroeconomic trends.

18. INCOME TAXES

| | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|--|---|---|
| Current income tax expense | 136,239 | 206,357 |
| Deferred tax (benefit)/expense: | (47,418) | (52,147) |
| - <i>Deferred tax (benefit)/expense</i> | | |
| - <i>Deferred tax expense relating to the components of other comprehensive income</i> | 540 | 53 |
| Total income tax expense through profit or loss and other comprehensive income | 88,281 | 154,263 |

The increase in non-deductible tax expense component led to significant tax charge increase, hence the estimate annual tax rate of 20.0 % is not sustained.

Interim period income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate applied for the six months ended 30 June 2023 (unaudited) is 20.0 % (the estimated tax rate for the six months ended 30 June 2022 (unaudited) was 20%).

Starting on 1 January 2022, only 80% of the loan loss provisions created for statutory reporting are eligible for tax deductions.

19. EARNINGS PER SHARE

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

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

| | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|---|---|---|
| Profit for the year attributable to ordinary shareholders | 188,191 | 196,508 |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (millions) | 243,922 | 243,922 |
| Total basic and diluted earnings per ordinary share (expressed in UZS per share) | 0.77 | 0.81 |

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments. As at 30 June 2023 (unaudited) and 31 December 2022, the Group had no material operating lease commitments outstanding.

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

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

20. COMMITMENTS AND CONTINGENCIES (Continued)

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 30 June 2023 (unaudited), no provision for potential tax liabilities had been recorded (2022: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 30 June 2023 (unaudited) and 31 December 2022, the Group had contractual capital expenditure commitments for the total amount of UZS 128,015 million and UZS 315,253 million in respect of premises and equipment, respectively.

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

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-----------------------------|------------------|
| Guarantees issued | 1,926,624 | 1,933,385 |
| Letters of credit, non post-financing | 1,483,022 | 1,050,576 |
| Undrawn credit lines | 1,015,701 | 392,791 |
| Letters of credits, post-financing with commencement after reporting period end | 186,304 | 682,811 |
| Total gross credit related commitments | 4,611,651 | 4,059,563 |
| Less - Cash held as security against letters of credit and guarantees | (1,284,308) | (669,149) |
| Less – Provision for expected credit losses | (33,329) | (27,040) |
| Total credit related commitments | 3,294,014 | 3,363,374 |

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

21. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below sets out movement in the Group's liabilities from financing activities for each of periods presented. The items of these liabilities are those that are reported as financing activities in the condensed consolidated interim statement of cash flows.

of cash flows:

| | Liabilities from financing activities | | | | Total |
|---|---------------------------------------|--------------------------|--------------------|-------------------|-------------------|
| | Other borrowed funds | Debt securities in issue | Due to other banks | Subordinated debt | |
| <i>In million Uzbekistan Soums</i> | | | | | |
| Net debt at 1 January 2022 | 30,130,776 | 3,317,817 | 1,392,977 | 101,771 | 34,943,341 |
| Proceeds from the issue | 11,148,736 | - | 2,447,336 | 235,851 | 13,831,923 |
| Redemption | (9,334,820) | (82,690) | (334,155) | - | (9,751,665) |
| Foreign currency translation | 364,227 | 117,466 | 59,113 | - | 540,806 |
| Other non-cash movements | (67,159) | 8,663 | 330,448 | (7,062) | 264,890 |
| Net debt at 31 December 2022 | 32,241,760 | 3,361,256 | 3,895,719 | 330,560 | 39,829,295 |
| Proceeds from the issue | 3,768,700 | - | 1,094,636 | - | 4,863,336 |
| Redemption | (2,696,960) | (98,405) | (244,287) | (10,747) | (3,050,399) |
| Foreign currency translation | 616,379 | 79,019 | 56,933 | 9,554 | 761,885 |
| Other non-cash movements | (41,887) | 102,536 | (209,430) | 5,558 | (143,223) |
| Net debt at 30 June 2023 (unaudited) | 33,887,992 | 3,444,406 | 4,593,571 | 334,925 | 42,260,894 |

22. FAIR VALUE

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

The Management applies judgement in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

22. FAIR VALUE (Continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/ financial liabilities | Fair value as at | | Fair value hierarchy | Valuation model(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|--------------------------|------------------|-------------------------|--|--------------------------------------|---|
| | 30 June 2023 (unaudited) | 31 December 2022 | | | | |
| Equity securities at FVTOCI | | | | | | |
| - Visa Inc. | 15,800 | 13,460 | Level 1 | Quoted bid prices in an active market. | N/A | N/A |
| - Other | 51,658 | 28,547 | Level 3 | Discounted cash flows. Discount rate estimated based on WACC | Discount rate | The greater discount- the smaller fair value |

The fair value of the equity instruments at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. A significant unobservable input used in determining the fair value of equity securities at FVTOCI is the Group's WACC. The higher the WACC the lower the fair value of the equity securities at FVTOCI. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

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

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK”
SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

22. FAIR VALUE (Continued)

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

| | 30 June 2023 (unaudited) | | 31 December 2022 | |
|---------------------------------|---------------------------------|-------------------|-------------------------|-------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Loans and advances to customers | 51,768,287 | 51,377,033 | 48,420,489 | 46,278,898 |
| Due from other banks | 1,822,258 | 1,753,590 | 1,843,415 | 1,785,429 |
| Debt securities in issue | | | | |
| - <i>Eurobonds</i> | 3,444,406 | 3,239,860 | 3,361,256 | 3,039,068 |
| Other borrowed funds | 33,887,992 | 32,096,748 | 32,241,760 | 34,012,003 |
| Subordinated debt | 334,925 | 311,294 | 330,560 | 325,161 |

| | 30 June 2023 (unaudited) | | | |
|---------------------------------|---------------------------------|----------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Loans and advances to customers | - | - | 51,377,033 | 51,377,033 |
| Due from other banks | - | 1,753,590 | - | 1,753,590 |
| Debt securities in issue | | | | |
| - <i>Eurobonds</i> | 3,239,860 | - | - | 3,039,068 |
| Other borrowed funds | - | - | 32,096,748 | 32,096,748 |
| Subordinated debt | - | 311,294 | - | 311,294 |

| | 31 December 2022 | | | |
|---------------------------------|-------------------------|----------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Loans and advances to customers | - | - | 46,278,898 | 46,278,898 |
| Due from other banks | - | 1,785,429 | - | 1,785,429 |
| Debt securities in issue | | | | |
| - <i>Eurobonds</i> | 3,039,068 | - | - | 3,039,068 |
| Other borrowed funds | - | - | 34,012,003 | 34,012,003 |
| Subordinated debt | - | 325,161 | - | 325,161 |

23. CAPITAL RISK MANAGEMENT

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2022: 13%). Actual ratio as at 30 June 2023: 14% (31 December 2022: 15.3%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2022: 10%). Actual ratio as at 30 June 2023: 11.5% (31 December 2022: 12.1%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2022: 6%). Actual ratio as at 30 June 2023: 10.8% (31 December 2022: 10.3%).

The Group and the Bank have complied with all externally imposed capital requirements throughout the reporting period and 2022.

Total capital is based on the Group's reports prepared under CBU Instructions and related instructions and comprises:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---------------------------------|--------------------------|------------------|
| Tier 1 capital | 7,809,488 | 7,223,851 |
| Less: Deductions from capital | (304,395) | (249,725) |
| Tier 1 capital adjusted | 7,505,093 | 6,974,126 |
| Tier 2 capital | 1,684,254 | 1,874,573 |
| Total regulatory Capital | 9,189,347 | 8,848,699 |

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

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO THE I CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)**
(In millions of Uzbek Soums, unless otherwise indicated)

24. RISK MANAGEMENT POLICIES

The Group manages the following risk: credit risk, off-balance sheet risk, market risk, currency risk, interest rate risk, liquidity risk, operational risk, compliance risk and other type of risks.

Risk management system is the part of the overall management system of the Group which aims to provide sustainable development of the Bank and the Group members in line with the approved Development Strategy.

The Group's risk management policies and procedures are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2022.

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

| 30 June 2023 (unaudited) | USD | EUR | Other currencies | UZS | Total |
|---|--------------------|-------------------|-----------------------------|-------------------|-------------------|
| Cash and cash equivalents | 1,159,088 | 433,686 | 1,103,260 | 1,487,902 | 4,183,936 |
| Due from other banks | 759,438 | - | 32,228 | 1,030,592 | 1,822,258 |
| Loans and advances to customers | 23,173,175 | 9,605,993 | - | 18,989,119 | 51,768,287 |
| Investment securities measured at amortised cost | 113,101 | - | - | 3,009,661 | 3,122,762 |
| Other financial assets | 17,614 | 5,889 | 11,782 | - | 35,285 |
| Total monetary assets | 25,222,416 | 10,045,568 | 1,147,270 | 24,517,274 | 60,932,528 |
| Due to other banks | 2,372,056 | 416,347 | 1,218,447 | 586,721 | 4,593,571 |
| Customer accounts | 4,450,773 | 137,090 | 108,878 | 9,228,277 | 13,925,018 |
| Debt securities in issue | 3,444,406 | - | - | - | 3,444,406 |
| Other borrowed funds | 16,680,557 | 9,535,640 | 979,236 | 6,692,559 | 33,887,992 |
| Derivative financial liabilities | - | - | - | 189,058 | 189,058 |
| Other financial liabilities | 90,439 | 18 | - | 52,358 | 142,815 |
| Subordinated debt | - | - | - | 334,925 | 334,925 |
| Total monetary liabilities | 27,038,231 | 10,089,095 | 2,306,561 | 17,083,898 | 56,517,785 |
| Net balance sheet position | (1,815,815) | (43,527) | (1,159,291) | 7,433,376 | 4,414,743 |
| Forex derivatives: | - | - | 1,139,520 | (1,328,578) | (189,058) |
| Net overall position | (1,815,815) | (43,527) | (19,771) | 6,104,798 | 4,225,685 |

Significant gap in USD balances net position was settled by purchasing 100 million USD via UZS conversion on the local exchange stock exchange. The operation was executed on 30 June 2023 but settled after the reporting period on 1 July 2023.

The Group holds derivatives for risk management, primarily to mitigate its exposure to the Russian Ruble. During the first six months of 2023, the Group entered into cross-currency swap agreements with ICBC Standard Ltd.

| 31 December 2022 | USD | EUR | Other currencies | UZS | Total |
|---|-------------------|------------------|-----------------------------|-------------------|-------------------|
| Cash and cash equivalents | 5,576,148 | 94,127 | 189,044 | 1,260,170 | 7,119,489 |
| Due from other banks | 838,355 | 6,024 | 21,120 | 977,916 | 1,843,415 |
| Loans and advances to customers | 21,925,729 | 8,583,707 | - | 17,911,053 | 48,420,489 |
| Investment securities measured at amortised cost | 107,199 | - | - | 2,571,372 | 2,678,571 |
| Other financial assets | 9,237 | 8,323 | 7,188 | - | 24,748 |
| Total monetary assets | 28,456,668 | 8,692,181 | 217,352 | 22,720,511 | 60,086,712 |
| Due to other banks | 3,538,540 | 27,555 | 30,687 | 298,937 | 3,895,719 |
| Customer accounts | 5,774,731 | 591,341 | 94,249 | 8,868,498 | 15,328,819 |
| Debt securities in issue | 3,361,256 | - | - | - | 3,361,256 |
| Other borrowed funds | 16,224,230 | 8,399,150 | 869,491 | 6,748,889 | 32,241,760 |
| Derivative financial liabilities | - | - | - | 115,533 | 115,533 |
| Other financial liabilities | 120,472 | 2,713 | 401 | 45,949 | 169,535 |
| Subordinated debt | - | - | - | 330,560 | 330,560 |
| Total monetary liabilities | 29,019,229 | 9,020,759 | 994,828 | 16,408,366 | 55,443,182 |
| Net balance sheet position | (562,561) | (328,578) | (777,476) | 6,312,145 | 4,643,530 |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO THE I CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

| | | | | | |
|-----------------------------|------------------|------------------|----------------|------------------|------------------|
| Forex derivatives | (225,256) | - | 900,042 | (790,319) | (115,533) |
| Net overall position | (787,817) | (328,578) | 122,566 | 5,521,826 | 4,527,997 |

24. RISK MANAGEMENT POLICIES (Continued)

Geographical risk concentration. The geographical concentration of the Group's financial assets and liabilities at 30 June 2023 (unaudited) is set out below:

| 30 June 2023 (unaudited) | Uzbekistan | OECD | Non-OECD | Russia | Total |
|---|-------------------|---------------------|--------------------|--------------------|-------------------|
| Assets | | | | | |
| Cash and cash equivalents | 2,226,889 | 1,951,211 | - | 5,836 | 4,183,936 |
| Due from other banks | 1,640,500 | 105,808 | 75,950 | - | 1,822,258 |
| Loans and advances to customers | 51,768,287 | - | - | - | 51,768,287 |
| Investment securities measured at amortised cost | 3,122,762 | - | - | - | 3,122,762 |
| Financial assets at fair value through other comprehensive income | 51,656 | 15,802 | - | - | 67,458 |
| Other financial assets | 28,226 | 3,013 | 4,046 | - | 35,285 |
| Total financial assets | 58,838,320 | 2,075,834 | 79,996 | 5,836 | 60,999,986 |
| Liabilities | | | | | |
| Due to other banks | 1,010,154 | 25,012 | 207,600 | 3,350,805 | 4,593,571 |
| Customer accounts | 13,924,346 | 672 | - | - | 13,925,018 |
| Debt securities in issue | - | 3,444,406 | - | - | 3,444,406 |
| Other borrowed funds | 6,371,453 | 18,437,375 | 6,837,542 | 2,241,622 | 33,887,992 |
| Derivative financial liabilities | - | 189,058 | - | - | 189,058 |
| Other financial liabilities | 52,358 | 18 | 90,439 | - | 142,815 |
| Subordinated debt | 334,925 | - | - | - | 334,925 |
| Total financial liabilities | 21,693,236 | 22,096,541 | 7,135,581 | 5,592,427 | 56,517,785 |
| Net balance sheet position | 37,145,084 | (20,020,707) | (7,055,585) | (5,586,591) | 4,482,201 |
| Credit related commitments (Note 20) | 3,294,014 | - | - | - | 3,294,014 |

The geographical concentration of the Group's financial assets and liabilities at 31 December 2022 is set out below:

| 31 December 2022 | Uzbekistan | OECD | Non-OECD | Russia | Total |
|---|-------------------|---------------------|--------------------|--------------------|-------------------|
| Assets | | | | | |
| Cash and cash equivalents | 2,910,840 | 4,126,893 | - | 81,756 | 7,119,489 |
| Due from other banks | 1,816,272 | 27,143 | - | - | 1,843,415 |
| Loans and advances to customers | 48,420,489 | - | - | - | 48,420,489 |
| Investment securities measured at amortised cost | 2,678,571 | - | - | - | 2,678,571 |
| Financial assets at fair value through other comprehensive income | 28,545 | 13,462 | - | - | 42,007 |
| Other financial assets | 18,814 | 5,934 | - | - | 24,748 |
| Total financial assets | 55,873,531 | 4,173,432 | - | 81,756 | 60,128,719 |
| Liabilities | | | | | |
| Due to other banks | 847,982 | 27,245 | 153,461 | 2,867,031 | 3,895,719 |
| Customer accounts | 15,265,614 | 46,040 | 17,165 | - | 15,328,819 |
| Debt securities in issue | - | 3,361,256 | - | - | 3,361,256 |
| Other borrowed funds | 5,617,819 | 17,818,782 | 6,597,414 | 2,207,745 | 32,241,760 |
| Derivative financial liabilities | - | 115,533 | - | - | 115,533 |
| Other financial liabilities | 49,005 | 2,253 | 118,277 | - | 169,535 |
| Subordinated debt | 330,560 | - | - | - | 330,560 |
| Total financial liabilities | 22,110,980 | 21,371,109 | 6,886,317 | 5,074,776 | 55,443,182 |
| Net balance sheet position | 33,762,551 | (17,197,677) | (6,886,317) | (4,993,020) | 4,685,537 |
| Credit related commitments (Note 20) | 3,363,374 | - | - | - | 3,363,374 |

24. RISK MANAGEMENT POLICIES (Continued)

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

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

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

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

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

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

The undiscounted maturity analysis of financial instruments at 30 June 2023 (unaudited) is as follows:

| 30 June 2023 (unaudited) | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total |
|--|---------------------------------------|-----------------------|------------------------|----------------------|----------------------|-------------------|-------------------|
| Liabilities | | | | | | | |
| Due to other banks | 2,083,204 | 768,933 | 1,421,910 | 450,275 | 47,308 | - | 4,771,630 |
| Customer accounts | 5,797,139 | 2,824,250 | 2,590,594 | 2,394,606 | 1,350,135 | 3,509,135 | 18,465,859 |
| Debt securities in issue | 30,519 | 81,067 | 99,442 | 3,514,953 | - | - | 3,725,981 |
| Other borrowed funds | 1,571,911 | 4,957,965 | 4,673,780 | 10,259,094 | 7,386,128 | 9,729,149 | 38,578,027 |
| Derivative financial liabilities | - | 189,058 | - | - | - | - | 189,058 |
| Other financial liabilities | 142,815 | - | - | - | - | - | 142,815 |
| Subordinated debt | - | 10,318 | 10,414 | 44,672 | 281,128 | 134,854 | 481,386 |
| Undrawn credit lines | 1,015,701 | - | - | - | - | - | 1,015,701 |
| Guarantees issued | 1,330,815 | - | - | - | - | - | 1,330,815 |
| Letters of credit | 133,135 | 94,606 | 400,203 | 324,707 | - | - | 952,651 |
| Total potential future payments for financial obligations | 12,105,239 | 8,926,197 | 9,196,343 | 16,988,307 | 9,064,699 | 13,373,138 | 69,653,923 |

24. RISK MANAGEMENT POLICIES (Continued)

The undiscounted maturity analysis of financial instruments at 31 December 2022 is as follows:

| 31 December 2022 | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total |
|--|---------------------------------------|--------------------------|------------------------|----------------------|-------------------------|-------------------|-------------------|
| Liabilities | | | | | | | |
| Due to other banks | 894,464 | 894,628 | 612,651 | 1,629,691 | 46,904 | 21,655 | 4,099,993 |
| Customer accounts | 8,351,445 | 1,178,018 | 2,881,680 | 2,695,357 | 861,706 | 1,812,813 | 17,781,019 |
| Debt securities in issue | 31,940 | 79,058 | 96,978 | 3,523,803 | - | - | 3,731,779 |
| Other borrowed funds | 1,159,307 | 6,366,823 | 4,994,038 | 7,332,836 | 6,986,453 | 9,730,021 | 36,569,478 |
| Derivative financial liabilities | - | 115,533 | - | - | - | - | 115,533 |
| Other financial liabilities | 169,535 | - | - | - | - | - | 169,535 |
| Subordinated debt | - | 10,753 | 10,686 | 42,938 | 283,601 | 148,111 | 496,089 |
| Undrawn credit lines | 390,446 | - | - | - | - | - | 390,446 |
| Guarantees issued | 1,686,922 | - | - | - | - | - | 1,686,922 |
| Letters of credit | 55,328 | 1,213,958 | 16,720 | - | - | - | 1,286,006 |
| Total potential future payments for financial obligations | 12,739,387 | 9,858,771 | 8,612,753 | 15,224,625 | 8,178,664 | 11,712,600 | 66,326,800 |

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

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

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

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO THE I CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

24. RISK MANAGEMENT POLICIES (Continued)

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 30 June 2023 (unaudited) is set out below.

| 30 June 2023 (unaudited) | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 month s | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total |
|---|---|-------------------------------|-------------------------------------|------------------------------|------------------------------|-------------------------|-------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 4,183,936 | - | - | - | - | - | 4,183,936 |
| Due from other banks | 205,350 | 239,115 | 218,966 | 181,998 | 788,179 | 188,650 | 1,822,258 |
| Loans and advances to customers | 4,046,365 | 10,335,187 | 6,112,063 | 13,063,662 | 8,711,180 | 9,499,830 | 51,768,287 |
| Investment securities measured at amortised cost | 443,218 | 858,272 | 1,130,988 | 654,224 | 2,450 | 33,610 | 3,122,762 |
| Financial assets at fair value through other comprehensive income | - | - | - | 67,458 | - | - | 67,458 |
| Other financial assets | 35,285 | - | - | - | - | - | 35,285 |
| Total financial assets | 8,914,154 | 11,432,574 | 7,462,017 | 13,967,342 | 9,501,809 | 9,722,090 | 60,999,986 |
| Liabilities | | | | | | | |
| Due to other banks | 2,061,429 | 710,708 | 1,380,495 | 399,342 | 41,597 | - | 4,593,571 |
| Customer accounts | 5,697,600 | 2,490,298 | 2,250,351 | 1,642,827 | 268,436 | 1,575,506 | 13,925,018 |
| Debt securities in issue | 13,762 | - | - | 3,430,644 | - | - | 3,444,406 |
| Other borrowed funds | 1,461,137 | 4,470,249 | 4,148,044 | 8,954,082 | 6,672,763 | 8,181,717 | 33,887,992 |
| Derivative financial liabilities | - | 189,058 | - | - | - | - | 189,058 |
| Other financial liabilities | 142,815 | - | - | - | - | - | 142,815 |
| Subordinated debt | - | 783 | - | 3,226 | 247,045 | 83,871 | 334,925 |
| Total financial liabilities | 9,376,743 | 7,861,096 | 7,778,890 | 14,430,121 | 7,229,841 | 9,841,094 | 56,517,785 |
| Net liquidity gap | (462,589) | 3,571,478 | (316,873) | (462,779) | 2,271,968 | (119,004) | 4,482,201 |
| Cumulative liquidity gap | (462,589) | 3,108,889 | 2,792,016 | 2,329,237 | 4,601,205 | 4,482,201 | |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO THE I CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

24. RISK MANAGEMENT POLICIES (Continued)

The analysis of liquidity of the Group's assets and liabilities as at 31 December 2022 is set out below.

| 31 December 2022 | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | Over 5 years | Total |
|---|-------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|---------------------|-------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 7,119,489 | - | - | - | - | - | 7,119,489 |
| Due from other banks | 217,021 | 36,985 | 399,357 | 46,882 | 807,174 | 335,996 | 1,843,415 |
| Loans and advances to customers | 3,263,577 | 9,559,364 | 6,856,191 | 12,254,893 | 8,530,568 | 7,955,896 | 48,420,489 |
| Investment securities measured at amortised cost | 606,131 | 1,122,044 | 230,799 | 676,119 | 2,437 | 41,041 | 2,678,571 |
| Financial assets at fair value through other comprehensive income | - | - | - | 42,007 | - | - | 42,007 |
| Other financial assets | 24,748 | - | - | - | - | - | 24,748 |
| Total financial assets | 11,230,966 | 10,718,393 | 7,486,347 | 13,019,901 | 9,340,179 | 8,332,933 | 60,128,719 |
| Liabilities | | | | | | | |
| Due to other banks | 882,171 | 842,350 | 562,950 | 1,548,270 | 39,275 | 20,703 | 3,895,719 |
| Customer accounts | 8,266,679 | 756,711 | 2,467,866 | 2,325,921 | 500,459 | 1,011,183 | 15,328,819 |
| Debt securities in issue | 15,598 | - | - | 3,345,658 | - | - | 3,361,256 |
| Other borrowed funds | 1,048,485 | 5,951,679 | 4,629,458 | 6,232,075 | 6,230,015 | 8,150,048 | 32,241,760 |
| Derivative financial liabilities | - | 115,533 | - | - | - | - | 115,533 |
| Other financial liabilities | 169,535 | - | - | - | - | - | 169,535 |
| Subordinated debt | - | 1,772 | - | - | 241,691 | 87,097 | 330,560 |
| Total financial liabilities | 10,382,468 | 7,668,045 | 7,660,274 | 13,451,924 | 7,011,440 | 9,269,031 | 55,443,182 |
| Net liquidity gap | 848,498 | 3,050,348 | (173,927) | (432,023) | 2,328,739 | (936,098) | 4,685,537 |
| Cumulative liquidity gap | 848,498 | 3,898,846 | 3,724,919 | 3,292,896 | 5,621,635 | 4,685,537 | |

The above analysis is based on remaining contractual maturities.

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

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

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

25. RELATED PARTY TRANSACTIONS

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

- “Significant shareholders” – legal entities-shareholders which have a significant influence to the Group through Government;
- “Key management personnel” – members of the Management Board and the Council of the Bank;
- “Entities under common control” – entities that are controlled, jointly controlled or significantly influenced by the Government.

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

| | 30 June 2023 (unaudited) | | 31 December 2022 | |
|--|--------------------------|--|------------------------|--|
| | Related party balances | Total category as per financial statements caption | Related party balances | Total category as per financial statements caption |
| Cash and cash equivalents | | | | |
| - entities under common control (contractual interest rate: 0% – 0%) | 19,643 | 1% | 35,908 | 1% |
| Due from other banks | | | | |
| - entities under common control (contractual interest rate: 0% – 14%) | 1,184,651 | 74% | 1,235,199 | 74% |
| Loans and advances to customers | | | | |
| - key management personnel (contractual interest rate: 24% – 27%) | 74 | 0% | 198 | 0% |
| - entities under common control (contractual interest rate: 2% – 26%) | 8,606,899 | 17% | 9,280,446 | 22% |
| Investment securities measured at amortised cost | | | | |
| - significant shareholders (contractual interest rate: 8% – 19%) | 2,452,784 | 80% | 2,060,476 | 38% |
| Other Assets | | | | |
| - significant shareholders (contractual interest rate: 0% – 0 %) | - | 0% | 1,558 | 0% |
| Due to other banks | | | | |
| - entities under common control (contractual interest rate: 0% – 16%) | 652,671 | 14% | 661,191 | 17% |
| Customer accounts | | | | |
| - key management personnel (contractual interest rate: 0% – 22%) | 1,503 | 0% | 1,347 | 0% |
| - significant shareholders (contractual interest rate: 0% – 18 %) | 3,458,969 | 25% | 3,383,672 | 22% |
| - entities under common control (contractual interest rate: 0% – 19 %) | 1,435,387 | 10% | 2,807,152 | 18% |
| Other borrowed funds | | | | |
| - significant shareholders (contractual interest rate: 0% – 12 %) | 5,500,416 | 13% | 4,813,932 | 11% |
| - entities under common control (contractual interest rate: 2% – 10 %) | 249,387 | 1% | - | - |
| Other liabilities | | | | |
| - significant shareholders (contractual interest rate: 0% – 0 %) | 46 | 0% | 50 | 0% |
| - entities under common control (contractual interest rate: 0% – 0 %) | 548 | 0% | 383 | 0% |
| Subordinated debt | | | | |
| - entities under common control (contractual interest rate: 5.7% – 9.2%) | 334,925 | 100% | 330,560 | 100% |

JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO THE I CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)
(In millions of Uzbek Soums, unless otherwise indicated)

25. RELATED PARTY TRANSACTIONS (Continued)

| | Six months ended 30 June 2023 (unaudited) | | Six months ended 30 June 2022 (unaudited) | |
|---|--|--|--|---|
| | Related party balances | Total category as per financial statements caption | Related party balances | Total category as per financial statements caption |
| Interest income | | | | |
| - key management personnel | - | - | 18 | 0% |
| - significant shareholders | 75 | 0% | 153,695 | 6% |
| - entities under common control | 921,619 | 27% | 107,751 | 5% |
| Interest expense | | | | |
| - key management personnel | (2) | 1% | (1) | 0% |
| - significant shareholders | (9,246) | 21% | (2,631) | 16% |
| - entities under common control | (3,053) | 3% | (583) | 3% |
| Provision for credit losses on loans and advances to customers | | | | |
| - entities under common control | (47,166) | 7% | (20,042) | 2% |
| Fee and commission income | | | | |
| - significant shareholders | 7 | 0% | 12,139 | 6% |
| - entities under common control | 26,998 | 11% | 15,786 | 8% |
| Other operating income | | | | |
| - significant shareholders | - | 0% | 60 | 0% |
| - entities under common control | 39,198 | 15% | - | 0% |
| Administrative and other operating expenses | | | | |
| - key management personnel | (6,257) | 1% | (5,825) | 12% |
| - entities under common control | - | - | (79,266) | 15% |

Key management compensation is presented below:

| | Six months ended 30 June 2023 (unaudited) | Six months ended 30 June 2022 (unaudited) |
|---|---|---|
| Salaries and other benefits | 4,734 | 4,371 |
| Bonuses | 827 | 269 |
| State pension and social security costs | 696 | 1,185 |
| Total | 6,257 | 5,825 |

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

On August 4, the Group has issued bonds for the amount of 100 USD million (equivalent to UZS 1,164,749 million). The Asian Infrastructure Investment Bank, the Austrian Development Bank, the International Finance Corporation, as well as the German Institute for Development Finance invested in the bonds issued. The term of circulation of the issued bonds is five years. The transaction was stipulated by the decree of the President of the Republic of Uzbekistan on additional measures to strengthen the financial stability of the bank and accelerate its privatization.

The Presidential Decree “On additional measures to strengthen the financial stability of the Uzbek banks and privatization process acceleration” was signed on March 24, 2023. The timetable for the privatization of the Group was extended to the end of 2024. The privatization is partially expected to be executed using the convertible loans provided by three international financial institutions among which are IFC, EBRD and ADB who will have just below 35% ownership after conversion right usage. The ADB has not yet provided convertible loan to the Group as of end of reporting period. The lead investor search is initiated by the Group for remaining available shares proposed for sale.

In July 2023, the Group has signed additional agreement with construction company Shanghai Construction Group Co. Ltd on design and construction of the Headquarters for Group as a result of which, the initial construction agreement amount was increased to 217.6 million USD (2,367,817 million UZS, including VAT) the remaining amount to be invested after reporting period is 61 million USD (706,104 million UZS).

To ensure the regulatory capital ratio remains comfortably above the prescribed minimum level of 13%, the group renegotiated its liabilities with the ministry of finance and economy, totaling uzs 1,091 million. these liabilities were restructured as subordinated debt after the reporting period, in accordance with presidential decree no. 253 dated 31 July 2023.