JOINT-STOCK COMMERCIAL MORTGAGE BANK

"IPOTEKA-BANK"

International Financial Reporting Standards
Financial Statements and Independent
Auditor's Report

31 December 2016

CONTENTS

Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (hereinafter "the Bank") as at 31 December 2016 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Bank for the year ended 31 December 2016 were approved for issue and signed on behalf of the Management Board on 10 April 2017.

On behalf of the Management Board:

Omon Musayev Chairman of the Board	Elyor Normetov Chief Accountant
10 April 2017 Tashkent, Uzbekistan	10 April 2017 Tashkent, Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

Opinion

We have audited the financial statements of Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (hereinafter - "the Bank"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matter

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Provision for impairment of loans and advances to customers Management assesses provisions for impairment of loans and advances to customers on an individual and collective basis. Specific impairment provisions are estimated on individually significant balances, largely corporate loans, which demonstrate objective evidence of impairment. All other exposures are assessed for impairment using a portfolio model. The Bank's individual provisions are subjective due to the judgements used in linking the impairment event and the likelihood of incurred losses. When a loan is identified as impaired, management estimates the amount and timing	We obtained an understanding of the loan origination process and the controls relating to impairment of loans and advances to customers. We performed a detailed assessment of a sample of loans for individual impairment to form our conclusion as to whether impairment events had occurred and resulted in impairment losses. We specifically challenged the management's assumptions of the expected future cash flows including those from the sale of collateral. We analysed the work performed by external experts used by the Bank to value collateral. We also assessed the financial standing of the selected borrowers based on the key financial ratios and the impact of general market and industry conditions on deterioration of the credit risk. Where we determined

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of the expected future cash flows generated from servicing the loan and from sale of any pledged collateral, which requires judgements and involves estimation uncertainty.

Loans assessed using the portfolio model are allocated into buckets, primarily driven by days in arrears. The model is reliant on key assumptions and on whether historic experience is accurately reflective of expectations about the future cash flows.

Due to the factors above, we consider the estimation of the provision for impairment of loans and advances to customers to be the key audit matter.

Refer to Note 8 to the financial statements for detailed disclosure of loans and advances to customers, to Note 3 for description of the Bank's policy on the calculation of impairment provision and to Note 4 for narrative on critical accounting estimates and judgements applied.

that a more appropriate assumption or input in provision measurement could be made, we recalculated the provision on that basis and compared the results to determine whether the difference is material.

We tested the completeness and accuracy of data used in the models including the allocation of loans into arrears buckets.

We also assessed and challenged the assumptions used by management based on the current and past performance of the Bank's loans and our knowledge of the industries.

Other Information – Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Deloitte & Touche

"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00500 dated 8 February 2008
Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan under #3 dated 14 October 2013

10 April 2017
Tashkent, Uzbekistan

Deloitte va Touche

Erkin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan
Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central Bank of the Republic of Uzbekistan
Director
"Deloitte & Touche" Audit Organisation LLC

Joint Stock Commercial Mortgage Bank "Ipoteka Bank"
Statement of Financial Position as at 31 December 2016

In thousands of Uzbekistan Soums	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6, 33	531,431,619	386,801,681
Due from other banks	7, 33	449,519,825	468,377,476
Loans and advances to customers	8, 33	4,637,308,140	3,364,996,926
Investment securities available for sale	9	5,289,143	5,356,277
Premises, equipment and intangible assets	10	92,934,180	84,639,059
Current income tax prepayment		4,335,335	3,656,006
Deferred income tax asset	25	8,730,032	7,684,786
Other financial assets	11	729,234	580,247
Other non-financial assets	12	17,490,182	35,474,442
TOTAL ASSETS		**5,747,767,690**	**4,357,566,900**
LIABILITIES			
Due to other banks	14, 33	248,626,433	191,698,400
Customer accounts	15, 33	3,050,058,055	2,403,574,400
Debt securities in issue	16	28,652,397	25,313,262
Borrowings from government, state and international financial institutions	17, 33	1,989,579,694	1,409,103,508
Other financial liabilities	18	4,498,377	3,846,471
Other non-financial liabilities	18	12,327,029	5,017,990
TOTAL LIABILITIES		**5,333,741,985**	**4,038,554,031**
EQUITY			
Share capital	19	269,421,142	242,501,121
Share premium	19	754,434	754,417
Retained earnings		143,850,129	75,757,331
TOTAL EQUITY		**414,025,705**	**319,012,869**
TOTAL LIABILITIES AND EQUITY		**5,747,767,690**	**4,357,566,900**

Approved for issue and signed on behalf of the Management Board on 10 April 2017.

Omon Musayev
Chairman of the Board

Elyor Normetov
Chief Accountant

The notes set out on pages 5 to 73 form an integral part of these financial statements.

In thousands of Uzbekistan Soums	Notes	2016	2015
CONTINUING OPERATIONS			
Interest income	20, 33	378,907,394	300,752,988
Interest expense	20, 33	(178,975,131)	(138,432,648)
Net interest income		**199,932,263**	**162,320,340**
Provision for impairment of loans and advances to customers	8, 33	(976,370)	(13,868,934)
Net interest income after provision for loan impairment		**198,955,893**	**148,451,406**
Fee and commission income	21, 33	181,042,621	146,314,784
Fee and commission expense	21	(35,633,075)	(25,208,332)
Gains less losses from trading in foreign currencies		8,598,669	5,544,109
Foreign exchange translation gains less losses		29,994,097	33,732,441
Loss from impairment of investment securities available for sale		(125,238)	(227,641)
Dividend income		181,478	453,717
Other operating income	22, 33	7,467,612	7,507,611
Other impairment (charge)/ recovery	13	(251,824)	570,079
Administrative and other operating expenses	23, 33	(298,873,639)	(245,521,404)
Profit before tax		**91,356,594**	**71,616,770**
Income tax expense	24, 25	(19,294,488)	(16,511,756)
Profit for the year from continuing operations		**72,062,106**	**55,105,014**
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	24	-	2,939,295
NET PROFIT FOR THE YEAR		**72,062,106**	**58,044,309**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**72,062,106**	**58,044,309**
Basic and diluted earnings per share per ordinary share in UZS	26	**995**	**931**
Basic and diluted earnings per share per equity component of preference share in UZS	26	**895**	**1,005**

In thousands of Uzbekistan Soums	**Notes**	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
31 December 2014		**182,302,396**	**754,417**	**66,721,660**	**249,778,473**
Net profit for the year		-	-	58,044,309	58,044,309
Total comprehensive income for 2015		-	-	58,044,309	58,044,309
Ordinary shares issued		13,080,087	-	-	13,080,087
Capitalisation of dividends	19	48,630,638	-	(48,630,638)	-
Recognition of liability component of preference shares	19	(1,512,000)	-	(378,000)	(1,890,000)
31 December 2015		**242,501,121**	**754,417**	**75,757,331**	**319,012,869**
Net profit for the year		-	-	72,062,106	72,062,106
Total comprehensive income for 2016		-	-	72,062,106	72,062,106
Ordinary shares issued	19	26,920,021	17	-	26,920,038
Dividends declared - ordinary shares	27	-	-	(3,969,308)	(3,969,308)
31 December 2016		**269,421,142**	**754,434**	**143,850,129**	**414,025,705**

In thousands of Uzbekistan Soums	Notes	2016	2015
Cash flows from operating activities			
Interest received		360,951,481	301,050,038
Interest paid		(177,068,706)	(135,382,520)
Fees and commissions received		180,713,414	147,788,085
Fees and commissions paid		(35,633,075)	(25,208,332)
Income received from trading in foreign currencies		8,598,669	5,544,109
Other operating income received		6,973,035	7,144,976
Staff costs paid		(196,218,962)	(166,301,910)
Administrative and other operating expenses paid		(79,214,974)	(72,440,836)
Income tax paid		(20,558,009)	(17,838,275)
Cash flows from operating activities before changes in operating assets and liabilities		**48,542,873**	**44,355,335**
Net decrease/(increase) in due from other banks		24,915,287	(137,599,196)
Net increase in loans and advances to customers		(1,095,936,488)	(709,938,072)
Net decrease in other non-financial assets		624,617	2,542,431
Net increase in due to other banks		56,928,033	38,323,600
Net increase in customer accounts		629,816,384	457,764,537
Net (decrease)/increase in other non-financial liabilities		(408,357)	281,108
Net cash used in operating activities		**(335,517,651)**	**(304,270,257)**
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(21,123,286)	(18,604,711)
Proceeds from disposal of premises, equipment and intangible assets		863,081	975,925
Purchase of investment securities available for sale		-	(337,057)
Proceeds from sale of/ (payments for) property for resale		4,717,819	(1,696,953)
Dividend income received		123,374	453,717
Net cash inflow on disposal of subsidiary	24	-	4,765,539
Net cash used in investing activities		**(15,419,012)**	**(14,443,540)**
Cash flows from financing activities			
Issue of ordinary shares	19	26,920,037	13,080,087
Proceeds from borrowings from government, state and international financial institutions		992,554,426	920,956,750
Repayment of borrowings from government, state and international financial institutions		(557,775,466)	(562,052,875)
Proceeds from issue of debt securities		6,200,000	19,660,000
Repayment of debt securities		(2,950,000)	(16,710,000)
Dividends paid	27	(3,896,847)	(9,461)
Net cash from financing activities		**461,052,150**	**374,924,501**
Effect of exchange rate changes on cash and cash equivalents		**34,514,451**	**25,001,657**
Net increase in cash and cash equivalents		**144,629,938**	**81,212,361**
Cash and cash equivalents at the beginning of the year	6	386,801,681	305,589,320
Cash and cash equivalents at the end of the year	6	**531,431,619**	**386,801,681**
Non-cash Transactions:			
Capitalisation of dividends		-	48,630,638
Sale of property on mortgage terms		9,342,772	-

1. Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for Joint Stock Commercial Mortgage Bank “Ipoteka Bank” (“the Bank”). The Bank is a Joint Stock Company limited by shares and was set up in accordance with the regulations of the Republic of Uzbekistan (“Uzbekistan”).

The Bank operates in Uzbekistan and founded by the Decree of the President of the Republic of Uzbekistan #PP-10 dated 16 February 2005. The Bank was established by merging two banks - State Joint Stock Housing Bank “Uzjilsberbank” and State Joint Stock Mortgage Bank “Zamin”. The Bank is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #74 issued by the Central bank of Uzbekistan (“CBU”) and general license for foreign currency operations #83 both reissued on 20 August 2016.

Principal activity. The Bank’s principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals and makes loans, transfers payments in Uzbekistan and abroad. The Bank conducts its banking operations from its head office in Tashkent and 38 branches within Uzbekistan as at 31 December 2016 (31 December 2015: 38 branches). As at 31 December 2016 and 2015, the number of employees of the Bank was 4,660 and 4,614, respectively.

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

Registered address and place of business. The Bank’s registered address is: Shahrisabz Street 30, Tashkent, 100000, Uzbekistan.

Presentation currency. These financial statements are presented in thousands of Uzbekistan Soums ("UZS").

Shareholders. As at 31 December 2016 and 2015, the ownership of the shareholders in the Bank’s capital was as follows:

Shareholders	**2016**	**2015**
"UzGazOil" LLC	25.0%	23.7%
Ministry of Finance of the Republic of Uzbekistan	21.3%	23.7%
"Uztransgaz" JSC	6.9%	5.5%
"Uzmetkombinat" JSC	6.7%	7.4%
"Uzbekistan Railways" JSC	6.6%	-
"AMMC" JSC	5.3%	5.9%
Others (individually less than 5%)	28.2%	33.8%
Total	**100.0%**	**100.0%**

The sign “-“ in the table means that the entity does not own any shares or the shares the entity owns is less than 5%.

1. Introduction (Continued)

Subsidiaries.

As at 31 December 2016 and 2015, the Bank has no subsidiaries.

2. Operating Environment of the Bank

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting business in Uzbekistan continue to change rapidly, and tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

During 2016, there were significant changes in the political environment of Uzbekistan. The new government of the Republic of Uzbekistan focused on achieving stable and dynamic economic growth. One of the priorities set by the new President is strengthening the macroeconomic stability of the country. Also, significant attention is being paid to attracting foreign direct investment to the country and to the security of foreign investors.

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

3. Summary of Significant Accounting Policies

Basis of preparation.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of available for sale financial assets when fair value is determinable. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

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

These financial statements have been prepared assuming that the Bank is a going concern and will continue its operations in the foreseeable future.

Exchange rates for the currencies in which the Bank transacts were as follows:

	31 December 2016	31 December 2015
Closing exchange rates – [UZS]		
1 USD	3,231.48	2,809.98
1 EUR	3,419.23	3,074.19
	2016	**2015**
Average exchange rates for the year - [UZS]		
1 USD	2,968.90	2,490.85
1 EUR	3,305.40	2,791.86

3. Summary of Significant Accounting Policies (Continued)

Accounting for the effects of hyperinflation. Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at 31 December 2005 are the basis for the carrying amounts in these financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI") provided by the State Committee on Statistics of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

3. Summary of Significant Accounting Policies (Continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs.* Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost. Due from the CBU include non-interest bearing mandatory reserve deposit held with the CBU against assets' losses. This deposit is not available to finance the Bank's day to day operations. This deposit is calculated in accordance with the current regulations of the CBU based on overdue status of the counterparties which is out of Bank's control in order to manage the amount of mandatory reserve deposit. Hence this deposit is not considered as part of cash and cash equivalents for the purposes of these financial statements.

3. Summary of Significant Accounting Policies (Continued)

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

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset are substantially changed.

This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

3. Summary of Significant Accounting Policies (Continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the profit or loss for the year.

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

Credit related commitments. The Bank issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received.

This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occur after the initial recognition of investment securities available for sale.

A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Premises and equipment. Property and equipment are carried at restated cost after the change of functional currency adjustment applied on 1 January 2007, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

3. Summary of Significant Accounting Policies (Continued)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

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

	Useful lives in years
Buildings	20
Furniture and equipment	5-10
Vehicles	5

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

Intangible assets. All the Bank's intangible assets have definite useful lives and primarily comprise capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets are amortised on a straight line basis over expected useful lives of five years.

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

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

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

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'noncurrent assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or represented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

3. Summary of Significant Accounting Policies (Continued)

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

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

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

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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

Debt securities in issue. Debt securities in issue include bonds and certificates of deposit issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

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

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets and liabilities are netted only within the individual branches of the Bank.

3. Summary of Significant Accounting Policies (Continued)

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Bank controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Recoverability of deferred tax assets. The management of the Bank is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to UZS 8,730,032 thousand and UZS 7,684,786 thousand as at 31 December 2016 and 2015, respectively.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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

Share capital. Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are reflected in expenses of the period. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Preference shares are accounted for as a compound financial instrument having both a liability component and an equity component. The liability component is initially determined as the present value of future minimum dividend payments discounted at the Bank's incremental borrowing rate and the rest of the sale proceeds are classified as equity component.

As at 31 December 2016, the Bank's retained earnings included two special purpose reserves – the General Reserve Fund and the Reserve Fund for favorable lending of small enterprises. The General Reserve Fund in the amount of UZS 46,817,883 thousand (2015: UZS 37,122,734 thousand) is allocated to cover future losses, repayment of bonds, distribution of dividends on preference shares and cannot be less than fifteen percent of total share capital and is not distributable to ordinary shareholders. The Reserve Fund for favorable lending of small enterprises amounted to UZS 27,200,000 thousand (2015: UZS 15,000,000 thousand) and serves as a source of funds for lending to small businesses.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

When dividends are declared on preference shares, the excess of the dividend above its minimum amount is recognised in equity (as the discretionary payment of the equity component). The minimum dividend is recognised as a decrease of a liability component of preference shares when paid.

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

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

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

3. Summary of Significant Accounting Policies (Continued)

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and the Bank's presentation currency, is the national currency of Uzbekistan, Uzbekistan Soums ("UZS").

Monetary assets and liabilities are translated into entity's functional currency at the official exchange rate of the CBU at the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into entity's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

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

Exchange restrictions and controls exist over the conversion of UZS into other currencies. At present, the UZS is not a freely convertible currency outside Uzbekistan.

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

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank's shares by the weighted average number of participating shares outstanding during the reporting year.

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

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's management. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of Financial Instruments by Measurement Category. For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. All of the Bank's financial assets fall in the loans and receivables category except for investment securities available for sale, which fall in the available-for-sale financial assets category. All of the Bank's financial liabilities were carried at amortised cost.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The following table provides information for each line item in the statement of financial position which combines amounts expected to be recovered or settled before and after twelve months after the reporting period.

3. Summary of Significant Accounting Policies (Continued)

	31 December 2016		
	Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	Within 12 months	After 12 months	Total
ASSETS			
Cash and cash equivalents	531,431,619	-	531,431,619
Due from other banks	400,492,170	49,027,655	449,519,825
Loans and advances to customers	619,697,376	4,017,610,764	4,637,308,140
Investment securities available for sale	5,289,143	-	5,289,143
Premises, equipment and intangible assets	11,817,292	81,116,888	92,934,180
Current income tax prepayment	4,335,335	-	4,335,335
Deferred income tax asset	-	8,730,032	8,730,032
Other financial assets	729,234	-	729,234
Other non-financial assets	7,468,641	10,021,541	17,490,182
TOTAL ASSETS	**1,581,260,810**	**4,166,506,880**	**5,747,767,690**
LIABILITIES			
Due to other banks	137,796,000	110,830,433	248,626,433
Customer accounts	2,930,677,583	119,380,472	3,050,058,055
Debt securities in issue	8,402,397	20,250,000	28,652,397
Borrowings from government, state and international financial institutions	291,264,589	1,698,315,105	1,989,579,694
Other financial liabilities	4,498,377	-	4,498,377
Other non-financial liabilities	12,327,029	-	12,327,029
TOTAL LIABILITIES	**3,384,965,975**	**1,948,776,010**	**5,333,741,985**

3. Summary of Significant Accounting Policies (Continued)

	31 December 2015		
	Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	**Within 12 months**	**After 12 months**	**Total**
ASSETS			
Cash and cash equivalents	386,801,681	-	386,801,681
Due from other banks	418,333,114	50,044,362	468,377,476
Loans and advances to customers	589,949,474	2,775,047,452	3,364,996,926
Investment securities available for sale	5,356,277	-	5,356,277
Premises, equipment and intangible assets	9,868,606	74,770,453	84,639,059
Current income tax prepayment	3,656,006	-	3,656,006
Deferred income tax asset	-	7,684,786	7,684,786
Other financial assets	580,247	-	580,247
Other non-financial assets	14,907,458	20,566,984	35,474,442
TOTAL ASSETS	**1,429,452,863**	**2,928,114,037**	**4,357,566,900**
LIABILITIES			
Due to other banks	125,084,600	66,613,800	191,698,400
Customer accounts	2,253,233,784	150,340,616	2,403,574,400
Debt securities in issue	1,513,262	23,800,000	25,313,262
Borrowings from government, state and international financial institutions	208,160,758	1,200,942,750	1,409,103,508
Other financial liabilities	3,846,471	-	3,846,471
Other non-financial liabilities	5,017,990	-	5,017,990
TOTAL LIABILITIES	**2,596,856,865**	**1,441,697,166**	**4,038,554,031**

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Preference shares. According to current legislation, the Bank is obliged to pay the minimum level of dividends on preference shares, considering it has sufficient profits. However, the legislation is not clear on whether the Bank has the right to pay dividends of less than the minimum level when it has sufficient profits. Accordingly, the Bank considers that it has an obligation to pay the minimum dividend amount, and the preference shares are accounted for as a compound instrument having both a liability component and an equity component. The liability component is initially determined as the present value of minimum dividend payments discounted at the Bank's incremental borrowing rate and the rest of the sale proceeds are classified as equity component. As a discount rate the Bank used its average borrowing rate on customer deposits and considers the rate as adequate.

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

Amendments to IFRSs affecting amounts reported in the financial statements.

In the current period, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception;
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IAS 1 Disclosure Initiative;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants;
- IFRS 14 Regulatory Deferral Accounts;
- Amendments to IAS 27 – Equity Method in Separate Financial Statements;
- Annual Improvements to IFRSs 2012-2014 Cycle

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.

The amendments clarify that the exemption from preparing financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the Bank's financial statements as the Bank is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The application of these amendments has had no impact the Bank's financial statements as the Bank did not have any such transactions in the current year.

Amendments to IAS 1 – Disclosure initiative project.

The Bank has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Bank, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Bank.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a. when the intangible asset is expressed as a measure of revenue; or

b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Currently, the Bank uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The management of the Bank believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly these adopted amendments to IAS 16 and IAS 38 did not have a material impact on the Bank's financial statements.

Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants.

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41.

The amendments did not impact the Bank’s financial statements as the Bank is not engaged in agricultural activities.

IFRS 14 Regulatory Deferral Accounts.

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 has no impact on the financial statements as the Bank is not an IFRS first-time adopter.

Amendments to IAS 27 – Equity Method in Separate Financial Statements.

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

The amendments did not materially impact the Bank’s financial statements as the Bank does not have any subsidiaries, joint ventures and associates.

Annual Improvements to IFRSs - 2012-2014 Cycle.

The Bank has applied these amendments for the first time in the current year. The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments did not materially impact the Bank’s financial statements.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

New and revised IFRSs in issue but not yet effective.

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[2];
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*[2];
- IFRS 16 Leases[3]
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*[2];
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4];
- Amendments to IAS 7 – *Disclosure Initiative*[1];
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*[1];
- Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[2];
- Amendments to IAS 40 – *Transfers of Investment Property*[2];
- Annual Improvements to IFRSs 2014-2016 Cycle.

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

IFRS 9 Financial Instruments.

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets**. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Bank anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 *Revenue from Contracts with Customers.*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The Bank did not early adopt the standard. The new standard is not expected to affect significantly the Bank's financial statements.

IFRS 16 Leases.

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Bank anticipates that the application of IFRS 16 in the future may have a significant impact on the Bank's financial statements.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions.

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   a. the original liability is derecognised;
   b. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   c. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

The management of the Bank does not expect that the application of these amendments to IFRS 2 may have a significant effect on the financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

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

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The management of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

Amendments to IAS 7 - Disclosure Initiative.

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

Amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.

The amendments clarify the following:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

The amendments provide entities meeting a criterion for engaging in predominantly insurance activities with the option to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier of the application of the new insurance Standard or periods beginning on or after 1 January 2021 (the "sunset clause"). The assessment of predominance has to be made at the reporting entity level and at the annual reporting date immediately preceding 1 April 2016. Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger a mandatory reassessment. An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from IFRS 9, for annual periods beginning on or after 1 January 2018.

Separately, the amendments provide all entities with contracts within the scope of IFRS 4 with an option to apply IFRS 9 in full but to make adjustments to profit or loss to remove the impact of IFRS 9, compared with IAS 39, for designated qualifying financial assets. This is referred to as the 'overlay approach' and is available on an asset by asset basis with specific requirements around designations and de designations. An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies IFRS 9.

The management does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements as the Bank does not have any insurance contracts to which IFRS 4 applies.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The Interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the prepayment or liability in respect of the income received in advance was recognised. If there is more than one advance payment or receipt the date of the transaction for each payment of receipt of advance consideration should be determined. The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities may elect to apply amendments either retrospectively or prospectively **.**

The management of the Bank does not anticipate that the application of this IFRIC will have a material impact on the Bank's financial statements.

Amendments to IAS 40 Transfers of Investment Property.

The amendments are intended to clarify that an entity can only reclassify a property to/ from investment property when, and only when, there is evidence that a change in the use of the property has occurred. The amendments emphasise that a change in management's intentions alone would not be enough to support a transfer of property. The standard has a list of circumstances that evidence a change in use, which is perceived by some as being exhaustive, the amendments make it clear that they are only examples. The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities may elect to apply them either retrospectively (if it is possible without the use of hindsight) or prospectively.

The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle.

This annual improvements package amended three standards:

The Amendments to IFRS 1 delete the short-term exemptions that related to disclosures about financial instruments, employee benefits and investment entities as the reporting period to which the exemptions applied have already passed and as such, these exemptions are no longer applicable. The amendments are effective for annual periods beginning on or after 1 January 2018.

The amendments to IFRS 12 clarify that concession from the requirement to provide summarised financial information in respect of interests in subsidiaries, associates or joint ventures classified as held for sale or included in a disposal group is the only concession available for such interests. The amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2017.

In accordance with IAS 28, a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at FVTPL. In addition, an entity that is not an investment entity but has an interest in an associate or joint venture that is an investment entity, may, when applying the equity method, elect to retain the fair value measurement applied by that associate or joint venture to its own interests in subsidiaries. Amendments to IAS 28 clarify that such election should be made separately for each associate or joint venture at initial recognition. The amendments apply retrospectively and are effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

The management does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements**.**

6. Cash and Cash Equivalents

In thousands of Uzbekistan Soums	**2016**	**2015**
Cash on hand	60,024,518	80,626,367
Cash balances with the CBU (other than mandatory reserve deposits)	285,680,413	138,549,071
Correspondent accounts and overnight placements with other banks	168,238,060	154,489,980
Placements with other banks with original maturities of less than three months	17,488,628	13,136,263
Total cash and cash equivalents	**531,431,619**	**386,801,681**

Cash balances with the CBU include an overnight deposit of UZS 228,500,000 thousand (31 December 2015: UZS 131,575,146 thousand) bearing a fixed interest rate of 0.02% per annum (31 December 2015: 0.02% per annum). Interest rates of cash and cash equivalents are disclosed in Note 29.

The credit quality of cash and cash equivalents as at 31 December 2016 is summarized below:

In thousands of Uzbekistan Soums	**Cash balances with the CBU (other than mandatory reserve deposits)**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired				
- Central Bank of Uzbekistan	285,680,413	-	-	285,680,413
- "Aa3" (Moody's)	-	390,997	-	390,997
- "A1" (Moody's)	-	1,352,012	-	1,352,012
- "A2" (Moody's)	-	4,081,657	-	4,081,657
- "A3" (Moody's)	-	138,185,357	-	138,185,357
- "Baa2" (Moody's)	-	3,130,675	-	3,130,675
- "Ba3" (Moody's)	-	194,487	-	194,487
- "B1" (Moody's)	-	17,451,603	-	17,451,603
- "B2" (Moody's)	-	244,809	14,000,000	14,244,809
- "B" (Standard & Poors)	-	3,206,463	3,488,628	6,695,091
Total cash and cash equivalents, excluding cash on hand	**285,680,413**	**168,238,060**	**17,488,628**	**471,407,101**

6. Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents as at 31 December 2015 is summarized below:

In thousands of Uzbekistan Soums	**Cash balances with the CBU (other than mandatory reserve deposits)**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired				
- Central Bank of Uzbekistan	138,549,071	-	-	138,549,071
- "A1" (Moody's)	-	29,547	-	29,547
- "A2" (Moody's)	-	1,636,251	-	1,636,251
- "A3" (Moody's)	-	94,244,299	-	94,244,299
- "Baa1" (Moody's)	-	19,605,391	-	19,605,391
- "Baa2" (Moody's)	-	15,997,852	-	15,997,852
- "B1" (Moody's)	-	18,604,287	17,865	18,622,152
- "B2" (Moody's)	-	399,692	1,000	400,692
- "B3" (Moody's)	-	100,000	10,000,000	10,100,000
- "B" (Standard & Poors)	-	3,872,661	3,117,398	6,990,059
Total cash and cash equivalents, excluding cash on hand	**138,549,071**	**154,489,980**	**13,136,263**	**306,175,314**

7. Due from Other Banks

In thousands of Uzbekistan Soums	**2016**	**2015**
Long term placements with other banks	81,754,257	152,011,707
Short term placements with other banks with original maturities of more than three months	40,904,687	43,808,830
Mandatory reserve deposit held with CBU	326,860,881	272,556,939
Total due from other banks	**449,519,825**	**468,377,476**

The mandatory cash balances with CBU includes obligatory reserve, which depends on the level of funds attracted by a credit institution and reserves against assets impairment. These reserves are non-interest bearing deposits held in accordance with CBU instructions. The Bank does not have the right to use these deposits for the purposes of funding its own activities.

Due from other banks includes investments in debt securities of commercial banks of Uzbekistan with the balance of UZS 27,216,600 thousand (31 December 2015: UZS 38,716,600 thousand).

7. Due from Other Banks (Continued)

Amounts due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at the end of the periods are as follows:

In thousands of Uzbekistan Soums	2016	2015
Neither past due nor impaired		
- Central Bank of Uzbekistan	326,860,881	272,556,939
- "A2" (Moody's)	22,360,204	-
- "Baa1" (Moody's)	-	54,608,336
- "Baa2" (Moody's)	4,155,846	21,666,587
- "B1" (Moody's)	-	29,055,340
- "B2" (Moody's)	66,801,972	1,020,164
- "B3" (Moody's)	20,000,000	70,092,500
- "B+" (Standard & Poors)	3,317,990	3,316,459
- "C" (Standard & Poors)	-	6,000,000
- "B" (Fitch Ratings)	3,000,000	7,038,219
- "B-" (Fitch Ratings)	3,022,932	3,022,932
Total due from other banks	**449,519,825**	**468,377,476**

Geographical and interest rate analyses of due from other banks are disclosed in Note 29.

8. Loans and Advances to Customers

In thousands of Uzbekistan Soums	2016	2015
Corporate lending	2,795,965,588	2,075,852,891
Residential mortgage lending	1,148,673,157	833,331,383
Small business lending	659,672,644	455,784,905
Consumer lending	81,100,485	48,308,899
Total loans and advances to customers before provision for loan impairment	**4,685,411,874**	**3,413,278,078**
Less: Provision for loan impairment	(48,103,734)	(48,281,152)
Total loans and advances to customers	**4,637,308,140**	**3,364,996,926**

As at 31 December 2016, corporate loans include finance lease receivables of UZS 29,038,733 thousand (31 December 2015: UZS 35,895,966 thousand) before impairment provisions.

8. Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2016 are as follows:

In thousands of Uzbekistan Soums	Corporate lending	Residential mortgage lending	Small business lending	Consumer lending	Total
Provision for loan impairment at 31 December 2015	**40,146,849**	**416,242**	**7,693,896**	**24,165**	**48,281,152**
Provision for loan impairment during the period	613,057	32,818	322,625	7,870	**976,370**
Bad debt written-off	-	-	(2,583,242)	-	**(2,583,242)**
Recovery	40,169	171,162	866,886	11,781	**1,089,998**
Currency translation difference	339,456	-	-	-	**339,456**
Provision for loan impairment at 31 December 2016	**41,139,531**	**620,222**	**6,300,165**	**43,816**	**48,103,734**

Movements in the provision for loan impairment during 2015 are as follows:

In thousands of Uzbekistan Soums	Corporate lending	Residential mortgage lending	Small business lending	Consumer lending	Total
Provision for loan impairment at 31 December 2014	**21,860,488**	**200,558**	**8,986,587**	**38,211**	**31,085,844**
Provision for/(recovery of) loan impairment during the period	17,018,994	(184,425)	(2,951,589)	(14,046)	**13,868,934**
Bad debt written-off	-	-	(624,843)	-	**(624,843)**
Recovery of bad debt written-off	1,353,535	400,109	2,283,741	-	**4,037,385**
Currency translation difference	(86,168)	-	-	-	**(86,168)**
Provision for loan impairment at 31 December 2015	**40,146,849**	**416,242**	**7,693,896**	**24,165**	**48,281,152**

8. Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

In thousands of Uzbekistan	31 December 2016 amount	%	31 December 2015 amount	%
Manufacturing	2,281,681,182	49	1,735,011,665	50
Individuals	1,229,773,642	27	881,652,347	26
Trade and services	417,814,403	9	378,074,946	12
Construction	347,471,690	7	173,983,535	5
Agriculture	201,256,822	4	95,488,092	3
Transport and communication	101,994,552	2	38,283,577	1
Municipal services	84,019,357	2	39,108,912	1
Oil & Gas	21,355,437	-	71,672,198	2
Other	44,789	-	2,806	-
Total loans and advances to customers before provision for loan impairment	**4,685,411,874**	**100**	**3,413,278,078**	**100**

As at 31 December 2016, the Bank had 10 borrowers (31 December 2015: 10 borrowers) with the aggregate loan balance of UZS 1,994,927,803 thousand (31 December 2015: UZS 1,552,217,935 thousand) or 42% (31 December 2015: 45%) of total loans and advances to customers.

Information about collateral at 31 December 2016 is as follows:

In thousands of Uzbekistan Soums	Corporate lending	Residential mortgage lending	Small business lending	Consumer lending	Total
Unsecured loans	**83,785,984**	**115,031**	**569,073**	**44,244**	**84,514,332**
Loans collateralised by:					
- state guarantee	1,013,362,050	-	-	-	**1,013,362,050**
- real estate	433,969,461	1,147,246,761	402,367,057	903,593	**1,984,486,872**
- letters of surety	417,087,569	1,036,022	72,831,743	67,671,344	**558,626,678**
- vehicles	87,921,547	275,343	129,560,458	10,782,466	**228,539,814**
- equipment and inventory	550,002,368	-	9,192,912	276	**559,195,556**
- cash deposit	54,844,041	-	-	45,464	**54,889,505**
- insurance	3,043,398	-	44,016,034	1,300,833	**48,360,265**
- future cash flow	151,949,170	-	-	-	**151,949,170**
- other assets	-	-	1,135,367	352,265	**1,487,632**
Total collateralised loans	**2,712,179,604**	**1,148,558,126**	**659,103,571**	**81,056,241**	**4,600,897,542**
Total loans and advances to customers before provision for loan impairment	**2,795,965,588**	**1,148,673,157**	**659,672,644**	**81,100,485**	**4,685,411,874**

8. Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2015 is as follows:

In thousands of Uzbekistan Soums	Corporate lending	Residential mortgage lending	Small business lending	Consumer lending	Total
Unsecured loans	**31,506,150**	**-**	**135,206**	**-**	**31,641,356**
Loans collateralised by:					
- state guarantee	831,573,330	-	-	-	**831,573,330**
- real estate	291,068,562	809,497,551	286,475,810	1,503,907	**1,388,545,830**
- letters of surety	431,969,788	16,841,637	46,188,655	32,837,578	**527,837,658**
- vehicles	101,943,155	6,159,558	102,307,780	12,605,463	**223,015,956**
- equipment and inventory	345,517,224	-	8,506,667	1,931	**354,025,822**
- cash deposit	15,645,773	38,044	466,317	35,849	**16,185,983**
- insurance	18,958,495	682,880	10,512,282	1,098,491	**31,252,148**
- future cash flow	7,670,414	-	-	-	**7,670,414**
- other assets	-	111,713	1,192,188	225,680	**1,529,581**
Total collateralised loans	**2,044,346,741**	**833,331,383**	**455,649,699**	**48,308,899**	**3,381,636,722**
Total loans and advances to customers before provision for loan impairment	**2,075,852,891**	**833,331,383**	**455,784,905**	**48,308,899**	**3,413,278,078**

8. Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2016 is as follows:

In thousands of Uzbekistan Soums	Corporate lending	Residential mortgage lending	Small business lending	Consumer lending	Total
Neither past due nor impaired					
- Loans and advances - Standard	2,585,935,664	1,109,502,375	598,526,216	80,612,731	**4,374,576,986**
- Loans and advances - Sub-standard	159,101,635	19,647,277	20,958,293	30,808	**199,738,013**
Total neither past due nor impaired	**2,745,037,299**	**1,129,149,652**	**619,484,509**	**80,643,539**	**4,574,314,999**
Past due but not impaired					
- less than 30 days overdue	9,556,436	7,456,137	22,871,917	154,682	**40,039,172**
- 30 to 90 days overdue	-	3,593,164	4,205,395	114,102	**7,912,661**
- 90 to 180 days overdue	21,637	2,851,242	6,595,030	59,356	**9,527,265**
- 180 to 360 days overdue	6,903,751	2,114,194	4,803,855	108,974	**13,930,774**
- more than 360 days overdue	-	3,508,767	1,567,443	19,832	**5,096,042**
Total past due but not impaired	**16,481,824**	**19,523,504**	**40,043,640**	**456,946**	**76,505,914**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	22,609,830	-	144,496	-	**22,754,326**
- 90 to 180 days overdue	11,836,635	-	-	-	**11,836,635**
Total individually impaired loans (gross)	**34,446,465**	**-**	**144,496**	**-**	**34,590,961**
- Impairment provisions for individually impaired loans	(13,862,301)	-	(64,524)	-	**(13,926,825)**
- Impairment provisions assessed on a portfolio basis	(27,277,230)	(620,222)	(6,235,641)	(43,816)	**(34,176,909)**
Less provision for loan impairment	(41,139,531)	(620,222)	(6,300,165)	(43,816)	(48,103,734)
Total loans and advances to customers	**2,754,826,057**	**1,148,052,934**	**653,372,480**	**81,056,669**	**4,637,308,140**

8. Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2015 is as follows:

In thousands of Uzbekistan Soums	Corporate lending	Residential mortgage lending	Small business lending	Consumer lending	Total
Neither past due nor impaired					
- Loans and advances - Standard	1,949,870,208	793,236,765	390,766,016	48,013,430	**3,181,886,419**
- Loans and advances - Sub-standard	88,539,001	20,782,777	35,928,182	89,455	**145,339,415**
Total neither past due nor impaired	**2,038,409,209**	**814,019,542**	**426,694,198**	**48,102,885**	**3,327,225,834**
Past due but not impaired					
- less than 30 days overdue	7,865,651	2,795,837	1,738,201	70,286	**12,469,975**
- 30 to 90 days overdue	227,196	4,931,058	5,013,382	84,982	**10,256,618**
- 90 to 180 days overdue	64,651	3,355,180	8,833,616	26,787	**12,280,234**
- 180 to 360 days overdue	-	6,482,014	5,939,082	8,961	**12,430,057**
- more than 360 days overdue	-	1,747,752	3,164,665	14,998	**4,927,415**
Total past due but not impaired	**8,157,498**	**19,311,841**	**24,688,946**	**206,014**	**52,364,299**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	24,474,291	-	20,254	-	**24,494,545**
- 30 to 90 days overdue	-	-	4,381,507	-	**4,381,507**
- 180 to 360 days overdue	4,811,893	-	-	-	**4,811,893**
Total individually impaired loans (gross)	**29,286,184**	**-**	**4,401,761**	**-**	**33,687,945**
- Impairment provisions for individually impaired loans	(7,651,255)	-	(2,467,742)	-	**(10,118,997)**
- Impairment provisions assessed on a portfolio basis	(32,495,594)	(416,242)	(5,226,154)	(24,165)	**(38,162,155)**
Less provision for loan impairments	(40,146,849)	(416,242)	(7,693,896)	(24,165)	(48,281,152)
Total loans and advances to customers	**2,035,706,042**	**832,915,141**	**448,091,009**	**48,284,734**	**3,364,996,926**

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement,* and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment. The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realizability of related collateral, if any. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

8. Loans and Advances to Customers (Continued)

Past due but not impaired loans primarily include collateralized loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual installments that are past due.

The description of Bank's internal rating scale is disclosed in Note 29.

In thousands of Uzbekistan Soums	Due within 1 year	Due between 1 and 5 years	Total
Finance lease payments receivable at 31 December 2016	**16,239,794**	**17,034,476**	**33,274,270**
Unearned finance income	(2,642,244)	(1,593,293)	**(4,235,537)**
Impairment loss provision	(117,213)	(133,106)	**(250,319)**
Present value of lease payments receivable at 31 December 2016	**13,480,337**	**15,308,077**	**28,788,414**
Finance lease payments receivable at 31 December 2015	**20,096,905**	**21,670,832**	**41,767,737**
Unearned finance income	(2,998,837)	(2,872,934)	**(5,871,771)**
Impairment loss provision	(189,430)	(208,262)	**(397,692)**
Present value of lease payments receivable at 31 December 2015	**16,908,638**	**18,589,636**	**35,498,274**

The normal contractual finance lease receivables arrangements of the Bank include the following main terms and conditions:

- Lease term (1-5 years);
- Stated annual lease interest is in the range of 6% - 22%, payable monthly from commencement/delivery of lease object to the lessee;
- Finance income computed using effective interest rate;
- Lessee insures risks related to the leased assets such as damage caused by various reasons, theft and other with an insurer and keeps it insured throughout the term of the lease. Insurance fees are paid by the Lessee;
- The Bank is entitled to possession of the object if certain terms of the agreement are not fulfilled;
- Initial direct costs are initially borne by the Bank and are reimbursed by lessees prior to the inception of the lease; and
- Legal title passes to the lessee upon repayment of final lease payment.

9. Investment Securities Available for Sale

The equity investment securities available for sale were:

Name	Nature of business	2016	2015
Chilonzor buyum bozori JSC	Trade	3,409,690	3,409,690
O'zqishloqho'jalikmash-lizing JSC	Leasing	692,132	692,132
O’zmarkazimpeks JSC	Trade	456,113	409,037
O'zMed-Lizing JSC	Leasing	340,750	332,500
Qurilish-Lizing JSC	Leasing	240,505	320,674
Qo'qon neftegaz parmalash ishlari JSC	Oil & Gas	45,069	90,138
Kredit ahborot tahliliy markazi LLC	Consulting	40,000	40,000
O'zneftgazqazibchiqarish JSC	Oil & Gas	36,365	36,365
O'zneftmahsulot JSC	Oil & Gas	20,602	20,602
Banklararo maslahat markazi LLC	Consulting	4,000	4,000
O'zgeoburneftgaz JSC	Oil & Gas	3,917	1,139
Total investment securities available for sale		**5,289,143**	**5,356,277**

Investment securities available for sale are equity securities and equity investments, registered in Uzbekistan and not publicly traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. These investments, other than individually impaired investments, are carried at cost less impairment.

10. Premises, Equipment and Intangible Assets

In thousands of Uzbekistan Soums	**Building and premises**	**Office and Computer equipment**	**Motor vehicles**	**Construction in progress**	**Intangible assets**	**Total**
Cost at 31 December 2014	30,187,353	54,301,842	2,407,439	32,113,041	2,396,887	121,406,562
Accumulated depreciation/ amortisation	(7,661,227)	(33,017,838)	(1,459,478)	-	(2,128,869)	(44,267,412)
Carrying amount at 31 December 2014	**22,526,126**	**21,284,004**	**947,961**	**32,113,041**	**268,018**	**77,139,150**
Additions	55,689	11,843,844	171,106	5,845,960	65,206	17,981,805
Disposals (net of depreciation)	(4,795)	(585,128)	(23,367)	-	-	(613,290)
Net transfers	1,295,259	(1,165,525)	665,062	(917,776)	122,980	-
Depreciation/ amortisation charge (Note 23)	(1,526,855)	(7,952,838)	(257,866)	-	(131,047)	(9,868,606)
Carrying amount at 31 December 2015	**22,345,424**	**23,424,357**	**1,502,896**	**37,041,225**	**325,157**	**84,639,059**
Cost at 31 December 2015	31,481,624	64,060,376	3,161,117	37,041,225	2,585,074	138,329,416
Accumulated depreciation/ amortisation	(9,136,200)	(40,636,019)	(1,658,221)	-	(2,259,917)	(53,690,357)
Carrying amount at 31 December 2015	**22,345,424**	**23,424,357**	**1,502,896**	**37,041,225**	**325,157**	**84,639,059**
Additions	57,770	16,349,494	102,923	3,869,730	101,000	20,480,917
Disposals (net of depreciation)	(201,336)	(83,413)	(33,635)	(50,120)	-	(368,504)
Net transfers	6,580,413	610,460	942,094	(8,587,929)	454,962	-
Depreciation/ amortisation charge (Note 23)	(1,721,275)	(9,458,169)	(470,245)	-	(167,603)	(11,817,292)
Carrying amount at 31 December 2016	**27,060,996**	**30,842,729**	**2,044,033**	**32,272,906**	**713,516**	**92,934,180**
Cost at 31 December 2016	37,977,432	78,448,122	3,959,450	32,272,906	3,136,383	155,794,293
Accumulated depreciation/ amortisation	(10,916,436)	(47,605,393)	(1,915,417)	-	(2,422,867)	(62,860,113)
Carrying amount at 31 December 2016	**27,060,996**	**30,842,729**	**2,044,033**	**32,272,906**	**713,516**	**92,934,180**

As at 31 December 2016 and 2015, assets in the warehouse are included in the office and computer equipment category in the amount of UZS 718,964 and 1,826,274 thousands, respectively.

11. Other Financial Assets

In thousands of Uzbekistan Soums	2016	2015
Commission and other receivable	958,705	624,351
Less impairment provision	(229,471)	(44,104)
Total other financial assets	**729,234**	**580,247**

12. Other Non-Financial Assets

In thousands of Uzbekistan Soums	2016	2015
Other non-financial assets		
Prepayments for property for resale	13,362,054	27,422,645
Prepayment for intangible assets	1,630,601	988,232
Prepayments	1,178,516	4,705,654
Other tax prepayments	375,280	901,537
Inventories	149,406	497,232
Receivable from employees	-	5,463,150
Other	794,325	918,228
Less impairment provision	-	(5,422,236)
Total other non-financial assets	**17,490,182**	**35,474,442**

Prepayments of UZS 13,362,054 thousand (2015: UZS 27,422,645 thousand) are for construction of multi-storey residential building in Navoi Str., Tashkent, Uzbekistan.

Other prepayments mainly represent payments for equipment for leasing and subscription, plastic cards.

Prepayment for intangible assets mainly include payment for software and telecommunication services.

13. Other Impairment Provision

Movements in the provision for impairment of other assets were as follows:

In thousands of Uzbekistan Soums	
Other impairment provision at 31 December 2014	**5,889,987**
Recovery of impairment	(570,079)
Currency translation difference	146,432
Other impairment provision at 31 December 2015	**5,466,340**
Additional provision charge	251,824
Recovery of assets previously written-off as uncollectible	3,278
Written-off as uncollectible	(5,491,971)
Other impairment provision at 31 December 2016	**229,471**

14. Due to Other Banks

In thousands of Uzbek Soums	**2016**	**2015**
Short-term placements of other banks	96,000,000	35,400,000
Long-term placements of other banks	152,555,433	156,283,400
Correspondent accounts and overnight placements of other banks	71,000	15,000
Total due to other banks	**248,626,433**	**191,698,400**

Short term placements of other banks are placements by domestic banks in UZS bearing on average interest at 10% p.a. (31 December 2015: 10% p.a.). Long term placements of other banks are placements by domestic banks in UZS bearing on average interest at 9% p.a. (31 December 2015: 9% p.a.).

Interest rate analysis of due to other banks is disclosed in Note 29.

15. Customer Accounts

In thousands of Uzbekistan Soums	2016	2015
State and public organisations		
- Current/demand accounts	1,064,524,634	975,110,884
- Term deposits	413,435,380	282,631,807
Other legal entities		
- Current/demand accounts	486,767,580	412,139,210
- Term deposits	194,735,272	66,708,084
Individuals		
- Current/demand accounts	438,795,803	305,843,013
- Term deposits	451,799,386	361,141,402
Total customer accounts	**3,050,058,055**	**2,403,574,400**

Economic sector concentrations within customer accounts are as follows:

		2016		2015
In thousands of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
State and public organisations	1,477,960,014	48.5	1,257,742,691	52.4
Individuals	890,595,189	29.2	666,984,415	27.7
Private enterprises	428,775,718	14.1	274,556,536	11.4
Joint ventures	102,103,776	3.3	76,266,284	3.2
Non-governmental organisations	86,889,137	2.8	67,778,976	2.8
Other	63,734,221	2.1	60,245,498	2.5
Total customer accounts	**3,050,058,055**	**100.0**	**2,403,574,400**	**100.0**

As at 31 December 2016, the Bank has 15 customers (31 December 2015: 12 customers) with balances above UZS 16,000,000 thousand. The aggregate balance of these customers was UZS 870,977,458 thousand (31 December 2015: UZS 810,332,095 thousand) or roughly 29% (31 December 2015: 33%) of total customer accounts.

Refer to Note 32 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 29. Information on related party balances is disclosed in Note 33.

16. Debt Securities in Issue

In thousands of Uzbekistan Soums	2016	2015
Certificates of deposit	23,642,534	20,305,591
Non-documentary bonds	5,009,863	5,007,671
Total debt securities in issue	**28,652,397**	**25,313,262**

Interest rate analysis of debt securities in issue is disclosed in Note 29

17. Borrowings from Government, State and International Financial Institutions

In thousands of Uzbekistan Soums	**2016**	**2015**
Borrowings from the Fund for the Reconstruction and Development of the Republic of Uzbekistan	972,759,691	825,607,300
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	750,050,022	481,638,746
Borrowings from International Financial Institutions	248,760,779	81,973,446
Preference shares	10,436,450	10,436,450
Borrowings from Domestic Financial Institutions	7,429,894	9,267,534
Borrowings from CBU	142,858	180,032
Borrowings from government, state and international financial institutions	**1,989,579,694**	**1,409,103,508**

As at 31 December 2016, borrowings from the Fund for the Reconstruction and Development of the Republic of Uzbekistan (“the UFRD”) were used for financing general modernisation of mining and equipment for the state entity Almalyk Mining and Metallurgical Complex (“AMMC”). The Bank earns a net interest margin of 1% on these borrowings. Maturity of the borrowings is linked with maturities of the individual loans made by the Bank. Each individual loan is issued under a separate President’s Decree and the use of borrowed funds is monitored by the UFRD.

As at 31 December 2016, borrowings from the Ministry of Finance of the Republic of Uzbekistan constituted UZS 750,050,022 thousand which were used for the issuance of loans to individual mortgage borrowers with a net interest margin of 4%, as well as for the issuance of loans to agricultural entities with the net interest margin of 1-1.5%. The maturity of borrowings for mortgage lending is 15 years with a grace period of 5 years. The interest rate on borrowings for mortgage lending is 3%, the repayment of principal and interest is carried out every 3 months. Maturity of borrowings for agricultural lending is up to 20 years with a grace period of 5 years. The interest rate on borrowings for agricultural lending is 4-4.5%, the repayment of principal and interest is carried out every 6 months.

As at 31 December 2016, borrowings from various International Financial Institutions constituted UZS 14,246,649 thousand (31 December 2015: UZS 14,516,863 thousand) from Kreditanstalt fur Wiederaufbau (“KfW” - Germany), UZS 32,280,450 thousand (31 December 2015: UZS 30,621,742 thousand) from Export-Import Bank of China, UZS 34,258,567 thousand (31 December 2015: UZS 8,395,305 thousand) from Landesbank Berlin AG (Germany), UZS 153,074,927 thousand (31 December 2015: UZS 12,462,031 thousand) from Commerzbank (Germany), UZS 4,005,575 thousand from AKA Ausfuhrkredit-Gesellschaft mbH and UZS 10,304,220 thousand (31 December 2015: UZS 2,907,205 thousand) from Export-Import Bank of Korea. Moreover, total interest payable liabilities to mentioned international financial institutions as at 31 December 2016 is UZS 590,391 thousand (31 December 2015: UZS 412,527 thousand).

- Borrowing from KfW was obtained for financing of mortgage loans within Uzbekistan in 2012. The rate of interest is 7% per annum. The maturity of this borrowing is 12 years with semi-annual repayment of the principal and interest including 3.5 years of grace period on principal.
- Borrowing from the Export-Import Bank of China was obtained in 2007 for financing project loans to entities in water management sector for purchase and installation of water counters in households. The rate of interest is 2% per annum. The maturity of this borrowing is 20 years with semi-annual repayment of the principal and interest including 5 years of grace period on principal.
- Borrowing from Landesbank Berlin AG was obtained in 2014 for the partial financing of purchase contracts for the delivery of capital goods and respective services by exporters in Federal Republic of Germany or other countries to importers in Uzbekistan. The rate of interest ranges from 1.9% plus 6 month Euribor to 2.5% plus 6 month Euribor. The maturity of this borrowing is determined by each individual loan agreement. Minimum maturity of the borrowing is 2 years with semi-annual repayment of the principal and interest.

17. Borrowings from Government, State and International Financial Institutions (Continued)

- Borrowings from Commerzbank with the balance of EUR 25,339,658 were obtained for financing general modernization of mining and equipment for the state entity Almalyk Mining and Metallurgical Complex ("AMMC"). The rate of interest is 1.85% plus 6 month Euribor. The Bank earns a net interest margin of 1% on these borrowings. The maturity of the borrowings is linked with maturities of the individual loans made by the Bank. The borrowings from Commerzbank include advance payment of insurance premium to Euler Hermes AG in the amount of UZS 10,403,325 thousand (31 December 2015: UZS 9,353,509 thousand) amortized over the borrowing period as an adjustment to the effective interest rate. Part of the borrowings from Commerzbank is obtained in 2016 for lending in textile sector and for lending to small and medium business enterprises. Full amount of the credit line in textile sector is USD 14,000,000. The rate of interest is 6 month Libor plus 4.1% margin. Current short term borrowing's maturity date is 17 January 2017.

- Borrowings from AKA Ausfuhrkredit-Gesellschaft mbH is obtained in 2016 for the partial financing of purchase contracts for the delivery of carbonated soft drink filling line as well as related services by exporters in the Federal Republic of Germany or other countries to importers in Uzbekistan. Under the loan agreement the rate of interest is 1.95% plus 6 month Euribor.

- Borrowings from Export-Import Bank of Korea was obtained in 2015 for financing project loans to develop small business entities. Full amount of credit line is 10,000,000 USD. The Bank may utilize the line of credit in the form of a long-term loan facility and short-term loan facility under general agreement. The rate of interest is 6 month Libor plus margin size of which is determined according to individual loan facility. Maturity of the borrowings is linked with maturities of the individual loans made by the Bank.

As at 31 December 2016, borrowings from Domestic Financial Institutions constitute UZS 7,429,894 thousand from JSC "Qishloq Qurilish Bank" at a concessionary rate of 4%, advanced by the Bank to individual mortgage borrowers at 1% net interest margin. The maturity of mortgage lending is 15 years with 3 years' grace period. The lending was made in accordance with the Government Decree on development of mortgage sector in Uzbekistan.

As at 31 December 2016, borrowings from the CBU of UZS 142,858 thousand were used for the procurement of audit services, equipment and software to the Bank in 2005. The borrowing has an interest rate of Libor with 15 years of maturity.

Interest rate analysis is disclosed in Note 29. The information on related party balances is disclosed in Note 33.

Loan agreements between the Bank and above mentioned international financial institutions did not stipulate any financial covenants which the Bank should be in compliance with.

18. Other Liabilities

In thousands of Uzbekistan Soums	**2016**	**2015**
Payable to suppliers	2,219,908	1,942,950
Other payables	2,129,541	1,827,054
Dividends payable	148,928	76,467
Total other financial liabilities	**4,498,377**	**3,846,471**
Other tax liabilities	6,179,928	2,581,321
Payable to State deposit insurance fund	3,666,715	363,248
Unearned revenue	1,347,443	1,609,206
Current income tax liability	806,940	345,885
Payables to employees	279,597	13,669
Other	46,406	104,661
Total other non-financial liabilities	**12,327,029**	**5,017,990**
Total other liabilities	**16,825,406**	**8,864,461**

19. Share Capital

		Share capital				
In thousands of Uzbekistan Soums except number of shares	**Number of outstanding shares**	**Ordinary shares**	**Inflation adjustment**	**Equity component of preference shares**	**Share premium**	**Total equity**
At 31 December 2014	**64,326,240**	**175,884,649**	**6,417,747**	**-**	**754,417**	**183,056,813**
Shares issued	3,655,698	13,080,087	-	-	-	13,080,087
Capitalisation of Retained earnings	-	47,118,638	-	1,512,000	-	48,630,638
Recognition of liability component of preference shares	-	-	-	(1,512,000)	-	(1,512,000)
At 31 December 2015	**67,981,938**	**236,083,374**	**6,417,747**	**-**	**754,417**	**243,255,538**
Shares issued	7,523,762	26,920,021	-	-	17	26,920,038
At 31 December 2016	**75,505,700**	**263,003,395**	**6,417,747**	**-**	**754,434**	**270,175,576**

The share capital includes 73,505,700 ordinary shares and 2,000,000 preference shares issued and fully paid in UZS (31 December 2015: 65,981,938 ordinary shares and 2,000,000 preference shares issued and fully paid in UZS) with a par value of UZS 3,578 per share (31 December 2015: UZS 3,578 per share). Each ordinary share carries one vote.

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

The Bank distributes profits as dividends or transfers to reserves on the basis of financial information prepared in accordance with local legislation. According to the information provided to CBU, IFRS retained earnings as at 31 December 2016 include reserves of UZS 189,234,449 thousand (unaudited) (31 December 2015: UZS 116,929,767 thousand (unaudited)).

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Bank's liquidation.

The preference shares give the holders the right to participate in general shareholders' meetings without voting rights, except in instances where decisions are made in relation to reorganization and liquidation of the Bank, and where changes and amendments to the Bank's charter which restrict the rights of preference shareholders are proposed. Minimum annual dividends on preference shares are fixed at 25% of the nominal value and rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividends are paid.

19. Share capital (Continued)

The dividends declared on preference shares cannot be less than those declared for ordinary shares. For details of preference shares accounting treatment please see Notes 3 and 4.

When dividends declared above minimum amount, the excess of the dividends is recognised in equity (as discretionary payment on the equity component).

In the year ended 31 December 2016, the Bank did not increase its preference share price comparing with year ended as at 31 December 2015 where change was from UZS 2,822 to UZS 3,578, while the minimum rate of dividend remained at the same level of 25%.

20. Interest Income and Expense

In thousands of Uzbekistan Soums	**2016**	**2015**
Interest income		
Loans and advances to customers	368,914,993	289,891,565
Due from other banks	9,982,045	10,711,012
Cash and cash equivalents	10,356	150,411
Total interest income	**378,907,394**	**300,752,988**
Interest expenses		
Customer accounts	103,659,720	87,566,555
Other borrowed funds	49,690,413	35,033,012
Due to other banks	23,157,013	14,036,325
Debt securities in issue	2,467,985	1,796,756
Total interest expense	**178,975,131**	**138,432,648**
Net interest income	**199,932,263**	**162,320,340**

Interest income includes UZS 3,540,285 thousand (31 December 2015: UZS 3,968,960 thousand) interest income, recognized on individually impaired loans.

21. Fee Commission Income and Expense

In thousands of Uzbekistan Soums	**2016**	**2015**
Fee and commission income from:		
- Settlement transactions	156,414,217	135,892,318
- Foreign currency conversion services	18,118,050	5,730,869
- Guarantees and letters of credit	3,862,592	3,092,888
- Cash transactions	615,704	374,545
- Other	2,032,058	1,224,164
Total fee and commission income	**181,042,621**	**146,314,784**
Fee and commission expense		
- Cash collection services	20,864,125	19,563,663
- Conversion operations	8,989,033	685,753
- Settlement transactions	3,822,614	3,441,400
- Cash transactions	1,827,066	1,421,634
- Other	130,237	95,882
Total fee and commission expense	**35,633,075**	**25,208,332**
Net fee and commission income	**145,409,546**	**121,106,452**

22. Other Operating Income

In thousands of Uzbekistan Soums	**2016**	**2015**
Income from property and equipment rentals	3,903,312	2,961,289
Income from services provided	1,519,086	504,542
Fines received	1,322,621	2,798,247
Income from disposal of premises and equipment	494,577	362,635
Other non-interest income	248,016	880,898
Other	(20,000)	-
Total other operating income	**7,467,612**	**7,507,611**

Income from property and equipment rentals includes rental income from POS terminals in the amount of UZS 3,820,421 thousand (31 December 2015: UZS 2,910,758 thousand).

23. Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	2016	2015
Staff costs	196,484,890	166,184,198
Taxes other than income tax	26,985,645	20,211,944
Security services	15,544,475	14,028,829
Depreciation and amortisation	11,817,292	9,868,606
Membership fees	11,910,066	6,963,441
Stationery and Supplies	8,896,710	6,197,586
Charity and sponsorship	5,798,516	5,136,027
Repair and maintenance of property and equipment	4,872,542	4,238,437
Software maintenance	3,650,286	2,474,584
Rent expenses	2,470,678	1,936,660
Postage, Telephone and Fax	2,306,087	1,927,665
Utilities	1,838,209	1,667,582
Business trip and travel expenses	1,831,139	1,331,491
Advertising and Publicity	1,010,592	856,687
Fuel	1,167,931	1,024,190
Professional services	320,479	225,070
Representation and entertainment	267,513	238,103
Insurance	33,435	31,239
Penalties incurred	334	35
Other	1,666,820	979,030
Total administrative and other operating expenses	**298,873,639**	**245,521,404**

In 2016, included in staff costs are statutory social security expenses of UZS 36,819,334 thousand (2015: UZS 31,195,664 thousand), of which UZS 11,045,800 thousand (2015: UZS 8,110,873 thousand) are obligatory pension contributions to the state pension fund.

24. Disposals

During 2015, the management of the Bank disposed of the following subsidiaries: "Valley Mountain Fresh" LLC, "Katkal'a teks" LLC and "Quvasoy Naslli Parranda" LLC.

In thousands of Uzbekistan Soums	2016	2015
Revenue	-	1,425,217
Expenses	-	(1,389,034)
Impairment reversal of assets classified as held for sale	-	3,625,001
Gain on disposal	-	87,418
Profit/(loss) before tax	**-**	**3,748,602**
Attributable income tax	-	(809,307)
Profit/(loss) from discontinued operations	**-**	**2,939,295**

The gain on disposal is included in the profit from discontinued operations in the statement of profit or loss.

24. Disposals (Continued)

Cash flows from discontinued operations

In thousands of Uzbekistan Soums	2016	2015
Net cash inflows from operating activities	-	5,080,513
Net cash inflows from investing activities	-	25,453,411
Net cash inflows	**-**	**30,533,924**

Net cash inflow on disposal of subsidiary

In thousands of Uzbekistan Soums	2016	2015
Consideration received in cash and cash equivalents	-	5,302,931
Less: cash and cash equivalent balances disposed of	-	(537,392)
Total	**-**	**4,765,539**

25. Income taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Uzbekistan Soums	2016	2015
Current income tax charge	20,339,734	16,537,110
Deferred income tax credit	(1,045,246)	783,953
Income tax expense	**19,294,488**	**17,321,063**

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

The income tax rate applicable to the majority of the Bank’s income is comprised corporate income tax (15%) and infrastructure development tax (8%) with tax base for infrastructure development tax being accounting profit after corporate income tax charge. Effectively, statutory income tax rate is 21.8%. Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Uzbekistan Soums	2016	2015
IFRS profit before tax including results from discontinued operations	**91,356,594**	**75,365,372**
Theoretical income tax expense/(benefit) at the statutory rate 21.8% (2015: 21.8%)	**19,915,737**	**16,429,651**
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	4,127,033	3,730,153
- Tax exempt income	(39,562)	(98,910)
- Tax incentives	(772,626)	(637,390)
- Tax effect on income taxed at different rates (10.5% - 12%)	(3,936,094)	(2,387,544)
- Effect of income tax of prior years	-	285,103
Income tax expense	**19,294,488**	**17,321,063**

25. Income Taxes (Continued)

In accordance with the Decree of the President of Uzbekistan, until 1 January 2020, all commercial banks pay income tax on the differential rates, depending on the proportion of long-term investment financing in the loan portfolio. Income generated by this financing is taxed as follows: proportion of 35-40% of long-term investment financing taxed at 12%, proportion of 40-50% taxed at 11.25%, and proportion of more than 50% is taxed at 10.5%.

(c) Deferred tax analysed by type of temporary differences

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for their tax bases. The tax effect of the movements on these temporary differences is detailed below, and is recorded at the rate of 21.8 % (2015: 21.8 %).

In thousands of Uzbekistan Soums	**2016**	**Credited/ (charged) to profit or loss**	**2015**	**Credited/ (charged) to profit or loss**	**2014**
Tax effect of deductible/ (taxable) temporary differences					
Loans and advances to customers	6,758,601	(157,546)	6,916,147	2,462,344	4,453,803
Premises, equipment and intangible assets	358,061	69,718	288,343	(732,231)	1,020,574
Non-current assets held for sale	-	-	-	(2,230,417)	2,230,417
Other financial assets	-	`	-	99,789	(99,789)
Other non-financial assets	263,497	(656)	264,153	(485,531)	749,684
Borrowings from government, state and international financial institutions	449,378	371,720	77,658	77,658	-
Other financial liabilities	-	(4,839)	4,839	667	4,172
Other non-financial liabilities	900,495	766,849	133,646	23,768	109,878
Net deferred tax asset	**8,730,032**	**1,045,246**	**7,684,786**	**(783,953)**	**8,468,739**
Recognised deferred tax asset	8,730,032	1,208,287	7,684,786	2,664,226	8,568,528
Recognised deferred tax liability	-	(163,041)	-	(3,448,179)	(99,789)
Net deferred tax asset	**8,730,032**	**1,045,246**	**7,684,786**	**(783,953)**	**8,468,739**

26. Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of shares in issue during the year, net of treasury shares.

Earnings per share are calculated as follows:

In thousands of Uzbekistan Soums	2016	2015
Profit for the period attributable to ordinary shareholders	72,062,106	58,044,309
Profit for the period attributable to preference shareholders	1,789,000	2,009,500
Profit/(loss) for the year from discontinued operations attributable to ordinary shareholders	-	2,939,295
Earnings used in calculation of earnings per ordinary share from continued operations	**72,062,106**	**55,105,014**
Earnings used in calculation of earnings per preference share from continued operations	**1,789,000**	**2,009,500**
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	72,396,690	62,346,878
Weighted average number of preference shares for the purpose of basic and diluted earnings per share	2,000,000	2,000,000
From continuing operations		
Basic and diluted EPS per ordinary share in UZS	995	884
Basic and diluted EPS per equity component of preference share in UZS	895	1,005
From discontinued operations		
Basic and diluted EPS per ordinary share in UZS	-	47
Total basic and diluted EPS per ordinary share in UZS	**995**	**931**
Total basic and diluted EPS per equity component of preference share in UZS	**895**	**1,005**

Basic and diluted earnings per equity component of preference shares as presented above represent earnings allocated to the equity component of the preference shares, after the distribution of the minimum dividends of 25% of the nominal value of the preference shares.

27. Dividends

All dividends are declared in Uzbekistan Soums. Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of Uzbekistan.

In thousands of Uzbekistan Soums	2016	2015
Dividends payable at 1 January	**76,467**	**85,928**
Dividends declared during the year	3,969,308	48,630,638
Capitalisation of dividends	-	(48,630,638)
Dividends paid during the year	(3,896,847)	(9,461)
Dividends payable at 31 December	**148,928**	**76,467**
Dividends per share declared during the year (in UZS per share)	**54**	**-**

27. Dividends (Continued)

The Bank distributes profits as dividends on the basis of financial information prepared in accordance with local legislation. According to the information provided to the CBU, retained earnings under national accounting standards as at 31 December 2016 include distributable profits of UZS 77,114,803 thousand (31 December 2015: UZS 60,956,407) for the year then ended.

28. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Management Board of the Bank.

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

The Bank is organized on the basis of three segments, as follows:

- Retail banking - principally handling individual customers' and individual entrepreneurs' deposits, providing consumer and mortgage loans, loans to individual entrepreneurs, overdrafts, plastic cards facilities and funds transfer facilities.
- Corporate banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
- Group function - Treasury, finance and other central functions.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured based on profit or loss in the financial statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

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

The CODM reviews financial information prepared based on IFRS, and evaluates performance of each segment based on net income.

28. Segment Analysis (Continued)

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

Segment information for the reportable business segments of the Bank as at 31 December 2016 is set out below:

In thousands of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Group function**	**Total**
Cash and cash equivalents	59,014,907	472,416,712	-	531,431,619
Due from other banks	-	449,519,825	-	449,519,825
Loans and advances to customers	1,314,898,509	3,322,409,631	-	4,637,308,140
Investment securities available for sale	-	-	5,289,143	5,289,143
Premises, equipment and intangible assets	31,011,645	58,196,750	3,725,785	92,934,180
Current income tax prepayment	-	-	4,335,335	4,335,335
Deferred income tax asset	-	-	8,730,032	8,730,032
Other financial assets	91,234	637,271	729	729,234
Other non-financial assets	737,286	788,764	15,964,132	17,490,182
Total reportable segment assets	**1,405,753,581**	**4,303,968,953**	**38,045,156**	**5,747,767,690**
Due to other banks	1,000	248,625,433	-	248,626,433
Customer accounts	890,595,188	2,159,462,867	-	3,050,058,055
Debt securities in issue	100	28,652,297	-	28,652,397
Borrowings from government, state and international financial institutions	736,393,650	1,242,749,594	10,436,450	1,989,579,694
Other financial liabilities	387,769	3,542,419	568,189	4,498,377
Other non-financial liabilities	3,747,801	440,339	8,138,889	12,327,029
Total reportable segment liabilities	**1,631,125,508**	**3,683,472,949**	**19,143,528**	**5,333,741,985**
Capital expenditure	**6,834,374**	**12,825,451**	**821,092**	**20,480,917**

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

28. Segment Analysis (Continued)

The table below shows the segment information for the reportable segments of the Bank for the year ended 31 December 2016:

In thousands of Uzbekistan Soums	Retail banking	Corporate banking	Group function	Total
Interest income	102,701,334	276,206,060	-	378,907,394
Fee and commission income	30,419,030	150,623,591	-	181,042,621
Gains less losses from foreign currencies	1,943,807	36,648,959	-	38,592,766
Dividend income	-	-	181,478	181,478
Other operating income	229,818	6,219,895	1,017,899	7,467,612
Total revenues	**135,293,989**	**469,698,505**	**1,199,377**	**606,191,871**
Interest expense	(83,772,045)	(93,414,086)	(1,789,000)	(178,975,131)
Fee and commission expense	(1,917,131)	(33,715,944)	-	(35,633,075)
Provision for impairment of loans and advances to customers	(253,041)	(723,329)	-	(976,370)
Other impairment provision	(11,452)	(19,710)	(220,662)	(251,824)
Loss from impairment of investment securities available for sale	-	-	(125,238)	(125,238)
Administrative and other operating expenses	(95,742,260)	(203,131,379)	-	(298,873,639)
Income tax expense	-	-	(19,294,488)	(19,294,488)
Total expenses	**(181,695,929)**	**(331,004,448)**	**(21,429,388)**	**(534,129,765)**
Segment result	**(46,401,940)**	**138,694,057**	**(20,230,011)**	**72,062,106**

28. Segment Analysis (Continued)

Segment information for the reportable business segments of the Bank for the year ended 31 December 2015 is set out below:

In thousands of Uzbekistan Soums	Retail banking	Corporate banking	Group function	Total
Cash and cash equivalents	89,953,603	296,848,078	-	386,801,681
Due from other banks	-	468,377,476	-	468,377,476
Loans and advances to customers	956,468,684	2,408,528,242	-	3,364,996,926
Investment securities available for sale	-	-	5,356,277	5,356,277
Premises, equipment and intangible assets	27,424,136	53,819,940	3,394,983	84,639,059
Current income tax prepayment	-	-	3,656,006	3,656,006
Deferred income tax asset	-	-	7,684,786	7,684,786
Other financial assets	39,344	534,959	5,944	580,247
Other non-financial assets	5,235,399	861,944	29,377,099	35,474,442
Total reportable segment assets	**1,079,121,166**	**3,228,970,639**	**49,475,095**	**4,357,566,900**
Due to other banks	1,000	191,697,400	-	191,698,400
Customer accounts	666,984,415	1,736,589,985	-	2,403,574,400
Debt securities in issue	100	25,313,162	-	25,313,262
Borrowings from government, state and international financial institutions	496,766,279	901,900,779	10,436,450	1,409,103,508
Other financial liabilities	633,990	2,520,301	692,180	3,846,471
Other non-financial liabilities	485,679	718,544	3,813,767	5,017,990
Total reportable segment liabilities	**1,164,871,463**	**2,858,740,171**	**14,942,397**	**4,038,554,031**
Capital expenditure	**5,826,334**	**11,434,197**	**721,274**	**17,981,805**

28. Segment Analysis (Continued)

The table below shows the segment information for the reportable segments of the Bank for the year ended 31 December 2015

In thousands of Uzbekistan Soums	Retail banking	Corporate banking	Group function	Total
Interest income	71,738,314	229,014,674	-	300,752,988
Fee and commission income	36,468,618	109,846,166	-	146,314,784
Gains less losses from foreign currencies	1,837,531	37,439,019	-	39,276,550
Dividend income	-	-	453,717	453,717
Other operating income	190,116	5,909,193	1,408,302	7,507,611
Other impairment recovery	83,402	22,087	464,590	570,079
Profit for the year from discontinued operations	-	-	2,939,295	2,939,295
Total revenues	**110,317,981**	**382,231,139**	**5,265,904**	**497,815,024**
Interest expense	(57,566,347)	(79,234,801)	(1,631,500)	(138,432,648)
Fee and commission expense	(86,982)	(25,121,350)	-	(25,208,332)
Recovery of/(Provision for) impairment of loans and advances to customers	208,904	(14,077,838)	-	(13,868,934)
Loss from disposal of investment securities available for sale	-	-	(227,641)	(227,641)
Administrative and other operating expenses	(68,959,286)	(176,562,118)	-	(245,521,404)
Income tax expense	-	-	(16,511,756)	(16,511,756)
Total expenses	**(126,403,711)**	**(294,996,107)**	**(18,370,897)**	**(439,770,715)**
Segment result	**(16,085,730)**	**87,235,032**	**(13,104,993)**	**58,044,309**

(e) Analysis of revenues by products and services

The Bank’s revenues are analyzed by products and services in Notes 20 (interest income), Note 21 (fee and commission income) and in Note 22 (other operating income).

(f) Geographical information

The Bank conducts its operations in Uzbekistan and operations of the Bank with their foreign counterparts are disclosed in Note 29. All revenue of the Bank is generated within Uzbekistan, since most of financial assets outside Uzbekistan are non-interest bearing.

29. Financial Risk Management

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

Credit risk. Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of the Bank’s internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

29. Financial Risk Management (Continued)

Bank’s internal ratings scale:

Standard	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Sub-standard	2	“Sub-standard” loans are loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay on time. “Standard” loans with insufficient information in the credit file or missed information on collateral could be also classified as “sub-standard” loans.
Unsatisfactory	3	Unsatisfactory loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for “unsatisfactory” loans, the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as “unsatisfactory” with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.
Loss	5	Loans classified as “loss” are considered uncollectible and have such little value that their continuance as bankable assets of the Bank is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Bank should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

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

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

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

Some other specific control and mitigation measures are outlined below.

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

- state guarantee
- cash deposit
- real estate
- residential property
- equipment and inventory
- motor vehicle
- letter of surety
- insurance police
- future cash flow

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

29. Financial Risk Management (Continued)

(b) Concentration of risks of financial assets with credit risk exposure. The Bank’s management focuses on concentration risk:

- According to the credit policy of the Bank the total amount of loans and advances to customers in the same sector are not recommended to exceed the following dimensions in relation to the gross amount of loans and advances to customers by the national accounting standards:

Economic sector	Required maximum weight (in percentage)
Manufacturing	70%
Individuals – residential mortgage lending	35%
Individuals – consumer lending	10%
Trade and services	25%
Construction	15%
Agriculture	10%
Municipal services	15%
Transport and communication	10%
Logistics and sales	10%
Other	25%

- The maximum risk to a single borrower or Group of affiliated borrowers shall not exceed 25% of the Bank's tier 1 capital (with the exception of loans, the allocation of which is allowed on the basis of specific government decrees, guaranteed by the Government of the Republic of Uzbekistan, funded by the Fund for the Reconstruction and Development of the Republic of Uzbekistan and cash collateralized loans) in accordance with the CBU requirements;
- The maximum risk for unsecured credits shall not exceed 5% of the Bank's tier 1 capital in accordance with the CBU requirements;
- Total amount of all large credits (loans equal to or exceeding 10% of tier 1 capital) cannot exceed the Bank's tier 1 capital by more than 8 times in accordance with the CBU requirements;
- Total loan amount to related party shall not exceed the Bank's tier 1 capital in accordance with the CBU requirements;

The Bank is required to prepare and submit stand-alone financial statements of the Bank to the Central Bank of Uzbekistan on monthly basis. The annual financial statements and interim condensed financial statements for the 1st half of a year are prepared under IFRS.

Impairment and provisioning policies. The internal and external rating systems described above focus on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences significant financial difficulty as evidenced by the borrower’s financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

The Bank’s policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available empirical data, experienced judgment and statistical techniques.

29. Financial Risk Management (Continued)

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 31.The Bank reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Note 8.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on- balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

Currency risk. The Bank 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 sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank measures its currency risk by:

- Net position on each currency should not exceed 10 % of Bank's total equity;
- Total net position on all currencies should not exceed 20 % of Bank's total equity.

The CBU sets a number of requirements for foreign currency position. As at 31 December 2016, the Bank has a long position in respect of one currency above statutory requirements. Taking into account changes in exchange rates the management believes this does not bear significant risks. The CBU may take measures to regulate the foreign currency position in accordance with the established order on the foreign currency position.

The Bank also measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses the effect of 7-11% appreciation/depreciation of that currency against Uzbekistan Soums to the profit and loss of the Bank (31 December 2015: 6-11%).

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the statement of financial position date:

In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
31 December 2016			
UZS	3,784,557,614	(3,626,112,158)	158,445,456
US Dollars	1,591,145,185	(1,488,933,699)	102,211,486
Euros	229,916,135	(193,718,062)	36,198,073
Other	13,369,884	(12,651,037)	718,847
Total	**5,618,988,818**	**(5,321,414,956)**	**297,573,862**

In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
31 December 2015			
UZS	2,755,299,524	(2,784,994,151)	(29,694,627)
US Dollars	1,354,979,158	(1,141,995,587)	212,983,571
Euros	103,632,948	(100,514,020)	3,118,928
Other	6,844,700	(6,032,283)	812,417
Total	**4,220,756,330**	**(4,033,536,041)**	**187,220,289**

The above analysis includes only monetary assets and liabilities. Investments in equities and nonmonetary assets are not considered to give rise to any material currency risk.

29. Financial Risk Management (Continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the reporting date relative to the functional currency of the Bank, with all other variables held constant:

In thousands of Uzbekistan Soums	**2016** Impact on profit or loss	**2015** Impact on profit or loss
US Dollars strengthening by 11% (2015: 11%)	16,219,743	23,428,193
US Dollars weakening by 11% (2015: 11%)	(16,219,743)	(23,428,193)
Euro strengthening by 7% (2015: 6%)	(632,985)	187,136
Euro weakening by 7% (2015: 6%)	632,985	(187,136)

The exposure calculated only for monetary balances denominated in currencies other than the functional currency of the Bank. Impact on equity would be the same as impact on the statement of comprehensive income

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Treasury Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability and reports on them to the Management.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of Uzbekistan Soums	**Less than 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
31 December 2016					
Total interest bearing financial assets	975,156,539	516,440,108	1,943,645,697	2,122,992,722	5,558,235,066
Total interest bearing financial liabilities	2,575,297,629	792,842,940	970,606,380	978,169,630	5,316,916,579
Net interest bearing assets at 31 December 2016	**(1,600,141,090)**	**(276,402,832)**	**973,039,317**	**1,144,823,092**	**241,318,487**
31 December 2015					
Total interest bearing financial assets	671,384,595	643,073,307	1,553,272,532	1,271,819,282	4,139,549,716
Total interest bearing financial liabilities	1,948,618,599	639,373,805	781,310,531	660,386,635	4,029,689,570
Net interest bearing assets at 31 December 2015	**(1,277,234,004)**	**3,699,502**	**771,962,001**	**611,432,647**	**109,860,146**

29. Financial Risk Management (Continued)

In thousands of Uzbekistan Soums	Less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
31 December 2016					
Total variable interest bearing financial assets	140,687,132	-	-	-	140,687,132
Total variable interest bearing financial liabilities	4,004,529	29,047,823	91,621,454	31,774,661	156,448,467
Net interest sensitivity gap at 31 December 2016	**136,682,603**	**(29,047,823)**	**(91,621,454)**	**(31,774,661)**	**(15,761,335)**
31 December 2015					
Total variable interest bearing financial assets	100,109,259	-	-	-	100,109,259
Total variable interest bearing financial liabilities	114,244	2,319,437	14,385,143	6,982,501	23,801,325
Net interest sensitivity gap at 31 December 2015	**99,995,015**	**(2,319,437)**	**(14,385,143)**	**(6,982,501)**	**76,307,934**

As at 31 December 2016, if interest rates at that date had been 200 basis points lower (31 December 2015 : 200 basis points lower) with all other variables held constant, profit would have been UZS 315,227 thousand higher (31 December 2015: UZS 1,526,159 thousand lower).

If interest rates had been 200 basis points higher (31 December 2015 points higher), with all other variables held constant, profit would have been UZS (315,227) thousand lower (31 December 2015: UZS 1,526,159 thousand higher).

29. Financial Risk Management (Continued)

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

	2016			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0.02%	0% - Libor	0% - EONIA -0.5%	-
Due from other banks	0%-12.5%	-	-	-
Loans and advances to customers	0% - 22%	2.3% - 10%	4.4% - 10%	-
Liabilities				
Due to other banks	8%-10%	-	-	-
Customer accounts				
State and current organisations				
- current/demand accounts	0%-7%	-	-	-
- term deposits	4%-10.5%	3%-5%	-	-
Legal entities				
- current/demand accounts	0%-5%	0%-1%	-	-
- term deposits	1%-11%	2%-3%	-	-
Individuals				
- current/demand accounts	0%-9%	-	-	-
- term deposits	14%-20%	5%-7%	5%-7%	-
Debt securities	8%-10%	-	-	-
Borrowings from government, state and international financial institutions				
- Fund for the Reconstruction and Development of the Republic of Uzbekistan	-	2% - 6%	-	-
- International Financial Institutions	-	2% - (Libor+5.26%)	(Euribor+1.7%) - 7%	-
- Domestic financial institutions	4%	-	-	-
- Preference shares	20%	-	-	-
- Ministry of Finance of the Republic of Uzbekistan	1% - 4.5%	-	-	-
- Central Bank of Uzbekistan	9%	Libor	-	-

29. Financial Risk Management (Continued)

	2015			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0.02%	0% - Libor	0% - EONIA -0.5%	-
Due from other banks	0%-13%	-	-	-
Loans and advances to customers	0% - 48%	3% - 12%	4.4% - 10%	-
Liabilities				
Due to other banks	0%-10%	-	-	-
Customer accounts				
State and current organisations				
- current/demand accounts	-	-	-	-
- term deposits	4%-11%	4%-5%	-	-
Legal entities				
- current/demand accounts	0%-5%	-	-	-
- term deposits	1%-11%	2%-3%	-	-
Individuals				
- current/demand accounts	0.01%-12%	-	-	-
- term deposits	2%-20%	5%-7%	5%-7%	-
Debt securities	6%-10%	-	-	-
Borrowings from government, state and international financial institutions				
- Fund for the Reconstruction and Development of the Republic of Uzbekistan	-	2% - 6%	-	-
- International Financial Institutions	-	2% - (Libor +3.55%)	Euribor +1% - 7%	-
- Domestic financial institutions	4%	-	-	-
- Preference shares	20%	-	-	-
- Ministry of Finance of the Republic of Uzbekistan	1% - 4.5%	-	-	-
- Central Bank of Uzbekistan	9%	Libor	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency or the Bank has the respective assets and liabilities in corresponding currency with zero interest rate.

Other price risk. The Bank has no material exposure to equity price risk.

The Bank is exposed to prepayment risk through providing fixed loans, including mortgages, which give the borrower the right to early repay the loans. The Bank's current profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

29. Financial Risk Management (Continued)

Geographical risk. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2016 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non OECD	Total
Financial assets				
Cash and cash equivalents	370,901,870	147,140,698	13,389,051	531,431,619
Due from other banks	423,003,775	26,516,050	-	449,519,825
Loans and advances to customers	4,637,308,140	-	-	4,637,308,140
Investment securities available for sale	5,289,143	-	-	5,289,143
Other financial assets	729,234	-	-	729,234
Total financial assets	**5,437,232,162**	**173,656,748**	**13,389,051**	**5,624,277,961**
Financial liabilities				
Due to other banks	248,626,433	-	-	248,626,433
Customer accounts	3,050,058,055	-	-	3,050,058,055
Debt securities in issue	28,652,397	-	-	28,652,397
Borrowings from government, state and international financial institutions	1,740,818,915	216,192,251	32,568,528	1,989,579,694
Other financial liabilities	4,498,377	-	-	4,498,377
Total financial liabilities	**5,072,654,177**	**216,192,251**	**32,568,528**	**5,321,414,956**
Net position in on-balance sheet financial instruments	**364,577,985**	**(42,535,503)**	**(19,179,477)**	**302,863,005**
Credit related commitments (Note 31)	**529,161,260**	**-**	**-**	**529,161,260**

29. Financial Risk Management (Continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2015 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non OECD	Total
Financial assets				
Cash and cash equivalents	250,877,854	131,513,341	4,410,486	386,801,681
Due from other banks	389,745,142	76,274,923	2,357,411	468,377,476
Loans and advances to customers	3,364,996,926	-	-	3,364,996,926
Investment securities available for sale	5,356,277	-	-	5,356,277
Other financial assets	580,247	-	-	580,247
Total financial assets	**4,011,556,446**	**207,788,264**	**6,767,897**	**4,226,112,607**
Financial liabilities				
Due to other banks	191,698,400	-	-	191,698,400
Customer accounts	2,403,574,400	-	-	2,403,574,400
Debt securities in issue	25,313,262	-	-	25,313,262
Borrowings from government, state and international financial institutions	1,327,130,062	48,130,098	33,843,348	1,409,103,508
Other financial liabilities	3,846,471	-	-	3,846,471
Total financial liabilities	**3,951,562,595**	**48,130,098**	**33,843,348**	**4,033,536,041**
Net position in on-balance sheet financial instruments	**59,993,851**	**159,658,166**	**(27,075,451)**	**192,576,566**
Credit related commitments (Note 31)	**652,751,211**	**-**	**-**	**652,751,211**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. OECD includes mainly Japan, Switzerland, Austria, USA and Germany. Non-OECD includes mainly China and Russia.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty meeting obligations associated with financial liabilities. The Bank 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 Bank does not maintain cash resources to meet all 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 Treasury Department of the Bank.

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

The liquidity management of the Bank 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 Bank calculates the liquidity ratio monthly in accordance with the requirement of the Central Bank of Uzbekistan.

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 Bank as a whole.

29. Financial Risk Management (Continued)

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.

The table below shows liabilities as at 31 December 2016 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. These undiscounted cash flows differ from the amount included in the statement of financial position because the amounts are based on discounted cash flows.

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 reporting date.

The undiscounted maturity analysis of financial instruments at 31 December 2016 is as follows:

In thousands of Uzbekistan Soums	**Less than 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to other banks	76,122,765	72,326,765	50,657,198	70,826,765	269,933,493
Customer accounts	2,391,577,006	570,614,291	45,965,217	79,419,333	3,087,575,847
Debt securities in issue	1,080,049	9,734,444	22,015,656	-	32,830,149
Borrowings from government, state and international financial institutions	142,190,195	203,972,736	1,048,602,963	1,003,019,454	2,397,785,348
Other financial liabilities	4,498,377	-	-	-	4,498,377
Letters of credit	93,340,693	82,662,383	-	-	176,003,076
Guarantees	6,055,681	20,584,852	40,889,632	-	67,530,165
Undrawn loan commitments	285,628,019	-	-	-	285,628,019
Total potential future payments for financial obligations	**3,000,492,785**	**959,895,471**	**1,208,130,666**	**1,153,265,552**	**6,321,784,474**

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 Bank 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.

29. Financial Risk Management (Continued)

The undiscounted maturity analysis of financial instruments at 31 December 2015 is as follows:

In thousands of Uzbekistan Soums	**Less than 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to other banks	47,965,383	85,680,783	27,673,583	47,501,783	208,821,532
Customer accounts	1,856,182,133	428,139,863	74,418,685	78,698,154	2,437,438,835
Debt securities in issue	1,311,738	2,378,941	26,824,305	-	30,514,984
Borrowings from government, state and international financial institutions	74,953,112	168,882,605	791,244,318	671,863,878	1,706,943,913
Other financial liabilities	3,846,471	-	-	-	3,846,471
Letters of credit	186,727,160	243,973,495	-	-	430,700,655
Guarantees	13,916,966	16,969,364	28,756,772	-	59,643,102
Undrawn loan commitments	162,407,454	-	-	-	162,407,454
Total potential future payments for financial obligations	**2,347,310,417**	**946,025,051**	**948,917,663**	**798,063,815**	**5,040,316,946**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

29. Financial Risk Management (Continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors remaining contractual maturities, which may be summarised as follows at 31 December 2016:

In thousands of Uzbekistan Soums	Less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 year	Total
Assets					
Cash and cash equivalents	531,431,619	-	-	-	531,431,619
Due from other banks	391,168,682	9,323,488	20,090,155	28,937,500	449,519,825
Loans and advances to customers	112,580,756	507,116,620	1,923,555,542	2,094,055,222	4,637,308,140
Investment securities available for sale	5,289,143	-	-	-	5,289,143
Other financial assets	729,234	-	-	-	729,234
Total financial assets	**1,041,199,434**	**516,440,108**	**1,943,645,697**	**2,122,992,722**	**5,624,277,961**
Liabilities					
Due to other banks	70,796,000	67,000,000	45,330,433	65,500,000	248,626,433
Customer accounts	2,372,415,088	558,262,495	41,955,775	77,424,697	3,050,058,055
Debt securities in issue	452,397	7,950,000	20,250,000	-	28,652,397
Borrowings from government, state and international financial institutions	131,634,144	159,630,445	863,070,172	835,244,933	1,989,579,694
Other financial liabilities	4,498,377	-	-	-	4,498,377
Total financial liabilities	**2,579,796,006**	**792,842,940**	**970,606,380**	**978,169,630**	**5,321,414,956**
Net liquidity gap based on contractual maturities	**(1,538,596,572)**	**(276,402,832)**	**973,039,317**	**1,144,823,092**	**302,863,005**
Cumulative liquidity gap at 31 December 2016	**(1,538,596,572)**	**(1,814,999,404)**	**(841,960,087)**	**302,863,005**	**-**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. 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 Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of the fact that a substantial portion of customer accounts is on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

29. Financial Risk Management (Continued)

Thus, the management believes that significant maturity mismatch between assets and liabilities with maturity up to 12 months and more does not represent significant risk to the Bank's liquidity, as very low proportion of demand deposits and short-term deposits is expected to be withdrawn based on the Bank's past years' and current year experience, which is consistent with the general banking practices in the banking sector of Uzbekistan.

Remaining contractual maturities at 31 December 2015:

In thousands of Uzbekistan Soums	**Less than 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 year**	**Total**
Assets					
Cash and cash equivalents	386,801,681	-	-	-	386,801,681
Due from other banks	291,611,851	126,721,263	17,643,588	32,400,774	468,377,476
Loans and advances to customers	73,597,430	516,352,044	1,535,628,944	1,239,418,508	3,364,996,926
Investment securities available for sale	5,356,277	-	-	-	5,356,277
Other financial assets	580,247	-	-	-	580,247
Total financial assets	**757,947,486**	**643,073,307**	**1,553,272,532**	**1,271,819,282**	**4,226,112,607**
Liabilities					
Due to other banks	43,684,600	81,400,000	23,392,800	43,221,000	191,698,400
Customer accounts	1,838,545,484	414,688,300	71,645,535	78,695,081	2,403,574,400
Debt securities in issue	763,262	750,000	23,800,000	-	25,313,262
Borrowings from government, state and international financial institutions	65,625,253	142,535,505	662,472,196	538,470,554	1,409,103,508
Other financial liabilities	3,846,471	-	-	-	3,846,471
Total financial liabilities	**1,952,465,070**	**639,373,805**	**781,310,531**	**660,386,635**	**4,033,536,041**
Net liquidity gap based on contractual maturities	**(1,194,517,584)**	**3,699,502**	**771,962,001**	**611,432,647**	**192,576,566**
Cumulative liquidity gap at 31 December 2015	**(1,194,517,584)**	**(1,190,818,082)**	**(418,856,081)**	**192,576,566**	**-**

30. Management of Capital

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

Under the current capital requirements set by the CBU, banks have to maintain ratios of:

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 11,5% (31 December 2016: 11,7%);
- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 8,5% (31 December 2016: 9,4%); and
- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6,0% (31 December 2016: 6,0%).

The Bank was compliant with capital ratios set above during 12 months of 2016.

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

In thousands of Uzbekistan Soums	**2016 (unaudited)**	**2015 (unaudited)**
Tier 1 capital	373,012,320	296,116,525
Tier 2 capital	87,135,958	64,807,033
Less: deductions from capital	(6,151,182)	(5,704,819)
Total regulatory capital	**453,997,096**	**355,218,739**

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.

The Bank's capital computed based on IFRS balances as of 31 December 2016 and 2015 comprised:

In thousands of Uzbekistan Soums	**2016**	**2015**
Tier 1 capital	414,025,705	319,012,869
Tier 2 capital	34,176,909	38,162,155
Total capital	**448,202,614**	**357,175,024**
Risk weighted assets	**4,241,973,308**	**3,168,670,326**
Tier 1 capital ratio (min 4%)	9.76%	10.07%
Total capital ratio (min 8%)	10.57%	11.27%

31. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank 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 financial statements.

Tax legislation. Uzbekistan tax and customs legislation is subject to varying interpretations. Also, changes to regulation can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Uzbekistan 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, 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.

Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 31 December 2016, no provision for potential tax liabilities had been recorded (31 December 2015: no provision). The Bank estimates that it has no potential obligations from exposure to other than remote tax risks (31 December 2015: no obligations).

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 Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank 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 Bank 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.

Outstanding credit related commitments are as follows:

In thousands of Uzbekistan Soums	**2016**	**2015**
Letters of credit	176,003,076	430,700,655
Guarantees	67,530,165	59,643,102
Undrawn loan commitments	285,628,019	162,407,454
Total gross commitments and contingencies	**529,161,260**	**652,751,211**
Less – Cash held as security against letters of credit and guarantees	(229,614,166)	(208,905,266)
Total net commitments and contingencies	**299,547,094**	**443,845,945**

The total outstanding contractual amount of undrawn credit lines, import letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. As at 31 December 2016, the estimated fair value of credit related commitments was UZS 237,302 thousand (as at 31 December 2015: UZS 317,567 thousand).

31. Contingencies and Commitments (Continued)

Credit related commitments are denominated in currencies as follows:

In thousands of Uzbekistan Soums	**2016**	**2015**
UZS	24,932,914	49,188,819
US Dollars	462,786,726	437,116,231
Euros	30,356,764	161,125,811
Other	11,084,856	5,320,350
Total	**529,161,260**	**652,751,211**

Capital expenditure commitments. As at 31 December 2016, the Bank has contractual capital expenditure commitments in respect of premises and equipment totaling UZS 528,896 thousand (31 December 2015: 709,821 thousand).

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

32. Fair Value of Financial Instruments

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

Assets and liabilities not measured at fair value but for which fair value is disclosed

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Fair values analysed by level in the fair value hierarchy of financial assets and financial liabilities not measured at fair value at 31 December 2016 are as follows:

In thousands of Uzbekistan Soums	**Fair value**	**Carrying value**
Loans and advances to customers		
- Corporate loans	2,786,248,240	2,754,826,057
- Residential mortgage loans	1,165,394,560	1,148,052,934
- Small business loans	661,761,664	653,372,480
- Consumer loans	82,971,062	81,056,669
TOTAL	**4,696,375,526**	**4,637,308,140**
Customer accounts		
- Term deposits of individuals	459,336,153	451,799,386
- Term deposits of state and public organisations	416,798,291	413,435,380
- Term deposits of other legal entities	199,687,305	194,735,272
TOTAL	**1,075,821,749**	**1,059,970,038**

32. Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of financial liabilities not measured at fair value at 31 December 2015 are as follows:

In thousands of Uzbekistan Soums	**Fair value**	**Carrying value**
Loans and advances to customers		
- Corporate loans	2,046,895,367	2,035,706,042
- Residential mortgage loans	836,401,939	832,915,141
- Small business loans	438,925,225	448,091,009
- Consumer loans	49,783,709	48,284,734
TOTAL	**3,372,006,240**	**3,364,996,926**
Customer accounts		
- Term deposits of individuals	442,536,322	361,141,402
- Term deposits of state and public organisations	298,567,394	282,631,807
- Term deposits of other legal entities	70,596,466	66,708,084
TOTAL	**811,700,182**	**710,481,293**

The fair values of the financial assets and financial liabilities included in the level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

33. 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 with the Bank party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2016, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	31 December 2016 Related party balances	31 December 2016 Total category as per the financial statements caption	31 December 2015 Related party balances	31 December 2015 Total category as per the financial statements caption
ASSETS				
Cash and cash equivalents	**310,138,634**	**531,431,619**	**169,538,050**	**386,801,681**
- entities with significant influence over the Bank				
- other related entities - Government	310,138,634		169,538,050	
- key management personnel				
Due from other banks	**379,607,118**	**449,519,825**	**333,004,117**	**468,377,476**
- entities with significant influence over the Bank				
- other related entities - Government	379,607,118		333,004,117	
- key management personnel				
Total loans and advances to customers before impairment provision	**55,761,000**	**4,685,411,874**	**50,000,000**	**3,413,278,078**
- entities with significant influence over the Bank (contractual 12%)	55,761,000		50,000,000	
- other related entities - Government				
- key management personnel				
Provision for loan impairment	**(908,904)**	**(48,103,734)**	**(950,000)**	**(48,281,152)**
- entities with significant influence over the Bank	(908,904)		(950,000)	
- other related entities - Government				
- key management personnel				
Investment securities available for sale	**-**	**5,289,143**	**-**	**5,356,277**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Premises, equipment and intangible assets	**-**	**92,934,180**	**-**	**84,639,059**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Current income tax prepayment	**-**	**4,335,335**	**-**	**3,656,006**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Deferred income tax asset	**-**	**8,730,032**	**-**	**7,684,786**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Other financial assets	**-**	**729,234**	**-**	**580,247**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Other non-financial assets	**-**	**17,490,182**	**-**	**35,474,442**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
TOTAL ASSETS	**744,597,848**	**5,747,767,690**	**551,592,167**	**4,357,566,900**

33. Related Party Transactions (Continued)

In thousands of Uzbekistan Soums	31 December 2016 Related party balances	31 December 2016 Total category as per the financial statements caption	31 December 2015 Related party balances	31 December 2015 Total category as per the financial statements caption
LIABILITIES				
Due to other banks	**265,933,800**	**248,626,433**	**191,698,400**	**191,698,400**
- entities with significant influence over the Bank (contractual rate 0%-6%)				
- other related entities - Government	265,933,800		191,698,400	
- key management personnel				
Customer accounts	**18,035,154**	**3,050,058,055**	**18,168,846**	**2,403,574,400**
- entities with significant influence over the Bank (contractual rate 0%-6%)	18,035,154		18,035,154	
- other related entities - Government				
- key management personnel	-		133,692	
Debt securities in issue	**-**	**28,652,397**	**-**	**25,313,262**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Borrowings from government, state and international financial institutions	**1,730,382,466**	**1,989,579,694**	**1,307,069,962**	**1,409,103,508**
- entities with significant influence over the Bank	750,058,877		481,282,517	
- other related entities - Government	980,323,589		825,787,445	
- key management personnel				
Other financial liabilities	**-**	**4,498,377**	**-**	**3,846,471**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Other non-financial liabilities	**-**	**12,327,029**	**-**	**5,017,990**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
TOTAL LIABILITIES	**2,014,351,420**	**5,333,741,985**	**1,516,937,208**	**4,038,554,031**

33. Related Party Transactions (Continued)

The income and expense items with related parties for 2016 and 2015 were as follows:

In thousands of Uzbekistan Soums	31 December 2016 Related party transactions	31 December 2016 Total category as per the financial statements caption	31 December 2015 Related party transactions	31 December 2015 Total category as per the financial statements caption
CONTINUING OPERATIONS				
Interest income	**10,013,556**	**378,907,394**	**6,107,224**	**300,752,988**
- entities with significant influence over the Bank	4,582,700		2,446,614	
- other related entities - Government	5,430,856		3,660,610	
- key management personnel				
Interest expense	**(64,294,886)**	**(178,975,131)**	**(44,955,469)**	**(138,432,648)**
- entities with significant influence over the Bank	(19,589,448)		(9,720,025)	
- other related entities - Government	(44,705,438)		(35,235,444)	
- key management personnel				
Recovery of/(Provision for) impairment of loans and advances to customers	**41,096**	**(976,370)**	**(720,302)**	**(13,868,934)**
- entities with significant influence over the Bank	41,096		(720,302)	
- other related entities - Government				
- key management personnel				
Fee and commission income	**2,472,972**	**181,042,621**	**1,711,963**	**146,314,784**
- entities with significant influence over the Bank	2,472,972		1,711,963	
- other related entities - Government				
- key management personnel				
Fee and commission expense	**-**	**(35,633,075)**	**-**	**(25,208,332)**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Gains less losses from trading in foreign currencies	**-**	**8,598,669**	**-**	**5,544,109**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Foreign exchange translation gains less losses	**-**	**29,994,097**	**-**	**33,732,441**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Loss from impairment of investment securities available for sale	**-**	**(125,238)**	**-**	**(227,641)**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Dividend income	**-**	**181,478**	**-**	**453,717**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Other operating income	**16,771**	**7,467,612**	**12,839**	**7,507,611**
- entities with significant influence over the Bank	16,771		12,839	
- other related entities - Government				
- key management personnel				
Other impairment recovery/(provision)	**-**	**(251,824)**	**-**	**570,079**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				

33. Related Party Transactions (Continued)

In thousands of Uzbekistan Soums	**31 December 2016** Related party transactions	Total category as per the financial statements caption	**31 December 2015** Related party transactions	Total category as per the financial statements caption
Administrative and other operating expenses	**(1,341,045)**	**(298,873,639)**	**(1,118,850)**	**(245,521,404)**
- entities with significant influence over the Bank	(1,341,045)		(1,118,850)	
- other related entities - Government				
Income tax expense	**-**	**(19,294,488)**	**-**	**(16,511,756)**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
Profit/(loss) for the period from discontinued operations	**-**	**-**	**-**	**2,939,295**
- entities with significant influence over the Bank				
- other related entities - Government				
- key management personnel				
NET PROFIT FOR THE PERIOD	**(53,091,536)**	**72,062,106**	**(38,962,595)**	**58,044,309**
- entities with significant influence over the Bank	(13,816,954)		(7,387,761)	
- other related entities - Government	(39,274,582)		(31,574,834)	
- key management personnel	-		-	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(53,091,536)**	**72,062,106**	**(38,962,595)**	**58,044,309**
- entities with significant influence over the Bank	(13,816,954)		(7,387,761)	
- other related entities - Government	(39,274,582)		(31,574,834)	
- key management personnel	-		-	

Key management compensation is presented below:

In thousands of Uzbekistan Soums	**2016**	**2015**
Short-term benefits:		
- Salaries and other short term benefits	941,486	1,011,340
- Social Security costs	235,372	252,835
Total key management personnel compensation	**1,176,858**	**1,264,175**

34. Subsequent events

The management is not aware of any material events subsequent to the reporting date.