IPOTEKA BANK

JOINT-STOCK COMMERCIAL MORTGAGE BANK

"IPOTEKA-BANK"

Interim Condensed Consolidated Financial Statements for the 1st half of 2016 (unaudited)

and

Independent Auditor's Report on Review

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Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST HALF OF 2016

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of the Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (hereinafter - "the Bank") and its subsidiaries (together referred to as "the Group") as at 30 June 2016 and the results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34").

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the interim condensed financial position of the Group, and which enable them to ensure that the interim condensed financial statements of the Group comply with IAS 34;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the 1st half of 2016 were approved for issue and signed on behalf of the Board of Management on 17 November 2016.

On behalf of the Board of Management:

Omon Musayev
Chairman of the Board

Elyor Normetov
Chief Accountant

17 November 2016
Tashkent, Uzbekistan

17 November 2016
Tashkent, Uzbekistan

O'ZBEKISTON RESPUBLIKASI "IPOTEKA-BANK" AKSIYADORLIK-TIJORAT IPOTEKA BANKI
JOINT-STOCK COMMERCIAL MORTGAGE BANK "IPOTEKA-BANK" OF THE REPUBLIC OF UZBEKISTAN
IPOTEKA BANK

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (hereinafter - "the Bank") and its subsidiaries (together referred to as "the Group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Other matter

The interim condensed consolidated financial statements for the 1st half of 2015 were not reviewed.

Deloitte & Touche

17 November 2016

Tashkent, Uzbekistan

Joint Stock Commercial Mortgage Bank "Ipoteka Bank"
Interim Condensed Consolidated Statement of Financial Position as at 30 June 2016

In thousands of Uzbekistan Soums	Notes	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents	6	442,549,323	386,801,681
Due from other banks	7	441,820,751	468,377,476
Loans and advances to customers	8	3,903,918,538	3,364,996,926
Investment securities available for sale	9	5,411,603	5,356,277
Premises, equipment and intangible assets	10	92,694,056	84,639,059
Current income tax prepayment		408,848	3,656,006
Deferred income tax asset	25	9,715,412	7,684,786
Other financial assets	11	3,167,565	580,247
Other non-financial assets	12	33,747,736	35,474,442
TOTAL ASSETS		**4,933,433,832**	**4,357,566,900**
LIABILITIES			
Due to other banks	14	265,933,800	191,698,400
Customer accounts	15	2,616,036,526	2,403,574,400
Debt securities in issue	16	24,364,412	25,313,262
Borrowings from government, state and international financial institutions	17	1,625,163,510	1,409,103,508
Other financial liabilities	18	5,047,185	3,846,471
Other non-financial liabilities	18	7,850,499	5,017,990
TOTAL LIABILITIES		**4,544,395,932**	**4,038,554,031**
EQUITY			
Share capital	19	269,421,142	242,501,121
Share premium	19	754,434	754,417
Retained earnings		118,862,324	75,757,331
TOTAL EQUITY		**389,037,900**	**319,012,869**
TOTAL LIABILITIES AND EQUITY		**4,933,433,832**	**4,357,566,900**

Approved for issue and signed on behalf of the Board of Management on 17 November 2016.

Omon Musayev
Chairman of the Board

Elyor Normetov
Chief Accountant

IPOTEKA BANK

In thousands of Uzbekistan Soums	**Notes**	**1st half of 2016 (unaudited)**	**1st half of 2015 (unaudited)**
CONTINUING OPERATIONS			
Interest income	20	179,042,037	139,388,917
Interest expense	20	(86,817,689)	(63,062,974)
Net interest income		**92,224,348**	**76,325,943**
Provision for impairment of loans and advances to customers	8	1,184,332	(1,083,837)
Net interest income after provision for loan impairment		**93,408,680**	**75,242,106**
Fee and commission income	21	87,266,152	70,086,550
Fee and commission expense	21	(17,173,563)	(11,488,767)
Gains less losses from trading in foreign currencies		2,710,919	2,154,469
Foreign exchange translation gains less losses		11,613,948	11,165,548
Dividend income		126,427	371,273
Other operating income	22	4,229,989	3,374,169
Other impairment provision	13	(63,736)	(2,019,569)
Administrative and other operating expenses	23	(123,926,132)	(101,577,317)
Profit before tax		**58,192,684**	**47,308,462**
Income tax expense	24, 25	(11,524,666)	(10,102,852)
Profit for the period from continuing operations		**46,668,018**	**37,205,610**
DISCONTINUED OPERATIONS			
Profit/(loss) for the period from discontinued operations	24	-	1,697,703
NET PROFIT FOR THE PERIOD		**46,668,018**	**38,903,313**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**46,668,018**	**38,903,313**
Basic and diluted earnings per share per ordinary share in UZS	26	**655**	**624**
Basic and diluted earnings per share per equity component of preference share in UZS	26	**447**	**558**

The notes set out on pages 5 to 63 form an integral part of these interim condensed consolidated financial statements.

In thousands of Uzbekistan Soums	**Notes**	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
Balance at 31 December 2014		**182,302,396**	**754,417**	**66,721,660**	**249,778,473**
Profit for the period		-	-	38,903,313	38,903,313
Total comprehensive income for the period		-	-	38,903,313	38,903,313
Capitalisation of Retained earnings	19	48,630,637	-	(48,630,637)	-
Recognition of liability component of preference shares	19	(1,512,000)	-	(378,000)	(1,890,000)
Balance at 30 June 2015 (unaudited)		**229,421,033**	**754,417**	**56,616,336**	**286,791,786**
Balance at 31 December 2015		**242,501,121**	**754,417**	**75,757,331**	**319,012,869**
Profit for the period		-	-	46,668,018	46,668,018
Total comprehensive income for the period		-	-	46,668,018	46,668,018
Ordinary shares issued	19	26,920,021	17	-	26,920,038
Dividends declared - ordinary shares	27	-	-	(3,563,025)	(3,563,025)
Balance at 30 June 2016 (unaudited)		**269,421,142**	**754,434**	**118,862,324**	**389,037,900**

In thousands of Uzbekistan Soums	Notes	1st half of 2016 (unaudited)	1st half of 2015 (unaudited)
Cash flows from operating activities			
Interest received		171,112,974	132,145,484
Interest paid		(86,533,384)	(61,637,863)
Fees and commissions received		85,049,954	69,612,634
Fees and commissions paid		(17,173,563)	(11,488,767)
Income received from trading in foreign currencies		2,710,919	2,154,469
Other operating income received		3,855,182	3,094,886
Staff costs paid		(74,812,191)	(64,414,820)
Administrative and other operating expenses paid		(39,569,984)	(31,614,770)
Income tax paid		(8,232,930)	(9,688,791)
Cash flows from operating activities before changes in operating assets and liabilities		**36,406,977**	**28,162,462**
Net decrease/(increase) in due from other banks		32,861,840	(46,930,573)
Net increase in loans and advances to customers		(472,776,460)	(348,302,814)
Net decrease/(increase) in other non-financial assets		945,174	(2,562,727)
Net increase/(decrease) in due to other banks		74,235,400	(18,421,400)
Net increase in customer accounts		195,295,636	104,270,642
Net decrease in other non-financial liabilities		(562,113)	(2,096,520)
Net cash used in operating activities		**(133,593,546)**	**(285,880,930)**
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets	10	(13,795,829)	(5,435,441)
Proceeds from disposal of premises, equipment and intangible assets	10	621,859	472,611
Purchase of investment securities available for sale	9	(55,326)	(269,532)
Payments for property for resale		(917,042)	(1,034,009)
Dividend income received		126,427	371,273
Net cash used in investing activities		**(14,019,911)**	**(5,895,098)**
Cash flows from financing activities			
Issue of ordinary shares	19	26,920,038	-
Proceeds from borrowings from government, state and international financial institutions	17	439,370,934	407,641,738
Repayment of borrowings from government, state and international financial institutions	17	(269,774,590)	(230,004,466)
Proceeds from issue of debt securities	16	1,200,000	4,850,000
Repayment of debt securities	16	(2,200,000)	(9,800,000)
Dividends (paid)/reversed	27	(2,987,910)	18,354
Net cash from financing activities		**192,528,472**	**172,705,626**
Effect of exchange rate changes on cash and cash equivalents		**10,832,627**	**22,123,423**
Net increase/(decrease) in cash and cash equivalents		**55,747,642**	**(96,946,979)**
Cash and cash equivalents at the beginning of the year	6	386,801,681	581,845,704
Cash and cash equivalents at the end of the period	6	**442,549,323**	**484,898,725**
Non-cash Transactions:			
Capitalisation of Retained earnings		-	48,630,637

1. Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for Joint Stock Commercial Mortgage Bank “Ipoteka Bank” (“the Bank”) and its subsidiaries (“the Group”). 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 originating 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 30 June 2016 (31 December 2015: 38 branches). As at 30 June 2016 and 31 December 2015, the number of employees of the Bank was 4,650 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 interim condensed consolidated financial statements are presented in thousands of Uzbekistan Soums ("UZS thousands").

Shareholders. As at 30 June 2016 and 31 December 2015, the interest of the shareholders in the Bank’s capital was as follows:

Shareholders	30 June 2016	31 December 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" State Joint-Stock Railway Company	6.6%	-
"AMSC" 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 30 June 2016, the Group has no subsidiaries. As at 30 June 2015, the Group classified its subsidiaries (“Valley Mountain Fresh” LLC, “Katkal’a teks” LLC and “Quvasoy Naslli Parranda” LLC) as held for sale and fully disposed by 31 December 2015 (See Note 24).

2. Operating Environment of the Group

Republic of Uzbekistan.

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.

Because Uzbekistan produces and exports gas, its economy is sensitive to the price of gas on the worlds market. During 2014-2015, gas prices decreased significantly, which led to a decrease in national export revenue. During the six months of 2016, gas prices increased slightly compared to the price at 31 December 2015.

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 and political 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 interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2015 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition, unless otherwise stated (refer to Note 5).

The Group 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 consolidated financial statements are based on the Group’s UAL books and records, adjusted and reclassified in order to comply with IFRS.

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

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2015, except for the impact of the adoption of the new and amended Standards and Interpretations, which are stated in Notes 4 and 5.

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

	30 June 2016	31 December 2015
Closing exchange rates – [UZS]		
1 USD	2,943.46	2,809.98
1 EUR	3,334.25	3,074.19
	2016	**2015**
Average exchange rates for the 1st half of - [UZS]		
1 USD	2,880.30	2,490.85
1 EUR	3,231.21	2,791.86

3. Summary of Significant Accounting Policies (Continued)

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

	30 June 2016		
	Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS			
Cash and cash equivalents	442,549,323	-	442,549,323
Due from other banks	393,275,001	48,545,750	441,820,751
Loans and advances to customers	496,214,528	3,407,704,010	3,903,918,538
Investment securities available for sale	5,411,603	-	5,411,603
Premises, equipment and intangible assets	5,543,621	87,150,435	92,694,056
Current income tax prepayment	408,848	-	408,848
Deferred income tax asset	-	9,715,412	9,715,412
Other financial assets	3,167,565	-	3,167,565
Other non-financial assets	12,492,971	21,254,765	33,747,736
TOTAL ASSETS	**1,359,063,460**	**3,574,370,372**	**4,933,433,832**
LIABILITIES			
Due to other banks	154,201,000	111,732,800	265,933,800
Customer accounts	2,439,525,115	176,511,411	2,616,036,526
Debt securities in issue	1,764,412	22,600,000	24,364,412
Borrowings from government, state and international financial institutions	260,451,367	1,364,712,143	1,625,163,510
Other financial liabilities	5,047,185	-	5,047,185
Other non-financial liabilities	7,850,499	-	7,850,499
TOTAL LIABILITIES	**2,868,839,578**	**1,675,556,354**	**4,544,395,932**

3. Summary of Significant Accounting Policies (Continued)

In thousands of Uzbekistan Soums	**31 December 2015**		
	Amounts expected to be recovered or settled		
	Within 12 months after the reporting period	**After 12 months after the reporting period**	**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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2015 prepared in accordance with IFRS.

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.

- IFRS 14 Regulatory Deferral Accounts;
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations;
- Amendments to IAS 1 – Disclosure initiative project;
- 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;
- Amendments to IAS 27 - Equity Method in Separate Financial Statements;
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception;
- Annual Improvements to IFRSs 2012-2014 Cycle;
- Amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses related to debt instruments measured at fair value;

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 did not materially impact on the Group's financial statements as the Group is not an IFRS first-time adopter.

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 amendments did not materially impact the Group's financial statements as such transactions did not arise with the Group

Amendments to IAS 1 – Disclosure initiative project

The amendments clarify the principles of disclosing information. The definition of materiality is expanded. It specifies the requirements of aggregation and disaggregation of data, clarifies that materiality applies to all parts of financial statements and even in those cases when the standards require specific disclosures materiality criteria do apply. The standard also provides more guidance on presenting the information in the statement of financial position and statement of comprehensive income as well as on the order of the notes in the financial statements.

The amendments did not materially impact the Group's financial statements.

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 Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The management of the Group 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 Group's consolidated 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 materially impact the Group's financial statements as the Group is not engaged in agricultural activities.

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 Group's financial statements as the Group does not prepare its separate 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 amendments did not materially impact the Group's financial statements as such transactions did not arise with the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated 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 amendments did not materially impact the Group's financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

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

Annual Improvements to IFRSs 2012-2014 Cycle. The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

Amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses related to debt instruments measured at fair value. The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that:

- the carrying amount of an asset does not limit the estimation of probable future taxable profits; and that
- when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted. The management decided to early application of these amendments and the amendments did not materially impact the Group’s financial statements.

New and revised IFRSs in issue but not yet effective.

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

- Amendments to IAS 7 – Disclosure of changes in liabilities arising from financing activities[1];
- IFRS 9 Financial Instruments[2];
- IFRS 15 Revenue from Contracts with Customers[2];
- IFRS 16 Leases[3]
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions[2];

[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.

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

Amendments to IAS 7 – Disclosure of changes in liabilities arising from financing activities. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not define financing activities, instead they clarify that financing activities are based on the existing definition used in IAS 7. The amendments do not prescribe a specific format to disclose financing activities. However, the amendments indicate that an entity may fulfill the disclosure objective by providing a reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities. The amendments also include illustrative examples to show how entity can provide such reconciliation.

The amendments are to be applied prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods.

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. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and 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. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement. The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the 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 after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. 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) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI 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.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, 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 a credit loss is recognized.
- **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.

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

- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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 Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group'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;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises 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 recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases. IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating of finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

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

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

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions. The amendments to IFRS 2 contains the following clarifications and amendments:

- **Accounting for cash-settled share-based payment transactions that include a performance condition.** IASB has added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.
- **Classification of share-based payment transactions with net settlement features.** IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. The amendments also add a requirement to disclose an estimate of the amount of cash expected to be transferred to the tax authority as a result of such arrangement.
- **Accounting for modifications of share-based payment transactions from cash-settled to equity-settled.** The IASB has introduced the following clarifications:

  On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

  Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

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

6. Cash and Cash Equivalents

In thousands of Uzbekistan Soums	**30 June 2016**	**31 December 2015**
Cash on hand	76,263,544	80,626,367
Cash balances with the CBU (other than mandatory reserve deposits)	213,836,864	138,549,071
Correspondent accounts and overnight placements with other banks	148,868,401	154,489,980
Placements with other banks with original maturities of less than three months	3,580,514	13,136,263
Total cash and cash equivalents	**442,549,323**	**386,801,681**

Cash balances with the CBU include an overnight deposit of UZS 204,580,910 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 30 June 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	213,836,864	-	-	213,836,864
- "Aa3" (Moody's)	-	185,442	-	185,442
- "A1" (Moody's)	-	1,466,141	-	1,466,141
- "A2" (Moody's)	-	13,976,943	-	13,976,943
- "A3" (Moody's)	-	75,298,072	-	75,298,072
- "Baa2" (Moody's)	-	22,967,771	-	22,967,771
- "Ba3" (Moody's)	-	218,894	-	218,894
- "B1" (Moody's)	-	30,614,323	-	30,614,323
- "B2" (Moody's)	-	225,014	1,000	226,014
- "B" (Standard & Poors)	-	3,915,801	3,579,514	7,495,315
Total cash and cash equivalents, excluding cash on hand	**213,836,864**	**148,868,401**	**3,580,514**	**366,285,779**

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
- "Caa1" (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	**30 June 2016**	**31 December 2015**
Long term placements with other banks	126,153,874	152,011,707
Short term placements with other banks with original maturities of more than three months	24,942,641	43,808,830
Mandatory reserve deposit held with CBU	290,724,236	272,556,939
Total due from other banks	**441,820,751**	**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 Group does not have the right to use these deposits for the purposes of funding its own activities.

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	**30 June 2016**	**31 December 2015**
Neither past due nor impaired		
- Central Bank of Uzbekistan	290,724,236	272,556,939
- "A2" (Moody's)	48,034,822	-
- "Baa1" (Moody's)	-	54,608,336
- "Baa2" (Moody's)	2,234,925	21,666,587
- "B1" (Moody's)	637,671	29,055,340
- "B2" (Moody's)	27,672,460	1,020,164
- "B3" (Moody's)	20,000,000	20,000,000
- "Caa1" (Moody's)	30,141,000	50,092,500
- "B+" (Standard & Poors)	3,316,459	3,316,459
- "B" (Standard & Poors)	2,000,000	-
- "B-" (Standard & Poors)	2,000,000	-
- "C" (Standard & Poors)	4,000,000	6,000,000
- "B" (Fitch Ratings)	8,036,986	7,038,219
- "B-" (Fitch Ratings)	3,022,192	3,022,932
Total due from other banks	**441,820,751**	**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	**30 June 2016**	**31 December 2015**
Corporate lending	2,487,137,014	2,075,852,891
Residential mortgage lending	1,009,592,801	833,331,383
Small business lending	386,892,195	455,784,905
Consumer lending	67,074,359	48,308,899
Total loans and advances to customers before impairment provision	**3,950,696,369**	**3,413,278,078**
Less: Provision for loan impairment	(46,777,831)	(48,281,152)
Total loans and advances to customers	**3,903,918,538**	**3,364,996,926**

As at 30 June 2016, corporate loans include finance lease receivables of UZS 28,425,389 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 the first half of 2016 are as follows:

In thousands of Uzbekistan Soums	Corporate lending	Small business lending	Residential mortgage lending	Consumer lending	Total
Provision for loan impairment at 31 December 2015	**40,146,849**	**7,693,896**	**416,242**	**24,165**	**48,281,152**
Provision for/(recovery of) loan impairment during the period	1,048,966	(3,103,473)	806,202	63,973	**(1,184,332)**
Bad debt written-off	-	(1,244,303)	-	-	**(1,244,303)**
Recovery of bad debt written-off	543,734	415,642	128,835	1,785	**1,089,996**
Currency translation difference	(164,682)	-	-	-	**(164,682)**
Provision for loan impairment at 30 June 2016	**41,574,867**	**3,761,762**	**1,351,279**	**89,923**	**46,777,831**

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

In thousands of Uzbekistan Soums	Corporate lending	Small business lending	Residential mortgage lending	Consumer lending	Total
Provision for loan impairment at 31 December 2014	**21,860,488**	**8,986,587**	**200,558**	**38,211**	**31,085,844**
Provision for/(recovery of) loan impairment during the period	(4,555,051)	5,600,723	47,661	(9,496)	**1,083,837**
Recovery of bad debt written-off	836,746	3,223,178	-	-	**4,059,924**
Currency translation difference	127,013	-	-	-	**127,013**
Provision for loan impairment at 30 June 2015	**18,269,196**	**17,810,488**	**248,219**	**28,715**	**36,356,618**

8. Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	30 June 2016 amount	%	31 December 2015 amount	%
Manufacturing	1,935,815,178	49	1,735,011,665	50
Individuals	1,076,667,160	28	881,652,347	26
Trade and services	351,581,936	9	378,074,946	12
Construction	207,397,894	5	173,983,535	5
Agriculture	161,674,298	4	95,488,092	3
Municipal services	89,445,774	2	39,108,912	1
Transport and communication	81,456,017	2	38,283,577	1
Oil & Gas	46,655,520	1	71,672,198	2
Other	2,592	-	2,806	-
Total loans and advances to customers before impairment provision	**3,950,696,369**	**100**	**3,413,278,078**	**100**

As at 30 June 2016, the Group had 10 borrowers (31 December 2015: 10 borrowers) with the aggregate loan balance of UZS 1,637,530,757 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 30 June 2016 is as follows:

In thousands of Uzbekistan Soums	Corporate lending	Small business lending	Residential mortgage lending	Consumer lending	Total
Unsecured loans	**40,194,963**	**93,868**	**-**	**-**	**40,288,831**
Loans collateralised by:					
- state guarantee	784,654,419	-	-	-	**784,654,419**
- real estate	448,698,920	259,332,728	1,008,290,865	1,143,915	**1,717,466,428**
- letters of surety	491,687,595	27,728,767	1,236,046	49,472,692	**570,125,100**
- vehicles	127,489,962	85,916,150	65,890	14,604,367	**228,076,369**
- equipment and inventory	470,470,367	5,705,084	-	1,103	**476,176,554**
- cash deposit	96,679,870	333,574	-	65,479	**97,078,923**
- insurance	27,260,918	6,892,802	-	1,420,805	**35,574,525**
- other assets	-	889,222	-	365,998	**1,255,220**
Total collateralised loans	**2,446,942,051**	**386,798,327**	**1,009,592,801**	**67,074,359**	**3,910,407,538**
Total loans and advances to customers before impairment provision	**2,487,137,014**	**386,892,195**	**1,009,592,801**	**67,074,359**	**3,950,696,369**

8. Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2015 is as follows:

In thousands of Uzbekistan Soums	Corporate lending	Small business lending	Residential mortgage lending	Consumer lending	Total
Unsecured loans	**36,231,487**	**135,206**	**-**	**-**	**36,366,693**
Loans collateralised by:					
- state guarantee	831,573,330	-	-	-	**831,573,330**
- real estate	291,068,562	286,475,810	809,497,551	1,503,907	**1,388,545,830**
- letters of surety	431,969,788	46,188,655	16,841,637	32,837,578	**527,837,658**
- vehicles	101,943,155	102,307,780	6,159,558	12,605,463	**223,015,956**
- equipment and inventory	345,517,224	8,506,667	-	1,931	**354,025,822**
- cash deposit	18,590,850	466,317	38,044	35,849	**19,131,060**
- insurance	18,958,495	10,512,282	682,880	1,098,491	**31,252,148**
- other assets	-	1,192,188	111,713	225,680	**1,529,581**
Total collateralised loans	**2,039,621,404**	**455,649,699**	**833,331,383**	**48,308,899**	**3,376,911,385**
Total loans and advances to customers before impairment provision	**2,075,852,891**	**455,784,905**	**833,331,383**	**48,308,899**	**3,413,278,078**

8. Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 30 June 2016 is as follows:

In thousands of Uzbekistan Soums	**Corporate lending**	**Small business lending**	**Residential mortgage lending**	**Consumer lending**	**Total**
Neither past due nor impaired					
- Loans and advances - Standard	2,287,384,878	354,854,601	973,092,202	66,279,968	**3,681,611,649**
- Loans and advances - Sub-standard	139,422,401	17,102,244	17,897,591	46,926	**174,469,162**
Total neither past due nor impaired	**2,426,807,279**	**371,956,845**	**990,989,793**	**66,326,894**	**3,856,080,811**
Past due but not impaired					
- less than 30 days overdue	2,251,046	2,664,915	5,504,515	263,744	**10,684,220**
- 30 to 90 days overdue	8,656,251	5,201,136	4,959,177	349,702	**19,166,266**
- 90 to 180 days overdue	6,821,491	4,369,112	2,776,047	112,352	**14,079,002**
- 180 to 360 days overdue	3,394,486	2,197,828	1,863,636	21,667	**7,477,617**
- more than 360 days overdue	2,992,227	502,357	3,499,634	-	**6,994,218**
Total past due but not impaired	**24,115,501**	**14,935,348**	**18,603,009**	**747,465**	**58,401,323**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	31,946,347	-	-	-	**31,946,347**
- 90 to 180 days overdue	4,267,888	-	-	-	**4,267,888**
Total individually impaired loans (gross)	**36,214,235**	**-**	**-**	**-**	**36,214,235**
- Impairment provisions for individually impaired loans	(16,483,195)	-	-	-	**(16,483,195)**
- Impairment provisions assessed on portfolio basis	(25,091,672)	(3,761,762)	(1,351,279)	(89,923)	**(30,294,636)**
Less total impairment provisions	**(41,574,867)**	**(3,761,762)**	**(1,351,279)**	**(89,923)**	**(46,777,831)**
Total loans and advances to customers	**2,445,562,148**	**383,130,431**	**1,008,241,523**	**66,984,436**	**3,903,918,538**

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

The Group 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 Group’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 Group considers in determining whether a loan is impaired are its overdue status and realizability of related collateral, if any. As a result, the Group 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 30 June 2016	**15,214,924**	**17,787,154**	**33,002,078**
Unearned finance income	(2,498,586)	(2,078,103)	**(4,576,689)**
Impairment loss provision	(117,695)	(145,394)	**(263,089)**
Present value of lease payments receivable at 30 June 2016	**12,598,643**	**15,563,657**	**28,162,300**
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 Group 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 Group is entitled to possession of the object if certain terms of the agreement are not fulfilled;
- Initial direct costs are initially borne by the Group 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	30 June 2016	31 December 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	320,674	320,674
Qo'qon neftegaz parmalash ishlari JSC	Construction	90,138	90,138
Kredit ahborot tahliliy markazi LLC	Consulting	40,000	40,000
O'zneftgazqazibchiqarish JSC	Oil & Gas	36,365	36,365
Uzneftmahsulot JSC	Oil & Gas	20,602	20,602
Banklararo maslahat markazi LLC	Consulting	4,000	4,000
O'zgeoburneftgaz JSC	Oil & Gas	1,139	1,139
Total investment securities available for sale		**5,411,603**	**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	(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	-	12,054,506	4,472	1,731,692	55,000	13,845,670
Disposals (net of depreciation)	(171,563)	(19,384)	(5,983)	(50,122)	-	(247,052)
Net transfers	6,194,243	(456,121)	453,471	(6,194,243)	2,650	-
Depreciation/ amortisation charge (Note 23)	(814,392)	(4,437,335)	(214,253)	-	(77,641)	(5,543,621)
Carrying amount at 30 June 2016	**27,553,712**	**30,566,023**	**1,740,603**	**32,528,552**	**305,166**	**92,694,056**
Cost at 30 June 2016	37,535,501	73,150,573	3,400,028	32,528,552	2,638,071	149,252,725
Accumulated depreciation/ amortisation	(9,981,789)	(42,584,550)	(1,659,425)	-	(2,332,905)	(56,558,669)
Carrying amount at 30 June 2016	**27,553,712**	**30,566,023**	**1,740,603**	**32,528,552**	**305,166**	**92,694,056**

As at 30 June 2016 and 31 December 2015, assets in the warehouse are included in the office and computer equipment category in the amount of UZS 3,751,473 and 1,826,274 thousands, respectively.

11. Other Financial Assets

In thousands of Uzbekistan Soums	**30 June 2016**	**31 December 2015**
Commission and other receivable	3,211,306	624,351
Less impairment provision	(43,741)	(44,104)
Total other financial assets	**3,167,565**	**580,247**

12. Other Non-Financial Assets

In thousands of Uzbekistan Soums	**30 June 2016**	**31 December 2015**
Other non-financial assets		
Prepayments for property for resale	28,339,687	27,422,645
Receivable from employees	5,514,055	5,463,150
Prepayments	2,632,576	4,705,654
Prepayment for intangible assets	938,391	988,232
Inventories	894,632	497,232
Other tax prepayments	28,852	901,537
Other	913,598	918,228
Less impairment provision	(5,514,055)	(5,422,236)
Total other non-financial assets	**33,747,736**	**35,474,442**

Prepayments for property for resale of UZS 28,339,687 thousand (31 December 2015: UZS 27,422,645 thousand) mainly relate to construction of multi-storeyed residential buildings in Navoi Str., Tashkent, Uzbekistan.

Prepayments include payments for blank plastic cards to "Benif" LLC of UZS 1,458,576 thousand (31 December 2015: UZS 4,181,798 thousand).

As at 30 June 2016 and 31 December 2015, impairment provision included impairment losses in the amount of UZS 5,514,055 and UZS 5,180,047 thousand against receivables from employees.

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**
Additional provision charge	2,019,569
Currency translation difference	58,573
Other impairment provision at 30 June 2015	**7,968,129**
Recovery	(2,589,648)
Currency translation difference	87,859
Other impairment provision at 31 December 2015	**5,466,340**
Additional provision charge	63,736
Currency translation difference	90,199
Written-off as uncollectible	(62,479)
Other impairment provision at 30 June 2016	**5,557,796**

14. Due to Other Banks

In thousands of Uzbek Soums	**30 June 2016**	**31 December 2015**
Short-term placements of other banks	86,000,000	35,400,000
Long term placements of other banks	179,857,800	156,283,400
Correspondent accounts and overnight placements of other banks	76,000	15,000
Total due to other banks	**265,933,800**	**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	**30 June 2016**	**31 December 2015**
State and public organisations		
- Current/demand accounts	830,770,990	975,110,884
- Term deposits	357,819,309	282,631,807
Other legal entities		
- Current/demand accounts	518,053,386	412,139,210
- Term deposits	169,303,454	66,708,084
Individuals		
- Current/demand accounts	355,638,145	305,843,013
- Term deposits	384,451,242	361,141,402
Total customer accounts	**2,616,036,526**	**2,403,574,400**

Economic sector concentrations within customer accounts are as follows:

	30 June 2016		**31 December 2015**	
In thousands of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
State and budgetary organisations	1,188,590,299	45.4	1,257,742,691	52.3
Individuals	740,089,387	28.3	666,984,415	27.7
Private enterprises	446,965,375	17.1	274,556,536	11.4
Joint ventures	97,101,475	3.7	76,266,284	3.2
Non-governmental organisations	81,680,895	3.1	67,778,976	2.8
Other	61,609,095	2.4	60,245,498	2.6
Total customer accounts	**2,616,036,526**	**100.0**	**2,403,574,400**	**100.0**

As at 30 June 2016, the Group has 17 customers (31 December 2015: 12 customers) with balances above UZS 16,000,000 thousand. The aggregate balance of these customers was UZS 745,536,674 (31 December 2015: UZS 810,332,095 thousand) or 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	**30 June 2016**	**31 December 2015**
Certificates of deposit	19,356,741	20,305,591
Non-documentary bonds	5,007,671	5,007,671
Total debt securities in issue	**24,364,412**	**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	30 June 2016	31 December 2015
Borrowings from the Fund for the Reconstruction and Development of the Republic of Uzbekistan	762,795,300	825,607,300
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	606,240,685	481,638,746
Borrowings from International Financial Institutions	238,083,239	81,973,446
Preference shares	9,541,950	10,436,450
Borrowings from Domestic Financial Institutions	8,341,272	9,267,534
Borrowings from CBU	161,064	180,032
Borrowings from government, state and international financial institutions	**1,625,163,510**	**1,409,103,508**

As at 30 June 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 Smelting Complex (“AMSC”). The Group 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 Group. Each individual loan is issued under a separate President’s Decree and the use of borrowed funds is monitored by the UFRD.

As at 30 June 2016, borrowings from the Ministry of Finance of the Republic of Uzbekistan constituted UZS 606,240,685 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 30 June 2016, borrowings from various International Financial Institutions constituted UZS 14,818,741 thousand (31 December 2015: UZS 14,516,863 thousand) from Kreditanstalt fur Wiederaufbau (“KfW” - Germany), UZS 30,739,826 thousand (31 December 2015: UZS 30,621,742 thousand) from the Export-Import Bank of China, UZS 37,317,284 thousand (31 December 2015: UZS 8,395,305 thousand) from Landesbank Berlin AG (Germany), UZS 134,761,980 thousand (31 December 2015: UZS 12,462,031 thousand) from Commerzbank (Germany), UZS 7,600,602 thousand (31 December 2015: UZS 12,657,773 thousand) from Banque de Commerce et de Placements (Switzerland) and UZS 11,643,445 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 30 June 2016 is UZS 1,201,361 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 1 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 25,140,283 were obtained for financing general modernization of mining and equipment for the state entity Almalyk Mining and Smelting Complex ("AMSC"). The rate of interest is 1.85% plus 6 month Euribor. The Group 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 Group. The borrowings from Commerzbank include advance payment of insurance premium to Euler Hermes AG in the amount of UZS 10,144,766 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 the first half of 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 15,000,000. The rate of interest is 6 month Libor plus 4.1% margin. Current short term borrowing's maturity date is 13 September 2016.

- Borrowing from the 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 the 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 Group.

- Borrowing from the Banque de Commerce et de Placements was obtained in the first half of 2016 for financing a loan in the textile sector. Full amount of credit line is USD 25,822,000. The rate of interest is 6 month Libor plus 4.1% margin. Current short term borrowing's maturity date is 8 November 2016.

As at 30 June 2016, borrowings from Domestic Financial Institutions constitute UZS 8,341,272 thousand made by JSC "Qishloq Qurilish Bank" at concessionary rate of 4%, advanced by the Group 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 30 June 2016, borrowings from the CBU of UZS 161,064 thousand were used for the procurement of audit services, equipment and software to the Bank in 2005. The borrowing has 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 Group and above mentioned international financial institutions did not stipulate any financial covenants which the Group should be in compliance with.

18. Other Liabilities

In thousands of Uzbekistan Soums	**30 June 2016**	**31 December 2015**
Dividends payable on preference shares	1,825,618	28,268
Payable to suppliers	1,740,754	1,942,950
Other payables	829,231	1,798,786
Dividends payable	651,582	76,467
Total other financial liabilities	**5,047,185**	**3,846,471**
Other tax liabilities	2,088,198	2,581,321
Current income tax liability	2,421,091	345,885
Payable to State deposit insurance fund	1,796,936	363,248
Unearned revenue	1,115,691	1,609,206
Payables to employees	324,922	13,669
Other	103,661	104,661
Total other non-financial liabilities	**7,850,499**	**5,017,990**
Total other liabilities	**12,897,684**	**8,864,461**

19. Share Capital

In thousands of Uzbekistan Soums except number of shares	Number of outstanding shares	Share capital: Ordinary shares	Share capital: Inflation adjustment	Share capital: 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**
Capitalisation of Retained earnings	-	47,118,637	-	1,512,000	-	48,630,637
Recognition of liability component of preference shares	-	-	-	(1,512,000)	-	(1,512,000)
At 30 June 2015	**64,326,240**	**223,003,286**	**6,417,747**	**-**	**754,417**	**230,175,450**
At 31 December 2015	**67,981,938**	**236,083,374**	**6,417,747**	**-**	**754,417**	**243,255,538**
Ordinary shares issued	7,523,762	26,920,021	-	-	17	26,920,038
At 30 June 2016	**75,505,700**	**263,003,395**	**6,417,747**	**-**	**754,434**	**270,175,576**

The total authorised number of ordinary and preference shares is 118,000,000 and 2,000,000 respectively (31 December 2015: 118,000,000 and 2,000,000) with a par value of UZS 3,578 per share (31 December 2015: UZS 3,578 per share), including 73,505,700 ordinary shares and 2,000,000 preference shares issued and fully paid in UZS. Each ordinary share carries one vote.

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

The Group 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 30 June 2016 include reserves of UZS 168,086,751 thousand (31 December 2015: UZS 116,929,767 thousand).

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. The same accounting policies for preference shares have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2015.

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

In the period ended 30 June 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%. However, this has not led to a change of effective minimum rate of dividends on the original nominal amount of preference shares (UZS 1,000), which equaled to 89.5% (31 December 2015: 89.5%). Accordingly, as at 30 June 2016 it did not have an effect on the change in the present value of liability component of preference shares (31 December 2015: UZS 1,890,000 thousand). The change was booked against equity to the amount of capital component of preference shares until the end of 2015 (UZS 1,512,000 thousand) and the balance was booked against retained earnings (UZS 378,000 thousand).

20. Interest Income and Expense

In thousands of Uzbekistan Soums	**1st half of 2016**	**1st half of 2015**
Interest income		
Loans and advances to customers	173,614,437	133,758,363
Due from other banks	5,427,600	5,630,554
Total interest income	**179,042,037**	**139,388,917**
Interest expenses		
Customer accounts	50,630,824	40,722,391
Other borrowed funds	24,262,953	15,095,156
Due to other banks	10,726,984	6,386,061
Debt securities in issue	1,196,928	859,366
Total interest expense	**86,817,689**	**63,062,974**
Net interest income	**92,224,348**	**76,325,943**

Interest income includes UZS 2,557,558 thousand (30 June 2015: UZS 7,680,597 thousand) interest income, recognized on individually impaired loans.

In the period ended at 30 June 2016 interest income from loans and advances to customers includes finance lease interest of UZS 1,780,937 thousand (30 June 2015: UZS 3,040,012 thousand).

21. Fee Commission Income and Expense

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Fee and commission income from:		
- Settlement transactions	75,927,413	64,299,235
- Foreign currency conversion services	8,543,219	1,876,688
- Guarantees and letters of credit	1,863,044	1,688,604
- Cash transactions	304,857	62,911
- Other	627,619	2,159,112
Total fee and commission income	**87,266,152**	**70,086,550**
Fee and commission expense		
- Cash collection services	9,778,698	8,921,763
- Settlement transactions	5,705,071	1,920,333
- Cash transactions	556,938	429,055
- Conversion operations	1,035,088	187,864
- Other	97,768	29,752
Total fee and commission expense	**17,173,563**	**11,488,767**
Net fee and commission income	**70,092,589**	**58,597,783**

22. Other Operating Income

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Income from property and equipment rentals	1,830,255	1,426,589
Fines received	715,734	611,720
Other non-interest income	723,899	967,640
Income from services provided	585,294	234,841
Income from disposal of premises and equipment	374,807	133,379
Total other operating income	**4,229,989**	**3,374,169**

23. Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Staff costs	75,123,444	64,287,943
Taxes other than income tax	12,226,934	9,711,683
Security services	7,479,122	6,769,607
Depreciation and amortisation	5,543,621	4,767,858
Membership fees	5,644,591	3,823,498
Stationery and Supplies	4,363,723	1,807,741
Charity and sponsorship	4,618,663	3,245,017
Repair and maintenance of property and equipment	1,832,567	1,425,504
Software maintenance	1,513,607	1,140,275
Rent expenses	1,135,436	952,847
Postage, Telephone and Fax	1,043,110	895,988
Utilities	824,802	820,163
Business trip and travel expenses	724,665	609,603
Advertising and Publicity	604,910	469,371
Fuel	534,262	471,489
Professional services	90,918	4,205
Representation and entertainment	87,146	71,557
Insurance	14,636	14,736
Penalties incurred	-	35
Other operating expenses	519,975	288,197
Total administrative and other operating expenses	**123,926,132**	**101,577,317**

In the period ended at 30 June 2016, included in staff costs are statutory social security expenses of UZS 14,384,913 thousand (30 June 2015: UZS 12,300,787 thousand), of which UZS 3,740,077 thousand (30 June 2015: UZS 3,198,205 thousand) are obligatory pension contributions to the state pension fund.

24. Disposals

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

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Revenue	-	3,348,721
Expenses	-	(1,583,371)
Impairment reversal of assets classified as held for sale	-	405,625
Profit before tax	**-**	**2,170,975**
Attributable income tax	-	(473,272)
Profit from discontinued operations	**-**	**1,697,703**

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

24. Disposals (Continued)

Cash flows from discontinued operations

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Net cash inflows from operating activities	-	1,609,047
Net cash inflows from investing activities	-	20,900,186
Net cash inflows	**-**	**22,509,233**

25. Income taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Current income tax charge	13,555,292	11,558,487
Deferred income tax credit	(2,030,626)	(982,363)
Income tax expense for the period	**11,524,666**	**10,576,124**

(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	1st half of 2016	1st half of 2015
IFRS profit before tax including results from discontinued operations	**58,192,684**	**49,479,437**
Theoretical income tax expense/(benefit) at the statutory rate 21.8% (2015: 21.8%)	**12,686,005**	**10,786,517**
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	1,665,144	1,874,973
- Tax exempt income	(27,561)	(80,938)
- Tax incentives	(682,383)	(668,440)
- Tax effect on income taxed at different rates (10.5% - 12%)	(1,850,598)	(1,415,078)
- Effect of income tax of prior years	(265,941)	79,090
Income tax expense for the period	**11,524,666**	**10,576,124**

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%.

25. Income Taxes (Continued)

(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	**30 June 2016**	**Credited/ (charged) to profit or loss**	**31 December 2015**	**Credited/ (charged) to profit or loss**	**30 June 2015**	**Credited/ (charged) to profit or loss**	**31 December 2014**
Tax effect of deductible/ (taxable) temporary differences							
Loans and advances to customers	10,637,639	3,721,492	6,916,147	2,066,101	4,850,046	396,243	4,453,803
Premises, equipment and intangible assets	374,309	85,966	288,343	(982,615)	1,270,958	250,384	1,020,574
Non-current assets held for sale	-	-	-	(2,754,690)	2,754,690	524,273	2,230,417
Other financial assets	-	-	-	189,409	(189,409)	(89,620)	(99,789)
Other non-financial assets	218,888	(45,265)	264,153	(34,477)	298,630	(451,054)	749,684
Borrowings from government, state and international financial institutions	(1,916,732)	(1,994,390)	77,658	77,658	-	-	-
Other financial liabilities	-	(4,839)	4,839	4,839	-	(4,172)	4,172
Other non-financial liabilities	401,308	267,662	133,646	(332,541)	466,187	356,309	109,878
Net deferred tax asset	**9,715,412**	**2,030,626**	**7,684,786**	**(1,766,316)**	**9,451,102**	**982,363**	**8,468,739**
Recognised deferred tax asset	11,632,144	4,075,120	7,684,786	2,338,007	9,640,511	1,437,589	8,568,528
Recognised deferred tax liability	(1,916,732)	(2,044,494)	-	(4,104,323)	(189,409)	(455,226)	(99,789)
Net deferred tax asset	**9,715,412**	**2,030,626**	**7,684,786**	**(1,766,316)**	**9,451,102**	**982,363**	**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 Group by the weighted average number of shares in issue during the six month periods, net of treasury shares.

Earnings per share are calculated as follows:

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Profit for the period attributable to ordinary shareholders	46,668,018	38,903,313
Profit for the period attributable to preference shareholders	894,500	1,115,000
Profit/(loss) for the period from discontinued operations attributable to ordinary shareholders	-	1,697,703
Profit/(loss) for the period from discontinued operations attributable to preference shareholders	-	-
Earnings used in calculation of earnings per ordinary share from continued operations	**46,668,018**	**37,205,610**
Earnings used in calculation of earnings per preference share from continued operations	**894,500**	**1,115,000**
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	71,275,493	62,326,240
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	655	597
Basic and diluted EPS per equity component of preference share in UZS	447	558
From discontinued operations		
Basic and diluted EPS per ordinary share in UZS	-	27
Basic and diluted EPS per equity component of preference share in UZS	-	-
Total basic and diluted EPS per ordinary share in UZS	**655**	**624**
Total basic and diluted EPS per equity component of preference share in UZS	**447**	**558**

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 Group, which are determined according to legislation of Uzbekistan.

In thousands of Uzbekistan Soums	30 June 2016	31 December 2015	30 June 2015
Dividends payable at the beginning of periods	**76,467**	**104,282**	**85,928**
Dividends declared during periods excluding capitalized	3,563,025	-	-
Dividends (paid)/reversed during periods	(2,987,910)	(27,815)	18,354
Dividends payable at the end of periods	**651,582**	**76,467**	**104,282**
Dividends per share declared during the periods (in UZS per share)	**48**	**-**	**-**

27. Dividends (Continued)

The Group distributes profits as dividends on the basis of financial information prepared in accordance with local legislation. According to the information provided to the CBU, IFRS retained earnings as at 30 June 2016 include distributable profits of UZS 55,224,807 thousand (30 June 2015: UZS 42,384,800 for the half 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 Group.

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

The Group 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 consolidated 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 Group for the 1st half of the year ended 30 June 2016 is set out below:

In thousands of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Group function**	**Total**
Cash and cash equivalents	75,777,010	366,772,313	-	442,549,323
Due from other banks	-	441,820,751	-	441,820,751
Loans and advances to customers	1,159,824,485	2,744,094,053	-	3,903,918,538
Investment securities available for sale	-	-	5,411,603	5,411,603
Premises, equipment and intangible assets	31,069,216	57,908,682	3,716,158	92,694,056
Current income tax prepayment	-	-	408,848	408,848
Deferred income tax asset	-	-	9,715,412	9,715,412
Other financial assets	205,708	2,918,940	42,917	3,167,565
Other non-financial assets	2,574,735	1,822,778	29,350,223	33,747,736
Total reportable segment assets	**1,269,451,154**	**3,615,337,517**	**48,645,161**	**4,933,433,832**
Due to other banks	1,000	265,932,800	-	265,933,800
Customer accounts	740,089,386	1,875,947,140	-	2,616,036,526
Debt securities in issue	100	24,364,312	-	24,364,412
Borrowings from government, state and international financial institutions	616,863,272	998,758,288	9,541,950	1,625,163,510
Other financial liabilities	57,845	2,044,346	2,944,994	5,047,185
Other non-financial liabilities	1,926,650	96,975	5,826,874	7,850,499
Total reportable segment liabilities	**1,358,938,253**	**3,167,143,861**	**18,313,818**	**4,544,395,932**
Capital expenditure	**4,640,795**	**8,649,794**	**555,081**	**13,845,670**

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 Group for the 1st half of 2016:

In thousands of Uzbekistan Soums	Retail banking	Corporate banking	Group function	Total
Interest income	47,029,322	132,012,715	-	179,042,037
Recovery of/(Provision for) impairment of loans and advances to customers	(935,896)	2,120,228	-	1,184,332
Fee and commission income	16,467,608	70,798,544	-	87,266,152
Gains less losses from foreign currencies	917,708	13,407,159	-	14,324,867
Dividend income	-	-	126,427	126,427
Other operating income	2,467,978	1,094,411	667,600	4,229,989
Total revenues	**65,946,720**	**219,433,057**	**794,027**	**286,173,804**
Interest expense	(38,238,428)	(47,684,761)	(894,500)	(86,817,689)
Fee and commission expense	(37,773)	(17,135,790)	-	(17,173,563)
Other impairment provision	(4,800)	(8,187)	(50,749)	(63,736)
Depreciation and amortisation	(1,858,112)	(3,463,262)	(222,246)	(5,543,620)
Administrative and other operating expenses	(37,724,964)	(77,645,806)	(3,011,742)	(118,382,512)
Income tax expense	-	-	(11,524,666)	(11,524,666)
Total expenses	**(77,864,077)**	**(145,937,806)**	**(15,703,903)**	**(239,505,786)**
Segment result	**(11,917,357)**	**73,495,251**	**(14,909,876)**	**46,668,018**

28. Segment Analysis (Continued)

Segment information for the reportable business segments of the Group 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 Group for 1st half of 2015:

In thousands of Uzbekistan Soums	Retail banking	Corporate banking	Group function	Total
Interest income	30,330,350	109,058,567	-	139,388,917
Fee and commission income	17,072,767	53,013,783	-	70,086,550
Gains less losses from foreign currencies	895,950	12,424,067	-	13,320,017
Dividend income	-	-	371,273	371,273
Other operating income	2,162,694	686,878	524,597	3,374,169
Profit for the period from discontinued operations	-	-	1,697,703	1,697,703
Total revenues	**50,461,761**	**175,183,295**	**2,593,573**	**228,238,629**
Interest expense	(28,306,695)	(34,019,279)	(737,000)	(63,062,974)
Fee and commission expense	(466,546)	(11,022,221)	-	(11,488,767)
Recovery of/(Provision for) impairment of loans and advances to customers	155,184	(1,239,021)	-	(1,083,837)
Other impairment provision	(93,836)	(270,966)	(1,654,767)	(2,019,569)
Depreciation and amortisation	(1,468,651)	(3,106,010)	(193,197)	(4,767,858)
Administrative and other operating expenses	(28,046,494)	(66,157,968)	(2,604,997)	(96,809,459)
Income tax expense	-	-	(10,102,852)	(10,102,852)
Total expenses	**(58,227,038)**	**(115,815,465)**	**(15,292,813)**	**(189,335,316)**
Segment result	**(7,765,277)**	**59,367,830**	**(12,699,240)**	**38,903,313**

(e) Analysis of revenues by products and services

The Group'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 Group conducts its operations in Uzbekistan and operations of the Group with their foreign counterparts are disclosed in Note 29. All revenue of the Group 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 Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group 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 Group's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Group 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)

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

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Group 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 Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. 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

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 Group's management focuses on concentration risk:

- According to the credit policy of the Group 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 Group'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 Group'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 Group'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 Group's tier 1 capital in accordance with the CBU requirements;
- The Group is required to prepare and submit stand-alone financial statements of the Group to the Central Bank of Uzbekistan on monthly basis. The annual consolidated financial statements and interim condensed consolidated financial statements for the 1st half of a year are prepared under IFRS once a year.

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 Group:

- 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 Group 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 Group'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 Group'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 Group 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 Group 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 Group 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 Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group measures its currency risk by:

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

The CBU sets a number of requirements for foreign currency position. As at 30 June 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 Group also measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses the effect of 6-10% appreciation/depreciation of that currency against Uzbekistan Soums to the profit and loss of the Group.

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

In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
30 June 2016			
UZS	3,270,614,839	(3,214,447,999)	56,166,840
US Dollars	1,306,970,124	(1,110,382,856)	196,587,268
Euros	206,659,482	(207,519,092)	(859,610)
Other	7,211,732	(4,195,486)	3,016,246
Total	**4,791,456,177**	**(4,536,545,433)**	**254,910,744**

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 Group, with all other variables held constant:

In thousands of Uzbekistan Soums	30 June 2016 Impact on profit or loss	31 December 2015 Impact on profit or loss
US Dollars strengthening by 10% (2015: 11%)	19,658,727	23,428,193
US Dollars weakening by 10% (2015: 11%)	(19,658,727)	(23,428,193)
Euro strengthening by 6% (2015: 6%)	(51,577)	187,136
Euro weakening by 6% (2015: 6%)	51,577	(187,136)

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

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

The Group 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 Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability and reports on them to the Management.

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

In thousands of Uzbekistan Soums	Less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
30 June 2016					
Total interest bearing financial assets	787,597,097	468,178,211	1,732,376,590	1,723,873,170	4,712,025,068
Total interest bearing financial liabilities	2,179,220,256	676,721,638	868,494,549	807,061,805	4,531,498,248
Net interest bearing assets at 30 June 2016	**(1,391,623,159)**	**(208,543,427)**	**863,882,041**	**916,811,365**	**180,526,820**
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**
30 June 2015					
Total interest bearing financial assets	410,880,069	633,342,104	1,273,443,574	1,108,636,296	3,426,302,043
Total interest bearing financial liabilities	1,643,644,371	585,445,638	625,016,033	465,636,761	3,319,742,803
Net interest bearing assets at 30 June 2015	**(1,232,764,302)**	**47,896,466**	**648,427,541**	**642,999,535**	**106,559,240**

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
30 June 2016					
Total variable interest bearing financial assets	85,566,518	-	-	-	85,566,518
Total variable interest bearing financial liabilities	3,735,171	63,200,803	60,803,710	36,426,421	164,166,105
Net interest sensitivity gap at 30 June 2016	**81,831,347**	**(63,200,803)**	**(60,803,710)**	**(36,426,421)**	**(78,599,587)**
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**
30 June 2015					
Total variable interest bearing financial assets	82,505,159	-	-	-	82,505,159
Total variable interest bearing financial liabilities	3,694	209,559	7,984,651	3,410,693	11,608,597
Net interest sensitivity gap at 30 June 2015	**82,501,465**	**(209,559)**	**(7,984,651)**	**(3,410,693)**	**70,896,562**

As at 30 June 2016, if interest rates at that date had been 200 basis points lower (31 December 2015 and 30 June 2015: 200 basis points lower) with all other variables held constant, profit would have been UZS 1,571,992 thousand higher (31 December 2015: UZS 1,526,159 thousand lower and 30 June 2015: UZS 1,417,931 thousand lower).

If interest rates had been 200 basis points higher (31 December 2015 and 30 June 2015: 200 basis points higher), with all other variables held constant, profit would have been UZS 1,571,992 thousand lower (31 December 2015: UZS 1,526,159 thousand higher and 30 June 2015: UZS 1,417,931 thousand higher).

29. Financial Risk Management (Continued)

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

	30 June 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%-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	0%-7%	-	-	-
- term deposits	4%-10.5%	2.5%-5%	-	-
Legal entities				
- current/demand accounts	0%-5%	0%-1%	-	-
- term deposits	1%-11%	2%-3%	-	-
Individuals				
- current/demand accounts	0%-9%	0%-0.01%	-	-
- 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%)	1.95% - 7%	-
- Domestic financial institutions	4%	-	-	-
- Preference shares	20%	-	-	-
- Ministry of Finance of the Republic of Uzbekistan	1% - 4.5%	3%-4%	-	-
- Central Bank of Uzbekistan	9%	Libor	-	-

29. Financial Risk Management (Continued)

	31 December 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	0%-7%	-	-	-
- 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 Group does not have the respective assets or liabilities in corresponding currency or the Group has the respective assets and liabilities in corresponding currency with zero interest rate.

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

The Group is exposed to prepayment risk through providing fixed loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current profit or loss and equity at the current balance sheet 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 Group’s financial assets and liabilities at 30 June 2016 is set out below:

In thousands of Uzbekistan Soums	**Uzbekistan**	**OECD**	**Non OECD**	**Total**
Financial assets				
Cash and cash equivalents	318,642,595	113,894,370	10,012,358	442,549,323
Due from other banks	390,913,333	50,269,747	637,671	441,820,751
Loans and advances to customers	3,903,918,538	-	-	3,903,918,538
Investment securities available for sale	5,411,603	-	-	5,411,603
Other financial assets	3,167,565	-	-	3,167,565
Total financial assets	**4,622,053,634**	**164,164,117**	**10,650,029**	**4,796,867,780**
Financial liabilities				
Due to other banks	265,933,800	-	-	265,933,800
Customer accounts	2,616,036,526	-	-	2,616,036,526
Debt securities in issue	24,364,412	-	-	24,364,412
Borrowings from government, state and international financial institutions	1,387,080,271	195,387,641	42,695,598	1,625,163,510
Other financial liabilities	5,047,185	-	-	5,047,185
Total financial liabilities	**4,298,462,194**	**195,387,641**	**42,695,598**	**4,536,545,433**
Net position in on-balance sheet financial instruments	**323,591,440**	**(31,223,524)**	**(32,045,569)**	**260,322,347**
Credit related commitments (Note 31)	**323,380,772**	**-**	**-**	**323,380,772**

29. Financial Risk Management (Continued)

The geographical concentration of the Group'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 Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all 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 Group.

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

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements.

The Group calculates the liquidity ratio monthly in accordance with the requirement of the Central Bank of Uzbekistan as follows:

- Current liquidity ratio (not to be less than 30%), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 58% at 30 June 2016 (31 December 2015: 69%).

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

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 30 June 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 balance sheet because the balance sheet amount is 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 30 June 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	26,998,686	139,047,686	52,155,486	71,422,686	289,624,544
Customer accounts	2,110,025,877	365,402,635	98,656,710	84,146,211	2,658,231,433
Debt securities in issue	1,544,869	2,310,870	24,529,860	-	28,385,599
Borrowings from government, state and international financial institutions	73,320,214	235,817,372	898,092,868	986,552,817	2,193,783,271
Other financial liabilities	5,047,185	-	-	-	5,047,185
Letters of credit	-	91,542,610	63,913,567	3,624,787	159,080,964
Guarantees	24,290,039	53,706,951	-	-	77,996,990
Undrawn loan commitments	16,264,003	70,038,815	-	-	86,302,818
Total potential future payments for financial obligations	**2,257,490,873**	**957,866,939**	**1,137,348,491**	**1,145,746,501**	**5,498,452,804**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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 Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors remaining contractual maturities, which may be summarised as follows at 30 June 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	442,549,323	-	-	-	442,549,323
Due from other banks	329,851,390	63,423,611	18,920,750	29,625,000	441,820,751
Loans and advances to customers	91,459,928	404,754,600	1,713,455,840	1,694,248,170	3,903,918,538
Investment securities available for sale	5,411,603	-	-	-	5,411,603
Other financial assets	3,167,565	-	-	-	3,167,565
Total financial assets	**872,439,809**	**468,178,211**	**1,732,376,590**	**1,723,873,170**	**4,796,867,780**
Liabilities					
Due to other banks	21,076,000	133,125,000	46,232,800	65,500,000	265,933,800
Customer accounts	2,090,170,500	349,354,615	92,858,114	83,653,297	2,616,036,526
Debt securities in issue	1,014,412	750,000	22,600,000	-	24,364,412
Borrowings from government, state and international financial institutions	66,959,344	193,492,023	706,803,635	657,908,508	1,625,163,510
Other financial liabilities	5,047,185	-	-	-	5,047,185
Total financial liabilities	**2,184,267,441**	**676,721,638**	**868,494,549**	**807,061,805**	**4,536,545,433**
Net liquidity gap based on contractual maturities	**(1,311,827,632)**	**(208,543,427)**	**863,882,041**	**916,811,365**	**260,322,347**
Cumulative liquidity gap at 30 June 2016	**(1,311,827,632)**	**(1,520,371,059)**	**(656,489,018)**	**260,322,347**	**-**

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

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 Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

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 Group's liquidity, as very low proportion of demand deposits and short-term deposits is expected to be withdrawn based on the Group'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 Group manages regulatory capital as Group's capital. The Group's objectives when managing capital are to comply with the capital requirements set by the CBU, and to safeguard the Group's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBU is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman and Chief Accountant.

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 11,5% (30 June 2016: 12%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 8,5% (30 June 2016: 10,3%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (30 June 2016: 7,6%).

The Group was compliant with capital ratios set above during six months of 2016.

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

In thousands of Uzbekistan Soums	**30 June 2016 (unaudited)**	**31 December 2015 (unaudited)**
Tier 1 capital	379,119,238	296,116,525
Tier 2 capital	55,224,807	60,956,407
Less: deductions from capital	(5,740,103)	(5,704,819)
Total regulatory capital	**428,603,942**	**351,368,113**

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 Group's capital computed based on IFRS balances as at 30 June 2016 and 31 December 2015 comprised:

In thousands of Uzbekistan Soums	**30 June 2016**	**31 December 2015**
Tier 1 capital	396,193,900	326,168,869
Tier 2 capital	30,294,636	38,162,155
Total capital	**426,488,536**	**364,331,024**
Risk weighted assets	**3,559,957,602**	**3,168,670,326**
Tier 1 capital ratio (min 4%)	11.13%	10.29%
Total capital ratio (min 8%)	11.98%	11.50%

31. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these 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 Group 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 Group's tax, currency legislation and customs positions will be sustained. Accordingly, as at 30 June 2016, no provision for potential tax liabilities had been recorded (31 December 2015: no provision). The Group 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 Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In thousands of Uzbekistan Soums	**30 June 2016**	**31 December 2015**
Letters of credit	159,080,964	430,700,655
Guarantees	77,996,990	59,643,102
Undrawn loan commitments	86,302,818	162,407,454
Total gross commitments and contingencies	**323,380,772**	**652,751,211**
Less – Cash held as security against letters of credit and guarantees	(139,576,954)	(208,905,266)
Total net commitments and contingencies	**183,803,818**	**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 30 June 2016, the estimated fair value of credit related commitments was UZS 40,773 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	30 June 2016	31 December 2015
UZS	40,554,042	49,188,819
US Dollars	215,288,376	437,116,231
Euros	63,913,567	161,125,811
Other	3,624,787	5,320,350
Total	**323,380,772**	**652,751,211**

Capital expenditure commitments. As at 30 June 2016, the Group has contractual capital expenditure commitments in respect of premises and equipment totaling UZS 675,721 thousand (31 December 2015: 709,821 thousand).

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

32. Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). 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 consolidated 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 30 June 2016 are as follows:

In thousands of Uzbekistan Soums	Level 3	Fair value
Loans and advances to customers		
- Corporate loans	2,498,903,491	2,498,903,491
- Small business loans	394,140,096	394,140,096
- Residential mortgage loans	1,025,912,486	1,025,912,486
- Consumer loans	69,350,378	69,350,378
TOTAL	**3,988,306,451**	**3,988,306,451**
Customer accounts		
- Term deposits of state and public organisations	362,733,914	362,733,914
- Term deposits of other legal entities	169,865,328	169,865,328
- Term deposits of individuals	462,647,623	462,647,623
TOTAL	**995,246,865**	**995,246,865**

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	**Level 3**	**Fair value**
Loans and advances to customers		
- Corporate loans	2,046,895,367	2,046,895,367
- Small business loans	438,925,225	438,925,225
- Residential mortgage loans	836,401,939	836,401,939
- Consumer loans	49,783,709	49,783,709
TOTAL	**3,372,006,240**	**3,372,006,240**
Customer accounts		
- Term deposits of state and public organisations	298,567,394	298,567,394
- Term deposits of other legal entities	70,596,466	70,596,466
- Term deposits of individuals	442,536,322	442,536,322
TOTAL	**811,700,182**	**811,700,182**

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 Group party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 30 June 2016, the outstanding balances with related parties were as follows:

	30 June 2016		31 December 2015	
In thousands of Uzbekistan Soums	**Related party balances**	**Total category as per the financial statements caption**	**Related party balances**	**Total category as per the financial statements caption**
ASSETS				
Cash and cash equivalents	**243,012,496**	**442,549,323**	**169,538,050**	**386,801,681**
- entities with significant influence over the Group				
- other related entities - Government	243,012,496		169,538,050	
- key management personnel				
Due from other banks	**334,856,352**	**441,820,751**	**333,004,117**	**468,377,476**
- entities with significant influence over the Group				
- other related entities - Government	334,856,352		333,004,117	
- key management personnel				
Total loans and advances to customers before impairment provision	**48,671,000**	**3,950,696,369**	**50,000,000**	**3,413,278,078**
- entities with significant influence over the Group (contractual 12%)	48,671,000		50,000,000	
- other related entities - Government				
- key management personnel				
Provision for loan impairment	**(793,337)**	**(46,777,831)**	**(950,000)**	**(48,281,152)**
- entities with significant influence over the Group	(793,337)		(950,000)	
- other related entities - Government				
- key management personnel				
Investment securities available for sale	**-**	**5,411,603**	**-**	**5,356,277**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Premises, equipment and intangible assets	**-**	**92,694,056**	**-**	**84,639,059**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Current income tax prepayment	**-**	**408,848**	**-**	**3,656,006**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Deferred income tax asset	**-**	**9,715,412**	**-**	**7,684,786**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Other financial assets	**-**	**3,167,565**	**-**	**580,247**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Other non-financial assets	**-**	**33,747,736**	**-**	**35,474,442**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
TOTAL ASSETS	**625,746,511**	**4,933,433,832**	**551,592,167**	**4,357,566,900**

33. Related Party Transactions (Continued)

In thousands of Uzbekistan Soums	30 June 2016 Related party balances	30 June 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**	**265,933,800**	**191,698,400**	**191,698,400**
- entities with significant influence over *the Group (contractual rate 0%-6%)*				
- other related entities - *Government*	265,933,800		191,698,400	
- key *management personnel*				
Customer accounts	**18,090,694**	**2,616,036,526**	**18,168,846**	**2,403,574,400**
- entities with significant influence over *the Group (contractual rate 0%-6%)*	17,948,098		18,035,154	
- other related entities - *Government*				
- key management personnel	142,596		133,692	
Debt securities in issue	**-**	**24,364,412**	**-**	**25,313,262**
- entities with significant influence over *the Group*				
- other related entities - *Government*				
- key management personnel				
Borrowings from government, state and international financial institutions	**1,377,538,321**	**1,625,163,510**	**1,307,069,962**	**1,409,103,508**
- entities with significant influence over *the Group*	606,240,685		481,282,517	
- other related entities - *Government*	771,297,636		825,787,445	
- key management *personnel*				
Other financial liabilities	-	**5,047,185**	**-**	**3,846,471**
- entities with significant influence over *the Group*				
- other related entities - *Government*				
- key management *personnel*				
Other non-financial liabilities	-	**7,850,499**	**-**	**5,017,990**
- entities with significant influence over *the Group*				
- other related entities - *Government*				
- key management personnel				
TOTAL LIABILITIES	**1,661,562,815**	**4,544,395,932**	**1,516,937,208**	**4,038,554,031**

33. Related Party Transactions (Continued)

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

	1st half of 2016		1st half of 2015	
In thousands of Uzbekistan Soums	**Related party transactions**	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Interest income	**6,315,298**	**179,042,037**	**4,005,815**	**139,388,917**
- entities with significant influence over the Group	3,017,234		345,205	
- other related entities - Government	3,298,064		3,660,610	
- key management personnel				
Interest expense	**(29,713,882)**	**(86,817,689)**	**(21,640,825)**	**(63,062,974)**
- entities with significant influence over the Group	(18,973,757)		(4,871,139)	
- other related entities - Government	(10,740,125)		(16,769,687)	
- key management personnel				
Recovery of/(Provision for) impairment of loans and advances to customers	**156,663**	**1,184,332**	**(720,302)**	**(1,083,837)**
- entities with significant influence over the Group	156,663		(720,302)	
- other related entities - Government				
- key management personnel				
Fee and commission income	**1,346,665**	**87,266,152**	**1,643,662**	**70,086,550**
- entities with significant influence over the Group	1,346,665		1,643,662	
- other related entities - Government				
- key management personnel				
Fee and commission expense	**-**	**(17,173,563)**	**-**	**(11,488,767)**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Gains less losses from trading in foreign currencies	**-**	**2,710,919**	**-**	**2,154,469**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Foreign exchange translation gains less losses	**-**	**11,613,948**	**-**	**11,165,548**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Dividend income	**-**	**126,427**	**-**	**371,273**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Other operating income	**8,457**	**4,229,989**	**7,231**	**3,374,169**
- entities with significant influence over the Group	*8,457*		*7,231*	
- other related entities - Government				
- key management personnel				
Other impairment recovery/(provision)	**-**	**(63,736)**	**-**	**(2,019,569)**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				

33. Related Party Transactions (Continued)

In thousands of Uzbekistan Soums	1st half of 2016 Related party transactions	1st half of 2016 Total category as per the financial statements caption	1st half of 2015 Related party transactions	1st half of 2015 Total category as per the financial statements caption
Administrative and other operating expenses	**(683,071)**	**(123,926,132)**	**(547,968)**	**(101,577,317)**
- entities with significant influence over the Group	(683,071)		(547,968)	
- other related entities - Government				
- key management personnel				
Income tax expense	**-**	**(11,524,666)**	**-**	**(10,102,852)**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
Profit/(loss) for the period from discontinued operations	**-**	**-**	**-**	**1,697,703**
- entities with significant influence over the Group				
- other related entities - Government				
- key management personnel				
NET PROFIT FOR THE PERIOD	**(22,569,870)**	**46,668,018**	**(17,252,387)**	**38,903,313**
- entities with significant influence over the Group	(15,127,809)		(4,143,310)	
- other related entities - Government	(7,442,061)		(13,109,077)	
- key management personnel	-		-	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(22,569,870)**	**46,668,018**	**(17,252,387)**	**38,903,313**
- entities with significant influence over the Group	(15,127,809)		(4,143,310)	
- other related entities - Government	(7,442,061)		(13,109,077)	
- key management personnel	-		-	

Key management compensation is presented below:

In thousands of Uzbekistan Soums	1st half of 2016	1st half of 2015
Short-term benefits:		
- Salaries and other short term benefits	547,928	568,685
- Social Security costs	136,982	142,171
Total key management personnel compensation	**684,910**	**710,856**

34. Subsequent events

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