JOINT-STOCK COMMERCIAL BANK "ASAKA"

Consolidated Financial Statements and Independent Auditors' Report
For the Year Ended 31 December 2015

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JOINT-STOCK COMMERCIAL BANK "ASAKA"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Joint-Stock Commercial Bank "Asaka" and its subsidiaries (together referred to as the "Group") as at 31 December 2015 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management of the Group is responsible for:

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

Management of the Group 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 consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting policies 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 consolidated financial statements of the Group for the year ended 31 December 2015 were approved by the Management Board on 29 April 2016.

On behalf of the Management Board:

Kasimov R.K. Acting Chairman of the Management Board	Galinova Z.A. Chief Accountant
29 April 2016 Tashkent	29 April 2016 Tashkent

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INDEPENDENT AUDITORS' REPORT

To: the Shareholders and the Council of Joint-Stock Commercial Bank "Asaka"

We have audited the accompanying consolidated financial statements of Joint-Stock Commercial Bank "Asaka" ("the Bank") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015,and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

29 April 2016
Tashkent, Uzbekistan

JOINT-STOCK COMMERCIAL BANK "ASAKA"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in millions of Uzbek Soums)

	Notes	31 December 2015	31 December 2014
ASSETS:			
Cash and cash equivalents	5, 30	750,887	624,250
Due from banks	6	1,090,943	752,937
Loans to customers	7, 30	5,109,789	3,592,652
Investments available-for-sale	8	20,938	23,677
Investments in associates	9, 30	47,182	48,889
Property and equipment	10	100,115	83,403
Current income tax assets		4,107	1,935
Deferred income tax assets	26	41,665	36,522
Other assets	11	57,733	49,138
Assets classified as held-for-sale	12	15,871	40,230
TOTAL ASSETS		**7,239,230**	**5,253,633**
LIABILITIES:			
Amounts due to the CBU and the Government	14, 30	738,917	288,120
Due to banks	15, 30	687,996	487,903
Customer accounts	16, 30	4,842,726	3,521,939
Debt securities issued	17	197,709	254,896
Current income tax payable		2,242	1,658
Other liabilities	18	23,840	20,315
Liabilities directly associated with assets classified as held-for-sale	12	-	3,073
TOTAL LIABILITIES		**6,493,430**	**4,577,904**
EQUITY:			
Equity attributable to shareholders of the Bank:			
Share capital	19	550,185	538,667
Share premium	19	3,741	3,659
Capital reserve		7,382	7,382
Buildings and premises revaluation reserve		26,167	29,411
Foreign currency translation reserve		590	620
Unrealised gains on investments available-for-sale		-	4,918
Retained earnings		154,857	88,613
Total equity attributable to shareholders of the Bank		**742,922**	**673,270**
Non-controlling interest		2,878	2,459
TOTAL EQUITY		**745,800**	**675,729**
TOTAL LIABILITIES AND EQUITY		**7,239,230**	**5,253,633**

On behalf of the Management Board:

Kasimov R.K.
Acting Chairman of the Management Board

29 April 2016
Tashkent

Galinova Z.A.
Chief Accountant

29 April 2016
Tashkent

JOINT-STOCK COMMERCIAL BANK "ASAKA"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015
(in millions of Uzbek Soums)

	Notes	2015	2014
Continuing operations			
Interest income	20, 30	418,818	352,216
Interest expense	20, 30	(185,399)	(145,515)
Net interest income before impairment losses on interest bearing assets		233,419	206,701
Impairment losses on interest bearing assets	7, 30	(66,468)	(104,465)
Net interest income		**166,951**	**102,236**
Net gain on foreign exchange operations	21	78,096	81,251
Fee and commission income	22, 30	99,982	98,652
Fee and commission expense	22, 30	(30,104)	(30,140)
Dividend income		772	1,436
Provision for impairment losses on other operations	13	(29,934)	(12,655)
Share of profits of associates	9	238	18,225
Other income, net	23	16,108	1,962
Net non-interest income		**135,158**	**158,731**
Operating income		**302,109**	**260,967**
Operating expenses	24, 30	(204,830)	(179,507)
Profit before income tax		**97,279**	**81,460**
Income tax expense	25	(16,124)	(3,785)
Profit for the year from continuing operations		**81,155**	**77,675**
Discontinued operations			
Profit/(loss) for the year from discontinued operations		644	(1,058)
Net profit for the year		**81,799**	**76,617**
Attributable to:			
Shareholders of the Bank		81,478	76,725
Non-controlling interest		321	(108)
Net profit for the year		**81,799**	**76,617**

On behalf of the Management Board:

Kasimov R.K.
Acting Chairman of the Management Board

29 April 2016
Tashkent

Galinova Z.A.
Chief Accountant

29 April 2016
Tashkent

JOINT-STOCK COMMERCIAL BANK "ASAKA"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(in millions of Uzbek Soums)

	2015	2014
Net profit for the year	**81,799**	**76,617**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net loss resulting on revaluation of investments available-for-sale	(4,918)	-
Exchange differences on translation of foreign operations, net	(30)	(8)
Other comprehensive loss for the year	(4,948)	(8)
Total comprehensive income	**76,851**	**76,609**
Attributable to:		
Shareholders of the Bank	76,530	76,717
Non-controlling interest	321	(108)
Total comprehensive income	**76,851**	**76,609**

On behalf of the Management Board:

Kasimov R.K.
Acting Chairman of the
Management Board

29 April 2016
Tashkent

Galinova Z.A.
Chief Accountant

29 April 2016
Tashkent

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(in millions of Uzbek Soums)

	Notes	Share capital	Share premium	Capital reserve	Buildings and premises revaluation reserve	Foreign currency translation reserve	Unrealised gains on investments available-for-sale	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interest	Total equity
1 January 2014		**469,802**	**5,670**	**7,382**	**32,732**	**628**	**4,918**	**61,121**	**582,253**	**1,447**	**583,700**
Net profit for the year		-	-	-	-	-	-	76,725	76,725	(108)	76,617
Other comprehensive income for the year, net of income tax		-	-	-	-	(8)	-	-	(8)	-	(8)
Total comprehensive income for the year		-	-	-	-	(8)	-	76,725	76,717	(108)	76,609
Issue of ordinary shares	19	62,857	2,782	-	-	-	-	-	65,639	-	65,639
Redemption of shares	19	(32,346)	(4,793)	-	-	-	-	-	(37,139)	-	(37,139)
Dividends declared		-	-	-	-	-	-	(14,200)	(14,200)	(218)	(14,418)
Capitalisation of dividends	19	38,354	-	-	-	-	-	(38,354)	-	120	120
Additional non-controlling interest from increase of Charter capital in "Hazarasp Textil" LLC		-	-	-	-	-	-	-	-	1,218	1,218
Release of revaluation on disposed property		-	-	-	(34)	-	-	34	-	-	-
Depreciation of revaluation reserve, net of tax		-	-	-	(3,287)	-	-	3,287	-	-	-
31 December 2014		**538,667**	**3,659**	**7,382**	**29,411**	**620**	**4,918**	**88,613**	**673,270**	**2,459**	**675,729**
Net profit for the year		-	-	-	-	-	-	81,478	81,478	321	81,799
Other comprehensive income for the year, net of income tax		-	-	-	-	(30)	(4,918)	-	(4,948)	-	(4,948)
Total comprehensive income for the year		-	-	-	-	(30)	(4,918)	81,478	76,530	321	76,851
Issue of ordinary shares	19	10,922	78	-	-	-	-	-	11,000	-	11,000
Dividends declared		-	-	-	-	-	-	(17,878)	(17,878)	(241)	(18,119)
Capitalisation of dividends	19	596	4	-	-	-	-	(600)	-	339	339
Release of revaluation on disposed property		-	-	-	(8)	-	-	8	-	-	-
Depreciation of revaluation reserve, net of tax		-	-	-	(3,236)	-	-	3,236	-	-	-
31 December 2015		**550,185**	**3,741**	**7,382**	**26,167**	**590**	**-**	**154,857**	**742,922**	**2,878**	**745,800**

On behalf of the Management Board:

Kasimov R.K.
Acting Chairman of the Management Board

29 April 2016
Tashkent

Galinova Z.A.
Chief Accountant

29 April 2016
Tashkent

The notes on pages 9-63 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "ASAKA"

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(in millions of Uzbek Soums)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the year		81,799	76,617
Adjustments for:			
Income tax expense recognised in profit or loss		16,124	3,785
Provision for impairment losses on interest bearing assets	20, 30	66,468	104,465
Provision for impairment losses on other operations	13	29,934	12,655
Unrealized gain on foreign exchange operations		(69,748)	(66,770)
Unrealized (gain)/loss on swaps		(5,262)	4,220
Gain from sale or disposal of property and equipment		(836)	(519)
Depreciation and amortization expenses	10, 11	14,207	13,154
Changes in interest accruals, net		(84,886)	(19,458)
Changes in other accruals, net		(12,909)	(126)
Share of profits of associates	9	(238)	(18,225)
Cash flows from operating activities before changes in operating assets and liabilities		34,653	109,798
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		(337,436)	46,324
Loans to customers		(1,407,282)	(720,032)
Other assets		(9,578)	3,427
Increase/(decrease) in operating liabilities:			
Amounts due to the CBU and the Government		448,634	250,707
Due to banks		200,322	(38,351)
Customer accounts		1,326,023	366,937
Other liabilities		3,863	11,578
Cash flows from operating activities before taxation		259,199	30,388
Income tax paid		(22,855)	(20,328)
Net cash from operating activities		236,344	10,060
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends received from associates		1,945	1,061
Disposal of subsidiary		3,241	-
Other dividends received		483	489
Purchase of property, equipment and intangible assets		(23,183)	(7,543)
Proceeds on sale of property and equipment		4,398	8,851
Purchase of investment available-for-sale		-	(1,500)
Net cash (used in)/from investing activities		(13,116)	1,358

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(in millions of Uzbek Soums)

	Notes	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		11,000	65,639
Redemption of shares		-	(37,139)
(Repayment of)/proceeds from debt securities issued		(55,641)	50,348
Dividends paid		(18,119)	(14,418)
Net cash (used in)/from financing activities		(62,760)	64,430
Effect of exchange rate changes on the balance of cash held in foreign currency		(33,831)	(13,762)
Net increase in cash and cash equivalents		**126,637**	**62,086**
CASH AND CASH EQUIVALENTS, beginning of the year	5	**624,250**	**562,164**
CASH AND CASH EQUIVALENTS, end of the year	5	**750,887**	**624,250**
Interest paid		(182,776)	(143,868)
Interest received		331,309	331,111
Non-cash transaction:			
- capitalization of dividends		600	38,354

On behalf of the Management Board:

Kasimov R.K.
Acting Chairman of the
Management Board

29 April 2016
Tashkent

Galinova Z.A.
Chief Accountant

29 April 2016
Tashkent

(in millions of Uzbek Soums, unless otherwise indicated)

1. ORGANISATION

Joint-Stock Commercial Bank "Asaka" ("the Bank") and its subsidiaries (together referred as the "Group") is incorporated in the Republic of Uzbekistan on 7 November 1995. The Bank is regulated by the Central Bank of the Republic of Uzbekistan (the "CBU") and conducts its business under the General license #53 dated 27 December 2008 on banking operations and license #38 dated 27 December 2008 on foreign currency operations.

The Bank's business consists of commercial activities, trading with securities, foreign currencies, loans, trade finance and guarantee operations. The Bank accepts deposits from the public, originates loans, transfers payments within the Republic of Uzbekistan and abroad, and provides banking services for its commercial and retail customers.

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

The registered and actual address of the Bank is 67 Nukus street, Tashkent, the Republic of Uzbekistan.

As at 31 December 2015, the Bank operated through its Head office, located in Tashkent city, the Republic of Uzbekistan and 26 regional branches, 86 mini banks and 31 currency exchange units (31 December 2014: 26 regional branches, 113 mini banks and 33 currency exchange units) throughout the territory of the Republic of Uzbekistan.

The number of employees of the Bank at 31 December 2015 and 2014 was 2,721 and 2,732, respectively.

The Bank is a Parent Company of a banking group ("the Group"), which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	The Bank ownership interest/voting rights, % 31 December 2015	31 December 2014	Type of operation
JSCB "Asaka"	Uzbekistan	Parent		Banking
"Dilorom" LLC	Kyrgyzstan	100.0	100.0	Recreation center
"Asaka Oquv Komplex" SE	Uzbekistan	100.0	100.0	Education services
"Hazarasp Textile" LLC	Uzbekistan	96.4	96.4	Textile
"Asaka Trans leasing" LLC	Uzbekistan	70.0	70.0	Leasing company
"Boston Kandolat" LLC	Uzbekistan	100.0	100.0	Confectionary factory
"Asaka Investment" LLC	Uzbekistan	100.0	100.0	Assets management
"Turtkul Omad Textile" LLC	Uzbekistan	100.0	-	Textile
"Berteks" LLC	Uzbekistan	-	100.0	Textile
"Urgench Parranda Invest" LLC	Uzbekistan	-	100.0	Poultry

"Dilorom" LLC is the recreation centre located in the Issyk-Kul coastal lake and was purchased by the Bank based on the decision of the Cabinet of Ministers #126 dated 29 March 1999. The Bank is a sole shareholder of the "Dilorom" LLC.

"Asaka Oquv Komplex" Subsidiary Company is involved in training and provision of education services. "Asaka Oquv Komplex" Subsidiary Company also renders tourist services, which are performed in accordance with the License # 055-04 dated 21 July 2004. The Bank is a sole shareholder of the "Asaka Oquv Komplex" Subsidiary Company.

"Hazarasp Textile" LLC is a manufacturing enterprise, established in accordance with the number of government instructions and decrees in year 2006. "Hazarasp Textile" LLC was established by the Bank using a repossessed property of the other two enterprises, JV "Uniho" and JSC "Hozarasp textile plant" announced bankrupt, as a repayment of outstanding debt, which these companies owed to the Bank.

"Asaka Trans Leasing" LLC is a lease company established in accordance with the President's Decree #PP-396 dated 3 July 2006 "Realization of state shares of the Stock company "Toshavtobus". The shareholders of "Asaka Trans Leasing" LLC are the Bank and State Association "Toshshahartranshizmat".

"Boston Kandolat" LLC was established on 18 May 2009 in accordance with the decision of the Board from 25 February 2009. The Company was formed on the basis of repossessed property of the bankrupt enterprise JV "Konmit" in year 2006. The Bank is as a sole shareholder of the "Boston Kandolat" LLC. "Boston Kandolat" LLC is engaged in the production of sweets and confectioneries.

"Asaka Investment" LLC was established on 22 October 2010, in order to support efficient management of subsidiaries. The Bank is a sole shareholder of the "Asaka Investment" LLC.

"Turtkul Omad Textile" LLC was formed in 2015 on the basis of repossessed property. The Bank is a sole shareholder of the "Turtkul Omad Textile" LLC. "Turtkul Omad Textile" LLC is primarily engaged in textile manufacturing.

In 2015, the Group has disposed of its investment in "Urganch Parranda Invest" LLC which resulted in a loss of control over the investee.

In 2015, the Group has liquidated "Berteks" LLC.

As at 31 December 2015 and 2014, the following shareholders owned the issued shares of the Group:

	31 December 2015, %	31 December 2014, %
SHAREHOLDERS		
Ministry of Finance of the Republic of Uzbekistan	54.14	55.37
JSC "Uzavtosanoat"	12.94	13.24
The Fund of Reconstruction and Development of the Republic of Uzbekistan	12.93	13.22
JSC "Almalyk MMC"	6.10	6.24
SC "Bukhara Oil Refinery"	5.46	0.98
SC "Navoi Mining & Metallurgical Combinat"	2.34	0.98
JSC "Uzbekistan Railways"	2.29	2.26
JSC "Uztelecom"	1.21	-
"UzGazOil" LLC	-	4.60
Other legal entities (individually holding less than 1% of the share capital of the Group)	2.59	3.11
Total	**100.00**	**100.00**

The ultimate controlling party of the Group is the Government of the Republic of Uzbekistan.

These consolidated financial statements were authorized for issue by the Management Board of the Group on 29 April 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in millions of Uzbek Soums ("UZS"), unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at the revalued amounts or at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

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

The Bank and its consolidated companies, registered in the Republic of Uzbekistan, maintain their accounting records in accordance with Uzbek Accounting Standards, foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") the economy of the Republic of Uzbekistan was considered to be hyperinflationary during 2005 and prior years. Starting 1 January, 2006, the Uzbek economy is no longer considered to be hyperinflationary and the values of non-monetary assets, liabilities and equity as stated in measuring units as at 31 December, 2005 have formed the basis for the amounts carried forward to 1 January, 2006. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented (see Note 30).

Functional Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The functional currency of the parent of the Group is the Uzbek Soums ("UZS"). The presentational currency of the consolidated financial statements of the Group is the UZS. All values are rounded to the nearest million Uzbek Soums, except when otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interest is presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue recognition

Recognition of interest income and expense
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets have been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income
Loan origination fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in the profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry. Loan servicing fees are recognised as revenue as the services are provided. All other commissions are recognised when services are provided. Loan syndication fees are recognised in profit or loss when the syndication has been completed. All other commissions are recognised when services are provided.

Recognition of dividend income
Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Recognition of rental income
The Group's policy for recognition of income as a lessor is set out in the "Leases" section of this footnote.

Financial instruments

The Group recognises financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Investments available-for-sale financial assets</u>
Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). Fair value is determined in the manner described (see Note 27). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

<u>Loans and receivables</u>
Accounts receivable, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the Central Bank of the Republic of Uzbekistan, due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

<u>Impairment of financial assets</u>
Financial assets, other than those at financial assets 'at fair value through profit or loss' ("FVTPL"), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

<u>Renegotiated loans</u>
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual collective impairment assessment, calculated using the loan's original effective interest rate.

<u>Write-off of loans and advances</u>
Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Other financial liabilities

Other financial liabilities (including due to banks, customer accounts, debt securities issued and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the Central Bank of the Republic of Uzbekistan with original maturity of less or equal to three months and amounts due from credit institutions with original maturity of less or equal to three months and are free from contractual encumbrances.

Mandatory cash balances with the Central Bank of the Republic of Uzbekistan

Mandatory cash balances with the Central Bank of the Republic of Uzbekistan represent the amount of mandatory reserves deposited with the Central Bank of the Republic of Uzbekistan, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Property and equipment

Buildings and premises are stated in the consolidated statement of financial position at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The revaluation reserve may be transferred directly to retained earnings when the asset is derecognised. The reserve may be transferred on the retirement or disposal of the asset. Part of the reserve may, however, be transferred over the period for which the asset is used by the entity. In such circumstances, the amount of the reserve transferred is the difference between the depreciation charge based on the revalued carrying amount of the asset and the depreciation charge based on the asset's original cost. The transfer from revaluation reserve to retained earnings, whether on disposal or on a systematic basis over the life of the asset, is not made through profit or loss.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings and premises	5%
Vehicle	20%
Furniture and equipment	15%-20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures below).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit before tax differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.
Operating taxes
The Republic of Uzbekistan where the Group operates also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into UZS using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

(in millions of Uzbek Soums, unless otherwise indicated)

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2015	31 December 2014
UZS/ 1 US Dollar	2,809.98	2,422.40
UZS/ 1 Euro	3,074.19	2,987.74

Retirement benefit costs

In accordance with the requirements of the legislation of the Republic of Uzbekistan, the Group withholds amounts of pension contributions from employee salaries and pays them to the State Pension Fund. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the State Pension Fund. The Group does not have any pension arrangements separate from the State Pension System of the Republic of Uzbekistan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36

Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include:

- 'Buildings and premises revaluation reserve' which comprises revaluation reserve of land and building;
- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- 'Unrealised gains on investments available-for-sale' which comprises revaluation reserve of investments available-for-sale;
- 'Capital reserve' which is created as required by the regulations of the Republic of Uzbekistan, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables
The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a Group, and national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the Group of loans. The Group uses management's judgment to adjust observable data for a Group of loans to reflect current circumstances not reflected in historical data.
The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Uzbekistan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2015 and 2014, the gross loans to customers totaled UZS 5,491,119 million and UZS 3,878,291 million respectively, and allowance for impairment losses amounted to UZS 381,331 million and UZS 285,639 million, respectively.

Valuation of financial instruments
As described in Note 27, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 27 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets
The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than not that the deferred tax asset will be fully realised. The carrying value of net deferred tax assets amounted to UZS 41,665 million and UZS 36,522 million as at 31 December 2015 and 2014, respectively.

Buildings and premises carried at revalued amounts
Buildings are measured at revalued amounts. The carrying amount of revalued property amounted to UZS 39,410 million and UZS 39,427 million as at 31 December 2015 and 2014, respectively. Details of the valuation techniques used are set out (see Note 10).

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements. In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendments to IAS 19 - *Defined Benefit Plans: Employee contributions*;
- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

Amendments to IAS 19 – Defined Benefit Plans: Employee contributions. The amendments require the Group to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Group should recognise the reduction in the service cost in the period in which the related services are rendered.

Annual Improvements to IFRSs 2010-2012 Cycle. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

These amendments do not have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle. The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The application of these amendments does not have a significant effect on the consolidated financial statements.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

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:

- IFRS 9 *Financial Instruments*[2];
- IFRS 14 *Regulatory Deferral Accounts*[1];
- IFRS 15 *Revenue from Contracts with Customers*[2];
- IFRS 16 Leases[3];
- Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*[1];
- Amendments to IAS 1 – Disclosure initiative project[1];
- Amendments to IAS 7 – Disclosure of changes in liabilities arising from financing activities[4];
- Amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses related to debt instruments measured at fair value[4];
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[1];
- Amendments to IAS 16 and IAS 41 - *Agriculture: Bearer Plants*[1];
- Amendments to IAS 27 - *Equity Method in Separate Financial Statements*[1];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1];
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception[1]
- Annual Improvements to IFRSs 2012-2014 Cycle[1];

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

IFRS 9 *Financial Instruments.* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. 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.
- **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 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 will not have any impact on the Group's financial statements in the future as the Group is not an IFRS first-time adopter.

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 these amendments to IFRS 16 may have a significant effect on the consolidated financial statements.

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 should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The management of the Group anticipates that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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 to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The management of the Group does not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's consolidated financial statements.

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.

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
- 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.

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.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. 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 does not anticipate that the application of these amendments to IAS 16 and IAS 38 will 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 management of the Group does not expect any impact of adoption of these amendments on the consolidated 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 are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Bank 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 should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The management of the Group anticipates that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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 management of the Group does not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated 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.

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 fist 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 management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

(in millions of Uzbek Soums, unless otherwise indicated)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2015	31 December 2014
Cash on hand	29,696	72,145
Current accounts with other credit institutions	54,899	326,656
Current accounts with the CBU	512,101	193,188
Time deposits with original maturities up to three months	154,191	32,261
Total cash and cash equivalents	**750,887**	**624,250**

6. DUE FROM BANKS

Due from banks comprise:

	31 December 2015	31 December 2014
Mandatory reserve with the CBU	637,171	454,080
Time deposits with other banks with original maturities over three months	390,889	214,400
Restricted cash	62,883	84,457
Total due from banks	**1,090,943**	**752,937**

As at 31 December 2015 and 2014, the Group had balance due from 3 and 2 banks, respectively, with individual exposure exceeding 10% of the Group's equity.

As at 31 December 2015, obligatory reserve deposit with the CBU includes mandatory reserves in the amount of UZS 490,661 million (2014: UZS 358,319 million) and UZS 146,510 million (2014: 95,761 million) on impairment losses on assets and on deposits of clients, respectively.

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

7. LOANS TO CUSTOMERS

The Group uses the following classification of loans by classes:

Loans to legal entities:
- Corporate loans – loans issued to legal entities, except for investment in financial lease;
- Small business lending – loans issued to individual entrepreneurs; and
- Investments in financial lease – loans issued to corporate clients that meet definition of the financial lease.

Loans to individuals:
- Residential mortgage lending; and
- Consumer lending.

(in millions of Uzbek Soums, unless otherwise indicated)

Loans to customers comprise:

	31 December 2015	31 December 2014
Loans to legal entities		
Corporate loans	4,911,092	3,427,994
Investments in finance lease	160,262	165,173
Small business lending	21,353	28,904
Total loans to legal entities	**5,092,707**	**3,622,071**
Loans to individuals:		
Residental mortgage lending	328,909	207,640
Consumer lending	69,504	48,580
Total loans to individuals	**398,413**	**256,220**
Gross loans to customers	**5,491,120**	**3,878,291**
Less: Allowance for impairment losses	(381,331)	(285,639)
Total loans to customers	**5,109,789**	**3,592,652**

As at 31 December 2015, loans to customers in the amount of UZS 1,525,852 million or 30% were from one largest customers (2014: UZS 690,171 million or 19%) which represents a significant concentration.

As at 31 December 2015 and 2014, substantially all loans are granted to companies operating in the Republic of Uzbekistan, which represents a significant geographical concentration in one region.

The analysis of changes for loan impairment is presented in the table below:

	Corporate loans (including investments in finance lease)	Residental mortgage lending	Small business lending	Consumer lending	Total
As at 1 January 2014	**194,440**	**11,132**	**767**	**2,111**	**208,450**
Provision	97,665	5,437	153	1,210	104,465
Write-off of assets	(26,193)	(58)	-	-	(26,251)
Recovery of assets previously written-off	1,166	-	-	-	1,166
Foreign exchange difference	(2,191)	-	-	-	(2,191)
As at 31 December 2014	**264,887**	**16,511**	**920**	**3,321**	**285,639**
Provision/(recovery)	57,447	7,704	(178)	1,495	66,468
Write-off of assets	(10,048)	-	-	-	(10,048)
Recovery of assets previously written-off	39,920	42	-	-	39,962
Foreign exchange difference	(690)	-	-	-	(690)
As at 31 December 2015	**351,516**	**24,257**	**742**	**4,816**	**381,331**

(in millions of Uzbek Soums, unless otherwise indicated)

	Corporate loans (including investments in finance lease)	Residental mortgage lending	Small business lending	Consumer lending	Total
Individual impairment	48,885	-	-	-	48,885
Collective impairment	216,002	16,511	920	3,321	236,754
As at 31 December 2014	**264,887**	**16,511**	**920**	**3,321**	**285,639**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	68,440	-	-	-	68,440
As at 31 December 2014	**68,440**	**-**	**-**	**-**	**68,440**
Individual impairment	63,978	-	-	-	63,978
Collective impairment	287,537	24,257	742	4,817	317,353
As at 31 December 2015	**351,515**	**24,257**	**742**	**4,817**	**381,331**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	102,209	-	-	-	102,209
As at 31 December 2015	**102,209**	**-**	**-**	**-**	**102,209**

During 2015 and 2014, the Group has written off loans worth UZS 10,048 million and UZS 26,251 million, respectively. Loans written off were considered to be non-recoverable after all procedures (sale of collateral, collection and court cases) were completed.

The table below summarizes carrying value of loans to customers analysed by the type of collateral obtained by the Group:

	31 December 2015	31 December 2014
Real estate	1,781,086	1,536,734
Cash	1,651,003	842,806
Corporate guarantees	842,749	897,836
Government guarantees	721,978	53,587
Equipment and inventories	293,615	333,288
Unsecured loans	53,311	49,246
Other	147,378	164,794
Gross loans to customers	5,491,120	3,878,291
Less allowance for impairment losses	(381,331)	(285,639)
Total loans to customers	**5,109,789**	**3,592,652**

During the years ended 31 December 2015 and 2014, the Group received financial and non-financial assets by taking possession of collateral it held as security and calling on guarantees and similar credit enhancements. As at 31 December 2015 and 2014, such assets amounting to UZS 57,059 million and UZS 53,468 million, respectively, are included in other assets (Note 11). The management of the Group expects to dispose of this collateral within 12 months period through public auction.

As at 31 December 2015 and 2014, loans to customers in the amount of UZS 172,456 million and UZS 86,251 million, respectively, were renegotiated. Otherwise these loans would be past due or impaired.

(in millions of Uzbek Soums, unless otherwise indicated)

	31 December 2015	31 December 2014
Manufacturing	3,878,693	2,547,024
Trading and Catering	429,029	433,587
Individuals	398,413	261,964
Construction	253,752	162,286
Agriculture	241,088	156,662
Utilities	102,709	78,184
Transport and Communication	30,909	62,560
Other	156,527	176,024
Gross loans to customers	5,491,120	3,878,291
Less allowance for impairment losses	(381,331)	(285,639)
Total loans to customers	**5,109,789**	**3,592,652**

During 2015, gross loans to customers increased by UZS 1,612,828 thousand or 42% of which UZS 1,404,902 thousand or 87% were due from two borrowers. Loans from these borrowers are collaterised by cash and government guarantees.

8. INVESTMENTS AVAILABLE-FOR-SALE

Equity securities	31 December 2015	31 December 2014
JSC "Djizzak Accumulators Factory"	8,074	8,971
JSC "Asia Invest Bank"	2,551	4,355
JSB "Microcreditbank"	3,420	3,430
Republican stock-exchange "Tashkent"	2,838	3,155
JSC "Qurilishmashlizing"	1,500	1,500
JSLC "Qurilish-Leasing"	760	688
JSFTC"O'zmarkazimpeks"	510	420
JSC "Chilonzor buyum bozori"	429	413
JSC LC "UzMed-Leasing"	399	380
JSC "Uzbekgeofizika"	240	163
JSIC "Kafolat"	137	132
Other	80	70
Total investments available-for-sale	**20,938**	**23,677**

As a result of significant decrease of market activity and sources of observable data used to determine their fair values, in 2015 the Management decided to carry the investments in equity securities at cost as it is no longer possible to reliably measure their fair value.

(in millions of Uzbek Soums, unless otherwise indicated)

9. INVESTMENTS IN ASSOCIATES

Significant associates of the Group as at reporting date are set out below:

	Proportion of ownership interest and voting rights held by the Group		Place of incorporation and principal place of business	Date of incorporation	Principal activity	Date of acquisition
	2015	2014				
O'zavtosanoatleazing LLC	19.60%	19.60%	Uzbekistan	2007	Leasing	2007
Samarkand Automobile Factory LLC	26.00%	26.00%	Uzbekistan	2006	Vehicle manufacturing	2006

The above associates are accounted for using the equity method.

Although the Group holds less than 20% of the equity shares of "O'zavtosanoatleazing" LLC, the Group has significant influence over the entity as the Group has the power to participate in the financial and operating policy decisions of the entity by having its member within the Supervisory Board.

The movements of the investments in associates comprise:

	2015	2014
As at 1 January	**48,889**	**31,724**
Share of results from associates	238	18,225
Dividends received	(1,945)	(1,060)
As at 31 December	**47,182**	**48,889**

Summarised financial information in respect of each of the Group's material associates is set out below.

O'zavtosanoatleazing LLC

	31 December 2015	31 December 2014
Total assets	109,616	132,136
Total liabilities	(57,485)	(85,195)
Net assets	**52,131**	**46,941**

	2015	2014
Revenue	15,390	14,574
Net profit	5,801	5,603

Samarkand Automobile Factory LLC

	31 December 2015	31 December 2014
Total assets	288,754	204,408
Total liabilities	(158,503)	(98,126)
Net assets	**130,251**	**106,282**

	2015	2014
Revenue	412,318	356,786
Net profit	31,042	31,373

(in millions of Uzbek Soums, unless otherwise indicated)

10. PROPERTY AND EQUIPMENT

	Buildings and premises	Furniture and equipment	Vehicles	Construction in progress	Total
Cost/value					
31 December 2013	134,727	34,063	4,410	31,541	204,741
Additions	561	227	164	6,591	7,543
Disposals	(7,477)	(2,818)	(395)	(1,982)	(12,672)
Reclassified as held for sale	(1,772)	-	-	-	(1,772)
31 December 2014	126,039	31,472	4,179	36,150	197,840
Additions	478	12,436	11	10,258	23,183
Disposals	(2,017)	(2,989)	(226)	(833)	(6,065)
Transfer from other assets	-	12,120	-	-	12,120
Transfers	9,770	(580)	442	(9,632)	-
31 December 2015	134,270	52,459	4,406	35,943	227,078
Accumulated depreciation and impairment					
31 December 2013	(79,658)	(24,066)	(2,288)	-	(106,012)
Depreciation charge	(6,736)	(4,109)	(427)	-	(11,272)
Disposals	756	2,693	372	-	3,821
Reclassified as held for sale	577	-	-	-	577
Impairment	(1,551)	-	-	-	(1,551)
31 December 2014	(86,612)	(25,482)	(2,343)	-	(114,437)
Depreciation charge	(7,321)	(6,055)	(451)	-	(13,827)
Disposals	276	2,006	222	-	2,504
Impairment	(1,203)	-	-	-	(1,203)
31 December 2015	(94,860)	(29,531)	(2,572)	-	(126,963)
Net book value					
31 December 2015	**39,410**	**22,928**	**1,834**	**35,943**	**100,115**
31 December 2014	**39,427**	**5,990**	**1,836**	**36,150**	**83,403**

Buildings and premises were independently valued as at 31 December 2012.

The Group engaged Grant Thornton, an accredited independent valuer, to assess the fair value of its buildings and premises. The Group determined fair value by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. Although the date of the revaluation was 1 November 2012, the Management of the Group believes that there is no significant change in the value from revaluation date to the year end.

Had the Group's buildings (other than buildings classified as held for sale or included in a disposal group) been measured on a historical cost basis, their carrying amount would have been UZS 13,243 million and UZS 10,016 million as at 31 December 2015 and 2014, respectively.

(in millions of Uzbek Soums, unless otherwise indicated)

11. OTHER ASSETS

Other assets comprise:

	31 December 2015	31 December 2014
Other financial assets:		
Trade accounts receivable from customers	15,028	2,647
Assets under litigation	3,377	5,578
Currency swaps	7,919	667
Other	1,514	1,599
Gross other financial assets	27,838	10,491
Less allowance for impairment losses	(4,892)	(9,241)
Total other financial assets	**22,946**	**1,250**
Other non-financial assets:		
Repossessed property	45,947	53,468
Property and equipment purchased for finance lease purpose	11,112	17,533
Prepayments	8,541	4,305
Low value and short life assets in warehouse	2,509	369
Tax settlements, other than income tax	2,317	1,259
Intangible assets	867	838
Inventory of subsidiaries	812	413
Advances paid for leasing equipment	598	895
Gross other non-financial assets	72,703	79,080
Less allowance for impairment losses	(37,916)	(31,192)
Total other non-financial assets	**34,787**	**47,888**
Total other assets	**57,733**	**49,138**

Intangible assets are represented by computer software licenses purchased for the purpose of the Group's operational activity. As at 31 December 2015, net carrying value of intangible assets amounted to UZS 867 million (2014: UZS 838 million). Amortisation expenses for the years ended 31 December 2015 and 2014 were UZS 380 million and UZS 317 million, respectively.

As at 31 December 2015 and 2014, trade accounts receivable from customers include trade receivables of subsidiary companies of UZS 14,857 million and UZS 1,997 million.

Repossessed property includes buildings, constructions, vehicles and equipment which the Group received by taking possession of collateral it held as security on loans to customers.

As at 31 December 2015 and 2014, currency swaps were all short-term in nature.

Movement in the allowance for impairment losses on other assets for the years ended 31 December 2015 and 2014 is disclosed (see Note 13).

12. ASSETS CLASSIFIED AS HELD-FOR-SALE

	31 December 2015	31 December 2014
Buildings	15,871	28,246
Assets related to "Urgench Parranda Invest" LLC	-	11,984
Total non-current assets held-for-sale	**15,871**	**40,230**
Liabilities directly associated with assets held-for-sale	-	3,073

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As at 31 December 2014, buildings include the real estate constructed by the Group that comprise of apartments and commercial estate located in the center of Tashkent city. The building was built in accordance with the resolution of the Cabinet Ministers of the Republic of Uzbekistan #288-R, dated 17 May 2011. The construction of property was completed in 2014. The management of the Group believes that the carrying amount of the property will be recovered principally through sale to individuals.

On 31 December 2014, the Group entered into a sale agreement to dispose of "Urgench Parranda Invest" LLC, which is a poultry farm. The disposal was completed on 15 January 2015, on which date control passed to the acquirer.

13. ALLOWANCE MOVEMENT FOR IMPAIRMENT LOSSES ON OTHER OPERATIONS

	Other assets	Impairment of buildings and premises	Total
1 January 2014	**71,590**	**1,376**	**72,966**
Provision	11,104	1,551	12,655
Write-off	(42,261)	-	(42,261)
31 December 2014	**40,433**	**2,927**	**43,360**
Provision	28,731	1,203	29,934
Write-off	(26,356)	-	(26,356)
31 December 2015	**42,808**	**4,130**	**46,938**

14. AMOUNTS DUE TO THE CBU AND THE GOVERNMENT

Amounts due to the CBU and the Government comprise:

	31 December 2015	31 December 2014
Due to the Fund for Reconstruction and Development of Uzbekistan	663,415	247,154
Due to the Ministry of Finance of the Republic of Uzbekistan	75,350	40,806
Loans from the CBU	152	160
Total amounts due to the CBU and the Government	**738,917**	**288,120**

	31 December 2015		31 December 2014	
	Interest rates	Maturity	Interest rates	Maturity
Due to the Fund for Reconstruction and Development of Uzbekistan	2%	2020	2%	2020
Due to the Ministry of Finance of the Republic of Uzbekistan	LIBOR plus 0.75%	2026	1-8.6%; LIBOR plus 0.75%	2015-2026
Loans from the CBU	LIBOR plus 7.5%	2019	LIBOR plus 7.5%	2019

The Fund for Reconstruction and Development of Uzbekistan

The Group entered into four loan agreements with the Fund for Reconstruction and Development of Uzbekistan ("FRD") on the following terms:

1. Sub-loan agreement dated 7 May 2010 on the basis of which the Group received EUR 12,400 thousand equivalent loan denominated in USD. The loan is interest free and provided for further lending to sub-borrower at no interest. Maturity period of the loan is 10 years.

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2. Loan agreement dated 29 December 2014 on the basis of which FRD made available a loan facility of up to USD 65,970 thousand at interest rate of 2% per annum. The loan is provided for further lending to sub-borrower at interest rate of 2.25% per annum. Maturity period of the loan is 10 years.
3. Loan agreement dated 19 December 2014 on the basis of which FRD made available a loan facility of up to USD 27,600 thousand at interest rate of 2% per annum. The loan is provided for further lending to sub-borrower at interest rate of 2.25% per annum. Maturity period of the loan is 10 years.
4. Loan agreement dated 7 October 2015 on the basis of which FRD made available a loan facility of up to USD 320,000 thousand at interest rate of 2% per annum. The loan is provided for further lending to sub-borrower at interest rate of 2.25% per annum. Maturity period of the loan is 10 years.

The Ministry of Finance of the Republic of Uzbekistan

The Group entered into the sub-loan agreement with the Ministry of Finance of the Republic of Uzbekistan ("MoF") dated 9 December 2011 for the amount of USD 8,000 thousand at interest rate of 6 months USD LIBOR plus 0.75%. The loan is provided for further lending to sub-borrower. Maturity period of the loan is 15 years with grace period of 5 years.

15. DUE TO BANKS

Due to banks comprise:

	31 December 2015	31 December 2014
Term deposits of banks and other financial institutions	585,523	410,370
Long-term loans from banks and other financial institutions	80,876	71,566
Correspondent accounts with other banks	21,597	5,967
Total due to banks	**687,996**	**487,903**

As at 31 December 2015 and 2014, long-term loans from banks and other financial institutions include the following:

1. Borrowing from Instituto De Credito Oficial of the Kingdom of Spain based on the loan facility agreement dated 2 September 2002. According to the agreement the Lender made available a loan facility of up to EUR 8,088 thousand for financing of eligible local companies for the remodelation of the water supply and treatment plant in Bukhara. Interest rate is determined as 0.3% per annum. The total amount of borrowing is to be repaid in 31 years with a 10 years grace period by 42 half year equal instalments.

2. Borrowing from Landesbank Berlin AG include a line of structured export finance for financing eligible local companies to purchase of capital goods from Federal Republic of Germany. Sub-loans in USD are provided at interest rate of USD LIBOR plus 1.65% and in EUR at interest rate of EURIBOR plus 1.8%. Sub-loans are provided with maturity period of 4.5-7 years.

3. Borrowing from the Export-Import Bank of Korea ("the Lender") based on the loan agreement dated 4 May 2010. According to the agreement, the Lender made available a loan facility of up to USD 25,000 thousand for financing eligible local companies. Sub-loans are provided at interest rate of 6 months USD LIBOR plus 3.57%. Sub-loans are provided with maturity period of 5-7 years including up to 2 years of grace period.

4. Borrowing from the Export-Import Bank of China ("the Lender") based on the credit loan agreement dated 7 July 2015. According to the agreement, the Lender made available a loan facility of up to USD 156,372 thousand for financing needs under the commercial contract signed between JSC Uzkimyosanoat and Poly Technologies Inc. dated 19 August 2014. Interest rate is determined as 2% per annum. The maturity period for the facility is 240 months with a grace period of 60 months.

Other than the borrowing agreements above, the Group also has active financing agreements with the Asian Development Bank and International Finance Corporation. According to these agreements, the Group is obliged to comply with certain financial covenants in relation to funds received from financial institutions. As at 31 December 2015, the Group was in compliance with all financial covenants, except for aggregated interest rate risk ratio, aggregated foreign exchange risk ratio, ratios of liquid assets to short term liabilities, ratio of maximum secured exposure to any single party to Tier 1 capital, ratio of maximum aggregated exposure to the parties which are connected parties to the issuing bank to Tier 1 capital, and loan to deposit ratio. Considering that there are no outstanding balances from these financial institutions as at 31 December 2015, management believes there is no financial impact on its current operations.

(in millions of Uzbek Soums, unless otherwise indicated)

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2015	31 December 2014
State and public organisations		
Time deposits	917,109	738,304
Current/settlement accounts	241,053	282,769
Other legal entities		
Current/settlement accounts	2,201,908	1,706,956
Time deposits	865,344	293,740
Individuals		
Time deposits	426,458	345,322
Current/settlement accounts	190,854	154,848
Total customer accounts	**4,842,726**	**3,521,939**

As at 31 December 2015 and 2014, customer accounts in the amount of UZS 1,574,526 million and UZS 573,998 million, respectively, were held as security against letters of credit and other similar instruments issued by the Group.

	31 December 2015	31 December 2014
Analysis by customer type:		
Joint ventures	1,695,335	1,175,760
Private enterprises	1,344,208	799,494
State and public organisations	1,158,162	1,021,073
Individuals	617,312	500,170
Non-government organisations	24,178	24,213
Other	3,531	1,229
Total customer accounts	**4,842,726**	**3,521,939**

As at 31 December 2015, customer accounts in the amount of UZS 1,447,057 million or 30% were due to one customer (2014: UZS 1,020,147 million or 29%) which represents a significant concentration. As described in Note 30, UZS 1,103,357 million out of these accounts were due to shareholders of the Group.

17. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity date month / year	Annual coupon/interest rate %	31 December 2015	31 December 2014
Bonds issued	February 2015-July 2018	9%-10%	51,185	71,560
Certificates of deposit	February 2015-August 2017	7%-10%	146,423	183,294
Savings certificates			101	42
Total debt securities issued			**197,709**	**254,896**

Bonds in the amount of UZS 20,000 million and certificates of deposit in the amount of UZS 35,700 million matured during 2015.

(in millions of Uzbek Soums, unless otherwise indicated)

18. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2015	31 December 2014
Other financial liabilites:		
Settlements on purchases of products and services	2,257	1,117
Currency swaps	692	1,896
Payable to employees	5,712	5,462
Accounts payable	2,508	3,485
Total other financial liabilities	11,169	11,960
Other non-financial liabilites:		
Unearned revenue	10,661	5,314
Taxes payable, other than income tax	416	1,182
Other	1,594	1,859
Total other non-financial liabilities	12,671	8,355
Total other liabilities	**23,840**	**20,315**

As at 31 December 2015 and 2014, currency swaps were all short-term in nature.

19. SHARE CAPITAL

The Group's share capital comprises the following number of shares:

	Authorized, issued and paid capital	Inflation effect	Total share capital
Ordinary shares	516,064	34,121	550,185
	516,064	34,121	550,185

	Authorized, issued and paid capital	Inflation effect	Total share capital
Ordinary shares	504,546	34,121	538,667
	504,546	34,121	538,667

On 24 December 2013, the Group registered new share emission. These shares were realised during 2013 and first half of 2014; however, as the minimum requirement for successful share emission has not been met, the Center for Coordination and Development of Securities Market annulled the emission. This resulted in redemption of shares in the amount of received cash of UZS 37,139 thousand, including share premium.

During 2015, the Group realised new shares via Republican Stock Exchange for UZS 11,000 million (2014: UZS 65,639 million). In addition, during 2015 the shareholders of the Group declared dividends for the total amount of UZS 18,478 million (2014: UZS 52,554 million) of which UZS 600 million (2014: UZS 38,354 million) were capitalised into share capital.

As at 31 December 2015 and 2014, share capital consisted of 464,052,015 and 453,693,399 ordinary shares, with par value of UZS 1,112.08 (2014: 1,112.08) each. Each ordinary share carries one vote.

As at 31 December 2015 and 2014 share premium totalling UZS 3,741 million and UZS 3,659 million, respectively, represent an excess of contribution received over the nominal value of shares issued.

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

(in millions of Uzbek Soums, unless otherwise indicated)

The Group distributes profits as dividends or transfers to reserves on the basis of the financial information prepared in accordance with the local legislation. According to the information provided to the CBU, IFRS retained earnings as at 31 December 2015 include distributable earnings of UZS 85,196 million for 2015.

The nature and purpose of other reserves within equity is disclosed in Note 2.

20. NET INTEREST INCOME

	2015	2014
Interest income comprises:		
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	383,708	314,921
Interest on due from banks	21,080	22,737
Interest on finance lease	14,030	14,558
Total interest income	**418,818**	**352,216**
Interest expense comprises:		
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on customer accounts	(135,243)	(106,608)
Interest on debt securities issued	(18,826)	(20,416)
Interest on due to banks	(25,094)	(17,737)
Interest on amounts due to the CBU and the Government	(6,236)	(754)
Total interest expense	**(185,399)**	**(145,515)**
Net interest income before impairment loss on interest bearing assets	**233,419**	**206,701**

21. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	2015	2014
Translation differences, net	69,748	75,907
Dealing transactions, net	8,348	5,344
Total net gain on foreign exchange operations	**78,096**	**81,251**

(in millions of Uzbek Soums, unless otherwise indicated)

22. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	2015	2014
Fee and commission income:		
Settlements	42,722	44,988
Foreign currency exchange operations	35,769	32,517
Letters of credit operations	14,561	15,020
Guarantees	5,995	3,282
Other	935	2,845
Total fee and commission income	**99,982**	**98,652**
Fee and commission expense:		
Settlements	(18,819)	(19,308)
Cash collection services	(10,895)	(10,419)
Other	(390)	(413)
Total fee and commission expense	**(30,104)**	**(30,140)**

23. OTHER INCOME, NET

Other income, net comprises:

	2015	2014
Fines and penalties from customers	4,552	3,437
Income from rent of property	1,955	1,757
Gain from disposal of property and equipment	836	519
Profit of subsidiaries	218	299
Unrealised gain/(loss) on swaps	5,262	(4,220)
Other	3,285	170
Total other income, net	**16,108**	**1,962**

24. OPERATING EXPENSES

Operating expenses comprise:

	2015	2014
Staff costs	79,227	70,721
Taxes, other than income tax	33,055	29,974
Social costs	31,618	26,733
Depreciation and amortisation	14,207	12,110
Security expenses	10,236	9,211
Charity and sponsorship expenses	8,830	6,487
Membership fee	5,714	5,969
Maintenance	3,359	2,474
Stationery	3,061	3,628
Communications	2,574	2,500
Business trip expenses	2,299	1,431
Rent expenses	2,003	1,578
Utilities	980	841
Advertising costs	818	987
Fines and penalties	622	504
Fuel expense	587	711
Professional services	435	426
Representative expenses	436	240
Insurance	171	175
Other expenses	4,598	2,807
Total operating expenses	**204,830**	**179,507**

(in millions of Uzbek Soums, unless otherwise indicated)

25. INCOME TAX

The Group measures and records its current income tax payable and its bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan where the Group operates, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purpose.

Deferred taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for tax purpose. Temporary differences as at 31 December 2015 and 2014 relate mostly to different methods/timing of income and expenses as well as to temporary differences generated by tax book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 15% and infrastructure tax rate of 8% payable by corporate entities in the Republic of Uzbekistan on taxable profits (as defined) in accordance with the Tax Code. The effective tax rate used in calculations of deferred tax is 21.8%.

Deferred tax assets/liabilities as at 31 December 2015 and 2014 comprise:

	31 December 2015	31 December 2014
Deferred tax assets/(liabilities) in relation to:		
Loans to customers	43,788	36,599
Property and equipment	(1,239)	2,463
Other assets	4,298	2,024
Investments	(4,618)	(4,014)
Other liabilities	(564)	(366)
Assets classified as held for sale	-	(184)
Net deferred tax assets	**41,665**	**36,522**

The effective tax rate reconciliation is as follows for the years ended 31 December 2015 and 2014:

	2015	2014
Profit before income tax from continuing and discontinued operations	97,923	80,184
Tax at the statutory tax rate (21.8% for 2015 and 2014)	21,347	17,480
Non-deductible expenses	4,915	7,540
Income tax privileges	(719)	(5,055)
Tax exempt income	(1,599)	(1,629)
Tax effect of permanent differences	(2,335)	(4,189)
Effect on tax rate, different from the rate of 21.8%	(5,485)	(4,929)
Change in deferred tax assets not recognized	-	(5,651)
Income tax expense including discontinued operations	**16,124**	**3,567**
Current income tax expense	21,267	18,260
Change in deferred income tax assets	(5,143)	(14,475)
Income tax expenses from continuing operations	**16,124**	**3,785**
Change in deferred income tax from discontinued operations	-	(218)
Income tax expense including discontinued operations	**16,124**	**3,567**

	2015	2014
As at 1 January - deferred tax assets	36,522	21,829
Change in deferred income tax balances recognized in consolidated profit or loss	5,143	14,693
As at 31 December - deferred tax assets	**41,665**	**36,522**

(in millions of Uzbek Soums, unless otherwise indicated)

26. COMMITMENTS AND CONTINGENCIES

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

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

As at 31 December 2015 and 2014 the nominal or contract amounts were:

	31 December 2015	31 December 2014
Contingent liabilities and credit commitments		
Letters of credit	830,006	683,177
Guarantees issued and other similar instruments	284,308	179,722
Commitments on unused credit lines	988,171	79,366
	2,102,485	942,265
Less: Cash held as security against letters of credit and guarantees (Note 17)	(1,574,526)	(573,998)
Total contingent liabilities and credit commitments	**527,959**	**368,267**

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

Capital commitments – the Group had no material capital commitments outstanding as at 31 December 2015 and 2014.

In 2003 the group has signed a financial line agreement with the Islamic Corporation for the Development of the Private Sector (the "ICD") for the amount of USD 10,000 thousand. The facility is to be used to finance small and medium sized enterprise in the Republic of Uzbekistan whereas the Group is given an authority to act as an agent in respect of the financed projects and provides guarantee to the ICD for non-repayment of the ICD approved and financed projects.

The ICD financing agreement terms are structured in a way that the Bank doesn't bear any credit risk related to the projects financed from the ICD funds, other than the contingency risk on the respective guarantees issued on those projects. As such, funds utilized to finance the projects under the terms of this agreement are recorded off balance sheet. The guarantee for the respective amount issued by the Bank was recorded within "Guarantees issued and other similar instruments" line in the above table. As at 31 December 2015 no provision is recorded under this guarantee in the consolidated statement of financial position.

In accordance with the terms of the ICD financing agreement, the Bank is required to maintain certain specific financial covenants. As at 31 December 2015, the Bank was not able to meet the following covenants of financial line agreement:

- the ratio of liquid assets to total assets;
- the ratio of total operating expense to total operating income; and
- the ratio of liquid assets to weighted short term liabilities.

In accordance with the terms of the ICD financing agreement, in such cases the ICD has the right to take over the administration of the financed projects from the Bank. However, the management believes that the ICD will not use this right in the foreseeable future.

Operating lease commitments – the Group had no material operating lease commitments outstanding as at 31 December 2015 and 2014.

Legal proceedings – From time to time and in the normal course of business, claims against the Group can be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation – Provisions of the Uzbek tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Uzbek tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Uzbek tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Uzbek tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Country Constitutional Court the statute of limitation for tax liabilities may be extended beyond the five year term set forth in the tax legislation, if a court determines that the taxpayer has obstructed or hindered a tax inspection.

Operating Environment. 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 businesses in Uzbekistan continue to change rapidly, 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 oil and gas, its economy is sensitive to the price of oil and gas on the world market. During 2014-2015, the oil and gas prices decreased significantly, which led to a decrease in national export revenue.

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

(in millions of Uzbek Soums, unless otherwise indicated)

	31 December 2015		31 December 2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Due from banks	1,090,943	1,089,062	752,937	746,926
Loans to customers	5,109,789	4,974,149	3,592,652	3,552,378
Amounts due to the CBU and the Government	738,917	737,126	288,120	287,422
Due to banks	687,996	675,301	487,903	473,775
Customer accounts	4,842,726	4,879,029	3,521,939	3,549,924
Debt securities issued	197,709	199,354	254,896	257,017

				31 December 2015
	Level 1	**Level 2**	**Level 3**	**Total**
Due from banks	-	-	1,089,062	**1,089,062**
Loans to customers	-	-	4,974,149	**4,974,149**
Amounts due to the CBU and the Government	-	-	737,126	**737,126**
Due to banks	-	-	675,301	**675,301**
Customer accounts	-	-	4,879,029	**4,879,029**
Debt securities issued	-	-	199,354	**199,354**

				31 December 2014
	Level 1	**Level 2**	**Level 3**	**Total**
Due from banks	-	-	746,926	**746,926**
Loans to customers	-	-	3,552,378	**3,552,378**
Amounts due to the CBU and the Government	-	-	287,422	**287,422**
Due to banks	-	-	473,775	**473,775**
Customer accounts	-	-	3,549,924	**3,549,924**
Debt securities issued	-	-	257,017	**257,017**

The Group determines the fair value of financial assets and financial liabilities using the discounted cash flows model based on the rates of the deals concluded towards the end of the reporting period. Due to the absence of an active market or observable inputs for assets with characteristics similar to the Group's financial assets and financial liabilities, the Management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these financial assets and financial liabilities that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

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.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBU.

During the past year, the Group had complied in full with all its externally imposed capital requirements.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure of the Group on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Management Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

(in millions of Uzbek Soums, unless otherwise indicated)

The Group's overall capital risk management policy remains unchanged from 2014.

The following table analyzes the Group's regulatory capital computed based on IFRS balances. All calculations reflect the Group's interpretations of the current rules:

	2015	2014
Movement in tier 1 capital:		
At 1 January	**673,270**	**582,253**
Profit	81,799	76,617
Other	(12,147)	14,400
At 31 December	**742,922**	**673,270**

Composition of regulatory capital (a):	31 December 2015	31 December 2014
Tier 1 capital		
Share capital	550,185	538,667
Share premium	3,741	3,659
Capital reserve	7,382	7,382
Unrealised gains on investments available-for-sale	-	4,918
Retained earnings	154,857	88,613
Total qualifying tier 1 capital	**716,165**	**643,239**
Property and equipment revaluation reserve	26,167	29,411
Foreign currency translation reserve	590	620
Total regulatory capital	**742,922**	**673,270**

29. RISK MANAGEMENT POLICIES

Risk management is a process where management tries to limit the effect of risk by means of prevention, containment and repair. The main risks inherent to the Group's operations are those related to:

- Credit exposures
- Liquidity risk
- Market risk

The Group recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

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 management and monitoring is performed within set limits of authority. These processed are performed by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Division. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

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 quarterly by the Group Council.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

(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 are:
- Real estate;
- Corporate guarantees;
- Cash;
- Equipment;
- Inventory;
- Government guarantees;
- Securities;
- Deposits.

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.

(b) Limits. The Group established a number of credit committees which are responsible for approving credit limits for individual borrowers:

- The Credit Committee of Head office reviews and approves limits up to amount equivalent of USD 7.5 million;
- The Management Board of the Bank reviews and approves limits up to amount equivalent of 10 percent of tier 1 capital;
- The Council of the Bank reviews and approves limits up to amount equivalent of 25 percent of tier 1 capital.

(c) Concentration of risks of financial assets with credit risk exposure. The Group's management focuses on concentration risk:
- The maximum risk to a single borrower of Group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- The maximum risk for unsecured credits shall not exceed 25 percent of Group's tier 1 capital;
- Total amount of all large credits shall not exceed Group's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.

Impairment and provisioning policies. The internal and external rating systems described above focus more 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 that have been 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:
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above certain 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.

(in millions of Uzbek Soums, unless otherwise indicated)

Maximum exposure of credit risk

The Group's maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
31 December 2015					
Cash and cash equivalents	750,887	29,696	721,191	-	721,191
Due from banks	1,090,943	-	1,090,943	-	1,090,943
Loans to customers	5,109,789	1,651,003	3,458,786	3,405,475	53,311
Investments available-for-sale	20,938	-	20,938	-	20,938
Other financial assets	22,946	-	22,946	-	22,946
Contingent liabilities and credit commitments	2,102,485	1,574,526	527,959	-	527,959

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
31 December 2014					
Cash and cash equivalents	624,250	72,145	552,105	-	552,105
Due from banks	752,937	-	752,937	-	752,937
Loans to customers	3,592,652	842,806	2,749,846	2,700,600	49,246
Investments available-for-sale	23,677	-	23,677	-	23,677
Other financial assets	1,250	-	1,250	-	1,250
Contingent liabilities and credit commitments	942,265	573,998	368,267	-	368,267

<u>Off-balance sheet risk</u>
The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan.

(in millions of Uzbek Soums, unless otherwise indicated)

The geographical concentration of assets and liabilities is set out below:

	Uzbekistan	OECD countries	Non-OECD countries	31 December 2015 Total
FINANCIAL ASSETS				
Cash and cash equivalents	698,323	50,469	2,095	750,887
Due from banks	1,027,865	60,587	2,491	1,090,943
Loans to customers	5,109,789	-	-	5,109,789
Investments available-for-sale	18,387	-	2,551	20,938
Other financial assets	22,946	-	-	22,946
TOTAL FINANCIAL ASSETS	**6,877,310**	**111,056**	**7,137**	**6,995,503**
FINANCIAL LIABILITIES				
Amounts due to the CBU and Government	738,917	-	-	738,917
Due to banks	628,401	32,132	27,463	687,996
Customer accounts	4,842,726	-	-	4,842,726
Debt securities issued	197,709	-	-	197,709
Other financial liabilities	11,169	-	-	11,169
TOTAL FINANCIAL LIABILITIES	**6,418,922**	**32,132**	**27,463**	**6,478,517**
NET POSITION	**458,388**	**78,924**	**(20,326)**	

	Uzbekistan	OECD countries	Non-OECD countries	31 December 2014 Total
FINANCIAL ASSETS				
Cash and cash equivalents	303,043	320,253	954	624,250
Due from banks	660,753	84,657	7,527	752,937
Loans to customers	3,592,652	-	-	3,592,652
Investments available-for-sale	19,322	-	4,355	23,677
Other financial assets	1,250	-	-	1,250
TOTAL FINANCIAL ASSETS	**4,577,020**	**404,910**	**12,836**	**4,994,766**
FINANCIAL LIABILITIES				
Amounts due to the CBU and Government	288,120	-	-	288,120
Due to banks	181,652	213,314	92,937	487,903
Customer accounts	3,521,939	-	-	3,521,939
Debt securities issued	254,896	-	-	254,896
Other financial liabilities	11,960	-	-	11,960
TOTAL FINANCIAL LIABILITIES	**4,258,567**	**213,314**	**92,937**	**4,564,818**
NET POSITION	**318,453**	**191,596**	**(80,101)**	

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

(in millions of Uzbek Soums, unless otherwise indicated)

The following table details credit ratings of financial assets held by the Group:

	AA	A	BBB	BB	B	Not rated	Central Bank of Uzbekistan	31 December 2015 Total
Cash and cash equivalents	1,218	45,641	3,631	7,690	148,836	31,770	512,101	**750,887**
Due from banks	10,302	-	50,088	10,700	324,114	58,568	637,171	**1,090,943**
Loans to customers	-	-	-	-	-	5,109,789	-	**5,109,789**
Investments available for sale	-	-	-	-	-	20,938	-	**20,938**
Other financial assets	-	-	-	-	-	22,946	-	**22,946**

	AA	A	BBB	BB	B	Not rated	Central Bank of Uzbekistan	31 December 2014 Total
Cash and cash equivalents	74,624	238,147	7,759	-	19,450	91,082	193,188	**624,250**
Due from banks	8,560	89	75,546	1	172,851	41,810	454,080	**752,937**
Loans to customers	-	-	-	-	-	3,592,652	-	**3,592,652**
Investments available for sale	-	-	-	-	-	23,677	-	**23,677**
Other financial assets	-	-	-	-	-	1,250	-	**1,250**

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to rating of international rating agencies.

A methodology to determine credit ratings of borrowers has been developed in the Group to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower's rating and rating of collateral for a loan. The system is based on a scoring model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark. The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on business and business environment, relations of the Group and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the scoring model provides for overall assessment of the borrower and the loan.

A model of the borrower's scoring assessment has been developed in the Group to assess and decide on loans to small and medium-sized businesses. The scoring model is developed relating to standard loan products and includes key performance indicators of borrowers: financial situation, relations with the borrower, management quality, target use, location, credit history, collateral, etc.

The scoring assessment based on the borrower's parameters is one of the main factors for the decision-making process relating to loans.

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The maximum limit of a loan is calculated using a ratio of debt pressure on a borrower.

The Group applies internal methodologies to specific corporate loans and groups of retail loans. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers per the consolidated statement of financial position. As such, more detailed information is not being presented.

Financial assets other than loans to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as *Fitch, Standard & Poor's and Moody's*. The highest possible rating is *AAA*. Investment grade financial assets have ratings from *AAA* to *BBB*. Financial assets which have ratings lower than *BBB* are classed as speculative grade.

Renegotiated loans and advances
Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan (Note 7).

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Uzbekistan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group risk management policy are not breached.

Liquidity risk
Liquidity risk refers to the availability of sufficient funds to meet deposits withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial periods. Current liability is managed by the Treasury Department, which deals in the money markets for current liquidity and cash flow optimisation.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is a part of assets/liabilities management process. The Management Board of the Group sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

(in millions of Uzbek Soums, unless otherwise indicated)

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2015 Total
FINANCIAL ASSETS								
Cash and cash equivalents	7.3%	2,600	151,591	-	-	-	-	154,191
Due from banks	5.3%	63,511	19,810	257,076	48,063	-	-	388,460
Loans to customers	8.2%	188,981	152,588	629,165	2,799,534	1,339,521	-	5,109,789
Total interest bearing financial assets		**255,092**	**323,989**	**886,241**	**2,847,597**	**1,339,521**	**-**	**5,652,440**
Cash and cash equivalents		596,696	-	-	-	-	-	596,696
Due from banks		270,319	55,513	155,740	220,529	382	-	702,483
Investments available-for-sale		-	-	-	-	-	20,938	20,938
Other financial assets		22,946	-	-	-	-	-	22,946
Total financial assets		**1,145,053**	**379,502**	**1,041,981**	**3,068,126**	**1,339,903**	**20,938**	**6,995,503**
FINANCIAL LIABILITIES								
Amounts due to the CBU and Government	1.9%	2,802	-	5,860	98,166	632,089	-	738,917
Due to banks	5.3%	129,424	145,109	258,029	35,479	25,847	-	593,888
Customer accounts	6.9%	64,364	345,699	1,161,424	570,547	2,900	-	2,144,934
Debt securities issued	8.3%	14,009	20,000	54,700	109,000	-	-	197,709
Total interest bearing financial liabilities		**210,599**	**510,808**	**1,480,013**	**813,192**	**660,836**	**-**	**3,675,448**
Due to banks		94,108	-	-	-	-	-	94,108
Customer accounts		1,539,721	30,264	22,252	1,105,555	-	-	2,697,792
Other financial liabilities		11,169	-	-	-	-	-	11,169
Commitments on loans and unused credit lines		988,171	-	-	-	-	-	988,171
Total financial liabilities and commitments		**2,843,768**	**541,072**	**1,502,265**	**1,918,747**	**660,836**	**-**	**7,466,688**
Interest sensitivity gap		44,493	(186,819)	(593,772)	2,034,405	678,685	-	
Cumulative interest sensitivity gap		**44,493**	**(142,326)**	**(736,098)**	**1,298,307**	**1,976,992**	**1,976,992**	
Liquidity gap		(1,698,715)	(161,570)	(460,284)	1,149,379	679,067	20,938	
Cumulative liquidity gap		**(1,698,715)**	**(1,860,285)**	**(2,320,569)**	**(1,171,190)**	**(492,123)**	**(471,185)**	

The negative liquidity gap above between financial assets and liabilities up to 5 years is caused by current accounts of customers and commitments on loans and unused credit lines. The management regularly assesses the stability of its customer accounts funding base based on past performance and analysis of the events subsequent to the reporting date. Also, as described in Note 30, as at 31 December 2015 customer accounts due to shareholders and other related parties constitute UZS 2,627,673 million and UZS 2,188,770 million, respectively.

Based on the analysis, the management believes that the clients intend to hold their current accounts with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

(in millions of Uzbek Soums, unless otherwise indicated)

Also, due to the fact that majority of commitments on loans and unused credit lines are due to two borrowers which are funded by the government through the Fund for Reconstruction and Development (refer to Note 14), the management believes that request for unused credit lines will not significantly impact the Group's liquidity position.

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
FINANCIAL ASSETS								
Cash and cash equivalents	5.0%	14,000	18,000	-	-	-	-	32,000
Due from banks	6.8%	77,424	28,950	97,264	66,146	28,100	-	297,884
Loans to customers	9.8%	124,798	131,225	1,123,165	1,485,118	728,346	-	3,592,652
Total interest bearing financial		**216,222**	**178,175**	**1,220,429**	**1,551,264**	**756,446**	**-**	**3,922,536**
Cash and cash equivalents		592,250	-	-	-	-	-	592,250
Due from banks		182,088	68,807	73,257	129,074	3	1,824	455,053
Investments available-for-sale		-	-	-	-	-	23,677	23,677
Other financial assets		1,250	-	-	-	-	-	1,250
Total financial assets		**991,810**	**246,982**	**1,293,686**	**1,680,338**	**756,449**	**25,501**	**4,994,766**
FINANCIAL LIABILITIES								
Amounts due to the CBU and Government	1.4%	223	588	7,796	14,604	264,909	-	288,120
Due to banks	5.2%	58,347	193,247	103,254	40,978	-	-	395,826
Customer accounts	6.1%	249,623	518,087	547,738	81,128	23	14,151	1,410,750
Debt securities issued	8.7%	462	40,926	16,508	197,000	-	-	254,896
bearing financial liabilities		**308,655**	**752,848**	**675,296**	**333,710**	**264,932**	**14,151**	**2,349,592**
Due to banks		92,077	-	-	-	-	-	92,077
Customer accounts		1,155,133	15,598	20,458	920,000	-	-	2,111,189
Other financial liabilities		11,960	-	-	-	-	-	11,960
Commitments on loans and unused credit lines		79,366	-	-	-	-	-	79,366
Total financial liabilities and commitments		**1,647,191**	**768,446**	**695,754**	**1,253,710**	**264,932**	**14,151**	**4,644,184**
Interest sensitivity gap		(92,433)	(574,673)	545,133	1,217,554	491,514	(14,151)	
Cumulative interest sensitivity gap		**(92,433)**	**(667,106)**	**(121,973)**	**1,095,581**	**1,587,095**	**1,572,944**	
Liquidity gap		(655,381)	(521,464)	597,932	426,628	491,517	11,350	
Cumulative liquidity gap		**(655,381)**	**(1,176,845)**	**(578,913)**	**(152,285)**	**339,232**	**350,582**	

In the table above, the terms to maturity correspond to the contractual terms. However, individuals are entitled to terminate the deposit agreement ahead of schedule according to effective laws.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

(in millions of Uzbek Soums, unless otherwise indicated)

	Weighted average interest	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2015 Total
FINANCIAL LIABILITIES							
Amounts due to the CBU and Government	1.9%	2,807	-	5,974	102,025	696,059	806,865
Due to banks	5.3%	129,998	147,041	271,773	39,359	33,504	621,675
Customer accounts	6.9%	64,733	351,639	1,241,255	651,676	4,043	2,313,346
Debt securities issued	8.3%	14,106	20,415	59,238	127,836	-	221,595
Total interest bearing liabilities		**211,644**	**519,095**	**1,578,240**	**920,896**	**733,606**	**3,963,481**
Due to banks		94,108	-	-	-	-	94,108
Customer accounts		1,539,721	30,264	22,252	1,105,555	-	2,697,792
Other financial liabilities		11,169	-	-	-	-	11,169
Total financial liabilities		**2,844,813**	**549,359**	**1,600,492**	**2,026,451**	**733,606**	**7,754,721**

	Weighted average interest	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2014 Total
FINANCIAL LIABILITIES							
Amounts due to the CBU and Government	1.4%	223	590	7,905	15,016	283,979	307,713
Due to banks	5.2%	58,600	195,759	108,623	45,351	-	408,333
Customer accounts	6.1%	250,892	525,988	581,150	91,327	31	1,449,388
Debt securities issued	8.7%	465	41,816	17,944	232,769	-	292,994
Total interest bearing liabilities		**310,180**	**764,153**	**715,622**	**384,463**	**284,010**	**2,458,428**
Due to banks		92,077	-	-	-	-	92,077
Customer accounts		1,155,133	15,598	20,458	920,000	-	2,111,189
Other financial liabilities		11,960	-	-	-	-	11,960
Total financial liabilities		**1,648,716**	**779,751**	**736,080**	**1,304,463**	**284,010**	**4,753,020**

Market risk

Market risk is that the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, commodity prices and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.
The Risk Management Department also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequently cash flow risk.

(in millions of Uzbek Soums, unless otherwise indicated)

Currency risk
Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Risk Management Department controls currency risk by management of the open currency position on the estimated basis of UZS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Risk Management performs daily monitoring of the Group's open currency position with the aim to match the requirements of the Central Bank of the Republic of Uzbekistan.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UZS	USD USD 1 = UZS 2,809.98	EUR EUR 1 = UZS 3,074.19	Other currencies	31 December 2015 Total
FINANCIAL ASSETS					
Cash and cash equivalents	656,998	43,666	45,738	4,485	750,887
Due from banks	1,027,865	37,644	24,559	875	1,090,943
Loans to customers	2,616,179	2,448,511	45,099	-	5,109,789
Investments available-for-sale	18,360	2,197	-	381	20,938
Other financial assets	22,946	-	-	-	22,946
Total financial assets	**4,342,348**	**2,532,018**	**115,396**	**5,741**	**6,995,503**
FINANCIAL LIABILITIES					
Amounts due to the CBU and Government	1,960	714,017	22,940	-	738,917
Due to banks	200,598	457,731	29,626	41	687,996
Customer accounts	3,815,144	717,579	308,232	1,771	4,842,726
Debt securities issued	197,709	-	-	-	197,709
Other financial liabilities	11,169	-	-	-	11,169
Total financial liabilities	**4,226,580**	**1,889,327**	**360,798**	**1,812**	**6,478,517**
OPEN POSITION	**115,768**	**642,691**	**(245,402)**	**3,929**	

(in millions of Uzbek Soums, unless otherwise indicated)

	UZS	USD USD 1 = UZS 2,422.40	EUR EUR 1 = UZS 2,987.74	Other currencies	31 December 2014 Total
FINANCIAL ASSETS					
Cash and cash equivalents	144,897	377,347	98,506	3,500	624,250
Due from banks	556,182	41,246	155,509	-	752,937
Loans to customers	2,623,168	930,360	39,124	-	3,592,652
Investments available-for-sale	21,417	1,817	-	443	23,677
Other financial assets	1,250	-	-	-	1,250
Total financial assets	**3,346,914**	**1,350,770**	**293,139**	**3,943**	**4,994,766**
FINANCIAL LIABILITIES					
Amounts due to the CBU and Government	4,050	260,554	23,516	-	288,120
Due to banks	251,458	206,929	29,514	2	487,903
Customer accounts	2,633,064	642,884	244,894	1,097	3,521,939
Debt securities issued	254,896	-	-	-	254,896
Other financial liabilities	11,960	-	-	-	11,960
Total financial liabilities	**3,155,428**	**1,110,367**	**297,924**	**1,099**	**4,564,818**
OPEN POSITION	**191,486**	**240,403**	**(4,785)**	**2,844**	

Currency risk sensitivity

The following table details the Group's sensitivity to a 16% and 2.9% increase and decrease in the USD and EUR against UZS as at 31 December 2015 and 10% for 2014. Due to increase and decrease of USD and EUR, respectively, exchange rate against UZS during the year ended 31 December 2015, the management has changed its assumptions in sensitivity for USD and EUR from 10% and 10% used in prior years to 16% and 2.9%, respectively. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for 16% and 2.9% in foreign currency rates.

	As at 31 December 2015		As at 31 December 2014	
	UZS/USD +16%	**UZS/USD -16%**	**UZS/USD +10%**	**UZS/USD -10%**
Impact on profit or loss and equity	102,831	(102,831)	24,040	(24,040)

	As at 31 December 2015		As at 31 December 2014	
	UZS/EUR +2.9%	**UZS/EUR -2.9%**	**UZS/EUR +10%**	**UZS/EUR -10%**
Impact on profit or loss and equity	(7,117)	7,117	(479)	479

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Price risk-own products

The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

(in millions of Uzbek Soums, unless otherwise indicated)

30. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2015		31 December 2014	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and cash equivalents				
- other related parties	130,094		193,188	
	130,094	**750,887**	**193,188**	**624,250**
Loans to customers				
- shareholders	157,494		166,725	
-other related parties	1,892,218		1,369,746	
	2,049,712	**5,491,120**	**1,536,471**	**3,878,291**
Allowance for impairment losses				
- shareholders	(5,767)		(3,522)	
-other related parties	(15,071)		-	
	(20,838)	**(381,331)**	**(3,522)**	**(285,639)**
Investments in associates				
- entities with signifiant influence or joint control over the entity	47,182		48,889	
	47,182	**47,182**	**48,889**	**48,889**
Amounts due to the CBU and the Government				
- shareholders	738,765		287,960	
- other related parties	152		160	
	738,917	**738,917**	**288,120**	**288,120**
Due to banks				
- other related parties	149,538		160,703	
	149,538	**687,996**	**160,703**	**487,903**
Customer accounts				
- shareholders	1,103,357		1,035,915	
- other related parties	1,524,316		1,152,855	
	2,627,673	**4,842,726**	**2,188,770**	**3,521,939**
Letters of credit				
- other related parties	644,843		477,156	
	644,843	**830,006**	**477,156**	**683,177**
Guarantees issued and other similar instruments				
- other related parties	5,438		9,963	
	5,438	**284,308**	**9,963**	**179,722**

(in millions of Uzbek Soums, unless otherwise indicated)

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2015 and 2014 are the following amounts which were recognised in transactions with related parties:

	2015		2014	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Interest income				
- *shareholders*	7,872		266	
- *other related parties*	79,032		93,352	
	86,904	**418,818**	**93,618**	**352,216**
Interest expense				
- *shareholders*	(25,286)		(1,142)	
- *other related parties*	(21,980)		(9,200)	
	(47,266)	**(185,399)**	**(10,341)**	**(145,515)**
Provision for impairment losses on interest bearing assets				
- *shareholders*	(2,245)		(1,803)	
- *other related parties*	(15,071)		-	
	(17,316)	**(66,468)**	**(1,803)**	**(104,465)**
Fee and comission income				
- *shareholders*	888		233	
- *other related parties*	22,043		24,691	
	22,931	**99,982**	**24,924**	**98,652**
Operating expenses				
- *Key management personnel compensation:*	(1,553)		(1,154)	
	(1,553)	**(204,830)**	**(1,154)**	**(179,507)**

31. SUBSEQUENT EVENTS

In February 2016, subsequent to the balance sheet date, the Cabinet of Ministers of the Republic of Uzbekistan relieved K.Aripov from his position of the Chairman of the Management Board. The first deputy Chairman of the Management Board R.Kasimov, was appointed as Acting Chairman of the Management Board.