JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES

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

31 December 2016

CONTENTS

Independent auditor's report

To the Shareholders and Council of the Joint Stock Commercial Bank "Invest Finance Bank":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Joint Stock Commercial Bank "Invest Finance Bank" (the Bank) and its subsidiaries (the Group) as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Our audit approach

Overview

Materiality	Overall Group materiality: Uzbek Soums ("UZS") 921,000 thousand, which represents 5% of profit before tax.
Group scoping	The Group consists of four reporting entities, which are located in Uzbekistan. We performed an audit of the complete financial information on these reporting entities.
Key audit matters	1. Impairment of loans and advances to customers. 2. Valuation of incurred but not reported insurance claims reserve

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of four entities, the parent – Joint Stock Commercial Bank "Invest Finance Bank", 100% owned subsidiary – Limited Liability Company "InFin Leasing", 100% owned subsidiary – Limited Liability Company "Master Leasing" and 62% owned subsidiary – Limited Liability Company "Asia Insurance". The Group's financial statements are a consolidation of these four entities. We performed an audit of the complete financial information on these reporting entities. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group's consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	UZS 921,000 thousand.
How we determined it	5% of profit before tax.
Rationale for the materiality benchmark applied	- the Group is a profit oriented entity with a history of profitable results; - the Group's profits are not volatile and the main users of the financial statements (shareholders, creditors, regulator) are primarily interested in profitability and liquidity.

We agreed with management that we would report to them misstatements identified during our audit above UZS 46,000 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reason.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans and advances to customers	
We considered impairment of loans and advances to customers as key audit matter due to the size of the loans and advances to customers balance on the consolidated statement of financial position UZS 551,264,743 thousand as at 31 December 2016 or 50% of the Group's total assets and the significance of judgement and method involved in making estimates for loan impairment. The judgements and decisions made by management in making estimate for loans impairment are highly subjective due to the level of judgements applied by the management over timing of impairment recognition and amount of any such impairment. The summary of significant accounting policies and critical accounting estimates and judgements relative to the calculations of impairment of loans and advances to customers are summarised in Notes 3 and 4 to the consolidated financial statements. The Group uses two methods for calculation of impairment provisions on loans and advances to customers: *Method 1. Individually assessed loans* These represent loans to legal entities that the Bank's Credit Committee assesses individually in order to determine whether there is an objective evidence that the loan is impaired. The Bank measures individually impaired loans based on the present value of future cash flows discounted at the original effective interest rate, or at the fair value of the collateral when the recovery depends primarily on the disposal of collateral. If there is objective evidence that individually assessed loan is impaired, the recoverable amount is determined on a loan-by-loan basis. The impairment is recognised as the difference between	Our audit procedures over the loans and advances to customers primarily included: - the assessment of controls over the approval, issuance, recording and monitoring of loans and advances; - evaluation of the methodologies, inputs and assumptions used by the Bank in calculating impairments assessed on a portfolio basis; - the assessment of the adequacy of impairment allowances for individually and collectively assessed loans and advances. We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk. We tested a sample of individually significant loans by focusing on default or delinquency, estimated future cash flows, economic conditions that correlate with adverse changes in payments status and the quality and valuation of collateral. Our selection was based on under-collateralized loans, since over-collateralized loans will provide sufficient future cash flows (even though they might be overdue). Our work included the following steps for the selected loans: 1. We tested whether the impairment event had been identified in a timely manner, tested discounted cash flow calculations, challenged the assumptions and expert judgements used and compared estimates to external evidence where available; 2. We assessed borrowers' collateral by reviewing internal and external valuation reports and by obtaining understanding of the Bank's and regulator's policies related to monitoring and assessment of collateral and understanding of additional procedures performed by management, such as internal reassessment of collateral value or site visits. For individually significant loans with no impairment identified, we applied collective pool provision rates, except for 'day one loans', which are not considered to be impaired due to a short time since their origination. For impairment estimated collectively on a modelled basis, we tested the basis and operation of the model and the data and assumptions used. Our work included the following steps:

the carrying and the recoverable amount of the loan, if the recoverable amount is lower.

The carrying amount of the loan or group of loans is reduced through use of allowance account and amount of the loss is recognised in profit or loss. Reversals are recognised in profit or loss and cannot result in a carrying amount that exceeds what the amortised cost would have been had no impairment been recognized.

Method 2. Collectively assessed loans

The Bank groups loans by similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The Bank estimates future cash flows in a group of loans based on historical loss experience, prevailing economical and credit conditions and peer group experience for loans with credit risk characteristics similar to those in the group.

1. We compared the principal assumptions made with our own knowledge and experience of the banking industry;
2. We re-performed the calculation and checked correctness of the model used to calculate collective impairment;
3. We checked whether the potential indicators of impairment are included in the impairment analysis by the management.

The following additional procedures were performed for provision for impairment of loans and advances at 31 December 2016:

1. We inspected the back testing exercise to ensure that accounting estimate is appropriate and has been applied consistently;
2. We developed independent expectations in respect of collective assessment based on our understanding of the industry sectors and the banking market in Uzbekistan.

Our procedures did not lead to a material adjustment to the provision for impairment of loans and advances at 31 December 2016.

Valuation of incurred but not reported insurance claims reserve.

As at 31 December 2016, insurance contract liabilities related to incurred but not reported claims ("IBNR") amounted to UZS 2,966,932 thousand as detailed in note 17 to the consolidated financial statements.

As set out in Notes 3 and 4, valuation of IBNR requires professional judgment and assumptions made by management.

The management uses a range of methods including calculation per enacted regulation and internal assessments to determine this provision. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and patterns of claims.

The valuation of IBNR also depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. As a result, of all of above factors, the inadequacy of IBNR reserve may represent a significant risk for the Group.

Our audit procedures over the IBNR included:

- testing the sample of underlying data in relation to insurance operations expense to source documentation;
- performance of run off test to assess whether the carrying amount of IBNR is sufficient in the light of the estimated future cash flows;
- recalculation of the IBNR reserve as required by the regulator.

We performed the following additional procedure to assess the adequacy of IBNR reserve:

1. With assistance of our actuarial specialist, we performed the necessary review of data to ascertain whether the results are reasonable for financial disclosure.

2. We analysed two subsequent periods 1 to 31 January 2017 and 1 January to 24 March 2017 and their impact on the carrying amount of IBNR reserve at 31 December 2016. In particular, we obtained claims reported both settled and unsettled for above-mentioned subsequent periods and compared the amounts with carrying amount of IBNR reserve to ensure that the provision is sufficient at the year-end.

Our procedures did not lead to a material adjustment to the IBNR reserve at 31 December 2016.

Responsibilities of management and Council of the Group for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

Council is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Utkir Muhammadiyev
General Director/Engagement Partner
Certificate of Auditor No. 9/15
dated 16 August 2013

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
10 April 2017
Tashkent, Uzbekistan

In thousands of Uzbekistan Soums	Note	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	7	271,251,393	192,855,166
Due from other banks	8	116,126,115	120,050,010
Loans and advances to customers	9	551,264,743	413,688,801
Investment securities available for sale	10	7,807,983	7,223,273
Current income tax prepayments		727,942	974,795
Deferred income tax assets	25	1,753,911	1,464,423
Premises, equipment and intangible assets	11	124,462,083	93,694,257
Reinsurers' share of reserves for insurance contracts	12	5,074,666	5,727,602
Other assets	13	16,194,175	22,898,087
TOTAL ASSETS		**1,094,663,011**	**858,576,414**
LIABILITIES			
Due to other banks	14	173,026,174	171,243,589
Customer accounts	15	708,903,056	522,441,445
Debt securities in issue	16	15,028,457	22,800,439
Reserves for insurance contracts	17	20,947,073	18,993,911
Other liabilities	18	22,980,258	23,156,185
TOTAL LIABILITIES		**940,885,018**	**758,635,569**
EQUITY			
Share capital	19	139,480,680	86,050,574
Share capital reserve		-	2,600,000
Share premium	19	1,853,395	1,273,780
Other insurance reserves	19	4,690,000	3,718,971
Retained earnings		1,788,805	1,116,087
Net assets attributable to the Bank's owners		147,812,880	94,759,412
Non-controlling interest	32	5,965,113	5,181,433
TOTAL EQUITY		**153,777,993**	**99,940,845**
TOTAL LIABILITIES AND EQUITY		**1,094,663,011**	**858,576,414**

Approved for issue and signed on 10 April 2017.

Abdullaev Z.S.
Chairman of the Board

Toshpulatkhujaev J.O.
Chief Accountant

In thousands of Uzbekistan Soums	Note	2016	2015
Interest income	20	80,592,693	55,808,979
Interest expense	20	(40,568,489)	(31,038,884)
Net interest income		**40,024,204**	**24,770,095**
Provision for loan impairment	9	(2,156,667)	(1,361,606)
Net interest income after provision for loan impairment		**37,867,537**	**23,408,489**
Fee and commission income	21	44,710,846	28,574,545
Fee and commission expense	21	(15,154,988)	(5,341,083)
Insurance operations income	22	19,255,383	16,213,812
Insurance operations expense	22	(11,086,292)	(8,467,876)
Net gain on foreign exchange operations		3,021,984	1,356,897
Provision for impairment losses on other operations	13	(19,544)	(267,412)
Dividend income		41,903	109,712
Other operating income	23	7,812,443	8,489,458
Administrative and other operating expenses	24	(65,877,789)	(50,132,764)
Profit before tax		**20,571,483**	**13,943,778**
Income tax expense	25	(3,351,304)	(1,879,592)
PROFIT FOR THE YEAR		**17,220,179**	**12,064,186**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,220,179**	**12,064,186**
Profit is attributable to:			
- Owners of the Bank		16,436,499	10,807,577
- Non-controlling interest	32	783,680	1,256,609
Profit for the year		**17,220,179**	**12,064,186**
Total comprehensive income is attributable to:			
- Owners of the Bank		16,436,499	10,807,577
- Non-controlling interest	32	783,680	1,256,609
Total comprehensive income for the year		**17,220,179**	**12,064,186**
Basic and diluted earnings per ordinary share (expressed in UZS per share)	27	**168**	**166**

Approved for issue and signed on 10 April 2017.

Abdullaev Z.S.
Chairman of the Board

Toshpulatkhujaev J.O.
Chief Accountant

The notes set out on pages 5 to 60 form an integral part of these consolidated financial statements.

In thousands of Uzbekistan Soums	Note	Attributable to owners of the Bank: Share capital	Share premium	Share capital reserve	Stabilisation reserve	Reserve for preventive measures	Equity component in insurance reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2014		**60,000,000**	**1,273,780**	**-**	**2,769,458**	**1,193,798**	**(402,336)**	**466,539**	**65,301,239**	**3,924,824**	**69,226,063**
Total comprehensive income for 2015		-	-	-	-	-	-	10,807,577	10,807,577	1,256,609	12,064,186
Shares issue:											
- cash	19	16,050,596	-	-	-	-	-	-	16,050,596	-	16,050,596
- capitalised dividends	19	9,999,978	-	-	-	-	-	-	9,999,978	-	9,999,978
- share subscription deposit	19	-	-	2,600,000	-	-	-	-	2,600,000	-	2,600,000
Dividends declared	26	-	-	-	-	-	-	(9,999,978)	(9,999,978)	-	(9,999,978)
Change in other insurance reserves	19	-	-	-	111,866	249,598	(203,413)	(158,051)	-	-	-
Balance at 31 December 2015		**86,050,574**	**1,273,780**	**2,600,000**	**2,881,324**	**1,443,396**	**(605,749)**	**1,116,087**	**94,759,412**	**5,181,433**	**99,940,845**
Total comprehensive income for 2016		-	-	-	-	-	-	16,436,499	16,436,499	783,680	17,220,179
Shares issue:											
- cash	19	36,037,354	579,615	-	-	-	-	-	36,616,969	-	36,616,969
- capitalised dividends	19	14,792,752	-	-	-	-	-	-	14,792,752	-	14,792,752
- share subscription deposit	19	2,600,000	-	(2,600,000)	-	-	-	-	-	-	-
Dividends declared	26	-	-	-	-	-	-	(14,792,752)	(14,792,752)	-	(14,792,752)
Change in other insurance reserves	19		-	-	612,682	449,875	(91,528)	(971,029)	-	-	-
Balance at 31 December 2016		**139,480,680**	**1,853,395**	**-**	**3,494,006**	**1,893,271**	**(697,277)**	**1,788,805**	**147,812,880**	**5,965,113**	**153,777,993**

Approved for issue and signed on 10 April 2017.

Abdullaev Z.S.
Chairman of the Board

Toshpulatkhujaev J.O.
Chief Accountant

INVEST FINANCE BANK
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The notes set out on pages 5 to 60 form an integral part of these consolidated financial statements.

In thousands of Uzbekistan Soums	Note	2016	2015
Cash flows from operating activities			
Interest received		77,242,570	56,565,898
Interest paid		(39,927,537)	(30,624,796)
Fee and commission received		41,090,897	28,063,589
Fee and commission paid		(15,154,988)	(5,341,083)
Income received from insurance operations		20,279,481	11,935,122
Expense paid on insurance operations		(9,504,292)	(3,017,657)
Net gain on foreign exchange operations, dealing transactions		2,084,225	2,681,747
Other operating income received		7,639,755	6,536,986
Staff costs paid		(29,084,394)	(20,750,969)
Administrative and other operating expenses paid		(27,766,761)	(23,036,469)
Income tax paid		(3,457,299)	(2,600,578)
Cash flows from operating activities before changes in operating assets and liabilities		**23,441,657**	**20,411,790**
Net (increase)/decrease in:			
- due from other banks		3,948,071	(21,639,267)
- loans and advances to customers		(136,059,108)	(104,482,136)
- other assets		10,304,317	(11,829,026)
Net increase/(decrease) in:			
- due to other banks		1,748,903	53,951,283
- customer accounts		186,288,272	155,706,859
- debt securities in issue		(7,750,000)	(2,150,000)
- other liabilities		(910,087)	20,663,740
Net cash from operating activities		**81,012,025**	**110,633,243**
Cash flows from investing activities			
Acquisition of property, equipment and intangible assets	11	(46,993,907)	(32,668,478)
Proceeds from disposal of property, equipment and intangible assets	11	8,169,655	2,467,062
Acquisition of investment securities available for sale	10	(6,136,323)	(2,929,672)
Proceeds from disposal of investment securities available for sale	10	5,551,613	903,807
Dividend income received		41,903	109,712
Acquisition of subsidiaries, net of cash acquired		-	(5,000)
Net cash used in investing activities		**(39,367,059)**	**(32,122,569)**
Cash flows from financing activities			
Issuance of ordinary shares	19	36,616,969	16,050,596
Dividends paid	26	-	-
Net cash from financing activities		**36,616,969**	**16,050,596**
Effect of exchange rate changes on cash and cash equivalents		**134,292**	**(160,018)**
Net increase/(decrease) in cash and cash equivalents		**78,396,227**	**94,401,252**
Cash and cash equivalents at the beginning of the year	7	192,855,166	98,453,914
Cash and cash equivalents at the end of the year	**7**	**271,251,393**	**192,855,166**

Approved for issue and signed on 10 April 2017.

Abdullaev Z.S.
Chairman of the Board

INVEST FINANCE BANK • INFINBANK

Toshpulatkhujaev J.O.
Chief Accountant

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2016 for Joint Stock Commercial Bank "Invest Finance Bank" (the "Bank") and its subsidiaries (the "Group").

The Bank was incorporated and is domiciled in Uzbekistan. The Bank is a joint stock company limited by shares and was set up in accordance with Uzbekistan regulations.

Principal activity. The Group's principal business activity is commercial and retail banking operations within Uzbekistan. The Bank has operated under a full banking licence issued by the Central Bank of Uzbekistan ("CBU") # 75 since 24 December 2007 (renewed on 20 August 2016 by CBU). The Bank participates in the state deposit insurance scheme, which was introduced by Law of the Republic of Uzbekistan # 360-II "Insurance of Individuals Bank Deposits" dated 5 April 2002. The State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount in the case of the withdrawal of a licence of a Bank.

Registered address and place of business. The Bank's registered address is: Mirobod District, T.Shevchenko Street, 1-H., Tashkent 100029, Uzbekistan. The Bank has fourteen (2015: eleven) branches within Uzbekistan.

Presentation currency. These consolidated financial statements are presented in Uzbekistan Soum ("UZS"), unless otherwise stated.

Shareholders. The ownership interest of the shareholders in the Bank's share capital was as follows:

In percentage of ownership	**31 December 2016**	**31 December 2015**
Legal entities:		
Swiss Capital International Group AG (Switzerland)	20.00	-
LLC "Prestij Rielt"	15.70	19.03
LLC "Agroplastimpeks"	14.05	13.93
LLC "Broker Investment"	8.26	11.04
LLC "Real Plast Servis"	5.73	8.05
JSC JV "Alfa Group"	2.66	3.74
Subtotal	**66.40**	**55.79**
Individuals:		
Mamadjanov Fakhritdin Djuraevich	19.92	24.99
Sulaymanova Sabohat Validjanova	3.33	4.68
Akhmadjanov Aziz Nigmatjanovich	2.42	3.40
Kudratullaev Ubaydullo Fayzullaevich	2.02	2.84
Mirsaidov Aziz Agzamovich	1.99	2.80
Kendjaev Azim Ahmadovich	1.96	2.76
Valijonov Hojiakbar Abdumalikovich	1.96	2.76
Subtotal	**33.60**	**44.21**
Total	**100.00**	**100.00**

Subsidiaries. The Bank's subsidiaries comprise the following enterprises:

Name	**Ownership 2016**	**Ownership 2015**	**Country**	**Industry**
LLC "InFin Leasing"	100%	100%	Uzbekistan	Leasing
LLC "Master Leasing"	100%	100%	Uzbekistan	Leasing
LLC "Asia Insurance"	62%	62%	Uzbekistan	Insurance

2 Operating Environment of the Group

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

Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Bank's control.

The Bank's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall. Management is unable to predict all developments which could have an impact on the banking sector and generally on the financial position of the Bank in particular.

Uzbekistan experienced following key economic indicators in 12 months of 2016:

- Inflation: 5.7% (2015: 5.6%).
- GDP growth: 7.8% (2015: 8%).
- Central bank refinancing rate: 9% (2015: 9%).
- Official exchange rate: USD 1 = UZS 3,231.48 (31 December 2015: USD 1 = UZS 2,809.98).
- Republican stock exchange "Toshkent" composite index: 1000.88 (31 December 2015: 1000.00).

3 Summary of Significant Accounting Policies

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

The Group is required to maintain its records and prepare its financial statements for regulatory purposes in Uzbek Soums in accordance with Uzbekistan Accounting Legislation and related instructions. These consolidated financial statements are based on the Bank's Uzbekistan Accounting Legislation books and records, adjusted and reclassified in order to comply with IFRS.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

3 Summary of Significant Accounting Policies (Continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 33.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

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

Initial recognition of financial instruments. All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with the Central Bank of Uzbekistan (the "CBU") and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the CBU. Mandatory cash balances with the CBU are carried at amortised cost and represent non-interest bearing mandatory reserve deposits 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 statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty Banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Due from the CBU include non-interest bearing mandatory reserve deposit held with the CBU against credit losses and deposits. This deposit is not available to finance the Group's day to day operations, and hence is not considered as part of cash and cash equivalents for the purposes of these consolidated financial statements. This deposit is calculated in accordance with the current regulations of the CBU based on overdue status of the borrowers which is out of Group's control in order to manage the amount of mandatory reserve deposit. Amounts due from Banks are carried at amortised cost.

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

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

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

- 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; and
- Deterioration in the value of collateral.

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

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

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset’s recoverable amount. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment. Earned rental income is recorded in profit or loss for the year within other operating income.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

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

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the statement of comprehensive income.

3 Summary of Significant Accounting Policies (Continued)

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

	Useful lives in years
Premises	20
Office and computer equipment	5 to 10
Intangible assets	20

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

Intangible assets. The Group’s intangible assets have definite useful lives and primarily comprise capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

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

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

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

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to profit or loss for the year over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life, or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

3 Summary of Significant Accounting Policies (Continued)

Description of insurance products. The Group offers insurance products covering all common insurance risks. The Group’s main lines of business are as follows:

- motor insurance, including third party liability;
- aircraft insurance;
- property insurance;
- loan repayments insurance;
- construction insurance;
- medical insurance;
- civil liability of employer.

Motor and property insurance ensures that Group customers are paid compensation for the damage caused to their property. Customers are also indemnified for losses caused by their inability to use an insured property in their economic activities as a result of the occurrence of an insured event (business interruption).

Liability insurance contracts protect the Group’s customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees or society (employers’ liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Basis of accounting for insurance activities.

Premiums written. Upon inception of a contract, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage.

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated using “pro rata temporis” or “1/24” method. The “pro rata temporis” method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date. The “1/24” method is determined by multiplying the total amount of the basic insurance premiums on the coefficients which are defined for each subgroup as the ratio of not elapsed at the reporting date of the term of the subgroup contracts to the whole duration of subgroup contracts.

Claims. Claims and claims handling expenses are charged to the consolidated income statement as incurred based on the evaluated liability for compensation payable to policyholders or third parties, net of subrogation. Subrogation is a right to pursue third parties for payment of some or all costs related to the claims settlement process.

Loss provision. Loss provision represents the accumulation of estimates for ultimate losses and includes provision for losses reported but not settled (“RBNS”) and incurred but not yet reported (“IBNR”). Estimates of claims handling expenses are included in both RBNS and IBNR. RBNS is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases before or after the reporting date. IBNR is determined by the Group by line of business, and includes assumptions based on prior years’ claims and claims handling experience. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of comprehensive income as they arise. Loss provision is estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

Stabilisation reserve. Reserve on compulsory insurance of civil liability of owners of vehicles and compulsory insurance of civil liability of the employer is designed to compensate expenses on insurance claims payments in subsequent years. Charge to stabilisation reserve for the period is calculated on portfolio basis based on results of insurance activities separately for each of the two insurance portfolios.

If income exceeds expenses by 5% than the amount of the increase is charged as increase of the stabilisation reserve for the period; if expenses exceed income than the difference is charged as decrease of the stabilisation reserve for the period.

3 Summary of Significant Accounting Policies (Continued)

Reserve for preventive measures. This reserve is designed to finance events on prevention of accidents, loss or damage to the insured property, as well as to finance other activities aimed at the warning and prevention of occurrence of insurance claims. The reserve is compulsory for insurance of civil liability of owners of vehicles and for insurance of civil liability of the employer, for other types of insurance it is voluntary. Charge to reserve for the period is calculated on portfolio basis as 5% from the gross premium written.

Equity component in insurance reserves. The nature of the reserve for preventive measures (the “RFPM”) component included into the calculation of the unearned premium reserve under the statutory requirements is the same as the amount of liability for the RFPM under statutory requirements. For IFRS purposes the amount of unearned premium is adjusted for the RFPM component by analogy to the treatment of the RFPM accrued as liability, because the component does not comply with the definition of either asset or liability and is accrued for future expenses of the Group. Similar to the presentation of the RFPM, the RFPM component included into the unearned premium reserve is separately presented as a component of equity.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income by subsequently establishing a provision for losses arising from the liability adequacy tests.

Reinsurance. The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the term of each reinsurance contract. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses, reinsurers’ share of loss provision and premiums ceded to the Group. Reinsurance payables are obligations of the Group for the transfer of reinsurance premiums to reinsurers.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

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

Debt securities in issue*.* Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting. Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes are provided for in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Share capital. Ordinary shares are classified as equity. 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.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The Group distributes dividends based on audited financial statements, prepared in accordance with IFRS, taking into account requirements of the existing legislation of the Republic of Uzbekistan.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

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

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and fees for settlement transactions which represent the fee received by the Bank for processing of each transaction over the customer’s accounts are earned on execution of the underlying transaction, and are recorded on its completion.

3 Summary of Significant Accounting Policies (Continued)

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

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

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

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

Foreign currency translation. The functional currency of the Group, which is the currency of the primary economic environment in which the Group operates and the Group's presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS").

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of the CBU at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss for the year. Translation at the year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

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

The results and financial position of each group entity are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

At 31 December 2016 the principle rate of exchange used for translating foreign currency balances was USD 1=UZS 3,231.48 (2015: 2,809.98) and EUR 1 = UZS 3,419.23 (2015: 3,074.19). Exchange restrictions and controls exist over the conversion of UZS into other currencies. The UZS is not a freely convertible currency outside of Uzbekistan.

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

Amendments of the financial statements after issue. The Group's shareholders and management have the power to amend the financial statements after issue under certain circumstances.

3 Summary of Significant Accounting Policies (Continued)

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 29 for analysis of financial instruments by expected maturity.

The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period.

	31 December 2016			31 December 2015		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total
ASSETS						
Cash and cash equivalents	271,251,393	-	271,251,393	192,855,166	-	192,855,166
Due from other banks	116,126,115	-	116,126,115	120,050,010	-	120,050,010
Loans and advances to customers	113,034,448	438,230,295	551,264,743	140,893,960	272,794,841	413,688,801
Investment securities available for sale	-	7,807,983	7,807,983	51,477	7,171,796	7,223,273
Current income tax prepayment	727,942	-	727,942	974,795	-	974,795
Deferred income tax asset	-	1,753,911	1,753,911	-	1,464,423	1,464,423
Premises, equipment and intangible assets	8,229,114	116,232,969	124,462,083	6,042,398	87,651,859	93,694,257
Reinsurers' share of reserves for insurance contracts	5,074,666	-	5,074,666	5,727,602	-	5,727,602
Other assets	16,194,175	-	16,194,175	22,898,087	-	22,898,087
Total assets	**530,637,853**	**564,025,158**	**1,094,663,011**	**489,493,495**	**369,082,919**	**858,576,414**

	31 December 2016			31 December 2015		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
LIABILITIES						
Due to other banks	145,026,174	28,000,000	173,026,174	137,479,743	33,763,846	171,243,589
Customer accounts	695,679,057	14,134,432	709,813,489	507,115,216	15,326,229	522,441,445
Debt securities in issue	15,028,457	-	15,028,457	21,800,439	1,000,000	22,800,439
Insurance liabilities	11,086,292	9,860,781	20,947,073	8,467,876	10,526,035	18,993,911
Other liabilities	23,057,210	-	23,057,210	23,156,185	-	23,156,185
Total liabilities	**889,877,190**	**51,995,213**	**941,872,403**	**698,019,459**	**60,616,110**	**758,635,569**

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans to customers and finance lease receivables. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UZS 594,947 thousand (2015: UZS 387,716 thousand), respectively.

Valuation of incurred but not reported insurance claims reserve. The Group establishes IBNR reserve, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. This reserve is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information, loss experience analysis, type and extent of coverage to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and comparisons with the results of industry benchmarks in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The management estimates its IBNR reserve at each year-end and reassesses on quarterly basis to ensure that the resulting provision in the Group's consolidated balance sheet reflects management's best estimate of the total costs required to settle IBNR. If the ending IBNR reserve is not considered adequate, an adjustment is recorded.

Due to inherent uncertainty underlying IBNR reserve estimates, including, but not limited to, the future settlement environment, final resolution of the estimated liability may be different from that anticipated at the reporting date. Therefore, actual paid losses in the future may yield a significantly different amount than currently reserved — favorable or unfavorable.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 33.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan are: The Bank is expecting to achieve stable growth in net profit during following years and has significant portfolio of state controlled customers within production, trading and financial services sectors.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 25.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

6 New Accounting Pronouncements (Continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will present this disclosure in its 2017 financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Cash on hand	11,402,756	10,723,659
Cash balances with CBU (other than mandatory reserve deposit)	153,131,729	68,286,563
Correspondent accounts and overnight deposits with other banks	67,035,999	88,046,634
Placements with other banks with original maturities of less than three months	39,680,909	25,798,310
Total cash and cash equivalents	**271,251,393**	**192,855,166**

Cash balances with the CBU include an overnight deposit of UZS 129,500,000 thousand (2015: UZS 64,100,000 thousand) bearing a fixed interest rate of 0.02% per annum (2015: 0.02% per annum).

The credit quality of cash and cash equivalents balances at 31 December 2016, is as follows:

In thousands of Uzbekistan Soums	**Balances with CBU other than mandatory reserve deposit**	**Correspondent accounts**	**Placements with other banks**	**Total**
Neither past due nor impaired				
- Central Bank of Uzbekistan	153,131,729	-	-	153,131,729
- Lower than A- rated	-	67,035,999	39,680,909	106,716,908
Total cash and cash equivalents, excluding cash on hand	**153,131,729**	**67,035,999**	**39,680,909**	**259,848,637**

The credit quality of cash and cash equivalents balances at 31 December 2015, is as follows:

In thousands of Uzbekistan Soums	**Balances with CBU other than mandatory reserve deposit**	**Correspondent accounts**	**Placements with other banks**	**Total**
Neither past due nor impaired				
- Central Bank of Uzbekistan	68,286,563	-	-	68,286,563
- Lower than A- rated	-	88,046,634	25,798,310	113,844,944
Total cash and cash equivalents, excluding cash on hand	**68,286,563**	**88,046,634**	**25,798,310**	**182,131,507**

Interest rate analysis of cash and cash equivalents is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

8 Due from Other Banks

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Mandatory deposits with CBU	80,487,217	66,537,877
Restricted cash	14,909,029	31,376,534
Placements with other banks with original maturities of more than three months	20,729,869	22,135,599
Total due from other banks	**116,126,115**	**120,050,010**

8 Due from Other Banks (Continued)

The mandatory deposits with CBU include reserves against assets impairment and customer deposits, and represent non-interest bearing deposits held in accordance with CBU instructions. The Group does not have the right to use these deposits for the purposes of funding its own activities. For related accounting policy refer to Note 3.

Amounts due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2015, is as follows:

In thousands of Uzbekistan Soums	**Mandatory deposits with CBU**	**Restricted cash**	**Placements with other banks**	**Total**
Neither past due nor impaired				
- CBU	80,487,217	-	-	80,487,217
- Lower than A- rated	-	14,909,029	20,729,869	35,638,898
Total due from other banks	**80,487,217**	**14,909,029**	**20,729,869**	**116,126,115**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2015, is as follows:

In thousands of Uzbekistan Soums	**Mandatory deposits with CBU**	**Restricted cash**	**Placements with other banks**	**Total**
Neither past due nor impaired				
- CBU	66,537,877	-	-	66,537,877
- Lower than A- rated	-	31,376,534	22,135,599	53,512,133
Total due from other banks	**66,537,877**	**31,376,534**	**22,135,599**	**120,050,010**

Refer to Note 33 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

9 Loans and Advances to Customers

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Receivables from customers on letters of credit issued with post financing terms	30,921,806	72,524,938
Receivables from customers on letters of credit issued with post financing terms, gross	**30,921,806**	**72,524,938**
Loans to legal entities	424,983,787	287,361,684
Net investment in finance lease	49,966,137	35,313,250
Loans to individuals	51,342,485	22,366,088
Loans and advances to customers, gross	**526,292,409**	**345,041,022**
Total loans and advances to customers (before impairment)	**557,214,215**	**417,565,960**
Less: Provision for loan impairment	(5,949,472)	(3,877,159)
Total loans and advances to customers	**551,264,743**	**413,688,801**

9 Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Provision for loan impairment at 1 January	**2,908,089**	**642,129**	**326,941**	**3,877,159**
Provision for / (Recovery of) loan impairment during the year	1,445,037	182,123	529,507	2,156,667
Loans written off	-	(84,354)	-	(84,354)
Provision for loan impairment at 31 December	**4,353,126**	**739,898**	**856,448**	**5,949,472**

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

In thousands of Uzbekistan Soums	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Provision for loan impairment at 1 January	**1,779,362**	**632,459**	**103,732**	**2,515,553**
Provision for / (Recovery of) loan impairment during the year	1,128,727	9,670	223,209	1,361,606
Provision for loan impairment at 31 December	**2,908,089**	**642,129**	**326,941**	**3,877,159**

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

	31 December 2016		**31 December 2015**	
In thousands of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
Manufacturing	231,205,523	41	178,486,049	42
Trade	84,054,084	15	43,852,705	11
Individuals	51,342,485	9	22,366,088	5
Services	48,528,569	9	14,991,820	4
Financial services	43,228,448	8	37,469,146	9
Construction	32,647,057	6	20,570,290	5
Transport and communication	18,737,973	3	12,023,190	3
Agriculture	16,548,270	3	15,281,734	4
Receivables from customers on letters of credit issued with post financing terms	30,921,806	6	72,524,938	17
Total loans and advances to customers (before impairment)	**557,214,215**	**100**	**417,565,960**	**100**

At 31 December 2016 the Group had 10 borrowers (2015: 10 borrowers) with aggregated loan amounts above UZS 13,000,000 thousand (2015: UZS 7,400,000 thousand). The total aggregate amount of these loans was UZS 179,914,339 thousand (2015: UZS 101,972,107 thousand) or 32% of the gross loan portfolio (2015: 32%).

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2016 is as follows:

In thousands of Uzbekistan Soums	**Receivables from customers on letters of credit issued with post financing terms**	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Loans guaranteed by other parties	-	61,449,978	-	24,379,784	85,829,762
Loans collateralised by:					
- equipment	-	94,221,762	17,364,087	196,696	111,782,545
- real estate	-	228,200,358	27,298,397	19,748,482	275,247,237
- vehicles	-	17,636,182	3,789,611	5,077,428	26,503,221
- insurance	-	11,495,053	265,676	996,589	12,757,318
- inventory	-	1,462,820	-	8,765	1,471,585
- cash deposits	30,921,806	6,164,508	508,468	78,293	37,673,075
Total loans and advances to customers	**30,921,806**	**420,630,661**	**49,226,239**	**50,486,037**	**551,264,743**

Information about collateral at 31 December 2015 is as follows:

In thousands of Uzbekistan Soums	**Receivables from customers on letters of credit issued with post financing terms**	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Loans guaranteed by other parties	-	48,439,833	-	4,806,751	53,246,584
Loans collateralised by:					
- equipment	-	110,394,455	10,266,996	1,121,548	121,782,999
- real estate	-	80,003,889	17,965,393	11,248,790	109,218,072
- vehicles	-	32,888,350	5,366,886	3,666,749	41,921,985
- insurance	-	9,175,814	-	312,691	9,488,505
- inventory	-	1,271,862	-	458,301	1,730,163
- cash deposits	72,524,938	2,279,392	1,071,846	424,317	76,300,493
Total loans and advances to customers	**72,524,938**	**284,453,595**	**34,671,121**	**22,039,147**	**413,688,801**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures.

9 Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Receivables from customers on letters of credit issued with post financing terms	**30,921,806**	**-**	**-**	**30,921,806**
Loans assessed for impairment on a portfolio basis				
- Large borrowers with credit history over two years	97,699,832	3,678,717	-	101,378,549
- Large new borrowers	24,047,049	102,045	-	24,149,094
- Loans to small and medium size entities	250,485,475	45,178,324	-	295,663,799
- Loans to micro firms and individuals	51,483,625	1,007,051	51,342,485	103,833,161
Loans assessed for impairment on a portfolio basis	**423,715,981**	**49,966,137**	**51,342,485**	**525,024,603**
Loans individually determined to be impaired (gross)				
- 31 to 90 days overdue	1,267,806	-	-	1,267,806
Individually impaired loans	**1,267,806**	**-**	**-**	**1,267,806**
Total loans and advances to customers (gross)	**455,905,593**	**49,966,137**	**51,342,485**	**557,214,215**
Impairment provisions assessed on a portfolio basis	(4,162,955)	(739,898)	(856,448)	(5,759,301)
Impairment provisions for individually impaired loans	(190,171)	-	-	(190,171)
Less impairment provisions	**(4,353,126)**	**(739,898)**	**(856,448)**	**(5,949,472)**
Total loans and advances to customers	**451,552,467**	**49,226,239**	**50,486,037**	**551,264,743**

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

In thousands of Uzbekistan Soums	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Receivables from customers on letters of credit issued with post financing terms	**72,524,938**	**-**	**-**	**72,524,938**
Loans assessed for impairment on a portfolio basis				
- Large borrowers with credit history over two years	62,673,619	5,092,360	-	67,765,979
- Large new borrowers	13,886,897	-	-	13,886,897
- Loans to small and medium size entities	158,083,680	28,827,920	-	186,911,600
- Loans to micro firms and individuals	50,613,865	1,392,970	22,366,088	74,372,923
Loans assessed for impairment on a portfolio basis	**285,258,061**	**35,313,250**	**22,366,088**	**342,937,399**
Loans individually determined to be impaired (gross)				
- less than 30 days overdue	2,103,623	-	-	2,103,623
Individually impaired loans	**2,103,623**	**-**	**-**	**2,103,623**
Total loans and advances to customers (gross)	**359,886,622**	**35,313,250**	**22,366,088**	**417,565,960**
Impairment provisions assessed on a portfolio basis	(2,697,727)	(642,129)	(326,941)	(3,666,797)
Impairment provisions for individually impaired loans	(210,362)	-	-	(210,362)
Less impairment provisions	**(2,908,089)**	**(642,129)**	**(326,941)**	**(3,877,159)**
Total loans and advances to customers	**356,978,533**	**34,671,121**	**22,039,147**	**413,688,801**

9 Loans and Advances to Customers (Continued)

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral at 31 December 2016:

	Over-collateralised Assets		**Under-collateralised assets**	
In thousands of Uzbekistan Soums	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Loans to legal entities	415,453,986	713,988,729	9,529,801	9,114,881
Net investment in finance lease	45,360,465	65,149,898	4,605,673	3,630,196
Loans to individuals	51,075,349	93,818,564	267,135	288,514
Receivables from customers on letters of credit issued with post financing terms	30,921,806	30,921,806	-	-

The effect of collateral at 31 December 2015:

	Over-collateralised Assets		**Under-collateralised assets**	
In thousands of Uzbekistan Soums	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Loans to legal entities	287,361,684	517,484,504	-	-
Net investment in finance lease	35,313,250	37,463,138	-	-
Loans to individuals	22,366,088	38,553,354	-	-
Receivables from customers on letters of credit issued with post financing terms	72,524,938	72,524,938	-	-

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

9 Loans and Advances to Customers (Continued)

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In thousands of Uzbekistan Soums	**Due within 1 year**	**Due between 1 and 5 years**	**Total**
Finance lease payments receivable at 31 December 2016	**33,059,633**	**47,708,038**	**80,767,671**
Unearned finance income	(6,695,108)	(24,106,426)	(30,801,534)
Impairment loss provision	(385,522)	(354,376)	(739,898)
Present value of lease payments receivable at 31 December 2016	**25,979,003**	**23,247,236**	**49,226,239**
Finance lease payments receivable at 31 December 2015	**22,966,292**	**44,106,541**	**67,072,833**
Unearned finance income	(11,232,254)	(20,527,329)	(31,759,583)
Impairment loss provision	(219,840)	(422,289)	(642,129)
Present value of lease payments receivable at 31 December 2015	**11,514,198**	**23,156,923**	**34,671,121**

10 Investment Securities Available for Sale

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Equity securities	7,807,983	7,171,796
Debt securities	-	51,477
Total investment securities available for sale	**7,807,983**	**7,223,273**

At 31 December, the principal equity securities available for sale were:

	Share	**Nature of**	**Country of**	**Carrying amount**	
In thousands of Uzbekistan Soums	*%*	**business**	**registration**	**2016**	**2015**
JV LLC "Eurotex Global"	4.38	Textile	Uzbekistan	3,932,571	-
JV LLC "Uchkurgan Textil"	1.44	Textile	Uzbekistan	2,080,858	675,771
JSCB "Ipoteka Bank"	0.37	Banking	Uzbekistan	972,881	498,956
JSCB "UzPromStroyBank"	0.07	Banking	Uzbekistan	684,673	366,733
PJSCB "Hamkor Bank"	0.08	Banking	Uzbekistan	62,000	55,200
Credit Informative Analytical Centre	3.23	Banking	Uzbekistan	40,000	40,000
Fund for financing investment projects under Uzbekistan Bank Association	1.82	Banking	Uzbekistan	20,000	20,000
Association of professional participants of the insurers	4.70	Insurance	Uzbekistan	15,000	15,000
JV LLC "UzTex Shovot"	-	Textile	Uzbekistan	-	5,500,136
Total equity securities available for sale				**7,807,983**	**7,171,796**

10 Investment Securities Available for Sale (Continued)

The movements in equity securities available for sale are as follows:

In thousands of Uzbekistan Soums	2016	2015
Total equity securities available for sale at 1 January	**7,171,796**	**4,572,034**
Purchases of equity securities available for sale	6,136,323	2,878,195
Disposals of equity securities available for sale	(5,500,136)	(278,433)
Total equity securities available for sale at 31 December	**7,807,983**	**7,171,796**

At 31 December, the principal debt securities available for sale were:

	Type of	Nominal	Maturity	Carrying amount	
In thousands of Uzbekistan Soums	security	interest rate		2016	2015
JSCB "UzPromStroyBank"	Bonds	11%	30-Jun-16	-	51,477
Total debt securities available for sale				**-**	**51,477**

The movements in debt securities available for sale are as follows:

In thousands of Uzbekistan Soums	2016	2015
Total debt securities available for sale at 1 January	**51,477**	**625,374**
Purchases	-	51,477
Disposals of debt securities available for sale	(51,477)	(625,374)
Total debt securities available for sale at 31 December	**-**	**51,477**

11 Premises, Equipment and Intangible Assets

In thousands of Uzbekistan Soums	**Premises**	**Office and computer equipment**	**Construction in progress**	**Total property and equipment**	**Intangible assets**	**Total**
Cost at 1 January 2015	47,712,326	18,054,313	10,471,599	76,238,238	577,045	76,815,283
Accumulated depreciation and amortisation	(3,667,162)	(5,215,361)	-	(8,882,523)	(349,993)	(9,232,516)
Carrying amount at 1 January 2015	**44,045,164**	**12,838,952**	**10,471,599**	**67,355,715**	**227,052**	**67,582,767**
Additions	23,746,074	7,377,634	1,054,664	32,178,372	172,511	32,350,883
Acquisition through business combinations	-	317,595	-	317,595	-	317,595
Disposals, net	(165,038)	(349,552)	-	(514,590)	-	(514,590)
Transfers	3,589,077	(427,266)	(3,161,811)	-	-	-
Depreciation and amortisation charge (Note 24)	(3,251,985)	(2,687,481)	-	(5,939,466)	(102,932)	(6,042,398)
Carrying amount at 31 December 2015	**67,963,292**	**17,069,882**	**8,364,452**	**93,397,626**	**296,631**	**93,694,257**
Cost at 31 December 2015	75,036,430	24,744,096	8,364,452	108,144,978	749,556	108,894,534
Accumulated depreciation and amortisation	(7,073,138)	(7,674,214)	-	(14,747,352)	(452,925)	(15,200,277)
Carrying amount at 31 December 2015	**67,963,292**	**17,069,882**	**8,364,452**	**93,397,626**	**296,631**	**93,694,257**
Additions	15,949,382	21,538,030	9,418,331	46,905,743	88,164	46,993,907
Disposals, net	-	(7,996,967)	-	(7,996,967)	-	(7,996,967)
Transfers	26,100	(364,095)	337,995	-	-	-
Depreciation and amortisation charge (Note 24)	(4,164,626)	(3,935,862)	-	(8,100,488)	(128,626)	(8,229,114)
Carrying amount at 31 December 2016	**79,774,148**	**26,310,988**	**18,120,778**	**124,205,914**	**256,169**	**124,462,083**
Cost at 31 December 2016	91,011,912	37,578,106	18,120,778	146,710,796	837,778	147,548,574
Accumulated depreciation and amortisation	(11,237,764)	(11,267,118)	-	(22,504,882)	(581,609)	(23,086,491)
Carrying amount at 31 December 2016	**79,774,148**	**26,310,988**	**18,120,778**	**124,205,914**	**256,169**	**124,462,083**

Construction in progress consists mainly of construction and refurbishment of branch premises. Upon completion, assets are transferred to premises and equipment.

12 Reinsurers' Share of Reserves for Insurance Contracts

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Unearned insurance premium reserve	3,756,274	3,990,325
Incurred but not reported claims reserve	1,318,392	989,656
Reported but not settled claims reserve	-	747,621
Total reinsurers share of reserves for insurance contracts	**5,074,666**	**5,727,602**

13 Other Assets

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Other financial assets:		
Commission and other receivables from customers	5,861,151	2,241,202
Unrealized forex gain	1,853,327	1,242,666
Receivable from payment system "Paynet"	1,574,221	1,447,571
Receivable from money transfer organisations	556,217	761,908
Claims receivable from leases	456,029	135,961
Receivable from insurance agents	429,539	467,632
Receivable from plastic cards systems	162,125	143,220
Receivable from insurance policy holders	-	787,844
Less: Provision for impairment	(335,273)	(383,440)
Total other financial assets	**10,557,336**	**6,844,564**
Other non-financial assets:		
Prepayment to suppliers	1,388,275	6,063,611
Office supplies and other inventories	1,210,974	3,377,484
Prepayment for services	1,115,001	3,309,856
Prepaid expenses and advances	695,785	817,619
Prepaid taxes other than income tax	679,249	795,280
Assets held for further leasing out	216,854	1,143,898
Other	330,701	545,775
Total other non-financial assets	**5,636,839**	**16,053,523**
Total other assets	**16,194,175**	**22,898,087**

Movements in the provision for impairment of other financial assets during 2016 and 2015 are as follows:

In thousands of Uzbekistan Soums	**2016**	**2015**
Provision for impairment at 1 January	**383,440**	**261,555**
Provision for impairment during the year	19,544	267,412
Amounts written off during the year as uncollectible	(67,711)	(145,527)
Provision for impairment at 31 December	**335,273**	**383,440**

13 Other Assets (Continued)

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	FY 2016		FY 2015	
In thousands of Uzbekistan Soums	**Contracts with positive fair value**	**Contracts with neagtive fair value**	**Contracts with positive fair value**	**Contracts with neagtive fair value**
Foreign exchange swaps: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	17,760,592	36,277,890	13,767,767	-
- USD payable on settlement (-)	(15,907,265)	(37,150,041)	(12,525,101)	-
Net fair value of foreign exchange swaps	**1,853,327**	**(872,151)**	**1,242,666**	**-**

14 Due to Other Banks

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Liabilities under letters of credit	30,921,806	72,524,938
Short-term placements of other banks	114,104,368	56,954,804
Long-term placements of other banks	28,000,000	41,763,847
Total due to other banks	**173,026,174**	**171,243,589**

Refer to Note 33 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

At 31 December 2016 the Group had liabilities under letters of credit on behalf of one customer (2015: one customers), the aggregate amount of these liabilities was UZS 12,975,878 thousand (2015: UZS 58,166,586 thousand) or 7% of the due to other banks (2015: 34%)

At 31 December 2016 the Group had deposit placements of one bank (2015: one bank), the aggregate amount of these deposits was UZS 20,000,000 thousand (2015: UZS 21,000,000 thousand) or 12% of the due to other banks (2015: 12%).

15 Customer Accounts

In thousands of Uzbekistan Soums	31 December 2016	31 December 2015
State and public organisations		
- current/settlement accounts	104,677,587	50,119,115
- term deposits	33,378,079	3,597,447
Other legal entities		
- current/settlement accounts	287,733,786	299,291,391
- term deposits	117,809,372	57,137,516
Individuals		
- current/settlement accounts	49,376,888	19,176,073
- term deposits	115,927,344	93,119,903
Total customer accounts	**708,903,056**	**522,441,445**

At 31 December 2016 and 2015 the current/settlement accounts of other legal entities included restricted cash of customers on letters of credit issued with post financing terms in the amount of UZS 30,921,806 thousand and UZS 72,524,938 thousand, respectively.

Economic sector concentrations within customer accounts are as follows:

	31 December 2016		31 December 2015	
In thousands of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
Individuals	165,304,232	23	112,295,976	22
Manufacturing	154,053,824	22	179,564,640	34
State and public organisations	138,055,666	19	53,716,562	10
Trade	81,999,392	12	58,915,704	11
Services	48,961,814	7	44,091,021	8
Transport and communication	44,039,472	6	12,274,324	2
Construction	29,727,677	4	16,940,136	3
Financial organisations	26,042,619	4	31,434,764	7
Agriculture	10,931,755	2	9,431,458	2
Real estate	9,786,605	1	3,776,860	1
Total customer accounts	**708,903,056**	**100**	**522,441,445**	**100**

At 31 December 2016, the Group had 10 customers (2015: 10 customers) with balances above UZS 13,000,000 thousand. The aggregate balance of these customers was UZS 189,317,373 thousand (2015: UZS 172,937,011 thousand) or 27% (2015: 33%) of total customer accounts.

Refer to Note 33 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

16 Debt Securities in Issue

In thousands of Uzbekistan Soums	Maturity date	Annual coupon rate	31 December 2016	31 December 2015
Deposit certificates	6-Jan-2017 to 6-Dec-2017	10%-14%	15,028,457	22,800,439
Total debt securities in issue			**15,028,457**	**22,800,439**

At 31 December 2016, the Group had one customer (2015: one customer) with aggregate balance of UZS 6,011,490 thousand (2015: UZS 22,550,000 thousand) or 40% (2015: 99%) of total debt securities in issue.

16 Debt Securities in Issue (Continued)

Refer to Note 33 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

17 Reserves on Insurance Contracts

In thousands of Uzbekistan Soums	31 December 2016	31 December 2015
Unearned insurance premium reserve	16,632,632	14,751,045
Incurred but not reported claims reserve	2,966,932	2,615,723
Reserve for preventive measures component in unearned insurance premium reserve	697,277	605,749
Reported but not settled claims reserve	650,232	1,021,394
Total reserves for insurance contracts	**20,947,073**	**18,993,911**

18 Other Liabilities

Other liabilities comprise the following:

In thousands of Uzbekistan Soums	31 December 2016	31 December 2015
Finance lease liability	12,899,613	15,831,928
Trade payable	3,187,877	217,096
Premium payable on reinsurance	2,623,429	3,193,845
Unrealized forex loss	872,151	-
Payable on money transfer operations	344,971	561,996
Professional fees payable	340,555	303,371
Payable to the Individuals Deposit Insurance Fund	263,048	468,371
Payable for real estate	243,397	382,481
Accounts payable for co-insurance	229,240	17,819
Payable to insurance broker	-	787,836
Other	193,696	82,187
Total other financial liabilities	**21,197,977**	**21,846,930**
Taxes payable, other than income tax	997,763	421,255
Accrued employee costs	571,698	350,686
Advances from lessees	143,229	444,493
Current income tax payable	11,499	74,859
Other	58,092	17,962
Total other non-financial liabilities	**1,782,281**	**1,309,255**
Total other liabilities	**22,980,258**	**23,156,185**

18 Other Liabilities (Continued)

Minimum lease payments under finance leases and their present values are as follows:

In thousands of Uzbekistan Soums	Due within 1 year	Due between 1 and 5 years	Total
Minimum lease payments at 31 December 2016	**4,449,741**	**12,135,656**	**16,585,397**
Less future finance charges	(318,061)	(3,367,723)	(3,685,784)
Present value of minimum lease payments at 31 December 2016	**4,131,680**	**8,767,933**	**12,899,613**
Minimum lease payments at 31 December 2015	**4,661,352**	**16,989,919**	**21,651,271**
Less future finance charges	(2,280,713)	(3,538,630)	(5,819,343)
Present value of minimum lease payments at 31 December 2015	**2,380,639**	**13,451,289**	**15,831,928**

19 Share Capital and Other Components of Equity

In thousands of Uzbekistan Soums except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Share premium	Total
At 1 January 2015	**60,000**	**60,000,000**	**1,273,780**	**61,273,780**
New shares issued	26,051	26,050,574	-	26,050,574
At 31 December 2015	**86,051**	**86,050,574**	**1,273,780**	**87,324,354**
New shares issued	53,430	53,430,106	579,615	54,009,721
At 31 December 2016	**139,481**	**139,480,680**	**1,853,395**	**141,334,075**

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

Stabilisation reserve, reserve for preventive measures and equity component in insurance reserves represent possible claims under insurance contracts that are not in existence at the end of the reporting period and are calculated based on regulative instructions at each month end and at the end of the reporting period. These reserves indicate legal restrictions on the ability of the Group to use its equity. The changes in such reserves are appropriations of retained earnings rather than expenses. For related accounting policy refer to Note 3.

20 Interest Income and Expense

In thousands of Uzbekistan Soums	**2016**	**2015**
Interest income		
Loan and advances to customers	76,655,660	49,531,515
Letters of credit	2,225,447	3,676,766
Due from other banks	1,711,586	2,600,698
Total interest income	**80,592,693**	**55,808,979**
Interest expense		
Customer accounts	25,029,202	18,927,943
Due to other banks	13,256,279	9,138,618
Debt securities in issue	2,283,008	2,972,323
Total interest expense	**40,568,489**	**31,038,884**
Net interest income	**40,024,204**	**24,770,095**

Interest income includes UZS 246,625 thousand (2015: UZS 438,551 thousand) interest income, recognised on impaired loans to customers.

Interest income on cash and cash equivalents is included within interest income on due from other banks.

21 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	**2016**	**2015**
Fee and commission income		
- Settlement transactions	13,406,883	11,380,698
- Conversion operations	8,046,398	684,676
- Maintenance fee	6,304,833	6,007,284
- International money transfers	3,281,106	1,649,624
- SWAP operations	2,511,570	1,746,441
- Guarantees	2,497,008	1,266,861
- Plastic cards services	1,841,462	1,013,317
- Issuance of bank statements	1,783,560	1,409,415
- Letters of credit	1,759,165	1,021,444
- Internet banking	1,069,676	770,718
- Payment system "Paynet"	997,292	821,122
- Cash transactions	279,559	281,327
- Registration fee	188,827	51,627
- Other	743,507	469,991
Total fee and commission income	**44,710,846**	**28,574,545**
Fee and commission expenses		
- Foreign currency operations	9,899,449	2,246,964
- Cash transactions	3,326,152	1,917,808
- Settlement transactions	774,715	371,939
- Letters of credit	559,911	584,713
- Other	594,761	219,659
Total fee and commission expense	**15,154,988**	**5,341,083**
Net fee and commission income	**29,555,858**	**23,233,462**

22 Insurance Operations Income and Expense

In thousands of Uzbekistan Soums	**2016**	**2015**
Premium on insurance of:		
- Aircraft insurance	9,862,411	7,638,541
- Compulsory insurance of civil liability of motor vehicles	6,337,211	5,481,734
- Loan repayments	7,659,605	5,259,627
- Construction insurance	2,739,452	2,713,558
- Car insurance	2,446,558	3,049,175
- Medical insurance	1,095,072	1,736,501
- Responsibility	590,431	607,976
- Property from damage and natural disasters	435,399	500,889
- Compulsory insurance of civil liability of employer	194,024	389,859
- Other	929,199	710,023
Change in unearned insurance premium reserves:		
- insurance operations	(1,881,587)	(4,689,034)
- reinsurance operations	(234,051)	2,245,440
- reserve for preventive measures component	(91,528)	(203,413)
Agent's fee commission	237,940	140,721
Claims covered by reinsurers	477,709	808,170
Effect of foreign exchange differences on reinsurance operations	128,762	139,705
Less: Premium ceded	(11,671,224)	(10,315,660)
Total insurance operations income	**19,255,383**	**16,213,812**
Claims paid for:		
- Compulsory insurance of civil liability of motor vehicles	1,654,101	851,334
- Car insurance	1,590,481	1,417,781
- Property from damage and natural disasters	978,051	23,964
- Co-insurance and accident insurance	899,073	1,074,612
- Compulsory insurance of civil liability of employer	337,263	496,110
- Medical insurance	135,156	1,456,562
Change in insurance loss reserves:		
- reported but not settled claims reserve	(371,162)	(1,077,136)
- incurred but not reported claims reserve	351,209	557,773
Change in reinsurance loss reserves:		
- incurred but not reported claims reserve	(328,736)	(258,494)
- reported but not settled claims reserve	747,621	(697,621)
Agent's fee for voluntary insurance	2,336,209	1,989,062
Insurance claims handling cost	1,540,150	1,586,035
Agent's fee for obligatory insurance	1,216,876	1,047,894
Total insurance operations expense	**11,086,292**	**8,467,876**
Net insurance income	**8,169,091**	**7,745,936**

23 Other Operating Income

In thousands of Uzbekistan Soums	**2016**	**2015**
Income from fines and penalties	3,651,762	3,406,532
Gain on initial recognition of time deposits at rates below market	3,165,622	-
Income from sale or disposition of fixed assets	172,688	1,952,472
Income from the rental of fixed assets	161,408	127,771
Gain on sale of assets under finance lease	66,547	608,981
Gain on settlement of insurance claims (excess of payment over factual claim)	-	1,810,461
Excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of the business combination	-	193,503
Other non-interest income	594,416	389,738
Total other operating income	**7,812,443**	**8,489,458**

24 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	**2016**	**2015**
Staff costs	29,305,406	21,017,711
Taxes other than on income	10,015,576	7,914,852
Depreciation and amortisation	8,229,114	6,042,398
Rent expenses	3,295,169	2,478,770
Security services	2,919,266	2,104,251
Office supplies	1,985,891	1,274,212
Contribution to the Deposit Guarantee Fund	1,922,987	2,042,387
Repairs and maintenance	1,538,438	1,089,283
Communication	1,018,845	1,434,465
Professional services	975,291	612,017
Representative expenses	858,694	558,786
Fuel expenses	611,168	601,157
Utilities	489,340	291,013
Loss on settlement of insurance claims	354,223	787,836
Loss on sale of assets under finance lease	303,725	347,832
Loss on initial recognition of asset at rates below market	173,231	-
Other	1,881,425	1,535,794
Total administrative and other operating expenses	**65,877,789**	**50,132,764**

Included in staff costs are statutory social contributions of UZS 5,233,206 thousand (2015: UZS 3,876,945 thousand).

25 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Uzbekistan Soums	**2016**	**2015**
Current tax	3,640,792	2,479,104
Deferred tax	(289,488)	(599,512)
Income tax expense for the year	**3,351,304**	**1,879,592**

25 Income Taxes (Continued)

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

The income tax rate applicable to the majority of the Group’s 2016 income includes corporate income tax of 15% and infrastructure development tax of 8%, effectively income tax rate is 21.8% (2015: 21.8%). The income tax rate applicable to the majority of income of subsidiaries ranges from 0% to 8% (2015: from 0% to 8%).

Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Uzbekistan Soums	2016	2015
Profit before tax	**20,571,483**	**13,943,778**
Theoretical tax charge at statutory rate of 21.8% (2015: 21.8%)	4,484,583	3,039,744
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	(840,469)	(1,075,493)
- Non-deductible expenses	649,506	417,093
- Tax rate differences (10.5%-12%)	(727,662)	(308,492)
- Taxable temporary differences associated with investments in subsidiaries	245,718	19,217
- Utilisation of previously unrecognised tax base reduction	(189,356)	-
- Other	(59,332)	(178,022)
Effect of changes in other insurance reserves	(211,684)	(34,455)
Income tax expense for the year	**3,351,304**	**1,879,592**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of Uzbekistan Soums	2016	(Charged)/ credited to profit or loss	2015	(Charged)/ credited to profit or loss	2014
Tax effect of deductible / (taxable) temporary differences					
Loans and advances to customers	2,131,011	775,213	1,355,798	647,396	708,402
Premises, equipment and intangible assets	41,075	7,067	34,008	(5,483)	39,491
Other assets	196,097	147,634	48,463	(8,556)	57,019
Other liabilities	205,377	179,223	26,154	(33,845)	59,999
Customer accounts	(573,931)	(573,931)	-	-	-
Investments in subsidiaries	(245,718)	(245,718)	-	-	-
Net deferred tax asset	**1,753,911**	**289,488**	**1,464,423**	**599,512**	**864,911**
Recognised deferred tax asset	2,573,560	1,109,137	1,464,423	599,512	864,911
Recognised deferred tax liability	(819,649)	(819,649)	-	-	-
Net deferred tax asset	**1,753,911**	**289,488**	**1,464,423**	**599,512**	**864,911**

26 Dividends

In thousands of Uzbekistan Soums	2016	2015
Dividends payable at 1 January	-	-
Dividends declared during the year	14,792,752	9,999,978
Dividends paid during the year	-	-
Dividends capitalised during the year	(14,792,752)	(9,999,978)
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year (in UZS per share)	151	154

All dividends are declared and paid in Uzbekistan Soums.

27 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the year.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

In thousands of Uzbekistan Soums except for number of shares	2016	2015
Profit for the year attributable to ordinary shareholders	16,436,499	10,807,577
Profit for the year attributable to the owners	**16,436,499**	**10,807,577**
Weighted average number of ordinary shares in issue (thousands)	98,080	65,140
Basic and diluted earnings per ordinary share (in UZS per share)	**168**	**166**

28 Segment Analysis

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

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

The Group is organised on the basis of three main business segments:

- Banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency, derivative products, private banking services, private customer current accounts, savings, deposits, credit and debit cards, consumer loans and mortgages.
- Leasing – representing finance lease products to the legal entities where finance leases are the leases that transfer substantially all the risks and rewards incident to ownership of an asset.
- Insurance – representing insurance products covering all common insurance risk, expect for life insurance: aircrafts, car, loan repayments, constructions, medical, property damage, compulsory insurance of civil liability of motor vehicles and compulsory insurance of civil liability of employer.

28 Segment Analysis (Continued)

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

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level. Management, applied the core principle of IFRS 8 "Operating Segments", in determining which of the financial information sets should form the basis of operating segments.

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

The CODM reviews financial information prepared based on International Financial Reporting Standards. The CODM evaluates performance of each segment based on profit before tax.

28 Segment Analysis (Continued)

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

Segment information for the reportable segments for the year ended 31 December 2016 is set out below:

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Eliminations	As reported under IFRS
Cash and cash equivalents	268,934,444	1,557,899	8,357,176	(7,598,126)	271,251,393
Due from other banks	104,136,405	-	13,611,793	(1,622,083)	116,126,115
Loans and advances to customers	539,908,225	31,325,000	340,000	(20,308,482)	551,264,743
Investment securities available for sale	22,395,820	-	7,747,983	(22,335,820)	7,807,983
Current income tax prepayments	543,313	-	184,629	-	727,942
Deferred income tax assets	1,753,911	-	-	-	1,753,911
Premises, equipment and intangible assets	97,398,953	19,603,195	7,459,935	-	124,462,083
Reinsurers' share of reserves for insurance contracts	-	-	5,074,666	-	5,074,666
Other assets	11,235,041	3,542,439	2,408,240	(991,545)	16,194,175
Total reportable segment assets	**1,046,306,112**	**56,028,533**	**45,184,422**	**(52,856,056)**	**1,094,663,011**
Due to other banks	164,213,303	28,121,353	-	(19,308,482)	173,026,174
Customer accounts	718,251,952	-	-	(9,348,896)	708,903,056
Debt securities in issue	15,028,457	-	-	-	15,028,457
Reserves for insurance contracts	-	-	20,947,073	-	20,947,073
Other liabilities	5,388,368	13,865,392	4,721,308	(994,810)	22,980,258
Total reportable segment liability	**902,882,080**	**41,986,745**	**25,668,381**	**(29,652,188)**	**940,885,018**
Capital expenditure	**18,120,778**	**-**	**-**	**-**	**18,120,778**

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

28 Segment Analysis (Continued)

In thousands of Uzbekistan Soums	**Banking**	**Leasing**	**Insurance**	**Eliminations**	**As reported under IFRS**
Interest income	69,945,544	13,002,684	1,254,866	(3,610,401)	80,592,693
Fee and commission income	44,809,629	-	-	(98,783)	44,710,846
Insurance operations income	-	-	19,564,633	(309,250)	19,255,383
Net gain on foreign exchange operations	2,341,768	5,792	674,424	-	3,021,984
Dividend income	5,140,494	-	41,903	(5,140,494)	41,903
Other operating income	6,868,020	1,410,394	326,709	(792,680)	7,812,443
Total revenues	**129,105,455**	**14,418,870**	**21,862,535**	**(9,951,608)**	**155,435,252**
Interest expense	(37,861,561)	(6,317,329)	-	3,610,401	(40,568,489)
Provision for loan impairment	(1,990,272)	(166,395)	-	-	(2,156,667)
Fee and commission expense	(15,154,988)	-	-	-	(15,154,988)
Insurance operations expense	-	-	(12,057,321)	971,029	(11,086,292)
Provision for impairment losses on other operations	(58,152)	38,608	-	-	(19,544)
Administrative and other operating expenses	(55,712,787)	(3,860,669)	(7,505,046)	1,200,713	(65,877,789)
Segment result	**18,327,695**	**4,113,085**	**2,300,168**	**(4,169,465)**	**20,571,483**

28 Segment Analysis (Continued)

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

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Eliminations	As reported under IFRS
Cash and cash equivalents	188,620,684	523,432	9,809,486	(6,098,436)	192,855,166
Due from other banks	108,539,362	-	13,958,632	(2,447,984)	120,050,010
Loans and advances to customers	409,351,681	24,769,270	394,535	(20,826,685)	413,688,801
Investment securities available for sale	18,582,537	2,000,000	5,163,273	(18,522,537)	7,223,273
Current income tax prepayments	623,357	97,955	253,483	-	974,795
Deferred income tax assets	1,464,423	-	-	-	1,464,423
Premises, equipment and intangible assets	70,908,166	20,316,586	2,469,505	-	93,694,257
Reinsurers' share of reserves for insurance contracts	-	-	5,727,602	-	5,727,602
Other assets	19,367,364	2,774,015	1,713,858	(957,150)	22,898,087
Total reportable segment assets	**817,457,574**	**50,481,258**	**39,490,374**	**(48,852,792)**	**858,576,414**
Due to other banks	169,881,432	22,188,842	-	(20,826,685)	171,243,589
Customer accounts	530,987,865	-	-	(8,546,420)	522,441,445
Debt securities in issue	22,800,439	-	-	-	22,800,439
Reserves for insurance contracts	-	-	18,993,911	-	18,993,911
Other liabilities	2,391,424	17,109,712	4,672,049	(1,017,000)	23,156,185
Total reportable segment liability	**726,061,160**	**39,298,554**	**23,665,960**	**(30,390,105)**	**758,635,569**
Capital expenditure	**10,471,599**	**-**	**-**	**-**	**10,471,599**

28 Segment Analysis (Continued)

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Eliminations	As reported under IFRS
Interest income	49,415,446	7,920,091	1,143,408	(2,669,966)	55,808,979
Fee and commission income	28,591,069	-	-	(16,524)	28,574,545
Insurance operations income	-	-	16,286,357	(72,545)	16,213,812
Net gain on foreign exchange operations	839,286	19,641	497,970	-	1,356,897
Dividend income	6,300,895	-	109,712	(6,300,895)	109,712
Other operating income	3,542,578	3,704,668	1,917,468	(675,256)	8,489,458
Total revenues	**88,689,274**	**11,644,400**	**19,954,915**	**(9,735,186)**	**110,553,403**
Interest expense	(29,713,465)	(3,995,385)	-	2,669,966	(31,038,884)
Provision for loan impairment	(1,388,492)	26,886	-	-	(1,361,606)
Fee and commission expense	(5,341,083)	-	-	-	(5,341,083)
Insurance operations expense	-	-	(8,467,876)	-	(8,467,876)
Provision for impairment losses on other operations	(86,520)	(180,892)	-	-	(267,412)
Administrative and other operating expenses	(39,642,098)	(3,505,259)	(7,749,732)	764,325	(50,132,764)
Segment result	**12,517,616**	**3,989,750**	**3,737,307**	**(6,300,895)**	**13,943,778**

28 Segment Analysis (Continued)

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 20 (interest income), Note 21 (fee and commission income), Note 22 (insurance operations income and expense) and in Note 23 (other operating income).

(f) Geographical information

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

(g) Major customers

The Group does not have customers with the revenues exceeding 10% of the total revenue of the Group.

29 Financial Risk Management

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

Credit risk. The Group takes on exposure 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 credit rating system:

Standard	1	Timely repayment of "standard" 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 assessing 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.
Substandard	2	As a whole, the financial position of a borrower is stable, but some unfavourable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. "Standard" loans with insufficient information in the credit file or missing information on collateral could be also classified as "Substandard" loans.
Unsatisfactory	3	The primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources. The financial position of a borrower or forecasted cash flows is not sufficient to settle obligations. The value of collateral is not exceeding or equal to outstanding loan amount.
Doubtful	4	"Doubtful" are loans which, in addition to having the characteristics of "Unsatisfactory" loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. There is a probability of partial repayment of the loan in the near terms.

29 Financial Risk Management (Continued)

Hopeless	5	Loans classified as "hopeless" are considered uncollectible and have such a little value that their continuance as assets of the Bank is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Bank should cease recognising such loans and make every effort to liquidate such debts through selling of collateral or collection of the outstanding loan.

Risk limits control and mitigation policies:

The Group manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(a) Collateral. The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these are the acceptance of collateral, prior to loan issuance, which is common practice. The Group implements Credit policy guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- premises and building
- equipment and motor vehicles used in borrower's business
- inventory
- loan insurance, and
- letter of surety

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

- The Supervisory Board credit committee reviews and approves limits above 20% of Bank's tier-one capital and meets monthly. It is also responsible for issuing guidance to lower level credit committees;
- The Management Board credit committee reviews and approves credit limits between 10% and 20% of tier-one capital and meets weekly;
- The Head office credit committee reviews and approves credit limits up to 10% of tier-one capital and meets weekly; and
- The Branches credit committee review and approve credit limits set by Head office and meet daily.

Loan applications, along with financial analysis of loan applicant which includes liquidity, profitability, interest coverage and debt service coverage ratios, originated by the relevant client relationship managers are passed on to the Credit Committee for approval of credit limit.

(c) Concentration of risks of financial assets with credit risk exposure. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

29 Financial Risk Management (Continued)

In order to avoid excessive concentrations of risks, the Group’s Credit policy and procedures include specific CBU guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group’s management focuses on concentration risk as follows:

- The maximum risk to single borrower or group of affiliated borrowers shall not exceed 25% of the Group's tier 1 capital.
- The maximum risk for unsecured credits shall not exceed 5% of Group's tier 1 capital.
- Total amount of all large credits cannot exceed bank's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.

(d) Monitoring of loan portfolio quality and reporting. In accordance with the credit policy of the Group, Loan portfolio monitoring unit is responsible for monitoring of:

- purposeful use of borrowed funds
- financial performance and position of borrowers
- marketability collateral, and
- quality of loan portfolio.

Internal Audit is responsible for controlling adequacy of loan portfolio with requirements and regulations of the Central Bank of Uzbekistan and internal policies of the Group. Credit risk management processes throughout the Group are audited annually by the Internal Audit that examines the adequacy of the procedures and proper loan classification. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Group Council.

Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Group’s management receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the credit risks of the Group.

The Group’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 31.

The Group’s credit department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes.

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

29 Financial Risk Management (Continued)

The table below summarises the Group’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2016			31 December 2015		
In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
US Dollar	230,701,878	(204,967,504)	25,734,374	150,690,878	(167,114,195)	(16,423,317)
Euro	3,676,593	(2,325,772)	1,350,821	10,293,326	(10,137,501)	155,825
Other	293,775	(216,481)	77,294	115,706	(77,265)	38,441
Total	**234,672,246**	**(207,509,757)**	**27,162,489**	**161,099,910**	**(177,328,961)**	**(16,229,051)**

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

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

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
US Dollars strengthening by 10.0% (2015: 10.0%)	2,573,437	(1,642,332)
US Dollars weakening by 10.0% (2015: 10.0%)	(2,573,437)	1,642,332
Euro strengthening by 10% (2015: 10%)	135,082	15,582
Euro weakening by 10% (2015: 10%)	(135,082)	(15,582)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

29 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	**Demand and less than one month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Non-monetary**	**Total**
At 31 December 2016						
Total financial assets	406,828,501	39,031,792	63,658,999	439,740,295	7,747,983	957,007,570
Total financial liabilities	540,753,463	201,092,090	124,586,336	51,723,775	-	918,155,664
Net interest sensitivity gap at 31 December 2016	**(133,924,962)**	**(162,060,298)**	**(60,927,337)**	**388,016,520**	**7,747,983**	**38,851,906**
At 31 December 2015						
Total financial assets	390,887,275	31,900,358	36,411,784	274,350,601	7,111,796	740,661,814
Total financial liabilities	392,447,269	131,121,988	151,209,996	63,553,150	-	738,332,403
Net interest sensitivity gap at 31 December 2015	**(1,559,994)**	**(99,221,630)**	**(114,798,212)**	**210,797,451**	**7,111,796**	**2,329,411**

At 31 December 2016, if interest rates at that date had been 200 basis points lower (2015: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 800,484 thousand (2015: UZS 487,359 thousand) lower, mainly as a result of lower net interest income on variable interest bearing assets and liabilities.

If interest rates had been 200 basis points higher (2015: 200 basis points higher), with all other variables held constant, profit would have been UZS 800,484 thousand (2015: UZS 487,359 thousand) higher, mainly as a result of higher net interest income on variable interest bearing assets and liabilities.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

			2016			**2015**
In % p.a.	**UZS**	**USD**	**EUR**	**UZS**	**USD**	**EUR**
Assets						
Cash and cash equivalents	0.02-12	2.5-5.6	1.36-4.66	0.02-12	5.27	4.97
Due from other banks	6-11	0.01-3	-	6-11	0.01-3	-
Loans and advances to customers	4.5-25.5	3-12	-	4.5-25.5	12	-
Investment securities available for sale	-	-	-	11	-	-
Liabilities						
Due to other banks	6-11	0.05-6	0.05-4	9-11	0.05-8	0.05
Customer accounts	2-22	2-12	2-5	5-22	3-10	-
Debt securities in issue	10-14	-	-	10.3-12	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

29 Financial Risk Management (Continued)

Other price risk. The Group has no material exposure to equity price risk. The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2015: no material impact).

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

In thousands of Uzbekistan Soums	**Uzbekistan**	**OECD**	**Non-OECD**	**Total**
Financial assets				
Cash and cash equivalents	226,468,167	41,901,687	2,881,539	271,251,393
Due from other banks	102,171,366	13,519,492	435,257	116,126,115
Loans and advances to customers	551,264,743	-	-	551,264,743
Investment securities available for sale	7,807,983	-	-	7,807,983
Other financial assets	10,557,336	-	-	10,557,336
Total financial assets	**898,269,595**	**55,421,179**	**3,316,796**	**957,007,570**
Financial liabilities				
Due to other banks	142,104,368	26,708,205	4,213,601	173,026,174
Customer accounts	708,903,056	-	-	708,903,056
Debt securities in issue	15,028,457	-	-	15,028,457
Other financial liabilities	21,197,977	-	-	21,197,977
Total financial liabilities	**887,233,858**	**26,708,205**	**4,213,601**	**918,155,664**
Net position in on-balance sheet financial instruments	**11,035,737**	**28,712,974**	**(896,805)**	**38,851,906**
Credit related commitments	**110,602,186**	**-**	**-**	**110,602,186**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located.

29 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	180,057,463	10,247,265	2,550,438	192,855,166
Due from other banks	81,648,526	38,401,484	-	120,050,010
Loans and advances to customers	413,688,801	-	-	413,688,801
Investment securities available for sale	7,223,273	-	-	7,223,273
Other assets	6,844,564	-	-	6,844,564
Total financial assets	**689,462,627**	**48,648,749**	**2,550,438**	**740,661,814**
Financial liabilities				
Due to other banks	171,243,589	-	-	171,243,589
Customer accounts	522,441,445	-	-	522,441,445
Debt securities in issue	22,800,439	-	-	22,800,439
Other liabilities	21,846,930	-	-	21,846,930
Total financial liabilities	**738,332,403**	**-**	**-**	**738,332,403**
Net position in on-balance sheet financial instruments	**(48,869,776)**	**48,648,749**	**2,550,438**	**2,329,411**
Credit related commitments	**86,014,385**	**-**	**-**	**86,014,385**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers, refer to Note 9.

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

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

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratio is:

- Current liquidity ratio (not to be less than 30%), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 75% at 31 December 2016 (2015: 101%).

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

29 Financial Risk Management (Continued)

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

The table below shows liabilities at 31 December 2016 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

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

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

In thousands of Uzbekistan Soums	**Demand and less than one month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Liabilities					
Due to other banks	52,061,184	97,042,786	245,882	30,800,000	180,149,852
Customer accounts	487,194,550	108,061,737	118,017,658	16,028,446	729,302,391
Debt securities in issue	1,037,885	2,928,333	11,816,000	-	15,782,218
Other financial liabilities	6,279,790	835,058	362,106	821,410	8,298,364
Guarantees issued	7,927,839	70,032,968	8,163,771	8,468,700	94,593,278
Undrawn credit lines	16,008,908	-	-	-	16,008,908
Gross settled swaps:					
- inflows	*23,686,697*	*30,351,785*	-	-	*54,038,482*
- outflows	*(23,146,343)*	*(29,910,963)*	-	-	*(53,057,306)*
Net settled swaps	540,354	440,822	-	-	981,176
Total potential future payments for financial obligations	**571,050,509**	**279,341,705**	**138,605,417**	**56,118,556**	**1,045,116,187**

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

29 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	**Demand and less than one month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Liabilities					
Due to other banks	18,404,167	107,406,914	16,922,892	37,140,231	179,874,203
Customer accounts	370,227,143	19,589,563	130,625,309	17,379,944	537,821,959
Debt securities in issue	3,633,443	7,530,000	11,605,000	1,110,000	23,878,443
Other financial liabilities	4,456,169	2,257,700	1,669,986	13,463,075	21,846,930
Guarantees issued	364,896	23,454,415	1,429,174	25,239,563	50,488,048
Undrawn credit lines	35,526,337	-	-	-	35,526,337
Gross settled swaps:					
- inflows	*(7,794,240)*	*(5,973,527)*	-	-	*(13,767,767)*
- outflows	*6,957,029*	*5,568,072*	-	-	*12,525,101*
Net settled swaps	(837,211)	(405,455)	-	-	(1,242,666)
Total potential future payments for financial obligations	**431,774,943**	**159,833,137**	**162,252,361**	**94,332,812**	**848,193,253**

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

The Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap as follows:

In thousands of Uzbekistan Soums	**Demand and less than one month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
At 31 December 2016					
Financial assets	406,828,501	39,031,792	63,658,999	447,488,278	957,007,570
Financial liabilities	540,753,463	201,092,090	124,586,336	51,723,775	918,155,664
Net liquidity gap based on expected maturities	**(133,924,962)**	**(162,060,298)**	**(60,927,337)**	**395,764,503**	**38,851,906**
At 31 December 2015					
Financial assets	390,887,275	31,900,358	36,411,784	281,462,397	740,661,814
Financial liabilities	392,447,269	131,121,988	151,209,996	63,553,150	738,332,403
Net liquidity gap based on expected maturities	**(1,559,994)**	**(99,221,630)**	**(114,798,212)**	**217,909,247**	**2,329,411**

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

29 Financial Risk Management (Continued)

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

30 Management of Capital

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 11.5% (31 December 2015: 10%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 8.5% (31 December 2015: 7.5%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2015: 6%).

The Group and the Bank have complied with capital ratios set above throughout 2016 and 2015.

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

In thousands of Uzbekistan Soums	**31 December 2016 (unaudited)**	**31 December 2015 (unaudited)**
Tier 1 capital		
Share capital	139,480,680	86,050,574
Share premium	1,853,395	1,273,780
Retained earnings	4,101,938	2,791,228
Less: Intangible assets	(118,369)	(151,631)
Less: Investments in non-consolidated entities	(22,395,820)	(18,582,538)
Total Tier 1 capital	**122,921,824**	**71,381,413**
Tier 2 capital		
Current year net profit	2,192,595	2,280,638
Revaluation surpluses	57,095	57,242
Total Tier 2 capital	**2,249,690**	**2,337,880**
Total regulatory capital	**125,171,514**	**73,719,293**

31 Contingencies and Commitments

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

Tax contingencies. Uzbekistan tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods**.**

As Uzbekistan tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

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

In thousands of Uzbekistan Soums	**31 December 2016**	**31 December 2015**
Letters of credits, non post-financing	39,345,324	49,243,840
Letters of credits, post-financing with commencement after reporting period end	716,068	6,767,850
Financial guarantees issued	94,593,278	50,488,048
Undrawn credit lines	16,008,908	35,526,337
SWAP (commitment to buy USD and sell UZS)	17,760,592	12,879,813
SWAP (commitment to buy UZS and sell USD)	37,150,041	887,954
Total credit related commitments, gross	**205,574,211**	**155,793,842**
Less: Commitment collaterised by cash deposits	(94,972,025)	(69,779,457)
Total credit related commitments, net of cash covered exposures	**110,602,186**	**86,014,385**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was UZS 5,947,536 thousand at 31 December 2016 (2015: UZS 5,260,826 thousand).

31 Contingencies and Commitments (Continued)

Credit related commitments are denominated in currencies as follows:

In thousands of Uzbekistan Soums	31 December 2016	31 December 2015
USD	170,381,660	100,185,290
UZS	34,257,750	34,659,519
EUR	514,481	20,949,033
RUR	420,320	-
Total credit related commitments	**205,574,211**	**155,793,842**

32 Non-Controlling Interest

The following table provides information about subsidiary LLC "Asia Insurance" that has non-controlling interest that is material to the Group:

In thousands of Uzbekistan Soums	31 December 2016	31 December 2015
Information about subsidiary:		
Place of business (and country of incorporation if different)	Uzbekistan	Uzbekistan
Proportion of non-controlling interest	37.8 %	37.8 %
Proportion of non-controlling interest's voting rights held	37.8 %	37.8 %
Profit or loss attributable to non-controlling interest	783,680	1,256,609
Accumulated non-controlling interest in the subsidiary	5,965,113	5,181,433
Dividends paid to non-controlling interest during the year	1,224,785	923,838
Summarised financial information:		
Current assets	24,901,838	26,129,994
Non-current assets	20,282,584	13,360,380
Current liabilities	4,721,308	4,672,049
Non-current liabilities	20,947,073	18,993,911
Revenue	19,564,633	16,286,357
Profit	2,300,168	3,737,307
Total comprehensive income	-	-

Subsidiary has no outstanding borrowing from a third party bank that includes a clause restricting payment of dividends to the parent without the lender's approval.

33 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

33 Fair Value Disclosures (Continued)

The level in the fair value hierarchy into which the recurring fair value measurements are categorised at 31 December 2016, were as follows:

In thousands of Uzbekistan Soums	Level 1	Level 2	Level 3	Carrying value
Cash and cash equivalents				
- Cash on hand	11,402,756	-	-	11,402,756
- Cash balances with CBU (other than mandatory reserve deposit)	-	153,131,729	-	153,131,729
- Correspondent accounts and overnight deposits with other banks	-	67,035,999	-	67,035,999
- Placements with other banks with original maturities of less than three months	-	39,680,909	-	39,680,909
Due from other banks				
- Mandatory deposits with CBU	-	80,487,217	-	80,487,217
- Restricted cash	-	14,909,029	-	14,909,029
- Placements with other banks with original maturities of more than three months	-	20,729,869	-	20,729,869
Loans and advances to customers				
- Loans to legal entities	-	-	451,552,467	451,552,467
- Net investment in finance lease	-	-	49,226,239	49,226,239
- Loans to individuals	-	-	50,486,037	50,486,037
Investment securities available for sale				
- Equity securities	-	-	7,807,983	7,807,983
- Debt securities	-	-	-	-
Other financial assets				
- Commission and receivables from customers	-	-	5,525,878	5,525,878
- Unrealized forex gain	-	-	1,853,327	1,853,327
- Other receivables	-	-	3,178,131	3,178,131
TOTAL	**11,402,756**	**375,974,752**	**569,630,062**	**957,007,570**

In thousands of Uzbekistan Soums	Level 2	Level 3	Carrying value
Due to other banks			
- Liabilities under letters of credit	30,921,806	-	30,921,806
- Short-term placements of other banks	114,104,368	-	114,104,368
- Long-term placements of other banks	28,000,000	-	28,000,000
Customer accounts			
- Current/settlement accounts of state and public organisations	104,677,587	-	104,677,587
- Term deposits of state and public organisations	-	33,378,079	33,378,079
- Current/settlement accounts of other legal entities	287,733,786	-	287,733,786
- Term deposits of other legal entities	-	117,809,372	117,809,372
- Current/demand accounts of individuals	49,376,888	-	49,376,888
- Term deposits of individuals	-	115,927,344	115,927,344
Debt securities in issue			
- Deposit certificates	-	15,028,457	15,028,457
Other financial liabilities			
- Finance lease liabilities	-	12,899,613	12,899,613
- Premium payable on reinsurance	-	3,187,877	3,187,877
- Other payables to suppliers	-	5,110,487	5,110,487
TOTAL	**614,814,435**	**303,341,229**	**918,155,664**

33 Fair Value Disclosures (Continued)

The level in the fair value hierarchy into which the recurring fair value measurements are categorised at 31 December 2015, were as follows:

In thousands of Uzbekistan Soums	Level 1	Level 2	Level 3	Carrying value
Cash and cash equivalents				
- Cash on hand	10,723,659	-	-	10,723,659
- Cash balances with CBU (other than mandatory reserve deposit)	-	68,286,563	-	68,286,563
- Correspondent accounts and overnight deposits with other banks	-	88,046,634	-	88,046,634
- Placements with other banks with original maturities of less than three months	-	25,798,310	-	25,798,310
Due from other banks				
- Mandatory deposits with CBU	-	66,537,877	-	66,537,877
- Restricted cash	-	31,376,534	-	31,376,534
- Placements with other banks with original maturities of more than three months	-	22,135,599	-	22,135,599
Loans and advances to customers				
- Loans to legal entities	-	-	356,978,533	356,978,533
- Net investment in finance lease	-	-	34,671,121	34,671,121
- Loans to individuals	-	-	22,039,147	22,039,147
Investment securities available for sale				
- Equity securities	-	-	7,171,796	7,171,796
- Debt securities	-	-	51,477	51,477
Other financial assets				
- Commission and receivables from customers	-	-	1,857,762	1,857,762
- Unrealized forex gain	-	-	1,242,666	1,242,666
- Other receivables	-	-	3,744,136	3,744,136
TOTAL	**10,723,659**	**302,181,517**	**427,756,638**	**740,661,814**

In thousands of Uzbekistan Soums	Level 2	Level 3	Carrying value
Due to other banks			
- Liabilities under letters of credit	72,524,938	-	72,524,938
- Short-term placements of other banks	56,954,804	-	56,954,804
- Long-term placements of other banks	41,763,847	-	41,763,847
Customer accounts			
- Current/settlement accounts of state and public organisations	50,119,115	-	50,119,115
- Term deposits of state and public organisations	-	3,597,447	3,597,447
- Current/settlement accounts of other legal entities	299,291,391	-	299,291,391
- Term deposits of other legal entities	-	57,137,516	57,137,516
- Current/demand accounts of individuals	19,176,073	-	19,176,073
- Term deposits of individuals	-	93,119,903	93,119,903
Debt securities in issue			
- Deposit certificates	-	22,800,439	22,800,439
Other financial liabilities			
- Premium payable on reinsurance	-	217,096	217,096
- Other payables to suppliers	-	21,629,834	21,629,834
TOTAL	**539,830,168**	**198,502,235**	**738,332,403**

34 Presentation of Financial Instruments by Measurement Category

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

35 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

In thousands of Uzbekistan Soums	**Key management personnel**	**Immediate parent company**	**Other related parties**	**Total**
Loans and advances to customers (contractual interest rate: 8-16%)	199,488	18,568,326	-	18,767,814
Customer accounts (contractual interest rate: 0)	4,836	1,377,915	-	1,382,751

Aggregate amounts lent to and repaid by related parties during 2016 were:

In thousands of Uzbekistan Soums	**Key management personnel**	**Immediate parent company**	**Other related parties**	**Total**
Interest income	30,047	3,715,967	156,864	3,902,878
Commission income	254	83,641	12,479	96,374

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

In thousands of Uzbekistan Soums	**Key management personnel**	**Immediate parent company**	**Other related parties**	**Total**
Amounts lent to related parties during the year	12,000	5,190,786	-	5,202,786
Amounts repaid by related parties during the year	30,979	20,528,090	945,000	21,504,069

35 Related Party Transactions (Continued)

At 31 December 2015, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Loans and advances to customers (contractual interest rate: 8-20%)	218,467	33,905,630	945,000	35,069,097
Customer accounts (contractual interest rate: 0-24%)	-	256,699	998,244	1,254,943

Aggregate amounts lent to and repaid by related parties during 2015 were:

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Amounts lent to related parties during the year	205,536	22,258,629	945,000	23,409,165
Amounts repaid by related parties during the year	13,891	14,250,238	-	14,264,129

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

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Interest income	12,973	3,312,992	2,935,310	6,261,275
Commission income	-	104,699	370,722	475,421

Key management compensation is presented below:

In thousands of Uzbekistan Soums	2016	2015
Short-term benefits:		
- Salaries and bonuses	614,217	485,499
- Unified social payment	153,554	121,375
Total	**767,771**	**606,874**

36 Events After the End of the Reporting Period

Transactions with shareholders. On 17 February 2017, shareholders approved an increase of authorised share capital to UZS 440,000,000 thousand.