JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

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JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

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

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

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

Management of the Group is also responsible for:

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

The consolidated financial statements of the Group for the year ended December 31, 2015 were approved by the Management Board on April 28, 2016.

On behalf of the Management Board:

Shukhrat G. Rasulov
Acting Chairman of the Board

April 28, 2016
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 28, 2016
Tashkent, Uzbekistan

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Although the Group's methodology on assessing the impairment losses on Loans and advances to customers is compliant with the requirements set forth in IAS 39 "Financial Instruments: Recognition and Measurement", our audit procedures revealed that it was not consistently applied on all Loans and advances to customers, indicating that the allowance for impairment losses may be materially misstated.

We were unable to obtain sufficient appropriate audit evidence in relation to the completeness and accuracy of impairment losses recognized against Loans and advances to customers as at December 31, 2015. Consequently, we were unable to determine the extent to which any adjustments to these amounts were necessary. The Allowance for impairment losses and related Deferred tax assets would be increased, and Retained earnings would be decreased as at December 31, 2015, and the Net income for the year then ended would be decreased had such provisions been calculated consistently for all Loans and advances to customers.

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Further the predecessor auditors also modified their audit opinion in relation to the adequacy of the allowance for impairment losses recognised against Loans and advances to customers as at December 31, 2014 and the related deferred tax effect, along with the completeness and accuracy of interest income recorded against Loans and advances to customers. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified opinion

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

Emphasis of matter

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Group has a negative liquidity gap as at December 31, 2015. Together with the failure to calculate the loan loss impairment provisions consistently for Loans and advances to customers, this raises substantial doubt about the Group's ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 3 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not qualified in respect of this matter.

We also draw attention to Note 6 to these consolidated financial statements, which describes the restatement of corresponding figures for the year ended December 31, 2014. Our opinion is not qualified in respect of this matter.

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2014 were audited by another auditor who expressed a modified opinion on those statements on April 28, 2015. The basis for the modified opinion was that the Group did not assess and adequately provide for impairment of its Loans and advances to customers. Based on their assessment, had impairment of Loans and advances to customers been appropriately provided for, the impairment provision at December 31, 2014 would have been increased by approximately UZS 51 billion, and Retained earnings as of this date would have been reduced by the same amount. Accordingly, Net income and release of impairment of loans to customers for 2014 would have been reduced by UZS 30 billion.

In addition, as at December 31, 2014, the Group recognised Deferred tax assets amounting to UZS 2 billion on temporary differences relating to the loan loss provision. The predecessor auditors were unable to apply satisfactory audit procedures to obtain reasonable assurance in respect of the completeness and recoverability of those amounts. As a result, the predecessor auditors were unable to determine whether any adjustments were required to the carrying amount of the Group's Deferred tax assets at December 31, 2014 and the related Deferred income tax charge for the year then ended.

Deloitte.

Moreover, the Bank's processes and internal control over the recording of interest income on loans and advances to customers have not operated effectively throughout 2014. There were no satisfactory audit procedures that the predecessor auditors could have performed to obtain reasonable assurance over the completeness and accuracy of interest income for those periods. As such, the predecessor auditors were unable to determine whether any adjustments are required to the carrying amount of the Group's Loans and advances to customers and retained earnings in the consolidated financial position at December 31, 2014 and the reported Interest income on Loans and advances to customers for the year then ended on the consolidated statement of profit or loss and other comprehensive income.

As part of our audit of the 2015 consolidated financial statements, we also audited the adjustments described in Note 6 that were applied to amend the 2014 corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 consolidated financial statements taken as a whole.

Deloitte & Touche

April 28, 2016
Tashkent, Uzbekistan

JOINT-STOCK COMMERCIAL BANK “MICROCREDITBANK”

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

	Notes	December 31, 2015	December 31, 2014 (restated)
ASSETS:			
Cash and cash equivalents	8	160,456,922	45,107,219
Due from other banks	9	72,917,068	48,003,453
Loans and advances to customers	10	850,592,190	681,448,674
Investment securities available for sale		2,686,689	2,688,459
Premises, equipment and intangible assets	11	52,084,105	39,208,626
Deferred income tax assets	23	1,583,285	2,027,731
Other assets	12	28,546,658	13,475,697
TOTAL ASSETS		**1,168,866,917**	**831,959,859**
LIABILITIES:			
Due to other banks	13	153,049,075	127,437,117
Customer accounts	14	693,378,928	373,783,580
Other borrowed funds	15	74,345,915	111,116,952
Insurance liabilities	16	6,237,967	6,932,331
Other liabilities	17	5,926,427	4,481,515
TOTAL LIABILITIES:		**932,938,312**	**623,751,495**
EQUITY:			
Share capital	18	225,446,510	200,446,510
Retained earnings		7,986,915	5,485,299
Total equity attributable to owners of the Bank		**233,433,425**	**205,931,809**
Non-controlling interest		2,495,180	2,276,555
TOTAL EQUITY		**235,928,605**	**208,208,364**
TOTAL LIABILITIES AND EQUITY		**1,168,866,917**	**831,959,859**

On behalf of the Management Board:

Shukhrat G. Rasulov
Acting Chairman of the Board

April 28, 2016
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 28, 2016
Tashkent, Uzbekistan

The notes on pages 11-69 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK “MICROCREDITBANK”

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

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

	Notes	2015	2014
Interest income	19	127,966,926	87,454,123
Interest expense	19	(50,254,902)	(35,248,808)
Net interest income		**77,712,024**	**52,205,315**
Release of impairment of loans to customers and finance lease receivables	10	-	2,782,540
Net interest income after provision for impairment of loans to customers and finance lease receivables		**77,712,024**	**54,987,855**
Fee and commission income	20	55,911,500	50,978,942
Fee and commission expense	20	(15,453,431)	(13,505,603)
Net gain on foreign exchange operations		3,755,143	1,030,472
Net gain/(loss) from trading in foreign currencies		552,908	(108,833)
Other operating income	21	12,806,878	9,300,211
Administrative and other operating expenses	22	(131,399,544)	(100,769,320)
Operating income		**3,885,478**	**1,913,724**
Profit before income tax		**3,885,478**	**1,913,724**
Income tax expense	23	(1,165,237)	(1,405,556)
Net profit for the year		**2,720,241**	**508,168**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**2,720,241**	**508,168**
Profit is attributable to:			
Owners of the Bank		2,501,616	496,934
Non-controlling interest		218,625	11,234
Basic and diluted earnings per ordinary share (expressed in UZS per share)	24	13	2

On behalf of the Management Board:

Shukhrat G. Rasulov
Acting Chairman of the Board

April 28, 2016
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 28, 2016
Tashkent, Uzbekistan

The notes on pages 11-69 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

(in thousands of Uzbek Soums)

	Note	Attributable to owners of the Bank			Non-controlling interest	Total equity
		Share capital	Retained earnings	Total		
Balance at January 1, 2014		**200,446,510**	**5,017,201**	**205,463,711**	**2,296,322**	**207,760,033**
Profit for the year		-	496,934	496,934	11,234	508,168
Other comprehensive income		-	-	-	-	-
Total comprehensive income for 2014		-	496,934	496,934	11,234	508,168
Shares issued		-	-	-	-	-
Dividends declared		-	(28,836)	(28,836)	(31,001)	(59,837)
Balance at December 31 , 2014		**200,446,510**	**5,485,299**	**205,931,809**	**2,276,555**	**208,208,364**
Profit for the year		-	2,501,616	2,501,616	218,625	2,720,241
Other comprehensive income		-	-	-	-	-
Total comprehensive income for 2015		-	2,501,616	2,501,616	218,625	2,720,241
Shares issued	18	25,000,000	-	25,000,000	-	25,000,000
Balance at December 31, 2015		**225,446,510**	**7,986,915**	**233,433,425**	**2,495,180**	**235,928,605**

On behalf of the Management Board:

Shukhrat G. Rasulov
Acting Chairman of the Board
April 28, 2016
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant
April 28, 2014
Tashkent, Uzbekistan

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHRI AKSIYADORLIK-TIJORAT BANKI "MIKROKREDITBANK"

The notes on pages 11-69 form an integral part of these consolidated financial statements.

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

	Note	2015	2014 (restated)
Cash flows from operating activities			
Interest received		128,744,902	89,381,088
Interest paid		(50,322,600)	(34,634,258)
Fees and commissions received		54,940,296	51,235,752
Fees and commissions paid		(15,453,431)	(13,176,960)
Net gain from trading in foreign currencies		552,908	(108,833)
Insurance premium received		15,964,724	13,622,758
Insurance claims paid		(10,791,769)	(7,707,250)
Other operating income received		6,797,664	5,175,849
Staff costs paid		(78,608,768)	(60,463,365)
Administrative and other operating expenses paid		(44,412,316)	(36,253,619)
Income tax paid		(720,791)	(1,095,463)
Cash flows from operating activities before changes in operating assets and liabilities		**6,690,819**	**5,975,699**
Net (increase)/decrease in due from other banks		(24,999,042)	2,615,918
Net increase in loans and advances to customers		(174,974,066)	(105,895,916)
Net (increase)/decrease in other assets		(8,188,546)	2,468,139
Net increase/(decrease) due to other banks		25,847,727	(2,964,393)
Net increase in customer accounts		319,525,720	125,322,376
Net Increase/(decrease) in other liabilities		5,743	(177,148)
Net cash from operating activities		**143,908,355**	**27,344,675**
Cash flows from investing activities			
Purchase of investment securities available for sale		-	(600)
Proceeds from sale of investments available-for-sale		6,605	-
Purchase of premises, equipment and intangible assets		(20,260,961)	(11,044,630)
Proceeds from disposal of premises, equipment and intangible assets		532,176	527,875
Dividends received		51,076	48,109
Net cash used in investing activities		**(19,671,104)**	**(10,469,246)**

JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

	Note	2015	2014 (restated)
Cash flows from financing activities			
Issue of shares	18	25,000,000	-
Dividends paid		-	(88,611)
Proceeds from other borrowed funds		1,750,161,314	496,223,233
Repayment of other borrowed funds		(1,787,030,794)	(499,198,119)
Net cash used in financing activities		**(11,869,480)**	**(3,063,497)**
Effect of exchange rate changes on cash and cash equivalents		**2,981,932**	**2,302,220**
Net increase in cash and cash equivalents		**115,349,703**	**16,114,152**
Cash and cash equivalents at the beginning of the year	8	45,107,219	28,993,067
Cash and cash equivalents at the end of the year	8	**160,456,922**	**45,107,219**

On behalf of the Management Board:

Shukhrat G. Rasulov
Acting Chairman of the Board

April 28, 2016
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 28, 2016
Tashkent, Uzbekistan

The notes on pages 11-69 form an integral part of these consolidated financial statements

1. ORGANISATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2015 for Joint-Stock Commercial Bank "Microcreditbank" (the "Bank") and its subsidiary (the "Group"). The Bank is a joint stock company limited by shares and was set up in accordance with Uzbekistan legislation.

The Bank was incorporated in May 2006 under the decree of the President of the Republic of Uzbekistan based on the former Joint-Stock Commercial Bank "Tadbirkor". It was registered in the Republic of Uzbekistan for the assistance in the development of small businesses, private entrepreneurship and private farming, family businesses, especially to further enhance financing by providing access of rural population to microfinance services. The Group is ultimately controlled by the Government of Uzbekistan through Ministry of Finance of the Republic of Uzbekistan and Central Bank of the Republic of Uzbekistan.

Principal activity. The Group's principal business activity is commercial, retail banking and insurance operations within the Republic of Uzbekistan. The Bank operates under the license issued by the Central Bank of the Republic of Uzbekistan ("CBU") on banking operations #37 dated 4 August 2014 (replaces license #37 dated 13 May 2006) and the general license to conduct banking transactions in foreign currency #61 dated 4 August 2014 (replaces license #26 dated 13 May 2006). The Bank accepts deposits from the public and issues loans, transfers payments in the Republic of Uzbekistan and abroad, and provides banking services for its commercial and retail customers.

The Bank is the controlling shareholder of subsidiary Joint-Stock Company "Agroinvestsugurta" with an interest of 78.95%. The Company was registered in accordance with the legislation of the Republic of Uzbekistan on 9 April 2008. The main activity of the Company is the provision of insurance services in agricultural sector.

The Bank operates from its Head office located in Tashkent and 85 branches throughout the Republic of Uzbekistan (2014: 85 branches). The number of the Bank's employees as at December 31, 2015 was 3,935 (December 31, 2014: 3,631).

The Bank participates in the state deposit insurance scheme introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" dated 5 April 2002. In case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount. A substantial volume of the Bank's operations are with, its credit exposure is to, and its funding is from state controlled entities.

The Government of Uzbekistan is the ultimate controlling party of the Bank. A substantial volume of the Bank's operations are with entities controlled directly or indirectly by the Government of Uzbekistan. As such, the Bank's strategy reflects the Government's strategy in developing the country's economy. Namely, the Bank plays significant role in the distribution of funds of the country's budget, which flow through the Bank to different governmental agencies and state owned and controlled entities. In addition, being an agent of the Government in financing cotton and grain related sectors of the economy, the Bank channels funds of the Fund for Agricultural Procurement and Settlements for the state needs under the Ministry of Finance of the Republic of Uzbekistan among state entities related to these sectors.

Registered address and place of business. The registered address of the Head office is 14, Lutfiy street, Tashkent 100096, Republic of Uzbekistan.

(in thousands of Uzbek Soums, unless otherwise indicated)

Shareholders. As at December 31, 2015 and 2014, the interest of the shareholders in the Bank's capital was as follows (in %):

Shareholders	2015	2014
Ministry of Finance of the Republic of Uzbekistan	58.59%	53.41%
Central Bank of the Republic of Uzbekistan	23.72%	26.68%
Depository Company "Neftegazdeposit"	2.85%	3.20%
National Bank of the Republic of Uzbekistan	2.10%	2.37%
JSC "Uzbektelecom"	1.82%	0.00%
JSCB "Asaka Bank"	1.52%	1.71%
JSCB "Uzpromstroybank"	1.42%	1.60%
National Export-Import Insurance Company "Uzbekinvest"	1.22%	1.37%
JSCB "Agrobank"	0.95%	1.07%
JSC "Uzkimyosanoat"	0.00%	1.30%
NHC "Uzbekneftegaz"	0.00%	2.05%
Other shareholders (individually holding less than 1%)	5.81%	5.24%
Total	**100%**	**100%**

These consolidated financial statements were authorized for issue by the Management Board of the Group on April 24, 2016.

2. OPERATING ENVIRONMENT OF THE GROUP

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

Because Uzbekistan produces and exports oil and gas, its economy is sensitive to the price of oil and gas on the world market. During 2014-2015, the oil price decreased significantly, which led to a decrease in national export revenue.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Going concern

These consolidated financial statements have been prepared assuming the Group continues as a going concern which contemplates that the Group will continue in operation for the foreseeable future.

For the year ended December 31, 2015, the Group has a negative cumulative liquidity gap up to 1 year of UZS 37,262,177 thousand (Note 28).

The Management of the Group believes that the Group will be able to continue as a going concern, through the following:

- ongoing support by the Government of the Republic of Uzbekistan evidenced by the presidential decree #ПП-2420 dated 26 October 2015 on "Additional measures for further increase of commercial banks capital and their investment activity during the period of 2015 and 2016". To comply with the plans set forth in this decree, the major shareholder of the Group has injected an additional UZS 25,000,000 thousand into its share capital during 2015 and UZS 25,000,000 thousand subsequent to year end. In addition, this decree stipulates Government's support in attracting financing from international financial institutions to strengthen the funding base of the Group.

- as at December 31, 2015 and 2014 the Group was not in breach of any prudential covenants set by the regulator.

Having reviewed the Group's forecasts, projections and other relevant evidence, the Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

Other basis of presentation criteria

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

These consolidated financial statements have been prepared on the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of available for sale financial assets. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

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

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

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

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

The Bank and its consolidated companies, registered in Uzbekistan, maintain their accounting records in accordance with Uzbekistan Accounting Legislation ("UAL"). These consolidated financial statements have been prepared from the statutory accounting records and adjusted to conform to IFRS.

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

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

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

The principal accounting policies are set out below.

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

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

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

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

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

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

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

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

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

Non-controlling interests. Non-controlling interests represent the portion of profit or loss and net assets of the subsidiary not owned, directly or indirectly, by the Bank.

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

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

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2006. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at December 31, 2005 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan

Consumer Price Index ("CPI"), provided by the State Committee on Statistics of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Revenue recognition

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

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

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
Interest earned on assets at fair value is classified within interest income.

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

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

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

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

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

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

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

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

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

Available-for-sale financial assets

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

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

Dividends received on available-for-sale investments are included in dividend income in the statement of comprehensive income.

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

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the statement of comprehensive income for the period. These financial assets are recognized at net of impairment loss.

A financial asset classified as available-for-sale may be reclassified out of the available-for-sale category to the loans and receivables category if it meets the definition of a loan and receivable at the date of reclassification and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

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

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

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

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

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

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

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

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

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is probable that in certain periods the Group can incur losses greater than recorded impairment.

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

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

Derecognition of financial assets. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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

Financial liabilities and equity instruments issued

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

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

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

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

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

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

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and subsequently measured at the higher of:

The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ; and

The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Swaps. Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled. Fair value of these operations was calculated using observable/unobservable inputs and spot rates.

As at December 31, 2015 and 2014, other financial assets included swap instruments with customers which amounted to UZS 733,210 thousand and nil, respectively and which are classified as a financial assets at fair value through profit or loss.

Leases

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

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

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

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the Central Bank of Uzbekistan with original maturity of less or equal to 90 days and amounts due from other banks with original maturity of less or equal to 90 days and are free from contractual encumbrances.

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

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

Premises and equipment. Premises and equipment, acquired after January 1, 2006 are carried at historical cost less accumulated depreciation and amortization and any recognized impairment loss, if any. Property, equipment and intangible assets, acquired before January 1, 2006 are carried at historical cost restated for inflation less accumulated depreciation and amortization and any recognized impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

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

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

Buildings and Premises	5%
Office and computer equipment	10-20%
Intangible assets	20%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Intangible assets

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

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

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

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

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

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

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

Taxation. Income taxes have been provided for in the consolidated financial statements in accordance with Uzbekistan legislation enacted or substantively enacted by the end of the reporting period.

The income tax credit comprises current tax and deferred tax and is recognised in the statement of 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.

Current tax. 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 the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

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

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

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

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

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

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

Equity reserves. The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include available-for-sale reserve which comprises changes in fair value of available-for-sale financial assets.

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

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale.

Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

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

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

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.
The Group offers various insurance products in property and casualty, and liability.

<u>Underwriting income</u>

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve. 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. The unearned insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within reserve for insurance claims in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of comprehensive income as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred in the consolidated statement of comprehensive income.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable. Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalized and recorded in the accompanying consolidated statements of financial position within insurance assets. The asset related to deferred acquisition costs is subsequently amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately.

All other costs are recognized as expenses when incurred.

<u>Reserve for insurance losses and loss adjustment expenses</u>

The reserve for insurance losses and loss adjustment expenses is included in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

The incurred but not reported reserve ("IBNR") for motor hull and liability insurance is actuarially determined and is based upon statistical claim data for the period typical for loss development of the classes and sub-classes of business and the Group's previous experience.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of comprehensive income in the period in which they are determined.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance assets. Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer. The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated 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 consolidated 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 of loans and receivables. The Group regularly reviews its loan portfolio to assess impairment. When determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Group makes judgments 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 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

Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans.

Valuation of financial instruments. As described in note 28, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 26 also provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets. The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than not that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to UZS 1,583,285 thousand and UZS 2,027,731 thousand as at December 31, 2015 and 2014, respectively.

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

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

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

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities.* The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

These amendments do not have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities.* The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

There is no material effect of these amendments on the consolidated financial statements as the Group does not have any material financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets.* The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 26.

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

New and revised IFRSs in issue but not yet effective.

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

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

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

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

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

IFRS 9 Financial Instruments.

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39

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

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

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

The application of IFRS 14 will not have any impact on the Group's financial statements in the future as the Group is not an IFRS first-time adopter.

IFRS 15 Revenue from Contracts with Customers.

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

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

The five steps in the model are as follows:

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

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

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

IFRS 16 Leases

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

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

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

The management of the Group anticipates that the application of these amendments to IFRS 16 may have a significant effect on the consolidated financial statements.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations. The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g.

IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

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

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

Amendments to IAS 1 – Disclosure initiative project

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

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

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

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

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

The amendments also clarify that:

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

The amendments are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted.

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The management of the Group believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

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

The management of the Group does not expect any impact of adoption of these amendments on the consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 – Equity Method in Separate Financial Statements. The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

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

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The management of the Group anticipates that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The management of the Group does not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

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

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

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

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

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

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

6. RESTATEMENTS

In 2015, the Group's management changed its accounting treatment for recognition of loans issued and related borrowings from the Islamic Corporation for the Development of the Private Sector (the "ICD"). Previously, such loans and related borrowings from the ICD were recognised in the statement of financial position. However, management decided that considering the ICD financing agreement terms are structured in a way that the Bank does not bear any credit risk related to the projects financed from the ICD funds, other than the contingency risk on the respective guarantees issued on those projects, those loans and related borrowings should not be recognised. In order to reflect properly the substance of the transaction, the management has restated "Loans and advances to customers", "Customer accounts", and "Other Borrowed Funds" account balances retrospectively, which impacted both the opening and closing balances of 2014 financial year.

The following restatements do not materially affect the corresponding consolidated statement of financial position as at January 1, 2014. Thus, the management believes presenting the third consolidated statement of financial position is not necessary and the exclusion of such information is not deemed a significant deficiency.

(in thousands of Uzbek Soums, unless otherwise indicated)

The effect of the adjustments made to the consolidated financial statements for the year ended December 31, 2014 is as follows:

	As originally presented	Effect of correction of classification errors	As adjusted
Consolidated Statement of Financial Position lines affected			
ASSETS			
Loans to customers	697,746,185	(16,297,511)	681,448,674
TOTAL ASSETS	**848,257,370**	**(16,297,511)**	**831,959,859**
LIABILITIES			
Customer accounts	(369,644,053)	(4,139,527)	(373,783,580)
Other borrowed funds	(131,553,990)	20,437,038	(111,116,952)
TOTAL LIABILITIES	**(640,049,006)**	**16,297,511**	**(623,751,495)**

The net impact of above corrections and changes in presentation on the Consolidated Cash flow statement lines for the year ended December 31, 2014 is shown below:

	As originally presented	Effect of correction of classification errors	As adjusted
Cash flow from operating activities			
Net increase in loans and advances to customers	(122,193,427)	16,297,511	(105,895,916)
Net increase in customer accounts	121,182,849	4,139,527	125,322,376
Net cash flow from operating activities	**6,907,637**	**20,437,038**	**27,344,675**
Cash flows used in investing activities	**(10,469,246)**	-	**(10,469,246)**
Cash flow from financing activities			
Proceeds from other borrowed funds	516,660,271	(20,437,038)	496,223,233
Net cash from financing activities	**17,373,541**	**(20,437,038)**	**(3,063,497)**
Effect of exchange rate changes on cash and cash equivalents	**2,302,220**	-	**2,302,220**
Net increase in cash and cash equivalents	**16,114,152**	-	**16,114,152**
Cash and cash equivalents at the beginning of the year	28,993,067	-	28,993,067
Cash and cash equivalents at the end of the year	**45,107,219**	-	**45,107,219**

(in thousands of Uzbek Soums, unless otherwise indicated)

7. SEGMENT REPORTING

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 *Operating segments* and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

Investment banking – representing financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.

Segment information and reconciliation of the reportable assets, liabilities and capital expenditure of the Group as at December 31, 2015 is set out below:

	Corporate banking	Retail banking	Group function	Eliminations	Total
Cash and cash equivalents	160,017,449	439,473	-	-	160,456,922
Due from other banks	72,917,068	-	-	-	72,917,068
Loans and advances to customers	712,814,025	137,778,165	-	-	850,592,190
Investment securities available for sale	-	-	2,686,689	-	2,686,689
Property, equipment and intangible assets	-	-	52,084,105	-	52,084,105
Deferred income tax assets	1,583,285	-	-	-	1,583,285
Other assets	374,792	-	28,171,866	-	28,546,658
Interbranch receivable	-	-	930,169,348	(930,169,348)	-
Total reportable segment assets	**947,706,619**	**138,217,638**	**1,013,112,008**	**(930,169,348)**	**1,168,866,917**
Due to banks	153,049,075	-	-	-	153,049,075
Customer accounts	464,976,860	228,402,068	-		693,378,928
Other borrowed funds		-	74,345,915	-	74,345,915
Insurance liabilities	-	-	6,237,967	-	6,237,967
Other liabilities	-	-	5,926,427	-	5,926,427
Interbranch payable	-	-	930,169,348	(930,169,348)	-
Total reportable segment liability	**618,025,935**	**228,402,068**	**1,016,679,657**	**(930,169,348)**	**932,938,312**
Capital expenditure	**329,680,684**	**(90,184,430)**	**(3,567,649)**	**-**	**235,928,605**

(in thousands of Uzbek Soums, unless otherwise indicated)

	Corporate banking	Retail banking	Group function	Eliminations	Total
Interest income	123,626,459	4,340,467	46,330,399	(46,330,399)	127,966,926
Fee and commission income	55,734,490	-	177,010	-	55,911,500
Net gain on foreign exchange operations	-	-	4,308,051	-	4,308,051
Other operating income	-	-	12,806,878	-	12,806,878
Total revenues	**179,360,949**	**4,340,467**	**63,622,338**	**(46,330,399)**	**200,993,355**
Interest expense	(35,812,946)	(14,441,956)	(46,330,399)	46,330,399	(50,254,902)
Fee and commission expense	(14,779,764)	-	(673,667)	-	(15,453,431)
Administrative and other operating expenses	-	-	(131,399,544)	-	(131,399,544)
Total expenses	**(50,592,710)**	**(14,441,956)**	**(178,403,610)**	**46,330,399**	**(197,107,877)**
Segment result	**128,768,239**	**(10,101,489)**	**(114,781,272)**	**-**	**3,885,478**

Segment information and reconciliation of the reportable assets, liabilities and capital expenditure of the Group as at December 31, 2014 is set out below:

	Corporate banking	Retail banking	Group function	Eliminations	Total
Cash and cash equivalents	45,107,219	-	-	-	45,107,219
Due from other banks	48,003,453	-	-	-	48,003,453
Loans and advances to customers	596,225,039	85,223,635	-	-	681,448,674
Investment securities available for sale	-	-	2,688,459	-	2,688,459
Property, equipment and intangible assets	-	-	39,208,626	-	39,208,626
Deferred income tax assets	2,027,731	-	-	-	2,027,731
Other assets	257,457	-	13,218,240	-	13,475,697
Interbranch receivable	-	-	521,085,713	(521,085,713)	-
Total reportable segment assets	**691,620,899**	**85,223,635**	**576,201,038**	**(521,085,713)**	**831,959,859**
Due to banks	127,437,117	-	-	-	127,437,117
Customer accounts	231,655,527	142,128,053	-		373,783,580
Other borrowed funds		-	111,116,952	-	111,116,952
Insurance liabilities	-	-	6,932,331	-	6,932,331
Other liabilities	-	-	4,481,515	-	4,481,515
Interbranch payable	-	-	521,085,713	(521,085,713)	-
Total reportable segment liability	**359,092,644**	**142,128,053**	**643,616,511**	**(521,085,713)**	**623,751,495**
Capital expenditure	**332,528,255**	**(56,904,418)**	**(67,415,473)**	**-**	**208,208,364**

(in thousands of Uzbek Soums, unless otherwise indicated)

	Corporate banking	Retail banking	Group function	Eliminations	Total
Interest income	83,707,336	3,746,787	30,136,426	(30,136,426)	87,454,123
Fee and commission income	50,797,892	-	181,050	-	50,978,942
Net gain on foreign exchange operations	-	-	921,639	-	921,639
Other operating income	-	-	9,300,211	-	9,300,211
Total revenues	**134,505,228**	**3,746,787**	**40,539,326**	**(30,136,426)**	**148,654,915**
Interest expense	(24,514,551)	(10,734,257)	30,136,426	(30,136,426)	(35,248,808)
Fee and commission expense	(12,825,704)	-	(679,899)	-	(13,505,603)
Release of impairment of loans to customers and finance lease receivables	2,782,540	-	-	-	2,782,540
Administrative and other operating expenses	-	-	(100,769,320)	-	(100,769,320)
Total expenses	**(34,557,715)**	**(10,734,257)**	**(71,312,793)**	**(30,136,426)**	**(146,741,191)**
Segment result	**99,947,513**	**(6,987,470)**	**(30,773,467)**	**(60,272,852)**	**1,913,724**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2015	December 31, 2014
Cash	63,187,875	28,999,593
Balances with the CBR	74,250,706	2,834,220
Correspondent accounts and time deposits with original maturities up to 30 days	23,018,341	13,273,406
Total cash and cash equivalents	**160,456,922**	**45,107,219**

As at December 31, 2015, cash balances with CBU (other than mandatory reserve deposits) include an overnight deposit of UZS 74,000,000 thousand (2014: UZS 2,800,000 thousand) placed with the CBU bearing a fixed interest rate of 0.02% per annum (2014: 0.02% per annum).

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

	Cash balances with the CBU	Correspondent accounts and overnight placements	Total
Neither past due nor impaired			
- Central Bank of Uzbekistan	74,250,706	-	74,250,706
- A1 (Moody's rated)	-	11,177	11,177
- B2 (Moody's rated)	-	-	-
- Ba2 (Moody's rated)	-	870,404	870,404
- A+ (Fitch rated)	-	266,050	266,050
- B- (Fitch rated)	-	18,528,077	18,528,077
- unrated	-	3,342,633	3,342,633
Total cash and cash equivalents, excluding cash on hand	**74,250,706**	**23,018,341**	**97,269,047**

(in thousands of Uzbek Soums, unless otherwise indicated)

The credit quality of cash and cash equivalents balances is as follows at December 31, 2014:

	Cash balances with the CBU	**Correspondent accounts and overnight placements**	**Total**
Neither past due nor impaired			
- Central Bank of Uzbekistan	2,834,220	-	2,834,220
- A1 (Moody's rated)	-	3,630	3,630
- B2 (Moody's rated)	-	12,937,501	12,937,501
- Ba2 (Moody's rated)	-	10,350	10,350
- A+ (Fitch rated)	-	102	102
- B- (Fitch rated)	-	267,215	267,215
- unrated	-	54,608	54,608
Total cash and cash equivalents, excluding cash on hand	**2,834,220**	**13,273,406**	**16,107,626**

Refer to Note 26 for the estimated fair value of each class of amount due from other bank. Interest rate analysis of cash and cash equivalents is disclosed in Note 28. Information on related party balances is disclosed in Note 29.

9. DUE FROM OTHER BANKS

Due from banks comprise:

	December 31, 2015	**December 31, 2014**
Mandatory cash balances with CBU	68,116,603	42,606,446
Corporate bonds	3,941,746	4,099,726
Placements with other banks with original maturities of more than three months	1,767,924	2,206,486
Less: allowance for impairment losses	(909,205)	(909,205)
Total due from other banks	**72,917,068**	**48,003,453**

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

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	Mandatory cash balances with CBU	Placements with other banks	Corporate bonds	Total
Neither past due nor impaired				
- Central Bank of Uzbekistan	68,116,603	-	-	68,116,603
- B- (S&P)	-	-	3,941,746	3,941,746
- B- (Fitch rated)	-	757,754	-	757,754
- B2 (Moody's)	-	100,965	-	100,965
- unrated	-	-	-	-
Total neither past due nor impaired	**68,116,603**	**858,719**	**3,941,746**	**72,917,068**
Balances individually determined to be impaired (gross)				
- over 360 days overdue	-	909,205	-	909,205
Less provision for impairment	-	(909,205)	-	**(909,205)**
Total due from other banks	**68,116,603**	**858,719**	**3,941,746**	**72,917,068**

Analysis by credit quality of amounts due from other banks outstanding at December 31, 2014 is as follows:

	Mandatory cash balances with CBU	Placements with other banks	Corporate bonds	Total
Neither past due nor impaired				
- Central Bank of Uzbekistan	42,606,446	-	-	42,606,446
- B- (S&P)	-	-	3,074,794	3,074,794
- B- (Fitch rated)	-	1,090,668	-	1,090,668
- B2 (Moody's)	-	200,000	1,024,932	1,224,932
- unrated	-	-	-	-
Total neither past due nor impaired	**42,606,446**	**1,290,668**	**4,099,726**	**47,996,840**
Balances individually determined to be impaired (gross)				
- over 360 days overdue	-	915,818	-	915,818
Less provision for impairment	-	(909,205)	-	(909,205)
Total due from other banks	**42,606,446**	**1,297,281**	**4,099,726**	**48,003,453**

(in thousands of Uzbek Soums, unless otherwise indicated)

10. LOANS AND ADVANCES TO CUSTOMERS

The Group uses the following classification of loans by classes:

- Corporate loans – loans issued to clients with legal form of ownership
- Loans to individuals and Loans to individuals entrepreneurs – loans issued to individuals;
- Net investment in finance lease – loans issued to legal entities that meet definition of the finance lease.

Loans to customers comprise:

	December 31, 2015	**December 31, 2014 (restated)**
Loans to legal entities	687,363,217	561,916,987
Loans to individuals - entrepreneurs	40,555,594	49,572,569
Loans to individuals	97,222,572	35,651,066
Finance lease	25,450,807	34,308,052
Total loans and advances to customers, gross	**850,592,190**	**681,448,674**
Less: Provision for loan impairment	-	-
Total loans and advances to customers, net	**850,592,190**	**681,448,674**

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

	Loans to legal entities	**Loans to individuals - entrepreneurs**	**Loans to individuals**	**Finance lease**	**Total**
Provision for impairment at January 1, 2015	-	-	-	-	-
Recovery of impairment during the year	-	-	-	-	-
Amounts written off during the year as uncollectible	-	-	-	-	-
Provision for impairment at December 31, 2015	-	-	-	-	-

(in thousands of Uzbek Soums, unless otherwise indicated)

Movements in the provision for loan impairment during 2014 are as follows:

	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Provision for impairment at January 1, 2014	**4,276,552**	**64,808**	**49,777**	**560,133**	**4,951,270**
Recovery of impairment during the year	(1,974,990)	(59,430)	(27,059)	(483,796)	(2,545,275)
Amounts written off during the year as uncollectible	(2,301,562)	(5,378)	(22,718)	(76,337)	(2,405,995)
Provision for impairment at December 31, 2014	**-**	**-**	**-**	**-**	**-**

The recovery of provision for impairment during 2014 differs from the amount presented in profit or loss for the year due to UZS 237,265 thousand, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

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

	2015		2014 (restated)	
	Amount	%	Amount	%
Agriculture	389,138,371	46	399,650,278	59
Trade and catering	162,113,234	19	117,884,245	17
Individuals	97,222,572	11	35,651,066	5
Services	68,505,261	8	49,205,190	7
Manufacturing	58,679,117	7	31,281,889	5
Construction	45,371,936	5	26,284,297	4
Transportation	27,816,641	3	17,890,570	3
Other	1,745,058	1	3,601,139	1
Total loans and advances to customers before impairment provision	**850,592,190**	**100**	**681,448,674**	**100**

Loans to individuals comprise the following products:

	2015		2014	
	Amount	%	Amount	%
Consumer loans	59,513,920	61	18,991,971	53
Mortgage loans	23,707,239	24	12,447,775	35
Educational loans	8,072,423	8	3,501,446	10
For the purchase of cattle	4,638,173	5	76,261	0
Other	1,290,817	1	633,613	2
Total loans and advances to customers before impairment provision	**97,222,572**	**100**	**35,651,066**	**100**

(in thousands of Uzbek Soums, unless otherwise indicated)

Information about collateral at December 31, 2015 is as follows:

	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Unsecured loans	62,063,768	140,307	755,004	-	**62,959,079**
Loans collateralised by:					**-**
- vehicles	197,660,610	13,430,561	20,250,210	18,021,875	**249,363,256**
- real estate	165,400,624	7,598,256	18,729,853	2,488,317	**194,217,050**
- guarantees of third parties	116,710,690	15,147,026	47,163,056	2,755,654	**181,776,426**
- insurance policy	106,912,667	2,429,577	4,305,119	498,648	**114,146,011**
- cash deposit	31,499,582	1,314,062	5,497,492	1,219,724	**39,530,860**
- equipment	789,433	31,619	746	438,266	**1,260,064**
- inventory	739,377	73,984	52,876	-	**866,237**
- trade receivables	141,149	-	-	-	**141,149**
- other	5,445,317	390,202	468,216	28,323	**6,332,058**
Collateralised loans	**625,299,449**	**40,415,287**	**96,467,568**	**25,450,807**	**787,633,111**
Total loans and advances to customers	**687,363,217**	**40,555,594**	**97,222,572**	**25,450,807**	**850,592,190**

Information about collateral at December 31, 2014 is as follows:

	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Unsecured loans	128,389,876	2,441,457	4,969,179	12,698,877	**148,499,389**
Loans collateralised by:					
- vehicles	148,574,660	15,921,204	7,474,225	16,193,000	**188,163,089**
- real estate	117,908,107	4,142,002	11,581,814	2,398,540	**136,030,463**
- insurance policy	85,871,228	5,688,117	1,291,093	232,331	**93,082,769**
- guarantees of third parties	55,234,466	19,671,612	7,748,761	2,221,223	**84,876,062**
- equipment	7,838,387	9,186	5,001	-	**7,852,574**
- trade receivables	14,708,620	-	-	-	**14,708,620**
- cash deposit	1,876,440	252,243	2,344,381	564,081	**5,037,145**
- inventory	1,212,051	385,086	177,258	-	**1,774,395**
- other	303,152	1,061,662	59,354	-	**1,424,168**
Collateralised loans	**433,527,111**	**47,131,112**	**30,681,887**	**21,609,175**	**532,949,285**
Total loans and advances to customers	**561,916,987**	**49,572,569**	**35,651,066**	**34,308,052**	**681,448,674**

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Not past due	479,599,104	29,066,697	57,282,291	16,760,957	**582,709,049**
Overdue:					
- less than 30 days overdue	79,935,296	5,758,217	18,791,681	3,164,797	**107,649,991**
- 31 to 60 days overdue	41,716,773	1,415,719	5,950,702	825,283	**49,908,477**
- 61 to 90 days overdue	17,764,714	683,582	2,980,063	1,159,388	**22,587,747**
- 91 to 180 days overdue	26,638,219	1,976,219	6,840,877	839,883	**36,295,198**
- over 180 days overdue	41,709,111	1,655,160	5,376,958	2,700,499	**51,441,728**
Total overdue	**207,764,113**	**11,488,897**	**39,940,281**	**8,689,850**	**267,883,141**
Less impairment provisions	-	-	-	-	-
Total loans and advances to customers	**687,363,217**	**40,555,594**	**97,222,572**	**25,450,807**	**850,592,190**

Information by credit quality of loans outstanding at December 31, 2014 is as follows:

	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Not past due	370,634,843	43,526,631	20,224,822	16,057,824	**450,444,120**
Overdue:					
- less than 30 days overdue	48,834,081	1,759,747	4,147,187	1,405,361	**56,146,376**
- 31 to 60 days overdue	36,108,821	1,477,686	3,248,900	4,603,791	**45,439,198**
- 61 to 90 days overdue	25,908,447	851,783	1,803,193	1,858,581	**30,422,004**
- 91 to 180 days overdue	25,708,699	919,581	2,625,865	3,393,024	**32,647,169**
- over 180 days overdue	54,722,096	1,037,141	3,601,099	6,989,471	**66,349,807**
Total overdue	**191,282,144**	**6,045,938**	**15,426,244**	**18,250,228**	**231,004,554**
Less impairment provisions	-	-	-	-	-
Total loans and advances to customers	**561,916,987**	**49,572,569**	**35,651,066**	**34,308,052**	**681,448,674**

Refer to Note 26 for the estimated fair value of each class of amount loan and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 28. Information on related party balances is disclosed in Note 29.

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	Due within 1 year	Due between 1 and 5 years	Over 5 years	Total
Finance lease receivable at December 31, 2015	**15,381,930**	**14,703,872**	**57,883**	**30,143,685**
Unearned finance income	(2,724,015)	(1,962,599)	(6,264)	(4,692,878)
Impairment provision	-	-	-	-
Present value of lease receivable at December 31, 2015	**12,657,915**	**12,741,273**	**51,619**	**25,450,807**
Finance lease receivable at December 31, 2014	**20,318,814**	**20,970,242**	**170,157**	**41,459,213**
Unearned finance income	(3,677,425)	(3,455,867)	(17,869)	(7,151,161)
Impairment provision	-	-	-	-
Present value of lease receivable at December 31, 2014	**16,641,389**	**17,514,375**	**152,288**	**34,308,052**

(in thousands of Uzbek Soums, unless otherwise indicated)

11. PREMISES AND EQUIPMENT

	Buildings and Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible Assets	Total
Carrying amount at January 1, 2014	**17,319,756**	**17,034,680**	**769,327**	**35,123,763**	**155,549**	**35,279,312**
Additions	2,306,210	5,770,985	2,939,163	11,016,358	5,530	11,021,888
Net transfers	1,505,523	(38,089)	(1,518,367)	(50,933)	50,933	-
Disposals	(6,765)	(441,824)	(5,295)	(453,884)	-	(453,884)
Depreciation/amortisation charge	(1,178,137)	(5,360,448)	-	(6,538,585)	(100,105)	(6,638,690)
Carrying amount at December 31, 2014	**19,946,587**	**16,965,304**	**2,184,828**	**39,096,719**	**111,907**	**39,208,626**
Cost at 31 December 2014	28,381,281	38,831,296	2,184,828	69,397,405	1,070,461	70,467,866
Accumulated depreciation/amortisation	(8,434,694)	(21,865,992)	-	(30,300,686)	(958,554)	(31,259,240)
Carrying amount at December 31, 2014	**19,946,588**	**16,965,304**	**2,184,828**	**39,096,719**	**111,907**	**39,208,626**
Additions	1,324,970	11,937,774	4,788,164	18,050,908	2,210,053	20,260,961
Net transfers	624,225	(66,925)	(612,681)	(55,381)	55,381	-
Disposals	(143,139)	(298,445)	-	(441,584)	(4,607)	(446,191)
Depreciation/amortisation charge	(1,578,956)	(4,989,065)	-	(6,568,021)	(371,270)	(6,939,291)
Carrying amount at December 31, 2015	**20,173,688**	**23,548,643**	**6,360,311**	**50,082,641**	**2,001,464**	**52,084,105**
Cost at 31 December 2015	30,187,337	50,403,700	6,360,311	86,951,348	3,331,288	90,282,636
Accumulated depreciation/amortisation	(10,013,650)	(26,855,057)	-	(36,868,707)	(1,329,824)	(38,198,531)
Carrying amount at December 31, 2015	**20,173,687**	**23,548,643**	**6,360,311**	**50,082,641**	**2,001,464**	**52,084,105**

As at December 31, 2015 and 2014, premises and equipment were not pledged as collateral for liabilities.

(in thousands of Uzbek Soums, unless otherwise indicated)

12. OTHER ASSETS

Other assets comprise:

	2015	2014
Other financial assets		
Interest receivable from customers	7,003,144	1,865,143
Commission receivable from customers	3,379,973	2,408,769
Fines and penalties receivable	1,175,895	500,936
Unrealized Gain on Revaluation — Swaps	773,210	-
Receivable from money transfer organizations	374,792	257,457
Receivable from Khorezm region administration	253,779	253,779
Other receivable	286,644	18,083
Total other financial assets	**13,247,437**	**5,304,167**
Other non-financial assets		
Prepaid expenses and advances	4,935,064	2,849,131
Repossessed collateral	4,476,179	1,826,459
Inventory	3,671,984	1,888,699
Prepayments to suppliers for lease equipment	1,176,588	823,353
Receivable from employees	787,616	373,269
Prepayment for taxes other than income tax	850,230	205,225
Real estate held for mortgage loans	-	72,371
Other	268,310	334,150
Less impairment provision	(866,750)	(201,127)
Total other non-financial assets	**15,299,221**	**8,171,530**
Total other assets	**28,546,658**	**13,475,697**

Receivable from Khorezm region administration comprises receivable for residential property constructed in accordance with Decision of Cabinet of the Ministers dated 12 April 2012.

Repossessed collateral represents real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of assets in the foreseeable future

Prepayments to suppliers for the lease equipment mostly comprise prepayments for agricultural equipment to be further leased to farmers under finance lease agreements.

(in thousands of Uzbek Soums, unless otherwise indicated)

Movements in the provision for impairment of other assets during 2015 and 2014 are as follows:

	Other receivable
January 1, 2014	**172,075**
Provision for impairment during the year (Note 22)	29,052
December 31, 2014	**201,127**
Provision for impairment during the year (Note 22)	665,623
December 31, 2015	**866,750**

13. DUE TO OTHER BANKS

Due to other banks comprise:

	2015	2014
Short term placements of other domestic banks	131,559,246	105,542,459
Long term placements of other domestic banks	19,170,000	17,170,000
Corporate bonds issued	2,319,829	4,724,658
Total due to other banks	**153,049,075**	**127,437,117**

Refer to Note 26 for the estimated fair value of each class of amount due to other banks. Interest rate analysis of due to other banks is disclosed in Note 28. Information on related party balances is disclosed in Note 29.

14. CUSTOMER ACCOUNTS

Customer accounts comprise:

	2015	2014
State and public organisations		
- Current/settlement accounts	22,594,846	18,374,857
- Term deposits	252,266,552	83,259,483
Other legal entities		
- Current/settlement accounts	93,459,479	74,468,657
- Term deposits	96,655,983	55,552,530
Individuals		
- Current/demand accounts	152,195,477	83,803,002
- Term deposits	76,206,591	58,325,051
Total customer accounts	**693,378,928**	**373,783,580**

As at December 31, 2015 and 2014 customer accounts totaling UZS 362,223 thousand and UZS 591,371 thousand, respectively, were held as security against letters of credit and other similar instruments issued by the Group (Note 25).

Refer to note 26 for the estimated fair value of each class of amount customer accounts. Interest rate analysis of customer accounts is disclosed in Note 28. Information on related party balances is disclosed in Note 29.

(in thousands of Uzbek Soums, unless otherwise indicated)

15. OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency	Maturity	Nominal interest rate, %	2015	2014 (restated)
Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting grain	UZS	01-Oct-16	1%	44,984,525	55,229,838
Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting cotton	UZS	01-Mar-16	1%	5,118,247	38,279,861
International Development Association through the Ministry of Finance of the Republic of Uzbekistan	UZS	25-Sep-29	CBU rate less 3%	11,384,740	12,237,579
Ministry of Finance of the Republic of Uzbekistan	UZS	21-Nov-17	2%	2,000,083	3,009,867
International Fund of Agricultural Development through Ministry of Finance of the Republic of Uzbekistan	USD-UZS	27-Jun-34	2.5% - 4.5%	9,882,774	1,143,331
Other	USD-UZS	05-Sep-17	0%-3%	975,546	1,216,476
Total other borrowed funds				**74,345,915**	**111,116,952**

As at December 31, 2015, borrowings in the amount of UZS 44,984,525 thousand (2014: UZS 55,229,838 thousand) from Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting grain were received. Interest rates on borrowings is 1%, with maturity in October 2016. No financial covenants are stipulated in the loan agreement.

As at December 31, 2015, borrowings in the amount of UZS 5,118,247 thousand (UZS 38,279,861 thousand) from Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting cotton were received. Interest rates on borrowings is 1%, with maturity in March 2016. No financial covenants are stipulated in the loan agreement.

As at December 31, 2015, borrowings in the amount of UZS 11,384,740 thousand (2014: 12,237,579 thousand) from International Development Association through the Ministry of Finance of the Republic of Uzbekistan were received. Interest rates on borrowings CBU refinancing rate less 3%, with maturity in September 2029. No financial covenants are stipulated in the loan agreement.

As at December 31, 2015, borrowings in the amount of UZS 2,000,083 thousand (2014: UZS 3,009,867 thousand) from Ministry of Finance of the Republic of Uzbekistan were received. Interest rates on borrowings is 2%, with maturity in November 2017. No financial covenants are stipulated in the loan agreement.

As at December 31, 2015, borrowings in the amount of UZS 9,882,774 thousand (UZS 1,143,331 thousand) from International Fund of Agricultural Development through Ministry of Finance of the Republic of Uzbekistan were received. Interest rates on borrowings is 2.5%- 4.5%, with maturity in June 2034. No financial covenants are stipulated in the loan agreement.

16. INSURANCE LIABILITIES

	2015	2014
Unearned insurance premium reserve	3,954,473	3,629,713
Incurred but not reported claims reserve	1,595,527	1,084,504
Reported but not settled claims reserve	686,000	2,218,000
Payable to reinsurers and agents	1,967	114
Total insurance liabilities	**6,237,967**	**6,932,331**

(in thousands of Uzbek Soums, unless otherwise indicated)

17. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2015	December 31, 2014
Other financial liabilities		
Accounts payable for inventories and services	2,248,534	2,468,559
Dividends payable	132,742	138,239
Total other financial liabilities	**2,381,276**	**2,606,798**
Other non-financial liabilities		
Taxes other than income tax payable	1,860,386	1,572,708
Settlements with employees	1,671,992	232,823
Other	12,773	69,186
Total other non-financial liabilities	**3,545,151**	**1,874,717**
Total other liabilities	**5,926,427**	**4,481,515**

Refer to Note 26 for the estimated fair value of each class of amount other financial liabilities. Interest rate analysis of other financial liabilities is disclosed in Note 28. Information on related party balances is disclosed in Note 29.

18. SHARE CAPITAL

	Number of outstanding shares	Ordinary shares	Preference shares	Total
At December 31, 2013	**187,421**	**200,021,785**	**144,180**	**200,165,965**
At December 31, 2014	**187,421**	**200,021,785**	**144,180**	**200,165,965**
Issue of new shares	23,408	25,000,000		**25,000,000**
At December 31, 2015	**210,829**	**225,021,785**	**144,180**	**225,165,965**

The nominal registered amount of the Bank's issued share capital corresponds to the amount reported in these consolidated financial statements as at December 31, 2015, as follows:

	Nominal registered amount	Effect of hyperinflation	Inflated amount
Total share capital, including hyperinflation effect			
At December 31, 2014	200,165,965	280,545	200,446,510
At December 31, 2015	225,165,965	280,545	225,446,510

As at December 31, 2015 the total authorised and fully paid number of ordinary and preference shares is 210,694 thousand and 135 thousand respectively (2014: 187,286 thousand shares and 135 thousand) with a par value of UZS 1,068 per share (2014: UZS 1,068 per share). Each share carries one vote. Dividends on preference shares should not be less than dividends on ordinary shares. Preference shares do not carry any other minimum dividend entitlements.

(in thousands of Uzbek Soums, unless otherwise indicated)

19. NET INTEREST INCOME

Net interest income comprises:

	2015	2014
Financial assets recorded at amortized cost comprises:		
Loans to customers	127,173,074	86,973,472
Balances due from banks	515,586	447,518
Other	278,266	33,133
Total interest income on financial assets recorded at amortized cost	**127,966,926**	**87,454,123**
Interest expense comprises:		
Financial liabilities recorded at amortized cost comprise:		
Customer accounts	(33,391,963)	(19,141,231)
Due to other banks	(13,373,497)	(12,116,699)
Other borrowed funds	(3,489,442)	(3,990,878)
Total interest expense on financial liabilities recorded at amortized cost	(50,254,902)	(35,248,808)
Net interest income before recovery on interest bearing financial assets	**77,712,024**	**52,205,315**

20. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	2015	2014
Fee and commission income:		
Settlements	49,842,184	44,975,991
International money transfers	3,688,213	2,252,794
Guarantees and letters of credit	702,768	522,243
Other	1,678,335	3,227,914
Total fee and commission income	**55,911,500**	**50,978,942**
Fee and commission expense:		
Cash Transactions	(12,185,891)	(9,941,796)
Settlement transactions	(2,954,227)	(2,783,843)
Other	(313,313)	(779,964)
Total fee and commission expense	**(15,453,431)**	**(13,505,603)**
Net fee and commission income	**40,458,069**	**37,473,339**

(in thousands of Uzbek Soums, unless otherwise indicated)

21. OTHER OPERATING INCOME

Other income and expenses comprise:

	2015	2014
Insurance revenue	16,659,088	11,360,860
Insurance expenses	(10,791,769)	(7,806,769)
Income from rent of property	2,970,371	2,522,868
Fines and penalties	3,019,385	1,849,558
Recovery of agency fees	52,679	452,338
Gain from sale or disposal of property, equipment and intangible assets	85,984	134,215
Other non-interest income	811,140	787,141
Total other operating income	**12,806,878**	**9,300,211**

Insurance revenue comprises:

	2015	2014
Premium on insurance of:		
Agriculture harvest	12,959,645	8,620,456
Vehicles	1,211,948	625,256
Property from damage and natural disaster	882,024	214,495
Loans	803,695	1,095,274
Other	801,776	805,379
Total insurance revenue	**16,659,088**	**11,360,860**

Insurance expenses comprise:

	2015	2014
Insurance claims paid for:		
- Agriculture harvest	8,268,201	1,986,017
- Loans	1,188,229	3,387,140
- Vehicles	69,919	7,438
- Property from damage and natural disaster	-	17,136
- Other	1,808	1,200
Agents' fee	567,395	46,421
Net change in insurance liability	696,217	2,361,417
Total insurance expenses	**10,791,769**	**7,806,769**

(in thousands of Uzbek Soums, unless otherwise indicated)

22. OPERATING EXPENSES

Operating expenses comprise:

	Note	2015	2014
Staff costs		80,047,937	60,407,829
Security service costs		14,265,134	11,472,029
Taxes other than income tax		9,749,449	7,769,753
Depreciation and amortisation	11	6,939,291	6,638,690
Office supplies		2,669,891	2,179,239
Charity		2,331,297	1,563,598
Membership fees		2,146,446	2,508,419
Business trips		2,092,061	1,280,073
Repairs and maintenance, water and electricity		1,608,699	1,289,029
Rent expenses		1,038,759	964,384
Telecommunication expenses		1,005,653	870,671
Advertising expenses		917,799	250,226
Professional services		521,078	345,354
Allowance for impairment losses of other assets	12	665,623	29,052
Fuel		213,839	167,604
Insurance		191,190	1,146,918
Court expenses		115,268	231,822
Other		4,880,130	1,654,630
Total administrative and other operating expenses		**131,399,544**	**100,769,320**

23. INCOME TAX

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

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

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

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

In accordance with President's Decree №UP-3750 “On establishment of Joint-Stock Commercial Bank “Microcreditbank” dated May 5, 2006, the Bank has an exemption from payment of corporate income tax, property tax, VAT from sale of repossessed assets and customs duties available during the period until January 1, 2018. According to this decree all funds from tax savings are to be used for special purposes, mainly to further the development of the material and technical facilities of the Bank.

Deferred tax assets or liabilities recorded as at December 31, 2015 relate to taxable and deductible temporary differences, which are expected to be utilised after the tax exemption period.

(in thousands of Uzbek Soums, unless otherwise indicated)

Current tax expense disclosed in the consolidated statement of profit or loss and other comprehensive income relates to Infrastructure Tax of the Bank, as well as Corporate Income Tax and Infrastructure Tax of the subsidiary "Agro Invest Sugurta".

Temporary differences as at December 31, 2015 and 2014 comprised:

	2015	2014
Profit before tax	**3,885,478**	**1,913,724**
Theoretical tax charge at the applicable statutory rate - 21.8% (2014: 21.8%)	847,034	417,192
- Non deductible expenses	656,647	-
- Tax exempt income	(2,011,100)	-
- Tax benefits	(54,215)	-
- Effect of loss making branches	655,148	1,204,005
- Effect of tax rate, different from the rate of 21.8%	1,722,482	(287,059)
- Derecognition of previously recognized deferred taxes	195,164	(86,178)
- Under provision of current tax in prior years	474,207	157,596
- Other permanent differences	(1,320,130)	-
Income tax expense for the year	**1,165,237**	**1,405,556**

Relationships between tax expenses and accounting profit for the years ended December 31, 2015 and 2014 are explained as follows:

	2015	(Charged)/ credited to profit or loss	2014
Tax effect of deductible/(taxable) temporary differences			
Due from other banks	61,827	13,582	48,245
Loans and advances to customers assets	449,190	(1,214,549)	1,663,739
Other assets	393,636	(11,273)	404,909
Premises, equipment and intangible assets	2,097,036	2,274,363	(177,327)
Premises, equipment and intangible assets	(1,480,600)	(1,480,600)	-
Other liabilities	144,993	(26,816)	171,809
Investments in available for sale	(62,598)	847	(63,445)
Due to other banks	(20,199)	-	(20,199)
Net deferred tax asset	**1,583,285**	**(444,446)**	**2,027,731**

	2015	2014
Current tax charge	720,791	1,095,463
Deferred tax credit	444,446	310,093
Total income tax expense for the year	**1,165,237**	**1,405,556**

(in thousands of Uzbek Soums, unless otherwise indicated)

24. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary and preference shareholders by the weighted average number of ordinary and, respectively preference shares outstanding during the year.

The Group has no dilutive potential ordinary and preference shares; therefore, the diluted earnings per share equal basic earnings per share.

	2015	2014
Profit for the year attributable to preference shareholders	1,798	29,173
Profit for the year attributable to ordinary shareholders	2,499,818	467,761
Profit for the year attributable to the owners	**2,501,616**	**496,934**
Weighted average number of preference shares in issue	135	135
Weighted average number of ordinary shares in issue	187,806	187,286
Basic and diluted earnings per preference share (expressed in UZS per share)	**13**	**216**
Basic and diluted earnings per ordinary share (expressed in UZS per share)	**13**	**2**

Profit for the year attributable to ordinary and preference shareholders is calculated as follows:

	2015	2014
Profit for the year attributable to the owners of the Bank	2,501,616	496,934
Less:		
Dividends on preference shares	-	(28,836)
Undistributed profit for the year	2,501,616	468,098
Undistributed profit for the year attributable to preference shareholders based on terms of the shares	1,798	337
Undistributed profit or loss for the year attributable to ordinary shareholders based on terms of the shares	2,499,818	467,761
Profit for the year allocated to shareholders	**2,501,616**	**468,098**

(in thousands of Uzbek Soums, unless otherwise indicated)

25. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – As at December 31, 2015 and 2014, the Bank had no material operating lease commitments outstanding.

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

Tax legislation. Uzbekistan tax and customs legislation is subject to varying interpretations. Also, changes to regulation can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Uzbekistan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as at December 31, 2015 and 2014, no provision for potential tax liabilities had been recorded. The Group estimates that it has no potential obligations from exposure to other than remote tax risks (2014: no obligations).

Capital expenditure commitments. As at December 31, 2015 and 2014, the Bank did not have contractual capital expenditure commitments in respect of premises and equipment.

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

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

As at December 31, 2015 and 2014 contingent liabilities comprise:

	2015	**2014**
Guarantees issued	27,268,606	9,305,761
Swaps	11,461,908	-
Total gross credit related commitments	**38,730,514**	**9,305,761**
Less - Cash held as security against letters of credit	(362,223)	(591,371)
Total credit related commitments	**38,368,291**	**8,714,390**

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

In 2013, the group has signed a financial line agreement with The Islamic Corporation for the Development of the Private Sector (the "ICD") for the amount of USD 10,000 thousand. The facility is to be used to finance small and medium sized enterprise in the Republic of Uzbekistan whereas the Group is given an authority to act as an agent in respect of the financed projects and provides guarantee to the ICD for non-repayment of the ICD approved and financed projects.

The ICD financing agreement terms are structured in a way that the Bank doesn't bear any credit risk related to the projects financed from the ICD funds, other than the contingency risk on the respective guarantees issued on those projects. As such, funds utilised to finance the projects under the terms of this agreement are recorded off balance sheet. The guarantee for the respective amount issued by the Bank was recorded within Guarantees issued line in the above table. As at December 31, 2015 and 2014, no provision is recorded under this guarantee in the consolidated statement of financial position.

In accordance with the terms of the ICD financing agreement, the Bank is required to maintain all prudential ratios set by the CBU, as well as certain specific financial covenants. As at December 31, 2015 and 2014, the Bank has met all prudential ratios set by the CBU.

However, several ratios set in the ICD financing agreement were breached. As at December 31, 2015, the Bank has breached the following financial covenants under the loan agreement:

- the ratio of liquid assets to total assets;
- the ratio of total operating expense to total operating income;
- the ratio of liquid assets to weighted short term liabilities;
- the ratio of Bad and Doubtful Loans to the aggregate of all loans in the Bank's Loan Portfolio;
- the ratio of financial assets to financial liabilities for maturities of up to 3 month not exceeding 30% of Tier 1 capital;

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

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis

The Group's swap operations are measured at fair value at the end of the each reporting period. The Group used discounted cash flows as a valuation technique of these operations and used as key inputs observable USD spot rates, and unobservable UZS implied rate by calibration to market. The management of the Group classified these operations as Level 3 fair value hierarchy.

As at December 31, 2015 and 2014, fair value of swap operations were UZS 773,210 thousand and nil, respectively.

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Due from other banks	72,917,068	76,636,936	45,107,219	48,932,798
Loans and advances to customers	850,592,190	871,260,298	681,448,674	708,586,225
Due to other banks	153,049,075	151,050,134	127,437,117	125,772,689
Customer accounts	693,378,928	725,271,351	373,783,580	403,950,222
Other borrowed funds	74,345,915	87,838,566	111,116,952	120,662,211

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

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

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

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

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

The Management Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.
The following table analyses the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee:

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basle Committee:

	2015	2014
Movement in tier 1 capital:		
At January 1	**205,931,809**	**205,463,711**
Issue of ordinary shares	25,000,000	-
Profit	2,501,616	496,934
Dividends declared	-	(28,836)
At December 31	**233,433,425**	**205,931,809**

	December 31, 2015	December 31, 2014
Tier 1 capital		
Share capital	225,302,330	200,302,330
Preferred shares	144,180	144,180
Disclosed reserves	7,986,915	5,485,299

(in thousands of Uzbek Soums, unless otherwise indicated)

Total qualifying tier 1 capital	**233,433,425**	**205,931,809**
up to 1.25 % of Risk Weighted Assets	13,286,382	10,580,867
Total regulatory capital	**246,732,666**	**216,512,676**
Capital Ratios:		
Tier 1 capital	21.94%	24.33%
Total capital	23.19%	25.58%

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

As at December 31, 2015 and 2014, the Group complies with the normative and prudential regulations of the Central Bank of the Republic of Uzbekistan.

28. RISK MANAGEMENT POLICIES

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

- Credit riks
- Liquidity risk
- Market risk

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

Credit risk

The Group 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, exposure migrate between classes as the assessment of their probability of default changes.

Group's internal ratings scale:

Good	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Standard	2	"Standard" loans are those loans, which are secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay the loan on time. "Good" loans with insufficient information in the credit file or missed information on collateral could be also classified as "standard" loans.

Substandard	3	Substandard loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "substandard" loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "substandard" with the added characteristic that the weakness make collection or liquidation in full, on the basis of currently existing facts, conditions and values highly questionable and improbable.
Loss	5	Loans classified as "loss" are considered to be uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no chance of recovery, but rather means that it is not practical or desirable to defer writing off these basically worthless assets even thought partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

Risk limits control and mitigation policies. The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Group Council.

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

Some other specific control and mitigation measures are outlined below.

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

- The Group Council reviews and approves credit limits exceeding 4,500 of Minimum Monthly Wage ("MMW") which as at December 31, 2015 was UZS 130,240
- The Credit Committee of Head office reviews and approves loan limits from 3,000 to 4,500 of MMW.
- The Credit Committees of branches reviews and approves limits up to 3,000 of MMW.

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 relevant credit committee or Group Council for approval of credit limit.

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

Collateral before being accepted by the Group is thoroughly analysed and physically verified, where applicable. Debt securities, treasury and other eligible bills are generally unsecured.

The Group is eligible to lend to customers via blank (unsecured) loans for the period not exceeding 1 year.

The principal collateral types for loans and advances as well as finance lease receivables are:

- Cash deposits;
- Motor vehicle;

- Inventory;
- Letter of surety;
- Residential house;
- Equipment;
- Building; and
- Other assets.

(c) Concentration of risks of financial assets with credit risk exposure. The Group's management focuses on concentration risk:

- The maximum risk to single borrower of group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- Total amount of unsecured credits shall not exceed 5 percent of Group's tier 1 capital;
- Total amount of all large credits shall not exceed Group's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.
- In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the management daily. Management monitors and follows up past due balances.

Impairment and provisioning policies. The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available empirical data, experienced judgment and statistical techniques.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25.

The Group's credit department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 10.

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Group Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Group Council on a quarterly basis. Overall Group's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department 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.

(in thousands of Uzbek Soums, unless otherwise indicated)

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

The Bank measures its currency risk by:

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

The Group's exposure to foыreign currency exchange rate risk for the year ended December 31, 2015 is presented in the table below:

	UZS	USD USD 1 = UZS 2809.98	EUR EUR 1 = UZS 3074.19	Other Currency	December 31, 2015 Total
Financial assets					
Cash and cash equivalents	79,816,395	78,955,296	1,421,176	264,055	160,456,922
Due from other banks	47,360,086	14,797,317	10,759,665	-	72,917,068
Loans and advances to customers	849,174,504	1,417,686	-	-	850,592,190
Other financial assets	12,872,645	374,792	-	-	13,247,437
Total financial assets	**989,223,630**	**95,545,091**	**12,180,841**	**264,055**	**1,097,213,617**
Due to other banks	108,569,650	33,719,760	10,759,665	-	153,049,075
Customer accounts	653,690,025	39,685,052	3,541	310	693,378,928
Other Borrowed Funds	71,064,482	3,281,433	-	-	74,345,915
Insurance liabilities	6,237,967	-	-	-	6,237,967
Other financial liabilities	1,490,323	651,013	-	239,940	2,381,276
Total financial liabilities	**841,052,447**	**77,337,258**	**10,763,206**	**240,250**	**929,393,161**
OPEN BALANCE SHEET POSITION	**148,171,183**	**18,207,833**	**1,417,635**	**23,805**	**167,820,456**

(in thousands of Uzbek Soums, unless otherwise indicated)

The Group's exposure to foreign currency exchange rate risk for the year ended December 31, 2014 is presented in the table below:

	UZS	USD USD 1 = UZS 2422.40	EUR EUR 1 = UZS 2987.74	Other Currency	December 31, 2014 Total
Cash and cash equivalents	31,835,408	13,206,825	63,354	1,632	45,107,219
Due from other banks	17,446,886	24,581,087	5,975,480	-	48,003,453
Loans and advances to customers	665,151,163	16,297,511	-	-	681,448,674
Other financial assets	5,046,710	257,457	-	-	5,304,167
Total financial assets	**719,480,167**	**54,342,880**	**6,038,834**	**1,632**	**779,863,513**
Due to other banks	104,093,029	17,368,608	5,975,480	-	127,437,117
Customer accounts	351,430,588	21,868,265	484,727	-	373,783,580
Other borrowed funds	90,139,977	20,976,975	-	-	111,116,952
Insurance liabilities	6,932,331	-	-	-	6,932,331
Other financial liabilities	2,606,798	-	-	-	2,606,798
Total financial liabilities	**555,202,723**	**60,213,848**	**6,460,207**	**-**	**621,876,778**
OPEN BALANCE SHEET POSITION	**164,277,444**	**(5,870,968)**	**(421,373)**	**1,632**	**157,986,735**

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

The following table details the Group's sensitivity to a 16% and 2.9% increase and decrease in the USD and EUR against UZS as at December 31, 2015 and 10.3% and 11.9% for 2014. Due to increase and decrease of USD and EUR, respectively, exchange rate against UZS during the year ended December 31, 2015, the management has changed its assumptions in sensitivity for USD and EUR from 10.3% and 11.9% used in prior years to 16% and 2.9%, respectively. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for 16% and 2.9% in foreign currency rates.

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

	2015 Impact on profit or loss	2014 Impact on profit or loss
US Dollars strengthening by 16% (2014: 10.3%)	2,913,254	(616,967)
US Dollars weakening by 16% (2014: 10.3%)	(2,913,254)	616,967
Euro strengthening by 2.9% (2014: 11.9%)	41,111	(36,710)
Euro weakening by 2.9% (2014: 11.9%)	(41,111)	36,710

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

Interest rate risk. Interest rate risk is defined as exposure of the Group's financial condition to adverse movements in interest rates. The Group is exposed to the 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.

(in thousands of Uzbek Soums, unless otherwise indicated)

The Group applies gap analysis for interest rate risk management. The Bank combines financial assets and financial liabilities into periods of maturity or contractual repricing, whichever occurs earlier, and identifies the gap. The positive gap implies that increase in interest rates for this particular maturity would lead to increase of net interest income (decrease of interest rates would lead to decrease of net interest income). The negative gap implies that increase in interest rates for this particular maturity would lead to decrease of net interest income (decrease of interest rates would lead to increase of net interest income).

When interest rates are expected to increase the Group increases maturity of borrowings; reduces fixed rate loans; reduces maturity of investment portfolio; disposes of securities; and recalls credit lines. When interest rates are expected to decrease the Group decreases maturity of borrowings; increases share of fixed rate loans; invests in securities with longer maturity; and extends credit lines.

To mitigate interest rate risk exposure the Group includes provisions that envisage variable interest rates and early repayment into loan agreements; changes interest rates on deposits; and revises loan portfolio structure.

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

At December 31, 2015, if interest rates at that date had been 200 basis points lower (2014: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 1,486,918 thousand (2014: UZS 1,044,106 thousand) lower, mainly as a result of lower interest expense on variable interest liabilities.

If interest rates at that date had been 200 basis points higher (2014: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 1,486,918 thousand (2014: UZS 1,044,106 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities.

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

	2015		2014	
In % p.a.	UZS	USD	UZS	USD
Assets				
Cash and cash equivalents	0%-0.02%	0%	0%-0.02%	0%
Due from other banks	0%-10%	0%-0.2%	0%-10%	0%-0.2%
Loans and advances to customers	0%-26%	10%-12%	0%-28%	10%-12%
Liabilities				
Due to other banks	8%-9.5%	0%-4%	0%-12%	0%-4%
Customer accounts	0%-28%	0%-5%	0%-28%	0%-5%
Other borrowed funds	0% - 6%	Variable	0% - 6%	Variable

Other price risk. The Bank is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2014: no material impact). The Group has no significant exposure to equity price risk.

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	156,005,639	881,581	3,569,702	160,456,922
Due from other banks	72,917,068	-	-	72,917,068
Loans and advances to customers	850,592,190	-	-	850,592,190
Investment securities available for sale	2,686,689	-	-	2,686,689
Other financial assets	13,247,437	-	-	13,247,437
Total financial assets	**1,095,449,023**	**881,581**	**3,569,702**	**1,099,900,306**
Liabilities				
Due to other banks	693,378,928	-	-	693,378,928
Customer accounts	74,345,915	-	-	74,345,915
Other borrowed funds	5,611,642	626,325	-	6,237,967
Other financial liabilities	2,381,276	-	-	2,381,276
Total financial liabilities	**775,717,761**	**626,325**	**-**	**776,344,086**
Net balance sheet position as December 31, 2015	**319,731,262**	**255,256**	**3,569,702**	**323,556,220**
Credit related commitments	**38,368,291**	**-**	**-**	**38,368,291**

The geographical concentration of the Bank's financial assets and liabilities at December 31, 2014 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	45,038,529	3,733	64,957	45,107,219
Due from other banks	48,003,453	-	-	48,003,453
Loans and advances to customers	681,448,674	-	-	681,448,674
Investment securities available for sale	2,688,459	-	-	2,688,459
Other financial assets	5,046,710	219,381	38,076	5,304,167
Total financial assets	**782,225,825**	**223,114**	**103,033**	**782,551,972**
Liabilities				
Due to other banks	126,540,829	-	896,288	127,437,117
Customer accounts	373,299,100	484,480	-	373,783,580
Other borrowed funds	110,577,016	539,936	-	111,116,952
Other financial liabilities	2,606,798	-	-	2,606,798
Total financial liabilities	**613,023,743**	**1,024,416**	**896,288**	**614,944,447**
Net balance sheet position as December 31, 2014	**169,202,082**	**(801,302)**	**(793,255)**	**167,607,525**
Credit related commitments	**8,714,390**	**-**	**-**	**8,714,390**

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

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

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

Current ratio (not to be less than 0.30), which is calculated as the ratio of liquid assets to liabilities payable on demand; the ratio was 0.58 at December 31, 2015 (2014: 0.51)

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

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 December 31, 2015 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. These undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Over 5 years	Total
Liabilities						
Due to other banks	47,161,415	31,176,303	39,102,010	39,795,544	-	**157,235,272**
Customer accounts	249,606,724	147,816,578	109,293,115	201,216,786	-	**707,933,203**
Other borrowed funds	-	5,432,580	46,201,258	2,077,795	22,059,729	**75,771,362**
Other financial liabilities	2,381,276	-	-	-	-	**2,381,276**
Guarantees issued	27,268,606	-	-	-	-	**27,268,606**
Swaps	11,461,908	-	-	-	-	**11,461,908**
Total potential future payments for financial obligations	**337,879,929**	**184,425,461**	**194,596,383**	**243,090,125**	**22,059,729**	**982,051,627**

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

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

The undiscounted maturity analysis of financial instruments at December 31, 2014 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Liabilities						
Due to other banks	57,840,528	43,057,775	26,613,340	2,185,566	-	**129,697,209**
Customer accounts	193,847,208	-	30,511,837	81,562,619	68,549,544	**374,471,208**
Other borrowed funds	4,725,844	39,083,283	57,433,940	9,418,865	10,314,535	**120,976,467**
Other financial liabilities	2,606,798	-	-	-	-	**2,606,798**
Guarantees issued	9,025,561	280,200	-	-	-	**9,305,761**
Total potential future payments for financial obligations	**268,045,939**	**82,421,258**	**114,559,117**	**93,167,050**	**78,864,079**	**637,057,443**

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.

(in thousands of Uzbek Soums, unless otherwise indicated)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at December 31, 2015:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	160,456,922	-	-	-	-	160,456,922
Due from other banks	69,167,068	-	1,000,000	2,750,000	-	72,917,068
Loans and advances to customers	78,027,373	32,354,860	266,935,392	453,501,734	19,772,831	850,592,190
Investment securities available for sale	2,686,689	-	-	-	-	2,686,689
Other financial assets	13,247,437	-	-	-	-	13,247,437
Total financial assets	**323,585,489**	**32,354,860**	**267,935,392**	**456,251,734**	**19,772,831**	**1,099,900,306**
Liabilities						
Due to other Banks	46,860,961	30,587,950	36,308,465	39,291,699	-	153,049,075
Customer accounts	248,036,864	145,062,221	101,578,277	198,701,566	-	693,378,928
Other borrowed funds	-	5,394,347	44,927,557	2,068,024	21,955,987	74,345,915
Other financial liabilities	2,381,276	-	-	-	-	2,381,276
Total financial liabilities	**297,279,101**	**181,044,518**	**182,814,299**	**240,061,289**	**21,955,987**	**923,155,194**
Net liquidity gap	**26,306,388**	**(148,689,658)**	**85,121,093**	**216,190,445**	**(2,183,156)**	**176,745,112**
Cumulative liquidity gap at 31 December 2015	**26,306,388**	**(122,383,270)**	**(37,262,177)**	**178,928,268**	**176,745,112**	

The above analysis is based on remaining contractual maturities. The entire portfolio of investment securities available for sale is classified within demand and less than one month based on management's assessment of the portfolio's realisability.

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

The analysis by remaining contractual maturities may be summarised as follows at December 31, 2014:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	44,380,499	726,720	-	-	-	45,107,219
Due from other banks	43,212,082	-	3,791,371	1,000,000	-	48,003,453
Loans and advances to customers	56,043,786	34,815,740	244,527,250	307,969,130	38,092,768	681,448,674
Investment securities available for sale	2,688,459	-	-	-	-	2,688,459
Other financial assets	5,304,167	-	-	-	-	5,304,167
Total financial assets	**151,628,993**	**35,542,460**	**248,318,621**	**308,969,130**	**38,092,768**	**782,551,972**
Liabilities						
Due to other Banks	57,212,740	42,499,720	25,837,786	1,886,871	-	127,437,117
Customer accounts	187,689,364	26,895,976	81,074,466	63,340,158	14,783,616	373,783,580
Other borrowed funds	21,553,757	38,826,250	36,220,207	6,583,431	7,933,307	111,116,952
Other financial liabilities	2,606,798	-	-	-	-	2,606,798
Total financial liabilities	**269,062,659**	**108,221,946**	**143,132,459**	**71,810,460**	**22,716,923**	**614,944,447**
Net liquidity gap	**(117,433,666)**	**(72,679,486)**	**105,186,162**	**237,158,670**	**15,375,845**	**167,607,525**
Cumulative liquidity gap at 31 December 2014	**(117,433,666)**	**(190,113,152)**	**(84,926,990)**	**152,231,680**	**167,607,525**	

Price risk-own products

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

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements

Operational risk

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

(in thousands of Uzbek Soums, unless otherwise indicated)

29. TRANSACTIONS WITH RELATED PARTIES

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

	Immediate parent company	Other significant shareholders	Entities under common control	Total
Cash and cash equivalents	-	82,407,029	1,054,975	83,462,004
Due from other banks	-	68,116,603	4,506,874	72,623,477
Gross amount of loans and advances to customers (contractual interest rate - 16%-40%)	-	20,000,000	-	20,000,000
Due to banks	-	68,037,804	72,048,800	140,086,604
Customer accounts (contractual interest rate - 4%-9.5%)	90,000,000	-	87,000,000	177,000,000
Other borrowed funds (contractual interest rate - 1%-7%)	73,370,369	-	-	73,370,369

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

	Immediate parent company	Other significant shareholders	Entities under common control	Total
Interest income	-	1,517,253	-	1,517,253
Interest expense	3,629,736	1,718,955	6,948,876	12,297,567
Fee and commission income	33,206	-	639,648	672,854
Fee and commission expense	-	11,428,325	-	11,428,325
Other operating income	-	-	300,645	300,645

As at December 31, 2014, the outstanding balances with related parties were as follows:

	Immediate parent company	Other significant shareholders	Entities under common control	Total
Cash and cash equivalents	-	2,834,220	5,989,341	8,823,561
Due from other banks	-	42,606,446	1,523,349	44,129,795
Gross amount of loans and advances to customers (contractual interest rate - 16%-40%)	-	-	22,869,212	22,869,212
Due to banks	-	-	43,255,516	43,255,516
Customer accounts (contractual interest rate - 4%-9.5%)	69,104,293	-	66,621,406	135,725,699
Other borrowed funds (contractual interest rate - 1%-7%)	91,491,104	-	539,935	92,031,039

(in thousands of Uzbek Soums, unless otherwise indicated)

The income and expense items with related parties for 2014 were as follows:

	Immediate parent company	Other significant shareholders	Entities under common control	Total
Interest income	-	24	7,598,351	7,598,375
Interest expense	4,253,593	-	2,711,498	6,965,091
Fee and commission income	20,721	-	1,489,757	1,510,478
Fee and commission expense	-	10,433,534	-	10,433,534
Other operating income	3,621	-	114,205	117,826

Key management compensation is presented below:

	2015	2014
Salaries and wages	242,735	242,028
Social security contributions	47,463	60,507
Total	**290,198**	**302,535**

30. SUBSEQUENT EVENTS

In March 2016, share capital was increased in the amount of UZS 25,000,000 thousand according to the President's Decree #-2420 dated 26 October 2015 on "Additional measures for further increase of commercial banks capital and their investment activity during the period of 2015 and 2016".The increase was approved by the Central Bank of Uzbekistan.