JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND IT'S SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Report
For the Year Ended 31 December 2017

Table of contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint-Stock Commercial Bank "Invest Finance Bank" ("the Bank") and its subsidiaries ("the Group") as at 31 December 2017, 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 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 IFRS 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 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 Uzbekistan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the Management Board on 20 April 2018.

On behalf of the Management Board:

Abdullayev Z.S.
Chairman of the Management Board

20 April 2018
Tashkent, Uzbekistan

Toshpulatkhujayev J.O.
Chief Accountant

20 April 2018
Tashkent, Uzbekistan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Invest Finance Bank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment of loans to customers	
We considered impairment of loans and advances to customers as key audit matter due to the materiality of the balance of loans and advances to customers as at 31 December 2017 and the significance of judgement applied by the management in identifying the impairment event and determining the quantum of incurred losses. Once the impaired loans or portfolio of loans are identified, the Management estimates the amount and timing of the future cash flows on the basis of financial analysis of the borrowers' business, history of arrears, and recoverability of pledged collateral. Refer to Note 8 to the financial statements for detailed disclosure of loans and advances to customers, to	We obtained an understanding of the Management's processes and methodologies of identifying impairment events and assessing loans for impairment. We evaluated management's judgement in relation to the identification of impairment events. On a sample basis, from the pools of loans determined by management to be impaired and not impaired, we tested the appropriateness of the specific loan loss provisions as at the reporting date. We analysed the Group's documentation of the borrower's credit assessment and challenged the assumptions made in relation to projections of future cash flows from the borrower's business.

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Notes 3 and 4 for description of the Bank's policy on calculation of impairment provision.	Further, we assessed the valuation and timing of projected cash flows from collateral. We analysed the work performed by external experts used by the Group to value collateral and compared the valuations to the results of our assessment of market values. For the impairment models used for the portfolio of loans, we assessed appropriateness of the collective provisioning methodology in accordance with IAS 39 requirements. We evaluated the key assumptions and data inputs, specifically probability of default rates, used in the model. Further, we tested the accuracy and completeness of source data used in the models and the allocation of loans by days in arrear. We found no material exceptions in these tests.
Revenue recognition – loan origination fees We identified accounting for loan origination fees to be a key audit matter due to manual process of calculation and accounting and subjectivity of management judgement involved in determining the fees directly attributable to the issuance of loans. Refer to note 3 for the accounting policy on recognition of loan origination fees.	We obtained an understanding of the loan origination process and the policy in relation to the recognition of fees and commissions and interest income. We analyzed the nature of fees charged during the loan origination and checked whether they were properly classified and accounted for. We assessed whether the amortization methodology used complies with the requirements of the relevant accounting standard. Furthermore, on a sample basis, we evaluated the mathematical accuracy of the calculations of the amounts to be deferred and recognized as interest income through adjusting the effective interest rate for the effect of these fees.
Transactions with related parties The Group has significant part of loans and advances to customers (26% of the total Group's outstanding balance of the loans and advances to customers) and interest income (22% of the total Group's interest income) from transactions with related parties disclosed in note 34. Due to the number of related parties, their direct and indirect relationship and the volume of transactions with such parties, we identified the completeness and accuracy of disclosures of the transactions and balances with related parties to be a key audit matter.	We obtained an understanding of the process for identifying related parties and transactions with them, performed a walkthrough and evaluated the design of controls in respect of the completeness of related parties list and identification of related party transactions. We verified that the transactions are approved in accordance with internal procedures including involvement of key personnel at the appropriate level; On a sample basis, we audited different transactions to supporting documents, evaluated the business rationale of the transactions and compared similar transaction with non-related parties to evaluate the assertions that the transactions were at arm's length.

	Throughout our audit procedures, we remained alert to the unusual transactions outside the normal course of business. We evaluated the completeness and adequacy of disclosures on transactions with the related parties in accordance with the requirements of the relevant accounting standard.

Other Information – Annual Report

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentionasl omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, which constitute the key audit matters included herein.

Deloitte & Touche

"Deloitte & Touche" Audit Organisation LLC

The license authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00500 dated 8 February 2008

The certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan under #3 dated 14 October 2013

20 April 2018
Tashkent, Uzbekistan

Erkin Ayupov
Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central Bank of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

(in thousands of Uzbekistan Soums)

	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	6	540,384,015	271,251,393
Due from other banks	7	256,719,496	116,126,115
Loans and advances to customers	8	693,168,884	551,720,772
Investment securities available for sale	9	8,262,957	7,807,983
Current income tax prepayments		2,649,278	727,942
Deferred income tax assets	24	4,337,900	1,753,911
Premises, equipment and intangible assets	10	142,892,831	124,462,083
Reinsurers' share of reserves for insurance contracts	11	4,026,081	5,074,666
Other assets	12	24,899,447	15,738,146
TOTAL ASSETS		**1,677,340,889**	**1,094,663,011**
LIABILITIES			
Due to other banks	13	279,051,181	173,026,174
Customer accounts	14	996,912,747	708,903,056
Debt securities in issue	15	18,969,265	15,028,457
Reserves for insurance contracts	16	30,283,699	20,947,073
Other liabilities	17	16,379,705	22,980,258
TOTAL LIABILITIES		**1,341,596,597**	**940,885,018**
EQUITY			
Share capital	18	300,000,000	139,480,680
Share premium	18	1,853,395	1,853,395
Other insurance reserves	18	5,085,700	4,690,000
Retained earnings		19,756,858	1,788,805
Net assets attributable to the Bank's owners		326,695,953	147,812,880
Non-controlling interest	31	9,048,339	5,965,113
TOTAL EQUITY		**335,744,292**	**153,777,993**
TOTAL LIABILITIES AND EQUITY		**1,677,340,889**	**1,094,663,011**

On behalf of the Management Board:

Abdullayev Z.S.
Chairman of the Management Board

20 April 2018
Tashkent, Uzbekistan

Toshpulatkhujayev J.O.
Chief Accountant

20 April 2018
Tashkent, Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements.

(in thousands of Uzbekistan Soums)

	Notes	2017	2016
Interest income	19	112,910,263	80,592,693
Interest expense	19	(64,389,584)	(40,568,489)
Net interest income		**48,520,679**	**40,024,204**
Provision for loan impairment	8	(1,858,999)	(2,156,667)
Net interest income after provision for loan impairment		**46,661,680**	**37,867,537**
Fee and commission income	20	63,881,610	44,710,846
Fee and commission expense	20	(13,332,563)	(15,154,988)
Insurance operations income	21	23,805,644	19,255,383
Insurance operations expense	21	(14,374,152)	(11,086,292)
Net gain on foreign exchange operations		12,707,082	3,021,984
Provision for impairment losses on other operations	12	(5,823,268)	(19,544)
Dividend income		97,324	41,903
Other operating income	22	6,446,765	7,572,665
Administrative and other operating expenses	23	(96,068,127)	(65,638,011)
Profit before tax		**24,001,995**	**20,571,483**
Income tax expense	24	(2,555,016)	(3,351,304)
PROFIT FOR THE YEAR		**21,446,979**	**17,220,179**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,446,979**	**17,220,179**
Profit is attributable to:			
- Owners of the Bank		18,363,753	16,436,499
- Non-controlling interest	31	3,083,226	783,680
Profit for the year		**21,446,979**	**17,220,179**
Total comprehensive income is attributable to:			
- Owners of the Bank		18,363,753	16,436,499
- Non-controlling interest	31	3,083,226	783,680
Total comprehensive income for the year		**21,446,979**	**17,220,179**
Basic and diluted earnings per ordinary share (expressed in UZS per share)	25	**101**	**168**

On behalf of the Management Board:

Abdullayev Z.S.
Chairman of the Management Board

20 April 2018
Tashkent, Uzbekistan

Toshpulatkhujayev J.O.
Chief Accountant

20 April 2018
Tashkent, Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017
(in thousands of Uzbekistan Soums)

		Attributable to owners of the Bank									
	Notes	Share capital	Share premium	Share capital reserve	Stabilisation reserve	Reserve for preventive measures	Equity component in insurance reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2015		**86,050,574**	**1,273,780**	**2,600,000**	**2,881,324**	**1,443,396**	**(605,749)**	**1,116,087**	**94,759,412**	**5,181,433**	**99,940,845**
Total comprehensive income for 2016		-	-	-	-	-	-	16,436,499	16,436,499	783,680	17,220,179
Shares issue:											
- cash	18	36,037,354	579,615	-	-	-	-	-	36,616,969	-	36,616,969
- capitalised dividends	18	14,792,752	-	-	-	-	-	-	14,792,752	-	14,792,752
- share subscription deposit	18	2,600,000	-	(2,600,000)	-	-	-	-	-	-	-
Dividends declared	25	-	-	-	-	-	-	(14,792,752)	(14,792,752)	-	(14,792,752)
Change in other insurance reserves	18	-	-	-	612,682	449,875	(91,528)	(971,029)	-	-	-
Balance at 31 December 2016		**139,480,680**	**1,853,395**	**-**	**3,494,006**	**1,893,271**	**(697,277)**	**1,788,805**	**147,812,880**	**5,965,113**	**153,777,993**
Total comprehensive income for 2017		-	-	-	-	-	-	18,363,753	18,363,753	3,083,226	21,446,979
Shares issue:											
- cash	18	160,519,320	-	-	-	-	-	-	160,519,320	-	160,519,320
Change in other insurance reserves	18	-	-	-	222,441	339,864	(166,605)	(395,700)	-	-	-
Balance at 31 December 2017		**300,000,000**	**1,853,395**	**-**	**3,716,447**	**2,233,135**	**(863,882)**	**19,756,858**	**326,695,953**	**9,048,339**	**335,744,292**

On behalf of the Management Board:

Abdullayev Z.S.
Chairman of the Management Board

20 April 2018
Tashkent, Uzbekistan

Toshpulatkhujayev J.O.
Chief Accountant

20 April 2018
Tashkent, Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES
Consolidated Statement of Cash Flows
for the year ended 31 December 2017
(in thousands of Uzbekistan Soums)

	Notes	2017	2016
Cash flows from operating activities			
Interest received		110,168,951	77,242,570
Interest paid		(61,683,398)	(39,927,537)
Fee and commission received		57,978,877	41,090,897
Fee and commission paid		(13,332,563)	(15,154,988)
Income received from insurance operations		30,656,293	20,279,481
Expense paid on insurance operations		(12,420,400)	(9,504,292)
Net gain on foreign exchange operations, dealing transactions		280,083	2,084,225
Other operating income received		5,029,101	7,639,755
Staff costs paid		(41,359,980)	(29,084,394)
Administrative and other operating expenses paid		(38,532,642)	(27,766,761)
Income tax paid		(6,812,945)	(3,457,299)
Cash flows from operating activities before changes in operating assets and liabilities		**29,971,377**	**23,441,657**
Net (increase)/decrease in:			
- due from other banks		55,347,253	3,948,071
- loans and advances to customers		(125,109,529)	(136,059,108)
- other assets		21,109,652	10,304,317
Net increase/(decrease) in:			
- due to other banks		88,098,512	1,748,903
- customer accounts		(30,471,875)	186,288,272
- debt securities in issue		3,899,781	(7,750,000)
- other liabilities		(26,926,529)	(910,087)
Net cash from operating activities		**15,918,642**	**81,012,025**
Cash flows from investing activities			
Acquisition of property, equipment and intangible assets	10	(75,740,429)	(46,993,907)
Proceeds from disposal of property, equipment and intangible assets	10	48,178,018	8,169,655
Acquisition of investment securities available for sale	9	(454,974)	(6,136,323)
Proceeds from disposal of investment securities available for sale	9	-	5,551,613
Dividend income received		97,324	41,903
Net cash used in investing activities		**(27,920,061)**	**(39,367,059)**
Cash flows from financing activities			
Issuance of ordinary shares	18	160,519,320	36,616,969
Net cash from financing activities		**160,519,320**	**36,616,969**
Effect of exchange rate changes on cash and cash equivalents		**120,614,721**	**134,292**
Net increase in cash and cash equivalents		**269,132,622**	**78,396,227**
Cash and cash equivalents at the beginning of the year	6	271,251,393	192,855,166
Cash and cash equivalents at the end of the year	**6**	**540,384,015**	**271,251,393**

On behalf of the Management Board:

Abdullayev Z.S.
Chairman of the Management Board

20 April 2018
Tashkent, Uzbekistan

Toshpulatkhujayev J.O.
Chief Accountant

20 April 2018
Tashkent, Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements

(in thousands of Uzbekistan Soums)

1. Organization

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for Joint Stock Commercial Bank "Invest Finance Bank" ("the Bank") and its subsidiaries ("the Group"). The Bank is a Joint Stock Company limited by shares and was set up in accordance with the regulations of the Republic of Uzbekistan ("Uzbekistan").

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

Principal activity. The Group's principal business activity is commercial and retail banking operations within Uzbekistan. The Bank has operated under a full banking license № 75 issued by the Central Bank of Uzbekistan ("CBU") on 21 October 2017 (succeeded the licenses №75 and №84 both issued on 20 August 2016 by the CBU for full banking operations and general license for foreign currency operations). The Bank participates in the state deposit insurance scheme, which was introduced by Law of the Republic of Uzbekistan # 360-II "Insurance of Individuals Bank Deposits" dated 5 April 2002. The State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount in the case of the withdrawal of a license of a Bank.

Registered address and place of business. The Bank's registered address is: Mirobod District, T.Shevchenko Street, 1-H., Tashkent 100029, Uzbekistan. The Bank has fourteen (2016: eleven) branches within Uzbekistan.

Shareholders. As at 31 December 2017 and 2016, the interest of the shareholders in the Bank's capital was as follows (in %):

	31 December 2017	31 December 2016
Legal entities:		
Swiss Capital International Group AG (Switzerland)	20.00	20.00
LLC "Real Plast Servis"	19.82	5.73
JSC JV "Alfa Group"	15.88	2.66
LLC "Prestij Rielt"	13.97	15.70
LLC "Agroplastimpeks"	10.87	14.05
LLC "Broker Investment"	3.84	8.26
Subtotal	**84.38**	**66.40**
Individuals:		
Mamadjanov Fakhritdin Djuraevich	10.38	19.92
Sulaymanova Sabohat Validjanova	1.55	3.33
Kudratullaev Ubaydullo Fayzullaevich	0.94	2.02
Mirsaidova Dono Yusupovna	0.93	-
Kendjaev Azim Ahmadovich	0.91	1.96
Valijonov Hojiakbar Abdumalikovich	0.91	1.96
Mirsaidov Aziz Agzamovich	-	1.99
Akhmadjanov Aziz Nigmatjanovich	-	2.42
Subtotal	**15.62**	**33.60**
Total	**100.00**	**100.00**

The Bank is a parent company of a banking group which consists of the following enterprises consolidated in these financial statements:

Name	Ownership 2017	Ownership 2016	Country	Industry
LLC "InFin Leasing"	100%	100%	Uzbekistan	Leasing
LLC "Master Leasing"	100%	100%	Uzbekistan	Leasing
LLC "Asia Insurance"	62%	62%	Uzbekistan	Insurance

LLC "InFin Leasing" was registered in Tashkent city in the form of Closed Joint Stock Company on 21 February 2008. The main activity of InFin Leasing is leasing operations with cars, real estate and various types of equipment.

LLC "Master Leasing" was registered in Tashkent city on 30 April 2013. The main activity of Master Leasing is leasing operations with cars, real estate and various types of equipment.

LLC "Asia Insurance" was registered in Tashkent city on 2005. Asia Insurance carries out activities of the general insurance industry for voluntary and compulsory types of insurance.

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. During 2017, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

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

In accordance with the Order of the President of the Republic of Uzbekistan #P-5214 dated 13 February 2018 "On organizational measures on fundamental development of tax legislation", Republican committee and work groups were established to develop (i) draft Concept on development of tax legislation until 1 April 2018 and (ii) draft Tax Code in new edition until 1 July 2018. Respectively, the tax environment in the Republic of Uzbekistan remains volatile and subject to significant changes in the foreseeable future. No provision or adjustments have been made in relation to these developments as they were neither enacted nor substantially enacted as at year end.

3. Significant Accounting Policies

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

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

Other basis of presentation criteria

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

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") and instructions of CBU. These consolidated financial statements have been prepared from the statutory accounting records and adjusted to conform to IFRS.

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 controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

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

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

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

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

Non-controlling interest 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.

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 income on repurchase and reverse repurchase agreements. Gain/loss on the sale of the above instruments is recognized as interest income or expense in the statement of profit or loss based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

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, 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.

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

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

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.

Loans and receivables. Trade 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 Uzbekistan, due from banks, loans and advances to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest

income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets. Financial assets, 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 recognized in other comprehensive income and accumulated under the heading of revaluation reserve for investment securities available-for-sale.

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.

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 consolidated statement of profit or loss in the period of recovery.

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

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

Derecognition of financial assets. The Group 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.

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

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

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

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the Central Bank of 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.

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

	Useful lives in years
Premises	*20*
Furniture and computer equipment	*5-10*
Intangible assets	*5*

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

Intangible assets. All the Group's intangible assets have definite useful lives and primarily comprise capitalised computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Intangible assets are amortised on a straight line basis over expected useful lives of five years.

Impairment of premises and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its premises and equipment 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.

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

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

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

Motor and property insurance ensures that Group customers are paid compensation for the damage caused to their property. Customers are also indemnified for losses caused by their inability to use an insured property in their economic activities as a result of the occurrence of an insured event (business interruption). Liability insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees or society (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

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

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

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

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

Stabilisation reserve. Reserve on compulsory insurance of civil liability of owners of vehicles and compulsory insurance of civil liability of the employer is designed to compensate expenses on insurance claims payments in subsequent years. Charge to stabilisation reserve for the period is calculated on portfolio basis based on results of insurance activities separately for each of the two insurance portfolios. If income exceeds expenses by 5% the amount of the increase is charged as increase of the stabilisation reserve for the period; if expenses exceed income than the difference is charged as decrease of the stabilisation reserve for the period.

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

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

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

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

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

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

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

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

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

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

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

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.

(in thousands of Uzbekistan Soums)

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:

	31 December 2017	31 December 2016
UZS/1 US Dollar	8,120.07	3,231.48
UZS/1 Euro	9,624.72	3,074.19

On September 2017 in accordance with the Decree of the President of the Republic of Uzbekistan #UP-5177 "On priority measures for liberalization of monetary policy" dated 2 September 2017, the official rate of UZS were devalued from 4,210.35 per dollar to 8,100 representing 92% decrease.

In accordance with the above-mentioned Decree foreign exchange gains arising from devaluation will not be taxed until 1 July 2018.

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 on the Group's statement of financial position include other insurance reserves which comprises changes in stabilisation reserve and reserve for preventive measures.

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

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

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

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

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

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

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

Amendments to IFRSs affecting amounts reported in the financial statements

The following amended standards became effective for the Group from 1 January 2017, but did not have any material impact on the Group:

- Amendments to IAS 7 *Disclosure Initiative*;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*;
- Annual Improvements to IFRSs 2014-2016 Cycle – amendments to IFRS 12.

Amendments to IAS 7 *Disclosure Initiative*

The amendments require the Group to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group has no major liabilities arising from financing activities. The main source of financing activities arise form issuing additional share capital.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs - 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see the list of new and revised IFRSs in issue but not yet effective below).

IFRS 12 states that the Gorup need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

- IFRS 9 *Financial Instruments*[1];
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*[1];
- IFRS 16 Leases[2];
- IFRS 17 Insurance Contracts[3];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[1];
- IFRIC 23 *Uncertainty Over Income Tax Treatments*[2];
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*[1];
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4];
- Amendments to IAS 40 – *Transfers of Investment Property*[1];
- Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1];
- Amendments to IFRS 9 – *Prepayment Features With Negative Compensation*[2];
- Amendments to IAS 28 – *Long-Term Interests in Associates and Joint Ventures*[2];
- Annual Improvements to IFRSs 2014-2016 Cycle[1];
- Annual Improvements to IFRSs 2015-2017 Cycle[2].

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

IFRS 9 *Financial Instruments*

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

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

As at 31 December 2017, the Group has started the process of IFRS 9 implementation, but not yet completed. A preliminary assessment indicates that this amendments, will have a significant impact on the amounts recognised in the Group's consolidated financial statements and the management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 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 or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- 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 in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

- Interest income from interest bearing assets as disclosed in note 19;
- Commission income as disclosed in note 21; and
- Revenue from insurance operations as disclosed in note 22.

The management does not anticipate that the application of IFRS 15 will have a significant impact on the consolidated financial position and/or financial performance of the Group.

IFRS 16 *Leases*

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for non-cancellable operating leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the management of the Company does not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

IFRS 17 *Insurance Contracts*

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*:

- IFRS 17 outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.
- The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty; it takes into account market interest rates and the impact of policyholders' options and guarantees.
- Profit from selling insurance policies is deferred in a separate liability component on day 1 and aggregated in groups of insurance contracts; it is then reported systematically through profit or loss over the period during which insurers provide cover after making adjustments from changes in assumptions relating to future coverage.
- Considering scope, some fixed fee service contracts meeting specified criteria will be able to be accounted under IFRS 15 Revenue from Contracts with Customers instead of applying the requirements in IFRS 17.

The new standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted for entities that apply IFRS 9 and IFRS 15 at or before the date of initial application of IFRS 17. Entities should apply IFRS 17 retrospectively, unless impracticable, in which case the modified retrospective approach of the fair value approach is applied.

A preliminary assessment indicates that the new standard IFRS 17, will have a significant impact on the amounts recognised in the Group's consolidated financial statements and the management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

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

The amendments clarify the following:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The management of the Company does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The management of the Group anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

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

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

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The management of the Group anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there

are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The management of the Company does not anticipate that the application of this IFRIC will have a material impact on the Group's consolidated financial statements as the Group currently uses the approach prescribed in IFRIC 22.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and

- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Entities can apply the Interpretation either fully retrospectively (if it is possible without the use of hindsight) or to apply modified retrospective approach without restatement of comparatives.

The management of the Company does not anticipate that the application of this IFRIC will have a material impact on the Group's consolidated financial statements as the Group currently uses the approach to recognition of uncertain tax position, which is consistent with IFRIC 23.

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

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

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

A preliminary assessment indicates that this amendments, will have a significant impact on the amounts recognised in the Group's consolidated financial statements and the management is currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The narrow-scope amendments remedy an unintended consequence to the notion of 'reasonable additional compensation'. The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met.

In addition to that, the IASB considered the accounting for financial liabilities that are modified or exchanged that do not lead to derecognition and as a result included in the Basis for Conclusion two paragraphs on that matter. In those paragraphs the Board observes that the accounting in such cases is the same as it is for modifying a financial asset. If the gross carrying amount is changed it will lead to an immediate gain or loss in profit or loss.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The management anticipates that the application of these amendments will have a material impact on the Group's consolidated financial statements as the Group has several financial liabilities for which there were non-substantial modifications in the past, which were accounted for prospectively through revision of the effective interest rate. The Group is in process of assessing the quantitative impact of adoption of these amendments on the Group consolidated financial statements.

Amendments to IAS 28 *Long-Term Interests in Associates and Joint Ventures*

The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures that form part of an entity's net investment in these investees. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount

required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The management does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements, as the Group does not have any other long-term interests in associates and joint ventures, except for the equity investments accounted for using the equity method.

Annual Improvements to IFRSs 2014-2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year – see the details of application in section Amendments to IFRSs affecting amounts reported in the financial statements.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

The management of the Company does not anticipate that the application of the amendments in the future will have any impact on the Group's consolidated financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Group does not have any associate or joint venture that is an investment entity.

Annual Improvements to IFRSs 2015-2017 Cycle

Annual Improvements to IFRSs 2015-2017 Cycle makes amendments to several standards.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All amendments are effective for annual periods beginning on or after 1 January 2019.

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

(in thousands of Uzbekistan Soums)

6. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash on hand	74,152,688	11,402,756
Cash balances with CBU (other than mandatory reserve deposit)	248,851,002	153,131,729
Correspondent accounts and overnight deposits with other banks	-	67,035,999
Placements with other banks with original maturities of less than three months	217,380,325	39,680,909
Total cash and cash equivalents	**540,384,015**	**271,251,393**

Cash balances with the CBU include an overnight deposit of UZS nil thousand (2016: UZS 46,500,000 thousand) bearing a fixed interest rate of 0.02% per annum (2016: 0.02% per annum). Interest rates of cash and cash equivalents are disclosed in Note 28.

The credit quality of cash and cash equivalents balances at 31 December 2017 is as follows:

	Balances with CBU other than mandatory reserve deposit	Correspondent accounts	Placements with other banks	Total
Neither past due nor impaired				
- Central Bank of Uzbekistan	248,851,002	-	-	248,851,002
- Lower than A- rated	-	-	217,380,325	217,380,325
Total cash and cash equivalents, excluding cash on hand	**248,851,002**	**-**	**217,380,325**	**466,231,327**

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

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

7. Due from other banks

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

According to the Decree of the President of the Republic of Uzbekistan #PP-3270 dated 12 September 2017 the requirement for mandatory reserves with CBU against impaired assets was terminated.

(in thousands of Uzbekistan Soums)

	31 December 2017	31 December 2016
Mandatory deposits with CBU	110,970,280	80,487,217
Restricted cash	125,729,360	14,909,029
Placements with other banks with original maturities of more than three months	20,019,856	20,729,869
Total due from other banks	**256,719,496**	**116,126,115**

Amounts due from other banks are not collateralised.

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2017 is as follows:

	Mandatory deposits with CBU	Restricted cash	Placements with other banks	Total
Neither past due nor impaired				
- CBU	110,970,280	-	-	110,970,280
- Lower than A- rated	-	125,729,360	20,019,856	145,749,216
Total due from other banks	**110,970,280**	**125,729,360**	**20,019,856**	**256,719,496**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2016 is as follows:

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

Refer to Note 32 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

(in thousands of Uzbekistan Soums)

8. Loans and Advances to Customers

	31 December 2017	31 December 2016
Receivables from customers on letters of credit issued with post financing terms	2,803,680	30,921,806
Receivables from customers on letters of credit issued with post financing terms, gross	**2,803,680**	**30,921,806**
Loans to legal entities	541,960,713	424,983,787
Net investment in finance lease	55,847,697	50,422,166
Loans to individuals	100,365,265	51,342,485
Loans and advances to customers, gross	**698,173,675**	**526,748,438**
Total loans and advances to customers (before impairment)	**700,977,355**	**557,670,244**
Less: Provision for loan impairment	(7,808,471)	(5,949,472)
Total loans and advances to customers	**693,168,884**	**551,720,772**

Movements in the provision for loan impairment during 2017 are as follows:

	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Provision for loan impairment at 1 January	**4,353,126**	**739,898**	**856,448**	**5,949,472**
Provision for / (Recovery of) loan impairment during the year	2,688,262	(739,898)	(89,365)	1,858,999
Loans written off	-	-	-	-
Provision for loan impairment at 31 December	**7,041,388**	**-**	**767,083**	**7,808,471**

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

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

(in thousands of Uzbekistan Soums)

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

	31 December 2017		31 December 2016	
	Amount	**%**	**Amount**	**%**
Manufacturing	229,017,167	33	231,205,523	41
Individuals	107,054,421	15	51,342,485	9
Services	96,014,977	14	48,528,569	9
Financial services	88,412,454	13	43,684,477	8
Trade	92,392,208	13	84,054,084	15
Agriculture	37,483,580	6	16,548,270	3
Transport and communication	29,547,706	4	18,737,973	3
Construction	18,251,162	2	32,647,057	6
Receivables from customers on letters of credit issued with post financing terms	2,803,680	-	30,921,806	6
Total loans and advances to customers (before impairment)	**700,977,355**	**100**	**557,670,244**	**100**

As at 31 December 2017, loans to individuals include net investments in finance lease to individuals in the amount of UZS 6,689,156 thousand (31 December 2016: nil) before impairment provisions.

At 31 December 2017, the Group had 10 borrowers (2016: 10 borrowers) with aggregated loan amounts above UZS 14,500,000 thousand (2016: UZS 13,000,000 thousand). The total aggregate amount of these loans was UZS 222,358,099 thousand (2016: UZS 179,914,339 thousand) or 32% of the gross loan portfolio (2016: 32%).

Information about collateral at 31 December 2017 is as follows:

	Receivables from customers on letters of credit issued with post financing terms	**Loans to legal entities**	**Net investment in finance lease**	**Loans to individuals**	**Total**
Loans guaranteed by other parties	-	10,999,867	1,275,801	30,561,441	42,837,109
Unsecured loans	2,803,680	9,077,891	-	4,798,133	16,679,704
Loans collateralised by:					
- equipment	-	108,794,330	13,539,473	38,645,324	160,979,127
- real estate	-	370,323,696	34,501,364	20,787,148	425,612,208
- vehicles	-	28,859,072	6,283,557	5,285,675	40,428,304
- insurance	-	6,966,920	-	210,046	7,176,966
- cash deposits	-	6,938,937	247,502	77,498	7,263,937
Total loans and advances to customers (before impairment)	**2,803,680**	**541,960,713**	**55,847,697**	**100,365,265**	**700,977,355**

(in thousands of Uzbekistan Soums)

Information about collateral at 31 December 2016 is as follows:

	Receivables from customers on letters of credit issued with post financing terms	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Loans guaranteed by other parties	-	62,085,238	-	24,793,364	86,878,602
Unsecured loans	-	3,593,729	-	746,431	4,340,160
Loans collateralised by:					
- equipment	-	95,195,811	17,625,079	200,033	113,020,923
- real estate	-	231,020,200	27,708,707	20,083,496	278,812,403
- vehicles	-	17,818,502	3,846,571	5,163,562	26,828,635
- insurance	-	8,020,158	269,669	267,064	8,556,892
- inventory	-	1,477,942	-	8,914	1,486,856
- cash deposits	30,921,806	6,228,236	516,111	79,621	37,745,773
Total loans and advances to customers (before impairment)	**30,921,806**	**425,439,816**	**49,966,137**	**51,342,485**	**557,670,244**

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

Analysis by credit quality of loans outstanding at 31 December 2017 is as follows:

	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Receivables from customers on letters of credit issued with post financing terms	**2,803,680**	**-**	**-**	**2,803,680**
Loans assessed for impairment on a portfolio basis				
- Large borrowers with credit history over two years	65,166,443	-	-	65,166,443
- Large new borrowers	37,663,415	-	-	37,663,415
- Loans to small and medium size entities	262,843,811	50,888,954	-	313,732,765
- Loans to micro firms and individuals	150,480,963	4,958,743	100,325,544	255,765,250
Loans assessed for impairment on a portfolio basis	**516,154,632**	**55,847,697**	**100,325,544**	**672,327,873**
Loans individually determined to be impaired (gross)				
- Not past due but impaired	24,596,366	-	-	24,596,366
- 31 to 90 days overdue	-	-	39,721	39,721
- Over 180 days overdue	1,209,715	-	-	1,209,715
Individually impaired loans	**25,806,081**	**-**	**39,721**	**25,845,802**
Total loans and advances to customers (gross)	**544,764,393**	**55,847,697**	**100,365,265**	**700,977,355**
Impairment provisions assessed on a portfolio basis	(5,643,509)	-	(761,173)	(6,404,682)
Impairment provisions for individually impaired loans	(1,397,879)	-	(5,910)	(1,403,789)
Less impairment provisions	**(7,041,388)**	**-**	**(767,083)**	**(7,808,471)**
Total loans and advances to customers	**537,723,005**	**55,847,697**	**99,598,182**	**693,168,884**

(in thousands of Uzbekistan Soums)

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

	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Receivables from customers on letters of credit issued with post financing terms	**30,921,806**	**-**	**-**	**30,921,806**
Loans assessed for impairment on a portfolio basis				
- Large borrowers with credit history over two years	97,699,832	3,678,717	-	101,378,549
- Large new borrowers	24,047,049	102,045	-	24,149,094
- Loans to small and medium size entities	250,941,504	45,178,324	-	295,663,799
- Loans to micro firms and individuals	51,483,625	1,007,051	51,342,485	103,833,161
Loans assessed for impairment on a portfolio basis	**424,172,010**	**49,966,137**	**51,342,485**	**525,024,603**
Loans individually determined to be impaired (gross)				
- 31 to 90 days overdue	1,267,806	-	-	1,267,806
Total loans and advances to customers (gross)	**456,361,622**	**49,966,137**	**51,342,485**	**557,670,244**
Impairment provisions assessed on a portfolio basis	(4,162,955)	(739,898)	(856,448)	(5,759,301)
Impairment provisions for individually impaired loans	(190,171)	-	-	(190,171)
Less impairment provisions	**(4,353,126)**	**(739,898)**	**(856,448)**	**(5,949,472)**
Total loans and advances to customers	**452,008,496**	**49,226,239**	**50,486,037**	**551,720,772**

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology. The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired. The description of the Bank's internal rating scale is disclosed in Note 28.

(in thousands of Uzbekistan Soums)

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

	Due within 1 year	Due between 1 and 5 years	Due over 5 years	Total
Finance lease payments receivable at 31 December 2017	**39,890,423**	**52,683,249**	**4,033,266**	**96,606,938**
Unearned finance income	(13,704,291)	(24,842,444)	(2,212,506)	(40,759,241)
Impairment loss provision	-	-	-	-
Present value of lease payments receivable at 31 December 2017	**26,186,132**	**27,840,805**	**-**	**55,847,697**
Finance lease payments receivable at 31 December 2016	**33,515,662**	**47,708,038**	**-**	**81,223,700**
Unearned finance income	(6,695,108)	(24,106,426)	-	(30,801,534)
Impairment loss provision	(385,522)	(354,376)	-	(739,898)
Present value of lease payments receivable at 31 December 2016	**26,435,032**	**23,247,236**	**-**	**49,682,268**

9. Investment securities available for sale

	31 December 2017	31 December 2016
Equity securities	8,262,957	7,807,983
Debt securities	-	-
Total investment securities available for sale	**8,262,957**	**7,807,983**

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

	Share %	Nature of business	Country of registration	Carrying amount 2017	2016
JV LLC "Eurotex Global"	4.64	Textile	Uzbekistan	4,275,716	3,932,571
JV LLC "Uchkurgan Textil"	1.44	Textile	Uzbekistan	2,080,858	2,080,858
JSCB "Ipoteka Bank"	0.37	Banking	Uzbekistan	972,881	972,881
JSCB "UzPromStroyBank"	0.11	Banking	Uzbekistan	796,502	684,673
PJSCB "Hamkor Bank"	0.08	Banking	Uzbekistan	62,000	62,000
Credit Informative Analytical Centre	3.23	Banking	Uzbekistan	40,000	40,000
Fund for financing investment projects under Banking Association of Uzbekistan	1.82	Banking	Uzbekistan	20,000	20,000
Association of professional participants of the insurers	4.70	Insurance	Uzbekistan	15,000	15,000
Total equity securities available for sale				**8,262,957**	**7,807,983**

(in thousands of Uzbekistan Soums)

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

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

	2017	2016
Total equity securities available for sale at 1 January	**7,807,983**	**7,171,796**
Purchases of equity securities available for sale	454,974	6,136,323
Disposals of equity securities available for sale	-	(5,500,136)
Total equity securities available for sale at 31 December	**8,262,957**	**7,807,983**

10. Premises, equipment and intangible assets

	Premises	Office and computer equipment	Construction in progress	Total property and equipment	Intangible assets	Intangible assets in progress	Total
Carrying amount at 1 January 2016	**67,963,292**	**17,069,882**	**8,364,452**	**93,397,626**	**296,631**	**-**	**93,694,257**
Additions	15,949,382	21,538,030	9,418,331	46,905,743	88,164	-	46,993,907
Disposals, net	-	(7,996,967)	-	(7,996,967)	-	-	(7,996,967)
Transfers	26,100	(364,095)	337,995	-	-	-	-
Depreciation and amortisation charge (Note 24)	(4,164,626)	(3,935,862)	-	(8,100,488)	(128,626)	-	(8,229,114)
Carrying amount at 31 December 2016	**79,774,148**	**26,310,988**	**18,120,778**	**124,205,914**	**256,169**	**-**	**124,462,083**
Cost at 31 December 2016	91,011,912	37,921,064	18,120,778	147,053,754	837,720	-	147,891,474
Accumulated depreciation and amortisation	(11,237,764)	(11,610,076)	-	(22,847,840)	(581,551)	-	(23,429,391)
Carrying amount at 31 December 2016	**79,774,148**	**26,310,988**	**18,120,778**	**124,205,914**	**256,169**	**-**	**124,462,083**
Additions	23,616,408	17,738,637	14,736,833	56,091,878	404,597	19,000,557	75,497,032
Disposals, net	(46,681,936)	(78,418)	-	(46,760,354)	-	-	(46,760,354)
Transfers	22,336,261	(1,067,759)	(21,268,502)	-	-	-	-
Depreciation and amortisation charge (Note 24)	(3,366,359)	(6,814,875)	-	(10,181,234)	(124,696)	-	(10,305,930)
Carrying amount at 31 December 2017	**75,678,522**	**36,088,573**	**11,589,109**	**123,356,204**	**536,070**	**19,000,557**	**142,892,831**
Cost at 31 December 2016	87,566,072	54,223,555	11,589,109	153,378,736	1,317,333	19,000,557	173,696,626
Accumulated depreciation and amortisation	(11,887,550)	(18,134,982)	-	(30,022,532)	(781,263)	-	(30,803,795)
Carrying amount at 31 December 2017	**75,678,522**	**36,088,573**	**11,589,109**	**123,356,204**	**536,070**	**19,000,557**	**142,892,831**

(in thousands of Uzbekistan Soums)

Construction in progress consists mainly of construction and refurbishment of branch premises. Upon completion, assets are transferred to premises and equipment. Intangible assets in progress consist of a development and implementation of accounting IT system by a third party.

As at 31 December 2017 buildings with total carrying value of UZS 28,973,679 thousand (31 December 2016: UZS 17,213,505 thousand) have been pledged under interbank deposit agreements.

As at 31 December 2017 fully depreciated assets amounted to UZS 3,264,858 thousand (31 December 2016: UZS 2,525,228 thousand).

11. Reinsurers' Share of Reserves for Insurance Contracts

	31 December 2017	31 December 2016
Unearned insurance premium reserve	3,098,100	3,756,274
Incurred but not reported claims reserve	927,981	1,318,392
Total reinsurers share of reserves for insurance contracts	**4,026,081**	**5,074,666**

12. Other assets

	31 December 2017	31 December 2016
Other financial assets:		
Commission and other receivables from customers	11,483,388	5,861,151
Receivable from payment system "Paynet"	3,850,958	1,574,221
Unrealized forex gain on SWAP operations	2,635,371	1,853,327
Receivable from insurance agents	711,246	429,539
Receivable from plastic cards systems	406,884	162,125
Receivable from money transfer organisations	172,026	556,217
Less: Allowance for impairment losses	(6,122,804)	(335,273)
Total other financial assets	**13,137,069**	**10,101,307**
Other non-financial assets:		
Prepayment to suppliers	3,370,810	1,388,275
Prepayment for equipment to be leased	2,969,584	-
Office supplies and other inventories	1,676,936	1,210,974
Prepayment for services	1,032,426	1,115,001
Prepaid expenses and advances	963,946	695,785
Assets held for further lease	495,700	216,854
Prepaid taxes other than income tax	350,500	679,249
Other	902,476	330,701
Total other non-financial assets	**11,762,378**	**5,636,839**
Total other assets	**24,899,447**	**15,738,146**

(in thousands of Uzbekistan Soums)

Movements in the provision for impairment of other financial assets during 2017 and 2016 are as follows:

	2017	2016
Provision for impairment at 1 January	**335,273**	**383,440**
Provision for impairment during the year	5,823,268	19,544
Amounts written off during the year as uncollectible	(35,737)	(67,711)
Provision for impairment at 31 December	**6,122,804**	**335,273**

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

	FY 2017		FY 2016	
	Contracts with positive fair value	**Contracts with neagtive fair value**	**Contracts with positive fair value**	**Contracts with neagtive fair value**
Foreign exchange swaps: nominal values, at the end of the reporting period, of				
- USD receivable/(payable) on settlement (+)	6,466,311	(8,336,064)	17,760,592	(37,150,041)
- UZS (payable)/receivable on settlement (-)	(3,830,940)	8,300,863	(15,907,265)	36,277,890
Fair value of foreign exchange swaps	**2,635,371**	**(35,201)**	**1,853,327**	**(872,151)**

13. Due to other banks

	31 December 2017	31 December 2016
Liabilities under letters of credit	2,803,680	30,921,806
Short-term placements of other banks	143,990,038	114,104,368
Long-term placements of other banks	132,257,463	28,000,000
Total due to other banks	**279,051,181**	**173,026,174**

Refer to Note 32 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

At 31 December 2017, the Group had deposit placements of one bank (2016: one bank), the aggregate amount of these deposits was UZS 168,000,000 thousand (2016: UZS 20,000,000 thousand) or 60% of the due to other banks (2016: 12%).

(in thousands of Uzbekistan Soums)

14. Customer accounts

	31 December 2017	31 December 2016
State and public organisations		
- current/settlement accounts	51,107,606	104,677,587
- term deposits	36,889,877	33,378,079
Other legal entities		
- current/settlement accounts	447,411,829	287,733,786
- term deposits	203,000,995	117,809,372
Individuals		
- current/settlement accounts	55,093,128	49,376,888
- term deposits	203,409,312	115,927,344
Total customer accounts	**996,912,747**	**708,903,056**

Economic sector concentrations within customer accounts are as follows:

	31 December 2017		31 December 2016	
	Amount	%	Amount	%
Individuals	258,502,440	26	165,304,232	22
Services	235,774,246	24	48,961,814	8
Manufacturing	163,144,816	16	154,053,824	34
Trade	136,179,667	14	81,999,392	11
State and public organisations	87,997,483	9	138,055,666	10
Financial organisations	43,833,464	4	26,042,619	7
Construction	35,104,063	4	29,727,677	3
Transport and communication	23,910,668	2	44,039,472	2
Agriculture	5,164,012	1	10,931,755	2
Real estate	3,505,860	-	9,786,605	1
Other	3,796,028	-	-	
Total customer accounts	**996,912,747**	**100**	**708,903,056**	**100**

At 31 December 2017, the Group had 10 customers (2016: 10 customers) with balances above UZS 15,000,000 thousand. The aggregate balance of these customers was UZS 285,081,988 thousand (2016: UZS 189,317,373 thousand) or 28% (2016: 27%) of total customer accounts.

Refer to Note 32 for the disclosure of the fair value of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

15. Debt securities in issue

	Maturity date	Annual coupon rate	31 December 2017	31 December 2016
Deposit certificates	5-Feb-2018 to 19-Jun-2019	10%-14%	18,969,265	15,028,457
Total debt securities in issue			**18,969,265**	**15,028,457**

(in thousands of Uzbekistan Soums)

At 31 December 2017, the Group had one customer (2016: one customer) with aggregate balance of UZS 7,000,000 thousand (2016: UZS 6,011,490 thousand) or 38% (2016: 40%) of total debt securities in issue.

Refer to Note 32 for the disclosure of the fair value of debt securities in issue. Interest rate analyses of debt securities in issue is disclosed in Note 28. Information on related party balances is disclosed in Note 34.

16. Reserves on Insurance Contracts

	31 December 2017	31 December 2016
Unearned insurance premium reserve	22,657,143	16,632,632
Incurred but not reported claims reserve	3,481,288	2,966,932
Reserve for preventive measures component in unearned insurance premium reserve	863,882	697,277
Reported but not settled claims reserve	3,281,386	650,232
Total reserves for insurance contracts	**30,283,699**	**20,947,073**

17. Other liabilities

	31 December 2017	31 December 2016
Trade payable	5,442,721	3,187,877
Payable on money transfer operations	1,492,657	344,971
Premium payable on reinsurance	925,994	2,623,429
Payable to the Individuals Deposit Insurance Fund	806,563	263,048
Professional fees payable	669,426	340,555
Accounts payable for co-insurance	365,027	229,240
Payable on building rent	309,685	-
Unrealized forex loss on SWAP operations	35,201	872,151
Payable for real estate	-	243,397
Finance lease liability	-	12,899,613
Other	326,991	193,696
Total other financial liabilities	**10,374,265**	**21,197,977**
Taxes payable, other than income tax	2,757,542	997,763
Advances from lessees	2,463,660	143,229
Accrued employee costs	469,994	571,698
Current income tax payable	258,895	11,499
Other	55,349	58,092
Total other non-financial liabilities	**6,005,440**	**1,782,281**
Total other liabilities	**16,379,705**	**22,980,258**

Trade payables as at 31 December 2017 and 2016 include payables to suppliers of equipment to be leased for the total amount of UZS 1,610,007 thousand and UZS 633,507 thousand.

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

	Due within 1 year	Due between 1 and 5 years	Total
Minimum lease payments at 31 December 2017	-	-	-
Less future finance charges	-	-	-
Present value of minimum lease payments at 31 December 2017	-	-	-
Minimum lease payments at 31 December 2016	4,449,741	12,135,656	16,585,397
Less future finance charges	(318,061)	(3,367,723)	(3,685,784)
Present value of minimum lease payments at 31 December 2016	4,131,680	8,767,933	12,899,613

18. Share capital

	Number of outstanding shares (in thousands)	Ordinary shares	Share premium	Total
At 1 January 2016	**86,051**	**86,050,574**	**1,273,780**	**87,324,354**
New shares issued	53,430	53,430,106	579,615	54,009,721
At 31 December 2016	**139,481**	**139,480,680**	**1,853,395**	**141,334,075**
New shares issued	160,519	160,519,320	-	160,519,320
At 31 December 2017	**300,000**	**300,000,000**	**1,853,395**	**301,853,395**

As at 31 December 2017 registered nominal amount of the Group's issued share capital comprised UZS 440,000,000 thousand (31 December 2016: UZS 139,480,680 UZS).

In 2017, based on the decision of Shareholders' meeting the last registered share emission comprised UZS 300,519,320 thousand that has been partially paid by the existing shareholders in September 2017 for the total amount of UZS 160,519,320 thousand.

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

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

(in thousands of Uzbekistan Soums)

19. Net Interest Income

	2017	2016
Interest income		
Loan and advances to customers	106,174,679	76,655,660
Letters of credit	1,128,865	2,225,447
Due from other banks	5,606,719	1,711,586
Total interest income	**112,910,263**	**80,592,693**
Interest expense		
Customer accounts	42,258,320	25,029,202
Due to other banks	19,787,596	13,256,279
Debt securities in issue	2,343,668	2,283,008
Total interest expense	**64,389,584**	**40,568,489**
Net interest income	**48,520,679**	**40,024,204**

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

20. Fee and Commission Income and Expense

Fee and commission income and expense comprise:

	2017	2016
Fee and commission income		
- Settlement transactions	18,336,337	13,406,883
- International money transfers	8,087,534	3,281,106
- Currency exchange operations	7,994,060	8,046,398
- Maintenance fee	7,312,257	6,304,833
- SWAP operations	6,305,852	2,511,570
- Guarantees	4,110,192	2,497,008
- Internet banking	3,955,109	1,069,676
- Payment system "Paynet"	2,146,863	997,292
- Issuance of bank statements	1,903,806	1,783,560
- Plastic cards services	1,341,898	1,841,462
- Letters of credit	1,046,596	1,759,165
- Cash transactions	190,204	279,559
- Registration fee	22,254	188,827
- Other	1,128,648	743,507
Total fee and commission income	**63,881,610**	**44,710,846**

(in thousands of Uzbekistan Soums)

	2017	2016
Fee and commission expenses		
- Foreign currency operations	6,561,298	9,899,449
- Cash transactions	2,997,207	3,326,152
- Settlement transactions	2,204,144	774,715
- Letters of credit	568,187	559,911
- Other	1,001,727	594,761
Total fee and commission expense	**13,332,563**	**15,154,988**
Net fee and commission income	**50,549,047**	**29,555,858**

21. Insurance Operations Income and Expense

	2017	2016
Premium on insurance of:		
- Loan repayments	9,334,860	7,659,605
- Medical insurance	8,848,893	2,739,452
- Compulsory insurance of civil liability of motor vehicles	7,860,059	6,337,211
- Aircraft insurance	2,824,915	9,862,411
- Car insurance	2,678,053	2,446,558
- Third party liability	768,362	194,024
- Compulsory insurance of civil liability of employer	688,521	435,399
- Construction insurance	623,828	1,095,072
- Property from damage and natural disasters	335,084	590,431
- Other	406,973	929,199
Change in unearned insurance premium reserves:		
- insurance operations	(6,024,511)	(1,881,587)
- reinsurance operations	(658,175)	(234,051)
- reserve for preventive measures component	(166,605)	(91,528)
Agent's fee commission	327,943	237,940
Claims covered by reinsurers	-	477,709
Effect of foreign exchange differences on reinsurance operations	1,434,890	128,762
Less: Premium ceded	(5,477,446)	(11,671,224)
Total insurance operations income	**23,805,644**	**19,255,383**

For the years ended 31 December 2017 and 2016, loan repayment included premium received from insurance policies that are provided to the parent as a collateral for loans and advances issued to customers for the total amount of UZS 13,876,024 thousand and UZS 4,290,937 thousand, respectively.

The carrying value of those loan are disclosed within the unsecured exposures in Note 8.

(in thousands of Uzbekistan Soums)

	2017	2016
Claims paid for:		
- Medical insurance	2,255,912	1,654,101
- Car insurance	1,502,436	1,590,481
- Compulsory insurance of civil liability of motor vehicles	951,413	899,073
- Co-insurance and accident insurance	572,250	978,051
- Property from damage and natural disasters	72,587	135,156
- Compulsory insurance of civil liability of employer	65,863	337,263
Change in insurance loss reserves:		
- reported but not settled claims reserve	2,631,155	(371,162)
- incurred but not reported claims reserve	514,356	351,209
Change in reinsurance loss reserves:		
- incurred but not reported claims reserve	390,410	(328,736)
- reported but not settled claims reserve	-	747,621
Agent's fee for voluntary insurance	2,857,014	2,336,209
Insurance claims handling cost	1,132,603	1,540,150
Agent's fee for obligatory insurance	1,428,153	1,216,876
Total insurance operations expense	**14,374,152**	**11,086,292**
Net insurance income	**9,431,492**	**8,169,091**

22. Other operating income

	2017	2016
Income from fines and penalties	4,266,084	3,651,762
Income from sale or disposition of premises and equipment	1,417,664	172,688
Income from the rental of premises and equipment	321,443	161,408
Gain on sale of assets under finance lease	259,374	-
Gain on initial recognition of time deposits at rates below market	-	2,992,391
Other non-interest income	182,200	594,416
Total other operating income	**6,446,765**	**7,572,665**

(in thousands of Uzbekistan Soums)

23. Administrative and other operating expenses

	2017	2016
Staff costs	41,359,980	29,305,406
Taxes other than income tax	14,866,109	10,015,576
Depreciation and amortisation	10,305,930	8,229,114
Rent expenses	8,918,686	3,295,169
Security services	3,877,430	2,919,266
Office supplies	3,034,920	1,985,891
Contribution to the Deposit Guarantee Fund	3,354,541	1,922,987
Repairs and maintenance	1,706,035	1,538,438
Charity	1,536,666	564,982
Communication	1,210,483	1,018,845
Professional services	1,356,235	975,291
Fuel expenses	729,648	611,168
Utilities	684,888	489,340
Representative expenses	339,805	858,694
Loss on settlement of insurance claims	358,299	354,223
Loss on sale of assets under finance lease	-	237,178
Loss on initial recognition of deposit at rates above market	131,005	-
Other	2,297,467	1,316,443
Total administrative and other operating expenses	**96,068,127**	**65,638,011**

Included in staff costs are statutory social contributions of UZS 6,726,498 thousand (2016: UZS 5,233,206 thousand).

24. Income taxes

(a) Components of income tax expense

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

	2017	2016
Current tax	5,139,005	3,640,792
Deferred tax	(2,583,989)	(289,488)
Income tax expense for the year	**2,555,016**	**3,351,304**

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

In accordance with Presidential Decree #PP-3454 dated 29 December 2017 corporate income tax and infrastructure development tax were combined. The enacted income tax rate for 2017 is 22%. Previously, the income tax rate was comprised of corporate income tax (15%) and infrastructure development tax (8%) with tax base for infrastructure development tax being accounting profit after corporate income tax charge. Effectively, statutory income tax rate was 21.8%.

(in thousands of Uzbekistan Soums)

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

	2017	2016
Profit before tax	**24,001,995**	**20,571,483**
Theoretical tax charge at statutory rate of 21.8% (2015: 21.8%)	5,280,439	4,484,583
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	(4,000,472)	(840,469)
- Non-deductible expenses	1,902,201	649,506
- Tax rate differences (10.5%-12%)	(627,152)	(727,662)
- Taxable temporary differences associated with investments in subsidiaries	-	245,718
- Utilisation of previously unrecognised tax base reduction	-	(189,356)
- Other	-	(59,332)
Effect of changes in other insurance reserves	-	(211,684)
Income tax expense for the year	**2,555,016**	**3,351,304**

(c) Deferred taxes analysed by type of temporary difference

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

	2017	(Charged)/ credited to profit or loss	2016
Tax effect of deductible/(taxable) temporary differences			
Loans and advances to customers	3,614,030	1,483,019	2,131,011
Premises, equipment and intangible assets	(43,792)	(84,867)	41,075
Other assets	784,108	588,011	196,097
Other liabilities	3,629	(201,748)	205,377
Customer accounts	(20,075)	553,856	(573,931)
Investments in subsidiaries	-	245,718	(245,718)
Net deferred tax asset	**4,337,900**	**2,583,989**	**1,753,911**
Recognised deferred tax asset	4,401,767	1,828,207	2,573,560
Recognised deferred tax liability	(63,867)	755,782	(819,649)
Net deferred tax asset	**4,337,900**	**2,583,989**	**1,753,911**

(in thousands of Uzbekistan Soums)

25. Dividends

	2017	2016
Dividends payable at 1 January	-	-
Dividends declared during the year	-	14,792,752
Dividends capitalised during the year	-	(14,792,752)
Dividends payable at 31 December	-	-
Dividends per share declared during the year (in UZS per share)	-	**151**

26. Earnings/(loss) per share

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

Earnings per share from continuing operations are calculated as follows:

	2017	2016
Profit for the year attributable to ordinary shareholders	18,363,753	16,436,499
Profit for the year attributable to the owners	**18,363,753**	**16,436,499**
Weighted average number of ordinary shares in issue (thousands)	182,139	98,080
Basic and diluted earnings per ordinary share (in UZS per share)	**101**	**168**

27. Segment Analysis

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

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

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

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

(in thousands of Uzbekistan Soums)

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

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

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

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

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

Segment information for the reportable segments for the year ended 31 December 2017 is set out below:

	Banking	Leasing	Insurance	Eliminations	Total
Cash and cash equivalents	537,165,561	1,627,093	8,957,117	(7,365,756)	540,384,015
Due from other banks	237,344,723	45,184	27,746,684	(8,417,095)	256,719,496
Loans and advances to customers	690,008,621	40,342,944	340,000	(37,522,681)	693,168,884
Investment securities available for sale	27,059,027	-	8,202,957	(26,999,027)	8,262,957
Current income tax prepayment	1,748,839	-	900,439	-	2,649,278
Deferred income tax assets	4,337,900	-	-	-	4,337,900
Premises, equipment and intangible assets	115,949,707	18,596,266	8,346,858	-	142,892,831
Reinsurers' share of reserves for insurance contracts	-	-	4,026,081	-	4,026,081
Other assets	15,687,117	6,673,841	2,978,919	(440,430)	24,899,447
Total reportable segment assets	**1,629,301,495**	**67,285,328**	**61,499,055**	**(80,744,989)**	**1,677,340,889**
Due to other banks	271,003,840	45,305,571	-	(37,258,230)	279,051,181
Customer accounts	1,012,827,551	-	-	(15,914,804)	996,912,747
Debt securities in issue	18,969,265	-	-	-	18,969,265
Deferred tax liability	-	-	(428,043)	-	
Reserves for insurance contracts	-	-	30,283,699	-	30,283,699
Other liabilities	8,678,737	3,227,669	5,178,181	(704,882)	16,379,705
Total reportable segment liability	**1,311,479,393**	**48,533,240**	**35,033,837**	**(53,877,916)**	**1,341,596,597**
Capital expenditure	**30,589,666**	**-**			**30,589,666**

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

(in thousands of Uzbekistan Soums)

	Banking	Leasing	Insurance	Eliminations	Total
Interest income	101,736,679	14,370,405	1,443,171	(4,639,992)	112,910,263
Fee and commission income	64,333,185	-	-	(451,575)	63,881,610
Insurance operations income	-	-	24,229,454	(423,810)	23,805,644
Net gain on foreign exchange operations	5,751,550	7,048	6,948,484	-	12,707,082
Dividend income	3,776,503	-	97,324	(3,776,503)	97,324
Other operating income	4,843,259	2,736,536	432,144	(1,565,174)	6,446,765
Total revenues	**180,441,176**	**17,113,989**	**33,150,577**	**(10,857,054)**	**219,848,688**
Interest expense	(61,625,068)	(7,085,378)	(51,033)	4,371,895	(64,389,584)
Provision for loan impairment	(2,497,190)	638,191	-	-	(1,858,999)
Fee and commission expense	(13,332,563)	-	-	-	(13,332,563)
Insurance operations expense	-	-	(14,769,853)	395,701	(14,374,152)
Provision for impairment losses on other operations	(5,013,652)	(256,479)	(553,137)	-	(5,823,268)
Administrative and other operating expenses	(82,004,861)	(5,710,765)	(10,174,455)	1,821,954	(96,068,127)
Segment result	**15,967,842**	**4,699,558**	**7,602,099**	**(4,267,504)**	**24,001,995**

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

	Banking	Leasing	Insurance	Eliminations	Total
Cash and cash equivalents	268,934,444	1,557,899	8,357,176	(7,598,126)	271,251,393
Due from other banks	104,136,405	-	13,611,793	(1,622,083)	116,126,115
Loans and advances to customers	540,364,254	31,325,000	340,000	(20,308,482)	551,720,772
Investment securities available for sale	22,395,820	-	7,747,983	(22,335,820)	7,807,983
Current income tax prepayment	543,313	-	184,629	-	727,942
Deferred income tax assets	1,753,911	-	-	-	1,753,911
Premises, equipment and intangible assets	97,398,953	19,603,195	7,459,935	-	124,462,083
Reinsurers' share of reserves for insurance contracts	-	-	5,074,666	-	5,074,666
Other assets	10,779,012	3,542,439	2,408,240	(991,545)	15,738,146
Total reportable segment assets	**1,046,306,112**	**56,028,533**	**45,184,422**	**(52,856,056)**	**1,094,663,011**
Due to other banks	164,213,303	28,121,353	-	(19,308,482)	173,026,174
Customer accounts	718,251,952	-	-	(9,348,896)	708,903,056
Debt securities in issue	15,028,457	-	-	-	15,028,457
Other financial liabilities	-	-	20,947,073	-	20,947,073
Other liabilities	5,388,368	13,865,392	4,721,308	(994,810)	22,980,258
Total reportable segment liability	**902,882,080**	**41,986,745**	**25,668,381**	**(29,652,188)**	**940,885,018**
Capital expenditure	**18,120,778**	**-**	**-**		**18,120,778**

(in thousands of Uzbekistan Soums)

	Banking	Leasing	Insurance	Eliminations	Total
Interest income	69,945,544	13,002,684	1,254,866	(3,610,401)	80,592,693
Fee and commission income	44,809,629	-	-	(98,783)	44,710,846
Insurance operations income	-	-	19,564,633	(309,250)	19,255,383
Net gain on foreign exchange operations	2,341,768	5,792	674,424	-	3,021,984
Dividend income	5,140,494	-	41,903	(5,140,494)	41,903
Other operating income	6,628,242	1,410,394	326,709	(792,680)	7,572,665
Total revenues	**128,865,677**	**14,418,870**	**21,862,535**	**(9,951,608)**	**155,195,474**
Interest expense	(37,861,561)	(6,317,329)	-	3,610,401	(40,568,489)
Provision for loan impairment	(1,990,272)	(166,395)	-	-	(2,156,667)
Fee and commission expense	(15,154,988)	-	-	-	(15,154,988)
Insurance operations expense	-	-	(12,057,321)	971,029	(11,086,292)
Provision for impairment losses on other operations	(58,152)	38,608	-	-	(19,544)
Administrative and other operating expenses	(55,473,009)	(3,860,669)	(7,505,046)	1,200,713	(65,638,011)
Segment result	**18,327,695**	**4,113,085**	**2,300,168**	**(4,169,465)**	**20,571,483**

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 19 (interest income), Note 20 (fee and commission income), Note 21 (insurance operations income and expense) and in Note 22 (other operating income).

(f) Geographical information

The Group conducts its operations in Uzbekistan and operations of the Group with their foreign counterparts are disclosed in Note 28. All revenue of the Group is generated within Uzbekistan, since most of financial assets outside Uzbekistan are noninterest bearing.

(g) Major customers

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

28. Financial Risk Management

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

Credit risk. The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the level 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 industry segments.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of the Group's internal credit rating system, which assigns each counterparty a risk rating. The credit

quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

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

Credit risk measurement:

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

Risk limits control and mitigation policies:

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

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

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

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

- letter of surety;
- motor vehicle;
- real estate;
- equipment;
- cash deposit;
- residential property;
- insurance policy

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(in thousands of Uzbekistan Soums)

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

	31 December 2017			31 December 2016		
	Monetary financial assets	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
US Dollars	596,722,656	(581,248,542)	15,474,114	230,701,878	(204,967,504)	25,734,374
Euros	8,332,911	(7,761,281)	571,630	3,676,593	(2,325,772)	1,350,821
Other	1,581,887	(1,268,619)	313,268	293,775	(216,481)	77,294
Total	**606,637,454**	**(590,278,442)**	**16,359,012**	**234,672,246**	**(207,509,757)**	**27,162,489**

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 10% increase and decrease in the USD and EUR against UZS as at 31 December 2017 and 2016. 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 10% in foreign currency rates.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates:

	31 December 2017	**31 December 2016**
US Dollars strengthening by 10% (2016: 10%)	1,547,411	2,573,437
US Dollars weakening by 10% (2016: 10%)	(1,547,411)	(2,573,437)
Euro strengthening by 10% (2016: 10%)	57,163	135,082
Euro weakening by 10% (2016: 10%)	(57,163)	(135,082)

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

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

(in thousands of Uzbekistan Soums)

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

	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
As at 31 December 2017					
Total interest bearing assets	181,483,333	28,690,770	82,218,790	599,304,283	**891,697,176**
Total interest bearing liabilities	(150,882,837)	(269,232,626)	(185,588,022)	(130,209,018)	**(735,912,503)**
Net interest sensitivity gap at 31 December 2017	**30,600,496**	**(240,541,856)**	**(103,369,232)**	**469,095,265**	**155,784,673**
As at 31 December 2016					
Total interest bearing assets	406,828,501	39,031,792	63,658,999	447,488,278	957,007,570
Total interest bearing liabilities	540,753,463	201,092,090	124,586,336	51,723,775	918,155,664
Net interest sensitivity gap at 31 December 2016	**(133,924,962)**	**(162,060,298)**	**(60,927,337)**	**395,764,503**	**38,851,906**

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

	2017			2016		
In % p.a.	**UZS**	**USD**	**EUR**	**UZS**	**USD**	**EUR**
Assets						
Cash and cash equivalents	0-14	-	-	0.02-12	2.5-5.6	1.36-4.66
Due from other banks	6.5-15	0.5-3.5	-	6-11	0.01-3	-
Loans and advances to customers	4.5-38	8-13	-	4.5-25.5	3-12	-
Liabilities						
Due to other banks	9-18	0.1-5.5	0.40	6-11	0.05-6	0.05-4
Customer accounts	0.1-22	2-14	5-5.5	2-22	2-12	2-5
Debt securities in issue	11-19	-	-	10-14	-	-

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

Other price risk. The Group has no material exposure to equity price risk. The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2016: no material impact).

(in thousands of Uzbekistan Soums)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2017 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	453,026,516	76,255,476	11,102,023	540,384,015
Due from other banks	163,398,232	91,772,825	1,548,439	256,719,496
Loans and advances to customers	693,168,884	-	-	693,168,884
Investments available for sale	8,262,957	-	-	8,262,957
Other financial assets	13,137,069	-	-	13,137,069
Total financial assets	**1,330,993,658**	**168,028,301**	**12,650,462**	**1,511,672,421**
Financial liabilities				
Due to other banks	276,645,001	2,406,180	-	279,051,181
Customer accounts	996,912,747	-	-	996,912,747
Debt securities in issue	18,969,265	-	-	18,969,265
Other financial liabilities	10,374,265	-	-	10,374,265
Total financial liabilities	**1,302,901,278**	**2,406,180**	**-**	**1,305,307,458**
Net position in on-balance sheet financial instruments	**28,092,380**	**165,622,121**	**12,650,462**	**206,364,963**
Credit related commitments	**239,845,227**	**-**	**-**	**239,845,227**

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

	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	226,468,167	41,901,687	2,881,539	271,251,393
Due from other banks	102,171,366	13,519,492	435,257	116,126,115
Loans and advances to customers	551,720,772	-	-	551,720,772
Investments available for sale	7,807,983	-	-	7,807,983
Other financial assets	10,101,307	-	-	10,101,307
Total financial assets	**898,269,595**	**55,421,179**	**3,316,796**	**957,007,570**
Financial liabilities				
Due to other banks	142,104,368	26,708,205	4,213,601	173,026,174
Customer accounts	708,903,056	-	-	708,903,056
Debt securities in issue	15,028,457	-	-	15,028,457
Other financial liabilities	21,197,977	-	-	21,197,977
Total financial liabilities	**887,233,858**	**26,708,205**	**4,213,601**	**918,155,664**
Net position in on-balance sheet financial instruments	**11,035,737**	**28,712,974**	**(896,805)**	**38,851,906**
Credit related commitments	**110,602,186**	**-**	**-**	**110,602,186**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers, refer to Note 8.

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

(in thousands of Uzbekistan Soums)

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

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

These ratio is:

- Current liquidity ratio (not to be less than 30%), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 104% at 31 December 2017 (2016: 75%).

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

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

The table below shows liabilities at 31 December 2017 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

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

The undiscounted maturity analysis of financial instruments at 31 December 2017 is as follows:

	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Financial liabilities					
Due to other banks	74,432,672	51,169,714	52,071,742	127,099,984	**304,774,112**
Customer accounts	636,252,634	225,349,345	135,177,393	25,266,658	**1,022,046,030**
Debt securities in issue	70,030	6,921,973	13,613,333	514,786	**21,120,122**
Other financial liabilities	9,502,889	365,026	506,350		**10,374,265**
Guarantees issued	-	112,231,163	819,707	10,259,007	**123,309,877**
Undrawn credit lines	49,422,867	-	-	-	**49,422,867**
Import letter of credit	940,028	3,136,863	48,233,216	-	**52,310,107**
Gross swaps:					
- inflows	6,087,591	378,720	-	-	**6,466,311**
- outflows	(207,874)	(8,128,190)	-	-	**(8,336,064)**
Net swaps	5,879,717	(7,749,470)	-	-	**(1,869,753)**
Total potential future payments for financial obligations	**776,500,837**	**391,424,614**	**250,421,741**	**163,140,435**	**1,581,487,627**

(in thousands of Uzbekistan Soums)

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 31 December 2016 is as follows:

	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Financial liabilities					
Due to other banks	52,061,184	97,042,786	245,882	30,800,000	180,149,852
Customer accounts	487,194,550	108,061,737	118,017,658	16,028,446	729,302,391
Debt securities in issue	1,037,885	2,928,333	11,816,000	-	15,782,218
Other financial liabilities	6,279,790	835,058	362,106	821,410	8,298,364
Guarantees issued	7,927,839	70,032,968	8,163,771	8,468,700	94,593,278
Undrawn credit lines	16,008,908	-	-	-	16,008,908
Gross swaps:					
- inflows	23,686,697	30,351,785	-	-	54,038,482
- outflows	(23,146,343)	(29,910,963)	-	-	(53,057,306)
Net swaps	540,354	440,822	-	-	981,176
Total potential future payments for financial obligations	571,050,510	279,341,704	138,605,417	56,118,556	1,045,116,187

The Group does not have the right to use the mandatory deposits held in Central bank of Uzbekistan for the purposes of funding its operating activities, the management classifies them as maturity undefined in the liquidity gap analysis on the basis that their nature is inherently to fund sudden withdrawal of customer accounts.

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

Management believes that in spite of the fact that a substantial portion of customer accounts is on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group. Thus, the management believes that significant maturity mismatch between assets and liabilities with maturity up to 12 months and more does not represent significant risk to the Group's liquidity, as very low proportion of due to other banks, demand deposits and short-term deposits is expected to be withdrawn based on the Group's past years' and current year experience, which is consistent with the general banking practices in the banking sector of Uzbekistan.

(in thousands of Uzbekistan Soums)

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

	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
As at 31 December 2017					
Total financial assets	798,596,352	30,968,605	82,370,411	599,737,053	1,511,672,421
Total financial liabilities	772,016,606	380,848,630	235,147,295	140,468,025	1,528,480,556
Net liquidity gap as at 31 December 2017	26,579,746	(349,880,025)	(152,776,884)	459,269,028	(16,808,135)
As at 31 December 2016					
Total financial assets	406,828,501	39,031,792	63,658,999	447,488,278	957,007,570
Total financial liabilities	565,230,564	271,565,880	132,750,107	60,192,475	1,029,739,026
Net liquidity gap as at 31 December 2016	(158,402,063)	(232,534,088)	(69,091,108)	387,295,803	(72,731,456)

29. Capital risk management

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 14.5% (31 December 2016: 11.5%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 11% (31 December 2016: 8.5%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2016: 6%).

The Group and the Bank have complied with capital ratios set above throughout 2017 and 2016.

(in thousands of Uzbekistan Soums)

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

	31 December 2017 (unaudited)	31 December 2016 (unaudited)
Tier 1 capital		
Share capital	300,000,000	139,480,680
Share premium	1,853,395	1,853,395
Retained earnings	6,249,338	4,101,938
Less: Intangible assets	(19,037,119)	(118,369)
Less: Investments in non-consolidated entities	(27,059,028)	(22,395,820)
Total Tier 1 capital	**262,006,586**	**122,921,824**
Tier 2 capital		
Current year net profit	11,592,542	2,192,595
Provision on loan losses	5,675,584	-
Revaluation surpluses	69,489	57,095
Total Tier 2 capital	**17,337,615**	**2,249,690**
Total regulatory capital	**279,344,201**	**125,171,514**

30. Commitments and contingencies

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

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

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

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

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

(in thousands of Uzbekistan Soums)

Credit related commitments are denominated in currencies as follows:

	31 December 2017	**31 December 2016**
Letters of credits, non post-financing	4,609,996	39,345,324
Letters of credits, post-financing with commencement after reporting period end	52,310,107	716,068
Financial guarantees issued	156,750,167	94,593,278
Undrawn credit lines	49,422,867	16,008,908
SWAP (commitment to buy USD and sell UZS)	6,466,311	17,760,592
SWAP (commitment to buy UZS and sell USD)	8,336,064	37,150,041
Total credit related commitments, gross	**277,895,512**	**205,574,211**
Less: Commitment collaterised by cash deposits	(38,050,285)	(94,972,025)
Total credit related commitments, net of cash covered exposures	**239,845,227**	**110,602,186**

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

Credit related commitments are denominated in currencies as follows:

	31 December 2017	**31 December 2016**
USD	92,097,865	170,381,660
UZS	183,682,499	34,257,750
EUR	2,115,149	514,481
RUR	-	420,320
Total credit related commitments	**277,895,512**	**205,574,211**

(in thousands of Uzbekistan Soums)

31. Non-controlling interest

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

	31 December 2017	31 December 2016
Information about subsidiary:		
Place of business (and counry of incorporation if different)	Uzbekistan	Uzbekistan
Proportion of non-controlling interest	37.8%	37.8%
Proportion of non-controlling interest's voting rights held	37.8%	37.8%
Profit or loss attributable to non-controlling interest	3,083,226	783,680
Accumulated non-controlling interest in the subsidiary	9,048,339	5,965,113
Summarised fiancial information:		
Current assets	40,923,160	24,901,838
Non-current assets	20,575,897	20,282,584
Current liabilities	5,178,180	4,721,308
Non-current liabilities	30,283,699	20,947,073
Revenue	23,805,644	19,564,633
Profit	6,712,518	2,073,227
Total comprehensive income	-	-

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

32. Fair Value Disclosures

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 31 December 2017 and 31 December 2016, equity investments available-for-sale in the amount of UZS 8,262,957 thousand and UZS 7,807,983 thousand, respectively that do not have a quoted market price in an active market and whose fair value cannot be reliably measured were carried at cost less any identified impairment losses.

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 Uzbekistan Soums)

	31 December 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
Loans and advances to customers	692,478,021	720,751,104	551,264,743	551,264,743
Due from other banks	256,719,496	258,075,580	116,126,115	116,126,115
Due to other banks	279,051,181	277,228,187	173,026,174	173,026,174
Customer accounts	996,912,747	1,008,568,004	708,903,056	708,903,056
Debt securities in issue	18,969,265	20,336,816	15,028,457	15,028,457

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.

33. Presentation of Financial Instruments by Measurement Category

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

34. Related Party Transactions

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

In 2017, the management of the Group has re-assessed the related parties disclosures and identified that the disclosure requirement of related party transactions was not consistently applied, resulting in related party transaction disclosure for prior period be misstated. Thus, the management has restated the corresponding disclosure for prior periods.

At 31 December 2017, the outstanding balances with related parties were as follows:

	Key management personnel	Immediate parent company	Other related parties	Total
Loans and advances to customers (contractual interest rate: 8-16%)	162,384	117,485,684	80,844,388	**198,492,456**
Customer accounts (contractual interest rate: 0%)	81,878	356,537	76,914,913	**77,353,328**
Premises, equipment and intangible assets	-	-	26,989,438	**26,989,438**

Loans to immediate parent companies as at 31 December 2017 include loan issued to Prestij Rielt LLC for the total amount of UZS 47,001,390 thousand. The loan has been collateralized by four buildings previously owned by the Bank and sold to Prestij Rielt LLC in October 2017. Currently the buildings are occupied by Bank's branches under operating lease agreement.

(in thousands of Uzbekistan Soums)

	Key management personnel	Immediate parent company	Other related parties	Total
Loans and advances to customers (contractual interest rate: 8-16%)	162,384	117,485,684	80,844,388	**198,492,456**
Customer accounts (contractual interest rate: 0%)	81,878	356,537	76,914,913	**77,353,328**
Premises, equipment and intangible assets	-	-	26,989,438	**26,989,438**

Aggregate amounts lent to and repaid by related parties during 2017 were:

	Key management personnel	Immediate parent company	Other related parties	Total
Amounts lent to related parties during the year	-	96,926,390	20,709,804	**117,636,194**
Amounts repaid by related parties during the year	24,093	7,018,045	84,701,074	**91,743,212**

The income and expense items with related parties for 2017 were as follows:

	Key management personnel	Immediate parent company	Other related parties	Total
Interest income	36,072	8,074,243	16,347,670	**24,457,985**
Interest expense	-	-	70,272	**70,272**
Fee and Commission Income	3,652	146,713	8,903,968	**9,054,333**
Fee and Commission Expense	-	-	1,055,247	**1,055,247**
Other operating income	-	-	2,453,032	**2,453,032**
Administrative and other operating expenses	289	3,438,266	11,468,649	**14,907,204**

Contingent liability items with related parties for 2017 were as follows:

	Key Management Personnel	Immediate parent company	Other related parties	Total
Letters of credit	-	-	-	**-**
Guarantees issued	-	600,000	71,203,000	**71,803,000**

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

	Key management personnel (restated)	Immediate parent company (restated)	Other related parties (restated)	Total (restated)
Loans and advances to customers (contractual interest rate: 8-16%)	186,476	38,532,685	133,880,312	**172,599,474**
Customer accounts (contractual interest rate: 0)	31,156	1,415,738	19,119,335	**20,566,229**

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

	Key management personnel (restated)	Immediate parent company (restated)	Other related parties (restated)	Total (restated)
Amounts lent to related parties during the year	12,000	25,190,786	81,306,225	**106,509,011**
Amounts repaid by related parties during the year	21,426	7,932,008	17,080,325	**25,033,759**

(in thousands of Uzbekistan Soums)

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

	Key management personnel (restated)	Immediate parent company (restated)	Other related parties (restated)	Total (restated)
Interest income	28,011	4,915,853	16,070,489	**21,014,353**
Interest expense	-	-	24,855	**24,855**
Fee and Commission Income	6	130,090	4,010,297	**4,140,393**
Fee and Commission Expense	-	-	-	**-**
Other operating income	-	-	3,309,668	**3,309,668**
Administrative and other operating expenses	-	472,452	11,318,156	**11,790,608**

Contingent liability items with related parties for 2016 were as follows:

	Key Management Personnel (restated)	Immediate parent company (restated)	Other related parties (restated)	Total (restated)
Letters of credit	-	-	12,864,531	**12,864,531**
Guarantees issued	-	600,000	34,853,688	**35,453,688**
SWAP (commitment to buy USD and sell UZS)	-	-	36,593,170	**36,593,170**
SWAP (commitment to buy UZS and sell USD)	-	-	3,884,794	**3,884,794**

Key management compensation is presented below:

	2017	2016
Short-term benefits:		
- Salaries and bonuses	869,700	614,217
- Unified social payment	217,425	153,554
Total	**1,087,125**	**767,771**

35. Subsequent Events

On 28 February 2018, the Group has increased its share capital by UZS 20,000,000 thousand. The share capital was paid by existing and new shareholders in cash.

During March 2018, the Group has obtained borrowings from Agricultural Fund of the Ministry of Finance of the Republic of Uzbekistan, in the amount of UZS 51,909,000 thousand (1% annual interest rate), with the maturity date of 1 March 2019.

During April 2018, the Group has signed a preliminary credit line agreement with Islamic Corporation for the Development of the Private Sector (ICD), in the total amount of USD 7,000,000 (6.5% annual interest rate), with the maturity date of April 2023.

During April 2018, the Group's Management Board has made a decision to issue additional Deposit Certificates for the total amount of UZS 200,000,000 thousand, on the basis of Management Board's meeting minutes dated 06 April 2018 # 35.