JSCB "UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

Consolidated Financial Statements
and Independent Auditor's Report
For the Years Ended 31 December 2018
and 2017

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

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JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries ("the Group") as at 31 December 2018 and 2017 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management 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 financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining accounting records in compliance with legislation of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the years ended 31 December 2018 and 2017 were approved by the Management on 28 June 2019.

On behalf of the Management Board:

Voitov Aziz
Chairman of the Management Board

28 June 2019
Tashkent, Uzbekistan

Vokhidov Oybek
Chief Accountant

28 June 2019
Tashkent, Uzbekistan

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2018 and 2017, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the years 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 consolidated 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.

Emphasis of matter

We draw attention to Note 5 to these consolidated financial statements, which describes the restatement of corresponding figures in the consolidated statement of cash flows for the year ended 31 December 2017. Our opinion is not qualified in respect of this matter.

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
Assessment of expected credit losses on loans and advances to customers	
As at 31 December 2018, loans and advances to customers represent UZS 28,020,629 million or 90% of total assets, net of allowance for expected credit losses ("ECL") of UZS 355,862 million assessed on a collective basis and UZS 105,470 million on an individual basis. The collective assessment of ECL on loans and advances to customers is associated with the risk of inadequately collected historical data of the Group and its inconsistent application in the ECL models. Specifically, data on loans' maturity dates, outstanding balances, and status of arrears could be incomplete and/or inaccurate, which, as a consequence, could lead to inappropriate assumptions and inputs used in determining the risk factors such as probability of default (PD), loss given default (LGD), and exposure at default (EAD). While assessing the ECL on an individual basis, significant assumptions are used in determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition (migration between stage 1, 2 and 3). Additionally, the assessment of ECL requires an analysis of financial and non-financial data for estimating the future cash flows under different scenarios weighted for their probabilities. Information used for such analysis includes current financial performance of the borrower, forecasts of the industry trends, collateral value and costs and time required to sell the collateral.	We obtained an understanding of the credit risk management processes and ECL assessment and measurement, including identification of events leading to significant increase in credit risk ("SICR") and events of default. We critically assessed the Group's impairment methodologies for compliance with the requirements of IFRS 9. We tested, on a sample basis, the accuracy and completeness of input data and other information used in the models, including principle balances, allocation of loans by days in arrears, and checked other parameters, such as delinquency of interest or principle, restructuring events, existence of litigation processes and statistics for recoveries of loans. For collectively assessed loans, we challenged appropriateness of identification of significant increase in credit risk and classification of exposures into stages. For a sample of loans classified as stage 1 and stage 2, we challenged the Group's identification of SICR. For a sample of loans classified as stage 3 we challenged the Group's assessment of credit-impaired classification and whether relevant impairment events had been identified on a timely manner and whether the loans have been appropriately classified to the respective stage. We also analysed the determination of the loss given default used

Key audit matter	How the matter was addressed in the audit
Due to the significance of the loans and advances to customers' balance, the risks associated with the implementation of the new impairment model under IFRS 9 "Financial Instruments" and the complexity and the effect of Management's judgements on the amount of expected credit losses, we identified impairment of loans as a key audit matter. Refer to Notes 2 and 9 to the consolidated financial statements for the Group's accounting policy and disclosures of expected credit loss allowances.	by the Group, including information on sale of collateral, statistics for recoveries of loans and the resultant arithmetical calculations. For individually significant borrowers, we have challenged the Group's staging results and whether relevant impairment events had been identified on a timely basis, including overdue of interest or principal, restructuring events and certain financial performance indicators, in order to evaluate whether the loans have been appropriately classified to the respective stage. To check appropriateness of ECL for individually significant loans in stage 3, we reviewed the Group's documentation in relation to credit assessment of the borrowers, challenged assumptions underlying ECL calculation, such as future cash flow projections, the valuation of collateral held and key assumptions applied. We assessed the accuracy of the disclosures in the financial statements.
Going concern	
As discussed in Note 18 to the consolidated financial statements, as at 31 December 2018 the Group had not complied with certain financial covenants of its long-term loan agreements with Asian Development Bank ("ADB") for the total amount of UZS 151,492 million. The Management classified these borrowings as short-term in the consolidated statement of financial position and as on demand in the liquidity analysis. The Group has communicated these breaches to ADB and the remediation action plan is under discussion. The Bank has concluded that the going concern basis remains appropriate according to actions taken and plans as described in Note 2. Due to a significant impact of the covenant breaches on the liquidity and financial position of the Bank and pervasiveness of the conclusion on appropriateness of going concern assumption on the financial statements, this area is determined as a key audit matter.	We obtained an understanding of management's processes related to assessment of the Group's ability to continue as a going concern. We focused on evaluating and challenging the reasonableness of the Group's assumptions in respect of its strategic role in governmental programs and the continuing financial support by the Government. We read the Management's board and the Council meeting minutes and reviewed management's action plan. As part of the review of the Management's action plan, we analyzed the sources of planned funding from the Government and international financial institutions and checked the status of negotiating and agreeing the terms of financing. We also assessed the Group's ongoing support from the Government and performed the following procedures: - we reviewed the Group's participation in the strategically important state programs and checked supporting documentation on eligibility for the Government's financing; - we also reviewed the Government's plan for the Bank's share capital injections, checked the progress and reviewed relevant supporting documentation. We analysed the impact of possible downside scenarios on non-state customer base, including the effect of significant withdrawal of deposits. Further, we assessed the Bank's ability to take mitigating actions by attracting additional funding or renegotiating current borrowings with the state and state entities, if required, in advance of any such scenario threatening the compliance with covenants. We reviewed key loan agreements with regards to the risk of non-compliance with covenants and performed loan covenant recalculations. We also performed critical analysis of Management forecasts and assessed the possible effects of the immediate loans' settlement. We checked appropriateness and completeness of the disclosures made in the financial statements in respect of going concern

Deloitte.

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 an 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 the consolidated financial statements in accordance with 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 auditors' 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 judgement 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, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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" Audit Organisation LLC

License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

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

28 June 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 AND 2017
(in millions of Uzbek Soums)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	7	1,897,133	3,059,367
Due from other banks	8	812,092	669,375
Loans and advances to customers	9,33	28,020,629	20,360,591
Investment securities available for sale	10	-	19,864
Financial assets at fair value through other comprehensive income	10	41,804	-
Investment in associates	11	587	840
Premises, equipment and intangible assets	12	200,407	146,933
Other assets	13	52,613	31,695
Non-current assets held for sale	14	813	17,895
TOTAL ASSETS		**31,026,078**	**24,306,560**
LIABILITIES			
Due to other banks	15	676,700	376,560
Customer accounts	16,33	5,129,176	3,900,334
Debt securities in issue	17	67,741	68,885
Other borrowed funds	18,33	21,756,155	17,380,160
Other liabilities	19,33	105,972	52,400
Deferred income tax liability	25	86,865	62,849
Liabilities directly associated with disposal groups held for sale	14	-	1,991
TOTAL LIABILITIES		**27,822,609**	**21,843,179**
EQUITY			
Share capital	20	1,884,882	1,460,036
Treasury shares	20	(1,330)	(2,477)
Retained earnings		1,312,607	996,126
Revaluation reserve of financial assets at fair value through other comprehensive income (2017: Investment securities available for sale)		2,261	4,220
Net assets attributable to the Bank's owners		3,198,420	2,457,905
Non-controlling interest	29	5,049	5,476
TOTAL EQUITY		**3,203,469**	**2,463,381**
TOTAL LIABILITIES AND EQUITY		**31,026,078**	**24,306,560**

Approved for issue and signed on behalf of the Management Board on 28 June 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**
(in millions of Uzbek Soums, except for earnings per share which are in Soums)

	Notes	2018	2017
Continuing operations			
Interest income	21,33	1,359,390	745,972
Interest expense	21,33	(687,788)	(381,282)
Net interest income before provision on loans and advances to customers		671,602	364,690
(Provision for) / recovery of credit losses on loans and advances to customers	9	(99,526)	50,732
Initial recognition adjustment on interest bearing assets		(6,833)	(3,996)
Net interest income		**565,243**	**411,426**
Fee and commission income	22,33	255,141	201,658
Fee and commission expense	22	(51,751)	(38,645)
Net (loss)/gain on foreign exchange translation		(25,880)	759,801
Net gain from trading in foreign currencies		19,528	9,191
Dividend income		3,261	1,973
Other operating income	23	3,214	4,286
Provision for impairment of other assets		(4,078)	(5,888)
Provision for impairment of investment securities available for sale		-	(5,000)
Administrative and other operating expenses	24,33	(497,539)	(338,218)
Share of result from associates		(253)	(2,631)
Profit before tax		**266,886**	**997,953**
Income tax expense	25	(48,695)	(99,446)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**218,191**	**898,507**
Discontinued operations			
Profit for the year from discontinued operations	14	1,205	829
PROFIT FOR THE YEAR		**219,396**	**899,336**
Attributable to:			
- Owners of the Bank		219,823	896,663
- Non-controlling interest		(427)	2,673
PROFIT FOR THE YEAR		**219,396**	**899,336**
Total basic and diluted EPS per ordinary share (expressed in UZS per share)	27	**3**	**19**
Total basic and diluted EPS per equity component of preference share (expressed in UZS per share)	27	**4**	**19**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**
(in millions of Uzbek Soums, except for earnings per share which are in Soums)

	Notes	2018	2017
PROFIT FOR THE YEAR		**219,396**	**899,336**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Fair value gain on equity securities at fair value through other comprehensive income (2017: Investment securities available for sale)		1,743	3,504
Tax effect		(349)	(771)
Other comprehensive income		**1,394**	**2,733**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**220,790**	**902,069**
Attributable to:			
- Owners of the Bank		221,217	899,396
- Non-controlling interest		(427)	2,673
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**220,790**	**902,069**

Approved for issue and signed on behalf of Management Board on 28 June 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(in millions of Uzbek Soums)

	Notes	Share capital	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income (2017: Investment securities available for sale)	Retained earnings	Non-controlling interest	Total equity
31 December 2016		**706,385**	**(4,332)**	**1,487**	**150,122**	**-**	**853,662**
Profit for the year		-	-	-	896,663	2,673	899,336
Other comprehensive income		-	-	2,733	-	-	2,733
Total comprehensive income for 2017		-	-	2,733	896,663	2,673	902,069
Shares issued		726,470	-	-	-	-	726,470
Disposal of treasury shares		-	1,855	-	-	-	1,855
Non-controlling interests arising on the acquisition of subsidiary		-	-	-	-	2,803	2,803
Effect of change in present value of preference shares		(266)	-	-	-	-	(266)
Dividends declared		27,447	-	-	(50,659)	-	(23,212)
31 December 2017		**1,460,036**	**(2,477)**	**4,220**	**996,126**	**5,476**	**2,463,381**
Effect of IFRS 9 adoption on 1 January 2018		-	-	(3,353)	127,171	-	123,818
Balance at 1 January 2018 (restated under IFRS 9)		**1,460,036**	**(2,477)**	**867**	**1,123,297**	**5,476**	**2,587,199**
Profit for the year		-	-	-	219,823	(427)	219,396
Other comprehensive income		-	-	1,394	-	-	1,394
Total comprehensive income for 2018		-	-	1,394	219,823	(427)	220,790
Shares issued	20	424,846	-	-	-	-	424,846
Disposal of treasury shares		-	1,147	-	-	-	1,147
Dividends declared		-	-	-	(30,513)	-	(30,513)
31 December 2018		**1,884,882**	**(1,330)**	**2,261**	**1,312,607**	**5,049**	**3,203,469**

Approved for issue and signed on behalf of Management Board on 28 June 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(in millions of Uzbek Soums)

	2018	2017 (restated*)
Cash flows from operating activities		
Interest received	941,562	267,032
Interest paid	(346,213)	(22,290)
Fee and commission received	258,394	207,338
Fee and commission paid	(51,751)	(38,645)
Net gain from trading in foreign currencies	19,528	9,191
Other operating income received	2,775	10,823
Staff costs paid	(299,660)	(194,083)
Administrative and other operating expenses paid	(154,546)	(116,132)
Income tax paid	(29,117)	(25,088)
Cash flows from operating activities before changes in operating assets and liabilities	**340,972**	**98,146**
Net (increase)/decrease in due from other banks	(126,428)	994,761
Net increase in loans and advances to customers	(6,634,702)	(804,242)
Net (increase)/decrease in other assets	(6,637)	41,818
Net increase in due to other banks	33,155	13,479
Net increase/(decrease) in customer accounts	1,186,114	(360,746)
Net increase/(decrease) in other liabilities	1,613	(307,640)
Net cash used in operating activities	**(5,205,913)**	**(324,424)**
Cash flows from investing activities		
Acquisition of investment securities available for sale	-	(6,552)
Acquisition of financial assets at fair value through other comprehensive income	(25,301)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	805	-
Proceeds at maturity of investment securities held to maturity	-	13,000
Acquisition of premises and equipment	(105,496)	(37,361)
Proceeds from disposal of premises and equipment	1,353	4,789
Proceeds from disposal of subsidiary, net of disposed cash	3,472	-
Net cash outflow on acquisition of subsidiary	-	(3,500)
Dividend income received	3,261	1,973
Net cash used in investing activities	**(121,906)**	**(27,651)**

*As restated, see note 5.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(in millions of Uzbek Soums)

	Notes	2018	2017 (restated*)
Cash flows from financing activities			
Proceeds from borrowings due to other banks		298,033	134,282
Repayment of borrowings due to other banks		(31,736)	(31,677)
Proceeds from other borrowed funds		6,107,019	1,843,359
Repayment of other borrowed funds		(2,608,701)	(1,499,851)
Proceeds from debt securities in issue		3,950	-
Repayment of debt securities in issue		(4,910)	(10,080)
Issue of ordinary shares	20	424,846	726,470
Dividends paid		(29,965)	(22,913)
Treasury shares sold		1,147	1,855
Net cash from financing activities		**4,159,683**	**1,141,445**
Effect of exchange rate changes on cash and cash equivalents		5,902	1,310,411
Net increase/(decrease) in cash and cash equivalents		**(1,162,234)**	**2,099,781**
Cash and cash equivalents at the beginning of the year	7	3,059,367	959,586
Cash and cash equivalents at the end of the year	7	**1,897,133**	**3,059,367**

Approved for issue and signed on behalf of the Management Board on 28 June 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

*As restated, see note 5.
The notes set out on pages 12 to 79 form an integral part of these consolidated financial statements

(in millions of Uzbek Soums, unless otherwise indicated)

1. INTRODUCTION

The Bank is a Joint Stock Company set up in accordance with Uzbekistan legislation.

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #17 issued by the Central bank of Uzbekistan ("CBU") on 21 October 2017 (succeeded the licenses #17 issued on 25 January 2003 and #25 issued on 29 January 2005 by the CBU for banking operations and general license for foreign currency operations, respectively).

Principal activity. The Bank's principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals and extends loans and transfers payments. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as of 31 December 2018 (31 December 2017: 45 branches).

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

As at 31 December 2018, the number of Bank's employees was 3,584 (31 December 2017: 3,850).

Registered address and place of business. 3, Sharisabzskaya Street, Tashkent, 100000, Uzbekistan

At 31 December 2018 and 2017, the Group consolidated the following companies in these consolidated financial statements:

Name	Country of incorporation	The Bank's ownership 2018 %	2017 %	Type of operation
Asset Invest Trust, LLC	Uzbekistan	100	100	Consulting
PSB Capital, LLC	Uzbekistan	100	-	Asset management
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset management
Ferghana Ceramics Industry, LLC	Uzbekistan	-	100	Manufacturing
Xorazm Nasli Parranda, LLC	Uzbekistan	57	57	Poultry farming

During 2018, the Group sold its subsidiary Ferghana Ceramics Industry LLC on a seven year deferred payment terms.

The table below represents the interest of the shareholders in the Bank's share capital as at 31 December 2018 and 2017:

Shareholders	2018	2017
The Fund for Reconstruction and Development of the Republic of Uzbekistan	55.78%	63.50%
The Ministry of Finance of the Republic of Uzbekistan	30.44%	18.67%
Joint Stock Company "Uztransgaz"	2.98%	3.86%
Tashmuxamedov Ravshan Irkinovich	1.19%	1.54%
Unitary Enterprise "Bukhara oil refinery plant"	1.11%	1.44%
Joint Stock Company "Uzbekenergo"	1.09%	1.42%
Joint Stock Company "Uzneftmahsulot"	0.99%	1.28%
Private limited company "Shurtan gas chemical complex"	0.91%	1.18%
Other legal entities and individuals (individually hold less than 1%)	5.51%	7.11%
Total	**100%**	**100%**

2. SIGNIFICANT ACCOUNTING POLICIES

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

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment, including the reforms of the new government, directed at increasing living standards, incomes, and job opportunities in the Republic of Uzbekistan.

For the year ended 31 December 2018, the Group has a cumulative liquidity shortfall of UZS 324,804 million up to six months, which partially reflects the effects of the breach of certain financial covenants stipulated in the loan agreement with Asian Development Bank ("ADB") as discussed in detail in Note 18.

Management of the Group believes that the Group will be able to continue as a going concern due to:

- Continued ongoing support by the Government of the Republic of Uzbekistan. The Group is a state owned bank with the Ministry of Finance and Fund for Reconstruction and Development of Uzbekistan ("UFRD") as key shareholders, jointly holding 86.2% interest in the share capital of the Bank. The Group is a strategic financial institution of the Republic of Uzbekistan responsible for development of strategic industries. This continued support is evidenced by a capital injection of UZS 292,467 million by the UFRD according to the share emission #27 dated 25 December 2018. The funds were received on 18 January 2019.

  Moreover, as a result of the successful placement of Inaugural International Sovereign Bond on the London Stock Exchange in February 2019 and in accordance with the Presidential Decree # PD-4258 dated 2 April 2019 the Bank has received long-term deposits from the Ministry of Finance of the Republic of Uzbekistan for the total amount of USD 122,100,000. The funds were received for long-term lending to strategically important projects of the economy of Uzbekistan. In addition, in accordance with the Presidential Decree #PD-4258 dated 2 April 2019 the Group's borrowings from the Ministry of Finance of the Republic of Uzbekistan have been reclassified from other borrowed funds to subordinated debt in the total amount of UZS 523,098 million.

  Subsequent to the reporting date, in accordance with the Presidential Decrees dated 2019, the Group received additional funding in the total amount of UZS 195,142 million and USD 17,146,230 from the Ministry of Finance, UZS 273,713 million from UFRD and UZS 33,859 million from CBU for the development of strategic industries in the Republic of Uzbekistan (total UZS 502,714 million and USD 17,146,230).

  The Management is not aware of any circumstances that would question the continuation of the Group and considers that all operations will proceed in the normal course of business, with the Government ("the State") retaining the strategic control for the foreseeable future;

- As at 31 December 2018, deposits of state entities callable within one year amounted to UZS 1,645,352 million and borrowings from the State and state entities with the same maturity amounted to UZS 754,270 million (total UZS 2,399,622 million). Also, the State and state entities represent most of the long-term borrowings of the Group (31 December 2018: UZS 13,252,816 million). Given that deposits and borrowings are obtained from the State and state entities, terms of these financial instruments can be renegotiated and restructured, if there is a such necessity;

- Management regularly assesses the stability of its customer accounts funding base, in particular with respect to that of non-state entities, based on past performance and analysis of the events subsequent to the reporting date. Management believes that the customers intend to hold their term deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented except for the accounting policies and impact of the adoption of new Standard and Interpretations IFRS 9 Financial Instruments.

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 ("UAL"). These consolidated financial statements are based on the Group's UAL books and records, adjusted and reclassified in order to comply with IFRS.

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

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

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

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

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.

Accounting for the effects of hyperinflation. The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at 31 December 2006 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

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

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

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 30.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. All investments in equity instruments and contracts on those instruments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

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

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

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

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

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

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

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

Accounting for financial assets prior to 1 January 2018.

Financial assets in the scope of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") are classified as either financial assets at fair value through profit or loss, loans and receivables, investments held to maturity or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets depending on the nature and purpose of the financial assets, which is determined at the time of initial recognition.

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value unless fair value cannot be reliably determined, in which case the investment securities available for sale are carried at cost. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year.

Dividends on available for sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has both the intention and ability to hold to maturity. The Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held to maturity are carried at amortised cost.

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

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

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

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;

- the borrower experiences a 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.

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

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

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

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

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

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

Accounting for financial assets from 1 January 2018.

Financial assets in the scope of IFRS 9 "Financial Instruments" ("IFRS 9") are classified as either financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 Financial Instruments ("IFRS 9") are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.

- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- loans and advances to customers classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through other comprehensive income;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss or other comprehensive income.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:
- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading, may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Equity instruments at fair value through other comprehensive income

The fair value of the equity instruments at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on The Management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment of financial assets
Expected credit loss (ECL) measurement - definitions

ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

An ECL measurement is based on four components used by the Group:

- Exposure at Default (EAD) - an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Probability of Default (PD) - an estimate of the likelihood of default to occur over a given time period.
- Loss Given Default (LGD) - an estimate of a loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from any collateral. It usually expressed as a percentage of EAD.
- Discount Rate - a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Calculation of financial assets impairment was made taking into account the following factors:

- In order to calculate the expected credit losses, the Group performs loan assessment on an individual basis and on a group basis depending on general credit risk features.
- Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and the Management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.

The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

For collective assessment of credit losses, loans and advances to customers are segmented by criteria for determining the transition between Stages 1, 2 and 3. The presence of at least one criterion is sufficient to lead to the change of transaction classifications, reflecting the increase in credit risk.

Stage 1: Loans without significant increase in credit risk (SICR)

- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 until the identification of factors that indicate a significant increase in credit risk, except for acquired or created loan-impaired loans.

Stage 2: Loans with significant increase in credit risk (SICR)

- Loans in which the maximum number of days overdue on principal or interest ranges from 31 days to 90 days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Loans that were credit-impaired (Stage 3) as at the end of the previous quarter due to one or more transition criteria of Stage 3, and which as at the end of the current quarter have signs of Stage 1 or 2;
- Loans that were restructured and repaid 25% of principal from the date of restructuring.
- In the absence of historical information about the number of overdue days for accrued interest, loans for which there is an amount of overdue interest at the end of the current quarter.

Stage 3: Financial asset is in default

- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);
- Presence of debt on off-balance sheet accounts for the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU;
- Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;
- Purchased or created credit impaired financial asset (POCI);

An asset is assessed for impairment on an individual basis if the total debt of the borrower at the reporting date exceeds the materiality level. The level of materiality is determined as 1% of arithmetic average of the Bank's total regulatory capital per National accounting standards for the last two years. If the materiality of the Bank for determining an individually significant asset increases by more than 2 times in the calculation for the next period (fiscal year), then the materiality level for this next period (fiscal year) shall not exceed the Bank's materiality level for the previous period (fiscal year) more than 2 times, and it will be equal to the level of materiality multiplied by 2 (in the case of facts or circumstances that may significantly affect the Bank's estimated materiality level, which, due to these facts or circumstances, may be at an unexpected or atypical level for the corresponding period, for example , large profits or losses of the Bank may occur due to one-time general economic conditions / changes or other external conditions or non-typical operations for the Bank, in this case it is possible to normalize the calculated amount of capital for the relevant period by excluding from the calculation the amount of such gains / losses).

Based on the results of the assessment at each reporting date, questionnaire for each individually significant borrower with the necessary explanations and comments is filled out to identify signs of a significant increase in credit risk and credit impairment. The questionnaire is completed on the basis of the loan portfolio and the information contained in the monitoring reports, and other information in the credit folder.

After determining whether there is evidence of a significant increase in credit risk, as well as impairment, depending on the results of such analysis, the Group classifies the asset in question in one of the following stages:

Stage 1: "Loans with low credit risk"

- All loans at initial recognition are classified in Stage 1 and remain in Stage 1 if no significant increase in the level of credit risk has been identified or until the factors indicating an increase in credit risk have been identified, except for loans acquired or created credit impaired;

Stage 2: "Loans with increased credit risk"

- Breach of contract terms, such as a delay of payment from 31 to 90 calendar days;
- The Bank has information about overdue debts in other credit institutions (if information is available for the Bank) on the principal debt and / or the borrower's remuneration from 31 to 90 calendar days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Actual or expected significant change in the operating results of the borrower. Examples include actual or expected decrease in revenues or margins, increased operational risks, working capital inefficiencies, management problems, or changes in the scale of business or organizational structure (for example, termination of a business segment), which lead to a significant change in the borrower's ability to repay debt liabilities. The criteria is reduction of the financial condition of the borrower by one class. Class of the financial condition of the borrower score based on the calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales profitability
- Actual or expected (based on reasonable and corroborated information) reduction of the borrower's external credit rating by 2 or more notches;
- Reduction of financial support from the state, the parent organization or another affiliated organization;
- Significant deterioration in the quality or condition of the collateral according to the data of the last monitoring report, which is expected to reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract or otherwise affect the probability of a default. When the security is a guarantee of third parties, significant financial difficulties of the guarantor or surety;
- Existing or projected adverse changes in commercial, financial or economic conditions (actual or expected increase in interest rates or actual or expected increase in unemployment) or actual or expected adverse change in regulatory, economic or technological conditions of the borrower's activity (for example, decrease in demand for the borrower of the product due to changes in technology);
- Borrower who has no evidence of impairment or evidence of a significant increase in credit risk at the reporting date, but who has been classified as credit impaired (in Stage 3) based on the calculation of expected credit loss at the previous reporting date.
- Expected breach of contract that could lead to the provision of exemptions for covenants or amendments to covenants, provision of temporary exemption from interest payments, increase in interest rates, introduction of requirements for additional security or guarantees or other changes to the contractual base of the instrument;
- Reasonable and corroborated information about one or more of the following factors:
  - the presence of uncertainty in respect of continuous operations in the auditor's report of the financial statements of the borrower;
  - involvement in legal proceedings of the borrower (co-borrower), which may worsen its financial condition;
  - violation of covenants 1 or more times within three months before the reporting date;

Stage 3: "Credit-impaired loans"

- Breach of contract terms, such as default or delay of payments for 90 days and more;
- Cross-default, the Bank has information about overdue debts in other credit institutions (if the Bank has information) on the principal debt and / or interest for 90 calendar days or more;

- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU.
- Presence of significant financial difficulties of the borrower. The criteria is reduction of financial condition of the borrower by two or more classes. The class of the financial condition of the borrower is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales margin);
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Bank and when restructuring occurs at the decision of higher authorities);
- Lack of communication with the borrower (co-borrower), as well as the lack of information to determine the financial condition of the borrower (co-borrower) for the last 12 months;
- Decrease in the external credit rating of the borrower to the "CC" rating and below, assigned by the rating agencies Standard & Poor's, Moody's Investors Service and Fitch;
- Write-off of part and / or the entire amount of debt on the principal debt and / or remuneration of the borrower during the previous 2 years;
- Suspension of the accrual of interest on the loan due to the deteriorating financial condition of the borrower (non-accrual status);
- Availability of information about the death of the borrower (co-borrower) of an individual;
- Purchase or creation of a financial instrument with a large discount, which reflects the incurred credit losses;
- The borrower's appeal to the court with a statement of recognition of its bankruptcy or the filing of a claim by a third party to declare the borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans that have a court decision or are in court proceedings (loans that have court decision dates in the loan portfolio);
- Revocation of a license or other title document for the implementation of activities;
- Disappearance of an active market for a given financial asset.

The amount of expected credit losses for loans that are classified in Stage 1 and in Stage 2 is determined on a collective basis.

For each individually significant borrower in Stage 3, one of the following repayment strategies is determined:

- "Restructuring" strategy: restructuring the loan, revising credit conditions and developing an action plan that can allow the borrower to repay the loan;
- Strategy "Realization of collateral": liquidation of a loan by selling collateral.

The choice of the most appropriate strategy is determined based on the individual situation of the borrower, its availability and consent to cooperation, the availability of opportunities to restore activity, production or the possibility of eliminating the causes that caused losses and the inability to service the debt, the availability of funds from other business lines of the borrower, value, condition of pledges regarding debt and other factors.
In the event that the borrower incurs losses and the Bank has no evidence of other sources of income and funds to service the debt, the strategy for selling collateral for the borrower is chosen.

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

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soum at 31 December 2006 for assets acquired prior to 1 January 2007, less accumulated depreciation and provision for impairment, where required.

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

At the end of each reporting period the Management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the 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 and are recognised in profit and loss.

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

	Useful lives in years
Building and leasehold improvements	20
Office and computer equipment	5-10

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

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

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

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.
Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

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

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

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

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

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

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

Other borrowed funds. Other borrowed funds include borrowings from government and non-government funds and financial institutions. Other borrowed funds are carried at amortised cost.

Income taxes. Income taxes have been provided for in the consolidated financial statements 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 the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Uncertain tax positions. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the 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 recognised based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Large-scale tax system transformations are taking place in the Republic of Uzbekistan associated with the adoption of the Concept for Improving the Tax Policy of the Republic of Uzbekistan. Its main reforms are implemented in the Tax Code, other regulatory acts, including the annual "budgetary" resolution and entered into force on 1 January 2019.

There were significant changes introduced in tax law of the Republic of Uzbekistan in accordance with the Presidential decree #PD-4086 on "Forecasting the main macroeconomic budget indicators and parameters for 2019 and budget guidelines for 2020-2021" dated 26 December 2018. Corporate income tax for credit organisations has been set at of 20%.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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.

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

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Preference shares which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised as interest expense on an amortised cost basis, using the effective interest method.

Treasury shares. Where the Group or its subsidiaries purchase the Group's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Group until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations. Uzbek legislation identifies retained earnings as the basis for profit distribution.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

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

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of the Central bank of Uzbekistan at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. 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.

As at 31 December 2018, the rate of exchange used for translating foreign currency balances was USD 1 = UZS 8,339.55 (2017: USD 1 = UZS 8,120.07) and EUR 1 = UZS 9479.57 (2017: EUR 1 = UZS 9,624.72).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Earnings per share. Preference shares are not redeemable, and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to the 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 of the Group. 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. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires the Management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. The Management evaluates its estimates and judgements on an ongoing basis. The Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk. As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default ("PD").

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Probability of default. PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default.

The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

Loss Given Default. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Establishing *groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Models and assumptions used. The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to notes 10 and 30 for more details on fair value measurement.

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

Recoverability of deferred tax assets. The Management of the Group is confident that no adjustment against deferred tax assets at the reporting date is considered necessary, because it is more than likely that the deferred tax asset will be fully realized.

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

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these consolidated financial statements:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications);
- Amendments to IFRSs Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 40 Transfers of Investment Property;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

(in millions of Uzbek Soums, unless otherwise indicated)

IFRS 9 Financial Instruments

In these consolidated financial statements, the Group has applied IFRS 9 for the first time, effective for annual periods beginning on or after 1 January 2018. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

As such, fiscal 2018 results reflect the adoption of IFRS 9, while prior period reflect results under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in the consolidated statement of changes in equity.

This standard suggests changes in classification principles of financial instruments and replacement of "incurred losses" model applied by IAS 39 with "expected losses" model.

In preparing this consolidated financial statements, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with IFRS, except for changes relating to IFRS 9 discussed in Note 3 of the consolidated financial statements.

	IAS 39 Measurement category	As at 31 December 2017, IAS 39 Carrying Amount	Reclassification	Remeasurement	As at 1 January 2018, IFRS 9 Carrying Amount	IFRS 9 Measurement category
Cash and cash equivalents	Loans and receivables	3,059,367	-	(107)	3,059,260	Amortised cost
Due from other banks	Loans and receivables	669,375	-	(403)	668,972	Amortised cost
Loans and advances to customers	Loans and receivables	20,360,591	-	169,909	20,530,500	Amortised cost
Investment securities available for sale	AFS	19,864	(19,864)	-	-	n/a
Financial assets at fair value through other comprehensive income	n/a	-	19,864	(4,299)	15,565	FVOCI
Other financial assets	Loans and receivables	3,126	-	(432)	2,694	Amortised cost
Provisions on commitments and contingencies	n/a	-	-	(5,927)	(5,927)	n/a
Tax effect through retained earnings	n/a	-	-	(35,869)	(35,869)	n/a
Tax effect through OCI	n/a	-	-	946	946	n/a

IFRS 15 Revenue from Contracts with Customers

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortised over the period when the benefits of the contract are consumed. Its adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

When there will be an impact, the Group will apply IFRS 15 using modified retrospective approach with the cumulative effect of initial applying IFRS 15 recognised at 1 January 2018 as an adjustment to the opening balance of retained earnings.

Amendments to IFRSs Annual Improvements to IFRS Standards 2015-2017 Cycle

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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). Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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. Its adoption has not had any material impact on the disclosures or on the amounts reported in these 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 16 Leases;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 1 and IAS 8 Definition to Material;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or joint Venture;
- IFRIC 23 Uncertainty over Income Tax Treatments.

The Management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements 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 for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract).

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has started the process of IFRS 16 implementation, but not yet completed. A preliminary assessment indicates that these amendments, will have an 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 amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Management of the Group do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements. However, it will carefully consider amendments to IFRS 9 in regards to prepayment features with negative compensation during the SPPI test.

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

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount reauired 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 apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition to Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments 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.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) 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 anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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.

(in millions of Uzbek Soums, unless otherwise indicated)

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prespectively.

The Management of the Group do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5. RESTATEMENTS AND RECLASSIFICATIONS

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2017, the Management identified an error in classification of cash flows related to long-term borrowings from JSC Halk Bank, which were previously classified as cash flows from operating activities. As a result of the retrospective correction of this error, the cash flows related to long-term borrowings from JSC Halk Bank for financing of the strategic government projects were reclassified from cash flows from operating activities to cash flows from financing activities.

The effect of the adjustments made to the consolidated statement of cash flows for the year ended 31 December 2017 is as follows:

	As previously reported	Adjustment	As restated
Net increase in due to other banks	116,084	(102,605)	13,479
Net cash used in operating activities	**(221,818)**	**(102,605)**	**(324,423)**
Proceeds from borrowings due to other banks	-	134,282	134,282
Repayment of borrowings due to other banks	-	(31,677)	(31,677)
Net cash from financing activities	**1,038,839**	**102,605**	**1,141,444**

6. SEGMENT REPORTING

The Group's operations are a single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8 *"Operating Segments"* and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

7. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	456,067	527,258
Cash balances with the CBU (other than mandatory reserve deposits)	813,180	582,231
Correspondent accounts and placements with other banks with original maturities of less than three months	627,940	1,949,878
Less: Allowance for expected credit losses	(54)	-
Total cash and cash equivalents	**1,897,133**	**3,059,367**

(in millions of Uzbek Soums, unless otherwise indicated)

The credit quality of cash and cash equivalents at 31 December 2018 is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks original with maturities of less than three months	Total
Neither past due nor impaired			
- Central bank of Uzbekistan	813,180	-	**813,180**
- Rated AA to A-	-	613,083	**613,083**
- Rated below A-	-	14,857	**14,857**
Less: Allowance for expected credit losses	(28)	(26)	**(54)**
Total cash and cash equivalents, excluding cash on hand	**813,152**	**627,914**	**1,441,066**

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

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired			
- Central Bank of Uzbekistan	582,231	-	**582,231**
- Rated A- to A+	-	1,291,509	**1,291,509**
- Rated below A-	-	658,369	**658,369**
Total cash and cash equivalents, excluding cash on hand	**582,231**	**1,949,878**	**2,532,109**

8. DUE FROM OTHER BANKS

	31 December 2018	31 December 2017
Mandatory cash balances with CBU	240,488	378,551
Placements with other banks with original maturities of more than three months	334,145	89,448
Restricted cash	242,270	201,376
Less: Allowance for expected credit losses	(4,811)	-
Total due from other banks	**812,092**	**669,375**

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

(in millions of Uzbek Soums, unless otherwise indicated)

Analysis by credit quality of due from other banks outstanding at 31 December 2018 is as follows:

	Mandatory cash balances with CBU	**Placements with other banks with original maturities of more than three months**	**Restricted cash**	**Total**
Neither past due nor impaired				
- Central bank of Uzbekistan	240,488	-	-	**240,488**
- Rated AA to A-	-	-	237,820	**237,820**
- Rated below A-	-	334,145	4,450	**338,595**
Less: Allowance for expected credit losses	(8)	(4,709)	(94)	(4,811)
Total due from other banks	**240,480**	**329,436**	**242,176**	**812,092**

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

	Mandatory cash balances with CBU	**Placements with other banks with original maturities of more than three months**	**Restricted cash**	**Total**
Neither past due nor impaired				
- Central bank of Uzbekistan	378,551	-	-	**378,551**
- Rated A- to A+	-	-	39,253	**39,253**
- Rated below A-	-	89,448	162,123	**251,571**
Total due from other banks	**378,551**	**89,448**	**201,376**	**669,375**

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.

9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

- Loans to state and municipal organisations - loans issued to clients wholly owned by the Government of the Republic of Uzbekistan and budget organisations;
- Corporate loans - loans issued to clients other than government entities and private entrepreneurs;
- Loans to individuals - loans issued to individuals for consumption purposes, for the purchase of residential houses and flats and loans issued to private entrepreneurs without forming legal entity.

(in millions of Uzbek Soums, unless otherwise indicated)

Loans and advances to customers comprise:

	31 December 2018	31 December 2017
State and municipal organisations	20,614,186	18,092,489
Corporate loans	6,193,791	2,084,143
Loans to individuals	1,673,984	722,239
Total loans and advances to customers, gross	**28,481,961**	**20,898,871**
Less: Allowance for expected credit losses (2017: Provision for loan impairment)	(461,332)	(538,280)
Total loans and advances to customers	**28,020,629**	**20,360,591**

As at 31 December 2018, loans and advances include finance lease receivables of UZS 198,327 million (31 December 2017: UZS 3,338 million) before allowance for expected credit losses (2017: Provision for loan impairment).

Loans and advances to customers classification by stages:

	31 December 2018	31 December 2017
Originated loans to customers	28,468,512	20,898,869
Overdrafts	13,449	2
Total loans and advances to customers, gross	**28,481,961**	**20,898,871**
Stage 1	24,580,970	-
Stage 2	3,341,788	-
Stage 3	559,203	-
Total loans and advances to customers, gross	**28,481,961**	**20,898,871**
Less: Allowance for expected credit losses (2017: Provision for loan impairment)	(461,332)	(538,280)
Total loans and advances to customers	**28,020,629**	**20,360,591**

(in millions of Uzbek Soums, unless otherwise indicated)

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the year:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2018	**18,989,527**	**1,669,228**	**240,116**	**20,898,871**
Changes in the gross carrying amount				
- Transfer from stage 1	(2,653,541)	2,122,886	530,655	-
- Transfer from stage 2	109,082	(164,294)	55,212	-
- Transfer from stage 3	12,204	23,722	(35,926)	-
- Changes due to modifications that did not result in derecognition	(3,672,300)	(255,641)	(154,027)	**(4,081,968)**
New assets issued or acquired	12,567,821	-	-	**12,567,821**
Matured or derecognized assets (except for write off)	(1,224,354)	(124,927)	(68,874)	**(1,418,155)**
Written off assets	-	-	(14,801)	**(14,801)**
Foreign exchange differences	452,531	70,814	6,848	**530,193**
Gross carrying amount as at 31 December 2018	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Loss allowance for ECL as at 31 December 2018	(175,253)	(70,747)	(215,332)	**(461,332)**
Total loans and advances to customers	**24,405,717**	**3,271,041**	**343,871**	**28,020,629**

(in millions of Uzbek Soums, unless otherwise indicated)

The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the year:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2018	**229,911**	**29,450**	**109,010**	**368,371**
Changes in the gross carrying amount				
- Transfer from stage 1	(156,459)	32,441	124,018	-
- Transfer from stage 2	12,678	(17,574)	4,896	-
- Transfer from stage 3	8,801	7,740	(16,541)	-
- Changes due to modifications that did not result in derecognition	(22,108)	21,205	43,057	**42,154**
New assets issued or acquired	107,882	-	-	**107,882**
Matured or derecognized assets (except for write off)	(8,719)	(3,830)	(53,915)	**(66,464)**
Recovery of assets previously written off	-	-	15,954	**15,954**
Written off assets	-	-	(14,801)	**(14,801)**
Foreign exchange differences	3,267	1,315	3,654	**8,236**
Loss allowance for ECL as at 31 December 2018	**175,253**	**70,747**	**215,332**	**461,332**

The movement in the provision for impairment of loans and advances to customers for 2017 is presented in the below table:

	State and municipal organisations	Corporate loans	Loans to individuals	Total
1 January 2017	**180,636**	**97,903**	**7,100**	**285,639**
Provision for impairment during the year	(43,643)	(7,064)	(25)	**(50,732)**
Amounts written off during the year as uncollectible	-	(4,910)	-	**(4,910)**
Recovery of assets previously written off	7,891	-	-	**7,891**
Effect of foreign exchange translation difference	204,867	80,191	15,334	**300,392**
31 December 2017	**349,751**	**166,120**	**22,409**	**538,280**

(in millions of Uzbek Soums, unless otherwise indicated)

Economic sector risk concentrations within the loans and advances to customer are as follows:

	31 December 2018		31 December 2017	
	Amount	**%**	**Amount**	**%**
Oil and gas & chemicals	14,152,593	49.7%	13,641,447	65.3%
Energy	4,633,970	16.3%	2,955,984	14.1%
Manufacturing	3,429,674	12.0%	1,114,429	5.3%
Transport and communication	1,677,406	5.9%	1,307,339	6.3%
Individuals	1,673,984	5.9%	722,239	3.5%
Agriculture	1,010,762	3.5%	281,133	1.3%
Services	740,501	2.6%	238,817	1.1%
Trade	630,441	2.2%	306,008	1.5%
Construction	532,630	1.9%	331,475	1.6%
Total loans and advances to customers, gross	**28,481,961**	**100%**	**20,898,871**	**100%**
Less: Allowance for expected credit losses (2017: Provision for loan impairment)	(461,332)		(538,280)	
Total loans and advances to customers	**28,020,629**		**20,360,591**	

As at 31 December 2018, the Group granted loans to 7 (31 December 2017: 7) borrowers in the amount of UZS 18,563,205 million (31 December 2017: UZS 16,223,656 million), which individually exceeded 10% of the Group's equity.

Information about collateral as at 31 December 2018 and 2017 are as follows:

	State and municipal organisations	**Corporate loans**	**Loans to individuals**	**31 December 2018**
Loans collateralised by:				
State guarantee	13,455,000	-	-	**13,455,000**
Letter of surety	3,714,688	2,468,354	641,093	**6,824,135**
Real estate	1,509,079	2,182,677	761,336	**4,453,092**
Equipment	1,097,279	886,819	-	**1,984,098**
Equity securities	615,667	-	-	**615,667**
Vehicles	103	311,120	122,072	**433,295**
Insurance policy	6,651	186,643	148,724	**342,018**
Inventory and receivables	134,722	104,900	-	**239,622**
Cash deposits	11	53,278	704	**53,993**
Not collateralised	80,986	-	55	**81,041**
Total loans and advances to customers, gross	**20,614,186**	**6,193,791**	**1,673,984**	**28,481,961**
Less: Allowance for expected credit losses	(144,489)	(314,521)	(2,322)	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

(in millions of Uzbek Soums, unless otherwise indicated)

	State and municipal organisations	Corporate loans	Loans to individuals	31 December 2017
Loans collateralised by:				
State guarantee	12,092,104	-	-	**12,092,104**
Letter of surety	2,886,266	571,604	227,990	**3,685,860**
Real estate	1,447,604	1,028,992	482,619	**2,959,215**
Equipment	1,016,312	247,340	-	**1,263,652**
Equity securities	604,198	-	-	**604,198**
Vehicles	6,341	115,395	4,416	**126,152**
Insurance policy	2,242	109,734	6,741	**118,717**
Inventory and receivables	33,555	9,412	-	**42,967**
Cash deposits	3,867	1,666	473	**6,006**
Total loans and advances to customers, gross	**18,092,489**	**2,084,143**	**722,239**	**20,898,871**
Less: Provision for loan impairment	(349,751)	(166,120)	(22,409)	**(538,280)**
Total loans and advances to customers	**17,742,738**	**1,918,023**	**699,830**	**20,360,591**

(in millions of Uzbek Soums, unless otherwise indicated)

Analysis by credit quality of loans to State and municipal organisations, Corporate and Individual customers that are collectively and individually assessed for impairment as at 31 December 2018 and 2017 are as follows:

	State and municipal organisations	Corporate loans	Loans to individuals	Total 31 December 2018
Loans assessed for impairment on a collective basis				
Not past due loans	20,563,999	5,703,413	1,656,456	**27,923,868**
Past due loans	-	-	-	
- less than 30 days overdue	1,044	153,237	6,141	**160,422**
- 31 to 90 days overdue	18,549	109,076	7,788	**135,413**
- 91 to 180 days overdue	997	29,399	1,920	**32,316**
- 181 to 360 days overdue	1,135	10,850	1,287	**13,272**
- over 360 days overdue	1,559	5,153	392	**7,104**
Total loans assessed for impairment on a collective basis, gross	**20,587,283**	**6,011,128**	**1,673,984**	**28,272,395**
Loans individually determined to be impaired (gross):				
Not past due loans	26,903	68,688	-	**95,591**
Restructured loans	-	87,486	-	**87,486**
Past due loans	-	-	-	
- 31 to 90 days overdue	-	26,489	-	**26,489**
Total loans individually determined to be impaired, gross	**26,903**	**182,663**	**-**	**209,566**
- Impairment provisions for individually impaired loans	(781)	(104,689)	-	**(105,470)**
- Impairment provisions assessed on a collective basis	(143,708)	(209,832)	(2,322)	**(355,862)**
Less: Allowance for expected credit losses	**(144,489)**	**(314,521)**	**(2,322)**	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

(in millions of Uzbek Soums, unless otherwise indicated)

	State and municipal organisations	Corporate loans	Loans to individuals	Total 31 December 2017
Loans assessed for impairment on a collective basis				
Not past due loans	17,509,693	1,710,615	721,312	19,941,620
Past due loans				
- less than 30 days overdue	-	5,786	759	6,545
- 31 to 90 days overdue	11,198	3,380	-	14,578
- 91 to 180 days overdue	811	15,306	90	16,207
- 181 to 360 days overdue	-	100	78	178
- over 360 days overdue	-	8,493	-	8,493
Total loans assessed for impairment on a collective basis	**17,521,702**	**1,743,680**	**722,239**	**19,987,621**
Loans individually determined to be impaired (gross):				
Past due loans				
- less than 30 days overdue	505,251	146,380	-	651,631
- 31 to 90 days overdue	65,536	169,305	-	234,841
- 91 to 180 days overdue	-	11,509	-	11,509
Restructured loans	-	-	-	-
- 181 to 360 days overdue	-	13,269	-	13,269
Total loans individually determined to be impaired, gross	**570,787**	**340,463**	**-**	**911,250**
- Impairment provisions for individually impaired loans	(148,434)	(106,004)	-	(254,438)
- Impairment provisions assessed on a collective basis	(201,317)	(60,116)	(22,409)	(283,842)
Less total impairment provisions	**(349,751)**	**(166,120)**	**(22,409)**	**(538,280)**
Total loans and advances to customers	**17,742,738**	**1,918,023**	**699,830**	**20,360,591**

(in millions of Uzbek Soums, unless otherwise indicated)

The components of net investment in finance lease as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Not later than one year	37,973	2,371
From one year to five years	267,030	1,911
More than five years	-	-
Minimum lease payments	**305,003**	**4,282**
Less: unearned finance income	(106,676)	(944)
	198,327	**3,338**
Less: Allowance for expected credit losses (2017: Provision for loan impairment)	(1,742)	(606)
Net investment in finance lease	**196,585**	**2,732**
Current portion	4,670	1,335
Long-term portion	191,915	1,397
Net investment in finance lease	**196,585**	**2,732**

As at 31 December 2018, finance lease receivables include three lease agreements for the total amount of UZS 185,000 million (31 December 2017: nil) with one-year grace period for repayment of principal amounts.

(in millions of Uzbek Soums, unless otherwise indicated)

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (IAS 39 - INVESTMENT SECURITIES AVAILABLE FOR SALE)

	Ownership	31 December 2018	31 December 2017
LLC "Steel Property Construction"	12.4%	24,938	-
JSC "Republican Currency Exchange"	11.1%	5,739	496
Visa Inc.	0%	6,331	5,397
JSC "Republican Commodity Exchange"	2.4%	1,473	393
JSC "Qurilishmashlizing"	8.8%	1,243	1,500
JSCB "Agrobank"	0.1%	1,194	1,354
JSC "UzMed-Leasing"	16.7%	421	275
LLC "Xojayli Agrosanoat markazi"	25.0%	125	116
JSCB "Microcreditbank"	0.5%	-	3,206
JSC "Tashkent" Stock Exchange	6.3%	-	3,043
LLC "Ishonch"	14.1%	-	1,681
JSC "Chilonzor buyum bozori"	5.4%	-	1,523
JSC "Qizilqumsement"	0.0%	-	707
Other	3.2-7.7%	340	173
Total financial assets at FVTOCI/ (Investment securities AFS)		**41,804**	**19,864**

Financial assets at FVTOCI as at 31 December 2018 (as at 31 December 2017 Investment securities available for sale) other than Visa Inc., include equity securities and equity investments, registered in Uzbekistan and not actively traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. Some of the investees have not published recent financial information about their operations, recent trade prices of shares are not publicly accessible.

As at 31 December 2018 Visa Inc. is measured using level 1 hierarchy and investment securities other that Visa Inc. are measured using level 3 hierarchy of fair value measurement.

Starting from 1 January 2018 the fair value of the financial assets at fair value through other comprehensive income (carried at cost as at 31 December 2017) were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities. A significant unobservable input used in determining the fair value of financial assets at FVTOCI is WACC. The higher the WACC the lower the fair value of the financial assets at FVTOCI.

As at 1 January 2018 and 31 December 2018, the revaluation reserve of financial assets at fair value through other comprehensive income amounted to UZS 1,111 million less tax effect of UZS 244 million and UZS 2,826 million less tax effect of UZS 565 million, respectively.

The Group considers the fair value of equity securities in JSCB "Microcreditbank", JSC "Tashkent" Stock Exchange, LLC "Ishonch" and JSC "Chilonzor buyum bozori" as at 1 January 2018 at nil as it received dividends less than 1% or did not receive any during the last 3 years.

LLC "Steel Property Construction" was acquired by LLC "PSB Capital" as at 31 December 2018.

As at 31 December 2018 and 2017, none of the financial assets at FVTOCI (2017: Investment securities AFS) were pledged.

(in millions of Uzbek Soums, unless otherwise indicated)

The table below represents the movement of Financial instruments at FVTOCI for the year ended 31 December 2018:

	31 December 2017	Effect of IFRS 9 adoption	as at 1 January 2018 (restated)	Additions	Disposal	FV Adjust-ments 2018	31 December 2018
Financial assets at FVTOCI/ (Investment securities AFS)	19,864	(4,299)	15,565	25,301	(805)	1,743	**41,804**

11. INVESTMENT IN ASSOCIATES

Name	Principal activity	Country	Ownership interest and carrying amount of investment			
			31 December 2018		31 December 2017	
"Qurilish Lizing" LLC	Leasing	Uzbekistan	46.8%	587	46.8%	840
Total investment in associates				**587**		**840**

Summarized financial information in respect of the Group's associate is set out below.

"Qurilish Lizing" LLC	31 December 2018	31 December 2017
Current assets	2,186	1,626
Non-current assets	4,083	4,381
Current liabilities	(1,194)	(266)
Non-current liabilities	(3,820)	(3,945)
	2018	**2017**
Revenue	456	2,348
Net loss for the year	(540)	(5,626)
Total comprehensive loss for the year	(540)	(5,626)

Reconciliation of the above summarised financial information to the carrying amount of the interest in "Qurilish Lizing" LLC recognised in the consolidated financial statements:

	31 December 2018	31 December 2017
Net assets of the associate	1,255	1,796
Proportion of the Group's ownership interest	46.8%	46.8%
Carrying amount of the Group's interest in LLC "Qurilish Lizing"	**587**	**840**

(in millions of Uzbek Soums, unless otherwise indicated)

12. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
Carrying amount as at 1 January 2017	**49,374**	**36,211**	**25,432**	**111,017**	**1,598**	**112,615**
Additions	25,531	21,144	7,323	53,998	124	54,122
Disposals (net of depreciation)	(1,275)	(378)	(25)	(1,678)	(8)	(1,686)
Transfers	22,908	-	(22,908)	-	-	-
Depreciation/amortization charge	(4,512)	(12,891)	-	(17,403)	(715)	(18,118)
Carrying amount as at 31 December 2017	**92,026**	**44,086**	**9,822**	**145,934**	**999**	**146,933**
Cost as at 31 December 2017	118,327	109,748	9,822	237,897	9,430	247,327
Accumulated depreciation/amortisation	(26,301)	(65,662)	-	(91,963)	(8,431)	(100,394)
Carrying amount as at 31 December 2017	**92,026**	**44,086**	**9,822**	**145,934**	**999**	**146,933**
Additions	-	36,119	39,312	75,431	665	76,096
Disposals (net of depreciation)	(152)	(648)	(101)	(901)	(13)	(914)
Transfers	14,086	-	(14,086)	-		-
Depreciation/amortization charge	(6,516)	(14,688)	-	(21,204)	(504)	(21,708)
Carrying amount as at 31 December 2018	**99,444**	**64,869**	**34,947**	**199,260**	**1,147**	**200,407**
Cost as at 31 December 2018	132,205	142,389	34,947	309,541	10,024	319,565
Accumulated depreciation/amortisation	(32,761)	(77,520)	-	(110,281)	(8,877)	(119,158)
Carrying amount as at 31 December 2018	**99,444**	**64,869**	**34,947**	**199,260**	**1,147**	**200,407**

As at 31 December 2018 and 2017, included in premises and equipment were fully depreciated assets totaling UZS 37,129 million and UZS 29,454 million, respectively.

As at 31 December 2018 and 2017, fixed assets in the warehouse are included in office and computer equipment category in the amount of UZS 12,202 million and UZS 1,896 million, respectively.

As at 31 December 2018 and 2017, premises and equipment of the Group were not pledged.

(in millions of Uzbek Soums, unless otherwise indicated)

13. OTHER ASSETS

	31 December 2018	31 December 2017
Other financial assets		
Commission income receivable	4,153	2,959
Other receivables	3,306	167
Less: Allowance for expected credit losses	(485)	-
Total other financial assets	**6,974**	**3,126**
Other non-financial assets		
Prepayment for construction of building	29,142	351
Prepaid expenses and advances	7,845	4,126
Prepaid income tax	5,762	21,939
Prepayments for equipment and property	813	204
Repossessed collateral	574	2,723
Inventory	139	256
Other	1,673	72
Less: Provision for impairment	(309)	(1,102)
Total other non-financial assets	**45,639**	**28,569**
Total other assets	**52,613**	**31,695**

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and those assets were initially recognised at fair value when acquired.

The main part of "Prepayment for construction of building" comprises prepayments in the amount of UZS 8,212 million for the construction of the Head office of the Group in Tashkent city, UZS 4,238 million for the construction of the new branch in Karakalpakistan region and UZS 3,121 million for the construction of Mirabad branch.

14. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2018	31 December 2017
Assets related to subsidiary companies	-	14,342
Repossessed assets:	-	-
- Buildings held for sale	336	2,420
- Others assets held for sale	477	1,133
Total non-current assets (or disposal groups) held for sale	**813**	**17,895**
Liabilities directly associated with non-current assets held for sale	**-**	**1,991**

As at 31 December 2017, assets related to subsidiary company comprise assets of "Fergana Ceramics Industry" LLC. The Group acquired the company based on an agreement signed on 13 September 2010 between the State Competition Committee and the Bank in accordance with the Decree of the President of the Republic of Uzbekistan #PD-4053 "On measures to further enhance the financial stability of the real sector of the economy" dated 18 November 2008.

As at 31 December 2017, Buildings held for sale included mini-shops. During 2018 all of these mini-shops were sold on deferred terms.

(in millions of Uzbek Soums, unless otherwise indicated)

As at 31 December 2017, assets related to subsidiary company include plant, property and equipment in the amount of UZS 13,850 million. Further, the Management of the Group approved a plan to dispose the subsidiary and the repossessed assets in the near future.

Major classes of assets and liabilities of subsidiary disposed in 2018 and 2017 are as follows:

	2018	2017
Non-current assets	14,255	-
Current assets	-	-
Total assets of subsidiary disposed of	**14,255**	**-**
Current liabilities	2,552	-
Total liabilities directly associated with disposed subsidiary	**2,552**	**-**
Net assets of subsidiary disposed of	**11,703**	**-**

On 16 August 2018, the Group sold Ferghana Ceramics on deferred terms:

	2018	2017
Consideration received in cash and cash equivalents during 2018	3,476	-
Less: cash and cash equivalent of disposed subsidiary	4	-
Total cash received	**3,472**	**-**

The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and 31 December 2017 are set out below:

	2018	2017
Net assets of subsidiary disposed of	(11,703)	-
Liabilities directly associated with disposed subsidiary retained by Group	(2,552)	-
Consideration received in cash and cash equivalents	3,476	-
Present value of deferred cash proceeds	12,631	-
Gain from disposal of subsidiary	**1,852**	**-**
Total revenue	-	834
Total expenses	(647)	(5)
Gain from disposal of subsidiary	1,852	-
Profit for the year from discontinued operations	**1,205**	**829**

(in millions of Uzbek Soums, unless otherwise indicated)

15. DUE TO OTHER BANKS

	31 December 2018	31 December 2017
Long term placements of other banks	434,827	168,527
Short term placements of other banks	187,535	107,645
Correspondent accounts and overnight placements of other banks	54,338	100,388
Total due to other banks	**676,700**	**376,560**

As at 31 December 2018 and 2017, "Long term placements of other banks" consists of borrowings from National Bank of Uzbekistan and Halk Bank obtained to finance strategic government infrastructural projects.

16. CUSTOMER ACCOUNTS

	31 December 2018	31 December 2017
State and public organisations		
- Current/settlement accounts	1,313,514	820,227
- Term deposits	560,420	41,804
Other legal entities		
- Current/settlement accounts	2,078,622	2,027,023
- Term deposits	76,529	72,402
Individuals		
- Current/demand accounts	405,623	329,735
- Term deposits	694,468	609,143
Total customer accounts	**5,129,176**	**3,900,334**

(in millions of Uzbek Soums, unless otherwise indicated)

Economic sector concentrations within customer accounts are as follows:

	31 December 2018		31 December 2017	
	Amount	%	Amount	%
Manufacturing	1,472,136	29%	1,573,122	40%
Individuals	1,100,091	21%	938,878	24%
Oil and gas	602,301	12%	435,183	11%
Public administration	549,218	11%	160,972	4%
Mining	363,430	7%	146,175	4%
Finance	190,245	4%	46,587	1%
Trade	183,992	4%	107,559	3%
Construction	150,062	3%	164,780	4%
Agriculture	120,156	2%	79,308	2%
Services	108,121	2%	56,938	1%
Communication	87,489	2%	58,209	1%
Energy	59,299	1%	14,402	1%
Engineering	55,663	1%	18,398	1%
Transportation	20,607	0%	6,869	1%
Medicine	709	0%	5,315	0%
Other	65,657	1%	87,639	2%
Total customer accounts	**5,129,176**	**100%**	**3,900,334**	**100%**

As at 31 December 2018, the Group had nil (31 December 2017: 1) customer with a total balance (31 December 2017: UZS 237,801 million), which individually exceeded 10% (31 December 2017: 10%) of the Group's equity.

17. DEBT SECURITIES IN ISSUE

	31 December 2018			31 December 2017		
	Amount	Interest, %	Maturity, year	Amount	Interest, %	Maturity, year
Bonds	42,201	14-16	2019-2022	42,374	13-14	2019-2022
Certificates of deposit	25,540	7-16	2019-2021	26,511	6.5-8	2018-2020
Total debt securities issued	**67,741**			**68,885**		

As at 31 December 2018 and 2017, debt securities in issue are denominated in UZS and do not have any covenants.

(in millions of Uzbek Soums, unless otherwise indicated)

18. OTHER BORROWED FUNDS

	31 December 2018	31 December 2017
International financial institutions:		
The Export-Import Bank of China	4,468,352	4,272,246
China Development Bank	586,801	347,850
International Bank of Reconstruction and Development	570,042	40,828
International Development Association of the World Bank	485,878	365,090
Landesbank Baden-Wurttemberg	219,093	30,641
The Export-Import Bank of Russia	175,372	-
Commerzbank AG	161,308	142,667
Asian Development Bank	151,492	123,505
Raiffeisen Bank International AG	113,023	80,742
The Export-Import Bank of Korea	47,600	35,039
International Fund for Agricultural Development	2,737	2,609
KfW	1,749	11,394
Financial institutions of Uzbekistan:		
Fund for Reconstruction and Development of Uzbekistan	13,072,873	11,639,214
Long term borrowings from Ministry of Finance	1,418,359	30,512
Long term borrowings from CBU	269,238	250,180
Preference shares	8,647	5,238
Other	3,591	2,405
Total other borrowed funds	**21,756,155**	**17,380,160**

Since 2008, the Group signed several memorandums with the Export-Import Bank of China on loan facility to finance oil & gas and energy sectors of the Republic of Uzbekistan. All loans are guaranteed by the State.

The Group was granted a loan facility by the China Development Bank to finance SME and industrial sectors. There are geographical limits requiring that funds can only be provided to purchase technological equipment from China.

The Group was granted a loan facility by the International Bank of Reconstruction and Development to finance the agricultural sector in the Republic of Uzbekistan.

The International Development Association of the World Bank has signed credit facility agreements with the Group to finance agriculture, energy efficiency of manufacturing entities and projects supporting the Aral Sea.

In accordance with basic loan agreement signed between Landesbank Baden-Wurttemberg and the Group, the Group was granted funds to support the import of technological equipment from European countries.

On 17 August 2018, the Group was granted a loan facility by Export-Import Bank of Russia to finance export of high technological equipment.

In accordance with the Loan Agreement #081/008 between Commerzbank AG and the Group signed on 21 July 2010, the Group was granted funds to support trade relations between the Republic of Uzbekistan and the Federal Republic of Germany.

In accordance with the refinancing agreements between the Ministry of Finance of the Republic of Uzbekistan, Asian Development Bank and the Group, the Group was granted funds to finance the project "Development of value chain in the fruit and vegetable sector".

In accordance with the Loan agreement dated 31 March 2016 signed between Raiffeisen Bank International AG and the Group, the funds were granted to finance projects involving the export of goods and services from European countries.

In accordance with the Loan Agreement #2 dates 21 November 2017 between the Export-Import Bank of Korea and the Group, the funds were granted to finance the development of Small business in the Republic of Uzbekistan.

The borrowings from the Fund for Reconstruction and Development of Uzbekistan are provided on the basis of General agreement dated 19 April 2013 for financing of investment projects related to large strategic companies of the Republic of Uzbekistan.

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The Group was granted a loan facility by the Ministry of Finance of the Republic of Uzbekistan based on loan agreement #03-05-17/24 signed on 29 December 2017 to finance the construction of social housing.

The loan facility provided by the CBU was to finance NHC Uzbekneftegaz companies as well as to finance low-income households.

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2018		31 December 2017	
	Interest rate %	Maturity, year	Interest rate %	Maturity, year
International financial institutions:				
The Export-Import Bank of China	2%	2020-2033	2%	2020-2033
China Development Bank	Libor (6m) + 1.5%- Libor (6m) + 4.7%	2021-2024	Libor (6m) + 1.5% -Libor (6m) + 4.7%	2019-2024
International Bank of Reconstruction and Development	Libor(6m)+Variable MBRR+0.2%-3%	2034-2042	3%	2,034
International Development Association of World Bank	Libor (6m) + 0.75%-6%	2023-2038	Libor (6m) + 0.75%-6%	2023-2038
Landesbank Baden-Wurttemberg	1.95%+Euribor	2021	1.95%+Euribor	2021
The Export-Import Bank of Russia	Libor+3%	2021	Libor+3%	2021
Commerzbank AG	1.95%+Euribor -Libor+2%	2021	1.95%+Euribor -Libor+2%	2021
Asian Development Bank	3%	2037	3%	2037
Raiffeisen Bank International AG	Euribor + 1.6%	2021	Euribor + 1.6%	2021
The Export-Import Bank of Korea	Euribor + variable	2028	-	-
International Fund for Agricultural Development	4.5%	2020-2022	4.5%	2020-2022
KfW	5%	2020	5%	2019-2020
Financial institutions of Uzbekistan:				
Fund for Reconstruction and Development of Uzbekistan	0.5%-6%	2021-2033	0.5%-6%	2021-2028
Long term borrowings from Ministry of finance	0-12%	2019-2038	0-12%	2022
Long term borrowings from CBU	2%-5%	2019-2021	2%	2019
Preference shares	20%	-	20%	-
Other	2%	2020	2%	2020

The borrowing agreements do not stipulate financial covenants except for the agreement with Asian Development Bank (ADB), China Development Bank (CDB) and The Export-Import Bank of Russia (Rosexim). The Group has to comply with certain financial covenants, non-compliance of which may give the lender a right to recall funding.

As at 31 December 2018, the Group was not able to comply with the following covenants of ADB:

- Cost to income ratio;
- A return on average assets ratio;
- Maximum exposure on an individual related party.

As at 31 December 2018, the Management classified long-term borrowings from ADB as "on demand". The Management have had regular dialogue with the lenders regarding the breaches of covenants and believe there will be no impact on the Bank's operations, application of any sanctions nor acceleration of any repayment.

The interest rate analysis is disclosed in Note 32. The information on related party balances is disclosed in Note 33.

(in millions of Uzbek Soums, unless otherwise indicated)

19. OTHER LIABILITIES

	31 December 2018	31 December 2017
Other financial liabilities		
Trade payables	3,364	2,639
Dividends payable	1,572	1,024
Payable to other creditors	817	-
Total other financial liabilities	**5,753**	**3,663**
Other non-financial liabilities		
Payable to employees	39,370	23,567
Taxes payable other than income tax	20,944	13,062
Prepayments received	15,463	11,016
Income tax payable	14,657	-
Provision for Bank's guarantees and letters of credit	6,530	-
Other	3,255	1,092
Total other non-financial liabilities	**100,219**	**48,737**
Total other liabilities	**105,972**	**52,400**

(in millions of Uzbek Soums, unless otherwise indicated)

20. SHARE CAPITAL

	Number of outstanding shares	Ordinary and preference shares	Share premium	Treasury shares	Total
1 January 2017	**36,377**	**705,689**	**696**	**(4,332)**	**702,053**
Issue of new shares	39,666	753,917	-	-	753,917
Effect of change in present value of preference shares	-	(266)	-	-	(266)
Disposal of treasury shares	-	-	-	1,855	1,855
31 December 2017	**76,043**	**1,459,340**	**696**	**(2,477)**	**1,457,559**
Issue of new shares	22,360	424,846	-	-	424,846
Disposal of treasury shares	-	-	-	1,147	1,147
31 December 2018	**98,403**	**1,884,186**	**696**	**(1,330)**	**1,883,552**

As at 31 December 2018 and 2017, the nominal registered amount of the Bank's issued share capital was UZS 1,876,690 million and UZS 1,451,843 million, respectively, prior to restatement of capital contributions to the purchasing power of the UZS in the amount of UZS 12,526 million and adjustment for liability component of preference shares in the amount of UZS 5,031 million.

The share capital was increased in 2018 by total amount of UZS 424,846 million through two emissions executed:

- The first emission was executed in accordance with the Shareholders' resolution #26 dated 26 September 2018 on the issuance of 15,789,473,684 pieces of ordinary shares (19 UZS each) for the total amount of UZS 300,000 million which is fully paid as at 31 December 2018.
- The second emission was executed in accordance with the Shareholders' resolution #27 dated 25 December 2018 and the Order #15-09/009 of the Capital Development Agency of the Republic of Uzbekistan dated 25 March 2019 on the issuance of 21,963,818,421 pieces of ordinary shares (19 UZS each) in the total amount of UZS 417,313 million of which UZS 124,846 million was paid as at 31 December 2018.

In accordance with the Presidential Decree #PD-4015 dated 13 November 2018 on "Further improvements in development of aviculture" shares should be placed through a closed subscription to the Fund for Reconstruction and Development of the Republic of Uzbekistan. As at 31 December 2018, not all shares were allocated, as all the shares issued have to be placed within 50 days after registration date of issue.

As at 31 December 2018, the total authorised number of ordinary shares is 98,403 million (31 December 2017: 76,043 million shares) with a par value of UZS 19 per share (31 December 2017: UZS 19 per share). Each share carries one vote. Dividends on preference shares will not be less than dividends on ordinary shares.

The total authorised number of preference shares is 370,000 thousand shares (2017: 370,000 thousand shares), with a par value of UZS 19 per share (2017: UZS 19 per share) in the amount of UZS 7,030 million. All issued preference shares are fully paid. As at 31 December 2018, it was split between liability and equity components in the amount of UZS 5,031 million and UZS 1,999 million, respectively.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights, except in instances where decisions are made in relation to reorganisation and liquidation of the Group, and where changes and amendments to the Group's charter which restrict the rights of preference shareholders are proposed. Preference share rank above ordinary shares and if preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

In 2017, the Group decreased its preference share par value to UZS 19 with the minimum rate unchanged of 20%. In 2018, the minimum rate 20% remains unchanged.

At 31 December 2018, treasury shares include ordinary shares in the amount of UZS 1,330 million (2017: UZS 2,477 million) owned by wholly owned subsidiary of the Group, Asset Invest Trust LLC. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Group held by the entities within the Group are effectively controlled by the Management of the Group.

(in millions of Uzbek Soums, unless otherwise indicated)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's equity and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
	31 December 2017	Financing cash inflows/ (outflow)	Effect of exchange rate changes	Dividends declared	Interest accrued	Effect of change in present value of preference shares	Capitalization	31 December 2018
Debt securities in issue	68,885	(960)	-	-	(184)	-	-	67,741
Other borrowed funds	17,380,160	3,498,318	537,755	-	339,922	-	-	21,756,155
Due to other banks (long term placements of other banks)	168,527	266,297	-	-	3	-	-	434,827
Dividends payable	1,024	(29,965)	-	30,513	-	-	-	1,572

			Non-cash changes					
	31 December 2016	Financing cash inflows/ (outflow)	Effect of exchange rate changes	Dividends declared	Interest accrued	Effect of change in present value of preference shares	Capitalization	31 December 2017
Debt securities in issue	78,885	(10,080)	-	-	80	-	-	68,885
Other borrowed funds	6,572,295	343,507	10,091,228	-	372,864	266	-	17,380,160
Due to other banks (long term placements of other banks)	65,922	102,605	-	-	-	-	-	168,527
Dividends payable	725	(22,913)	-	23,212	-	-	-	1,024

(in millions of Uzbek Soums, unless otherwise indicated)

21. INTEREST INCOME AND EXPENSE

	2018	2017
Interest income		
Interest income on assets recorded at amortized cost comprises:		
Interest on loans and advances to customers	1,323,370	731,292
Interest on balances due from other banks	36,020	14,384
Interest investment securities held to maturity	-	296
Total interest income	**1,359,390**	**745,972**
Interest expense		
Interest expense on liabilities recorded at amortized cost comprises:		
Interest on other borrowed funds	(519,267)	(293,999)
Interest on customer accounts	(102,583)	(64,423)
Interest on balances due to other banks	(58,950)	(15,737)
Interest on debt securities in issue	(6,988)	(7,123)
Total interest expense	**(687,788)**	**(381,282)**
Net interest income before provision on loans and advances to customers	**671,602**	**364,690**

During 2018 and 2017, the Group earned interest income from loans individually determined to be impaired in the amount of UZS 9,383 million and UZS 9,218 million, respectively.

22. FEE AND COMMISSION INCOME AND EXPENSE

	2018	2017
Fee and commission income		
Settlement transactions	184,740	130,466
Foreign currency exchange	31,885	37,237
International money transfers	21,933	14,816
Services of engineers for conducting control measurements	7,430	6,139
Letters of credit	6,155	2,602
Guarantees issued	2,289	6,432
Other	709	3,966
Total fee and commission income	**255,141**	**201,658**
Fee and commission expense		
Cash collection	(21,843)	(18,833)
Settlement transactions	(21,220)	(11,394)
Foreign currency exchange	(3,335)	(4,271)
Loan commission expenses	(420)	(772)
Other	(4,933)	(3,375)
Total fee and commission expense	**(51,751)**	**(38,645)**
Net fee and commission income	**203,390**	**163,013**

(in millions of Uzbek Soums, unless otherwise indicated)

23. OTHER OPERATING INCOME

	2018	2017
Rental.income from renting POS terminals	651	534
Gain on disposal of property and equipment	439	3,102
Other	2,124	650
Total other operating income	**3,214**	**4,286**

24. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Notes	2018	2017
Staff costs		315,463	202,931
Taxes other than income tax		65,099	43,270
Depreciation and amortisation	12	21,708	18,118
Security services		20,075	16,631
Membership fees		12,465	11,118
Charity expenses		11,950	6,310
Stationery and other low value items		10,454	10,272
Repair and maintenance of buildings		5,030	5,024
Travel expenses		4,941	2,106
Advertising expenses		4,613	540
Representation and entertainment		3,624	1,909
Communication expenses		3,322	2,953
Rent expenses		3,030	2,277
Legal and audit fees		2,557	2,755
Utilities expenses		2,219	2,000
Fuel		2,086	1,419
Consultancy fee		1,960	1,126
Other operating expenses		6,943	7,459
Total administrative and other operating expenses		**497,539**	**338,218**

(in millions of Uzbek Soums, unless otherwise indicated)

25. INCOME TAXES

	2018	2017
Current income tax expense	59,950	8,424
Deferred tax expense/(benefit):		-
-Deferred tax (benefit)/expense	(11,255)	91,022
-Deferred tax expense relating to the components of other comprehensive income	349	771
Total income tax expense through profit or loss and other comprehensive income	**49,044**	**100,217**

In 2017, the income tax rate applicable to the majority of the Group's income comprised of corporate income tax (15%) and infrastructure development tax (8%). Tax base for infrastructure development tax determined as accounting profit after corporate income tax charge. In 2018, infrastructure development tax and corporate income tax were combined and set at 22%. At the end of 2018, corporate income tax for banks was substantially enacted at 20% for 2019.

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

	2018	2017
IFRS profit before tax	**266,886**	**997,953**
Theoretical tax charge at the applicable statutory rate - 20% (2017: 22%)	53,377	219,550
- Foreign exchange gain not subject to deferred tax	-	(107,549)
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	7,010	3,604
- Tax rate difference	(10,517)	(755)
- Tax incentives	(1,682)	(10,930)
- Tax exempt income	(652)	(428)
- Change of tax rate	(2,228)	571
- Other	3,387	(4,617)
Income tax expense for the year through profit or loss	**48,695**	**99,446**
Net income tax expense relating to the components of other comprehensive income	**349**	**771**
Income tax expense through profit or loss and other comprehensive income	**49,044**	**100,217**

"Foreign exchange gain not subject to deferred tax" comprises of tax effect of permanent differences associated with foreign exchange losses from USD denominated share capital revalued in accordance with statutory rules. In 2018, the Bank has translated its USD denominated share capital into UZS.

"Tax rate differences" comprise of tax effects from reduction of standard income tax rate to encourage the banks to increase the share of long-term loans to customers in the total loan portfolio.

On September 2017, the official rate of UZS was devalued from 4,210.35 per USD to 8,100 representing 92% decrease, which resulted in significant unrealised foreign exchange gains. Tax incentives mostly comprise of foreign exchange gains that were tax exempt from 5 September 2017 to 1 July 2018 on the basis of the Presidential Decree No. 5177 on "On priority measures for liberalization of monetary policy" dated 2 September 2017.

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for their tax bases. The tax effect of the movements on these temporary differences is detailed below, and is recorded at the rate of 20 % (2017: 22 %).

(in millions of Uzbek Soums, unless otherwise indicated)

	2018	(Debited)/ credited to profit or loss	(Debited)/ charged to other comprehensive income	1 January 2018	IFRS 9	2017	(Debited)/ credited to profit or loss	(Debited)/ charged to other comprehensive income	2016
Tax effect of deductible/ (taxable) temporary differences									
Cash and cash equivalents	11	(13)	-	24	24	-	-	-	-
Due from other banks	780	691	-	89	89	-	-	-	-
Loans and advances to customers	(81,332)	15,935	-	(97,267)	(37,380)	(59,887)	(88,866)	-	28,979
Property, equipment and intangible assets	235	563	-	(328)	-	(328)	(238)	-	(90)
Financial assets at fair value through other comprehensive income	816	1,221	(349)	(56)	946	(1,002)	(25)	(771)	(206)
Investment in associates and subsidiaries	(9,350)	(6,909)	-	(2,441)	-	(2,441)	(2,480)	-	39
Other assets	814	(90)	-	904	95	809	588	-	221
Other liabilities	1,161	(143)	-	1,304	1,304	-	-	-	-
Net deferred tax liability	**(86,865)**	**11,255**	**(349)**	**(97,771)**	**(34,922)**	**(62,849)**	**(91,021)**	**(771)**	**28,943**
Recognised deferred tax asset	3,817	18,410	-	2,321	2,458	809	588	-	29,239
Recognised deferred tax liability	(90,682)	(7,155)	(349)	(100,092)	(37,380)	(63,658)	(91,609)	(771)	(296)
Net deferred tax liability	**(86,865)**	**11,255**	**(349)**	**(97,771)**	**(34,922)**	**(62,849)**	**(91,021)**	**(771)**	**28,943**

(in millions of Uzbek Soums, unless otherwise indicated)

26. ALLOWANCES FOR IMPAIRMENT LOSSES

The tables below analyze information about the changes in the ECL amount of financial assets and commitments during the year:

	Other financial assets (Note 13)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)	Letters of Credit and Guarantees (Note 28)			
	Stage 2	Stage 3	Stage 1	Stage 1	Stage 1	Stage 2	Stage 3	TOTAL
	Lifetime ECL	Lifetime ECL	12-month ECL	12-month ECL	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance for ECL as at 1 January 2018	**53**	**379**	**107**	**403**	**5,927**	**-**	**-**	**6,869**
- Transfer from stage 2	(1)	1	-	-	-	-	-	-
- Transfer from stage 3	2	(2)	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	11	76	(20)	68	413	-	-	548
New assets issued or acquired	151	106	-	4,523	295	354	242	5,671
Matured or derecognized assets (except for write off)	(42)	(251)	(34)	(190)	(831)	-	-	(1,348)
Foreign exchange differences	1	1	1	7	118	7	5	140
Loss allowance for ECL as at 31 December 2018	**175**	**310**	**54**	**4,811**	**5,922**	**361**	**247**	**11,880**

(in millions of Uzbek Soums, unless otherwise indicated)

27. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares.

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

According to the charter of the Group, and as described in Note 20, dividend payments per ordinary share cannot exceed the dividends per share on preferred shares for the same period and the minimum dividends payable to the owners of preference shares comprise not less than 20%. Therefore, net profit for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

	2018	**2017**
Profit for the year from continuing operations attributable to ordinary shareholders	216,785	891,764
Profit for the year from continuing operations attributable to preference shareholders	1,406	6,743
Profit for the year from discontinued operations attributable to ordinary shareholders	1,205	829
Profit for the year from discontinued operations attributable to preference shareholders	-	-
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	78,900,068,175	47,832,020,370
Weighted average number of preference shares for the purpose of basic and diluted earnings per share	370,000,000	361,852,438
From continuing operations		
Basic and diluted EPS per ordinary share in UZS	3	19
Basic and diluted EPS per equity component of preference share in UZS	4	19
Total basic and diluted EPS per ordinary share in UZS	**3**	**19**
Total basic and diluted EPS per equity component of preference share in UZS	**4**	**19**

(in millions of Uzbek Soums, unless otherwise indicated)

28. COMMITMENTS AND CONTINGENCIES

Operating lease commitments. As at 31 December 2018 and 2017, the Group had no material operating lease commitments outstanding.

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

Tax legislation. Uzbek tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. The Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Recent events within Uzbekistan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past, may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 31 December 2018, no provision for potential tax liabilities had been recorded (2017: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 31 December 2018, the Group had contractual capital expenditure commitments for the total amount of UZS 16,790 million in respect of premises and equipment (2017: UZS 3,061 million).

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	2018	2017
Guarantees issued	932,286	1,009,579
Letters of credit, non post-financing	682,212	708,528
Letters of credits, post-financing with commencement after reporting period end	1,542,353	961,176
Undrawn credit lines	77,561	176,035
Total gross credit related commitments	**3,234,412**	**2,855,318**
Less - Cash held as security against letters of credit and guarantees	(895,798)	(708,662)
Less – Provision for expected credit losses	(6,530)	-
Total credit related commitments	**2,332,084**	**2,146,656**

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

(in millions of Uzbek Soums, unless otherwise indicated)

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 2018, 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.

The 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.

29. NON-CONTROLLING INTEREST

The following table provides information about subsidiary LLC "Xorazm Nasli Parranda" that has a non-controlling interest that is material to the Group:

	31 December 2018	31 December 2017
Information about subsidiary:		
Place of business (and country of incorporation if different)	Uzbekistan	Uzbekistan
Proportion of non-controlling interest	42.8%	42.8%
Proportion of non-controlling interest's voting rights held	42.8%	42.8%
Profit or loss attributable to non-controlling interest	(427)	2,673
Accumulated non-controlling interest in the subsidiary	5,049	5,476
Dividends paid to non-controlling interest during the year	-	-
Summarised financial information:		
Current assets	4,860	4,179
Non-current assets	13,953	14,909
Current liabilities	23	75
Non-current liabilities	6,994	6,218
Revenue	5,013	-
Profit/ (Loss)	(998)	6,246
Total comprehensive income	-	-

30. FAIR VALUE

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 a measurement date.

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

(in millions of Uzbek Soums, unless otherwise indicated)

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires the Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

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

Financial Assets/ Liabilities	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	28,020,629	23,130,481	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due from other banks	812,092	802,125	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due to other banks	676,700	895,900	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Customer accounts	5,129,176	5,063,919	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Other borrowed funds	21,756,155	21,680,150	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

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 other than the financial assets at fair value through other comprehensive income as described in Note 10. Due to the absence of an active market or observable inputs for assets with characteristics similar to the Bank'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 long term 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.

31. CAPITAL RISK MANAGEMENT

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

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 12.5% (31 December 2017: 12.5%). Actual ratio as at 31 December 2018: 13.4% (31 December 2017: 16.3%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 9.5% (31 December 2017: 9.5%). Actual ratio as at 31 December 2018: 12.6% (31 December 2017: 15.6%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2017: 6%). Actual ratio as at 31 December 2018: 7% (31 December 2017: 8.4%).

(in millions of Uzbek Soums, unless otherwise indicated)

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

	2018 (unaudited)	2017 (unaudited)
Tier 1 capital	2,570,953	2,127,372
Tier 2 capital	166,324	101,751
Less: Deductions from capital	(5,705)	(7,609)
Total regulatory Capital	**2,731,572**	**2,221,514**

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, preference shares, retained earnings excluding current year profit and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

32. RISK MANAGEMENT POLICIES

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

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

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

Group's internal ratings scale:

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

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Limits. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

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

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

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

- State guarantees
- Cash deposits;
- Motor vehicle;
- Inventory;
- Letter of surety;
- Residential house;
- Equipment;
- Building; and
- Other assets

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

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

In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management daily. The Management monitors and follows up past due balances.

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

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

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

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

(in millions of Uzbek Soums, unless otherwise indicated)

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

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

					31 December 2018
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	1,897,133	(456,067)	1,441,066	-	**1,441,066**
Due from other banks	812,092	-	812,092	-	**812,092**
Loans and advances to customers	28,020,629	(53,993)	27,966,636	(27,884,727)	**81,909**
Financial assets at fair value through other comprehensive income	41,804	-	41,804	-	**41,804**
Other financial assets	6,974	-	6,974	-	**6,974**
Off-balance sheet items:					
Letters of credit and guarantees issued	3,150,321	(895,798)	2,254,523	(305,341)	**1,949,182**

					31 December 2017
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	3,059,367	(527,258)	2,532,109	-	**2,532,109**
Due from other banks	669,375	-	669,375	-	**669,375**
Loans and advances to customers	20,360,591	(6,006)	20,354,585	(20,354,585)	-
Investment securities available for sale	19,864	-	19,864	-	**19,864**
Other financial assets	3,126	-	3,126	-	**3,126**
Off-balance sheet items:					-
Letters of credit and guarantees issued	2,679,283	(708,662)	1,970,621	(1,009,445)	**961,176**

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. Overall Group's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(in millions of Uzbek Soums, unless otherwise indicated)

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

Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soum to the profit and loss of the Group.

The Group measures its currency risk by:

- Net position on each currency should not exceed 5 % of Group's total equity;
- Total net position on all currencies should not exceed 10 % of Group's total equity.

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

Non-derivative financial assets and financial liabilities:

2018	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	1,208,088	100,890	81,143	507,012	**1,897,133**
Due from other banks	409,614	115,930	277	286,271	**812,092**
Loans and advances to customers	19,903,401	949,544	-	7,167,684	**28,020,629**
Other assets	3,511	2,472	-	991	**6,974**
Total monetary financial assets	**21,524,614**	**1,168,836**	**81,420**	**7,961,958**	**30,736,828**
Due to other banks	63,702	24	26	612,948	**676,700**
Customer accounts	1,827,770	246,142	26,962	3,028,302	**5,129,176**
Debt securities in issue	-	-	-	67,741	**67,741**
Other borrowed funds	19,538,645	785,203	-	1,432,307	**21,756,155**
Other liabilities	105	-	-	5,648	**5,753**
Total Monetary financial liabilities	**21,430,222**	**1,031,369**	**26,988**	**5,146,946**	**27,635,525**
Net Balance sheet position	**94,392**	**137,467**	**54,432**	**2,815,012**	**3,101,303**

(in millions of Uzbek Soums, unless otherwise indicated)

2017	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	2,381,792	85,615	161,182	430,778	**3,059,367**
Due from other banks	631,752	27,752	1,167	8,704	**669,375**
Loans and advances to customers	16,727,718	577,162	-	3,055,711	**20,360,591**
Other assets	-	187	-	2,939	**3,126**
Total monetary financial assets	**19,741,262**	**690,716**	**162,349**	**3,498,132**	**24,092,459**
Due to other banks	106,151	-	-	270,409	**376,560**
Debt securities in issue	-	-	-	68,885	**68,885**
Customer accounts	1,764,420	87,982	5,368	2,042,564	**3,900,334**
Other borrowed funds	16,546,467	551,445	-	282,248	**17,380,160**
Other liabilities	-	-	-	3,663	**3,663**
Total Monetary financial liabilities	**18,417,038**	**639,427**	**5,368**	**2,667,769**	**21,729,602**
Net Balance sheet position	**1,324,224**	**51,289**	**156,981**	**830,363**	**2,362,857**

The CBU sets a number of requirements for foreign currency position. As at 31 December 2017, the Bank has a long position in respect of one currency above statutory requirements. The Management believes this does not bear significant risk. The CBU may take measures to regulate the foreign currency position in accordance with the established order on the foreign currency position.

Changes of the possible movement of the currency rates from 2017 to 2018 were associated with the decrease in the volatility of the exchange rate. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

	At 31 December 2018 Impact on profit or loss	At 31 December 2017 Impact on profit or loss
US Dollars strengthening by 10% (2017: 15%)	9,439	198,634
US Dollars weakening by 10% (2017: 15%)	(9,439)	(198,634)
EUR strengthening by 10% (2017: 11.2%)	13,747	5,744
EUR weakening by 10% (2017: 11.2%)	(13,747)	(5,744)

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

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

The Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

(in millions of Uzbek Soums, unless otherwise indicated)

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	542,071	-	-	-			**542,071**
Due from other banks	-	108,149	3,336	219,781	48,097	-	**379,363**
Loans and advances to customers	666,568	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**26,966,364**
Total % bearing financial assets	**1,208,639**	**2,112,976**	**1,795,148**	**11,526,683**	**5,018,840**	**6,225,512**	**27,887,798**
Liabilities							
Due to other banks	100,000	72,460	-	36,525	-	-	**208,985**
Customer accounts	156,076	491,452	357,461	319,514	1,167	287	**1,325,957**
Debt securities in issue	3	22,250	11,200	25,010	8,000	-	**66,463**
Other borrowed funds	401,989	789,964	395,556	2,519,808	7,329,128	9,001,520	**20,437,965**
Total financial % bearing liabilities	**658,068**	**1,376,126**	**764,217**	**2,900,857**	**7,338,295**	**9,001,807**	**22,039,370**
Net interest sensitivity gap at 31 December 2018	**550,571**	**736,850**	**1,030,931**	**8,625,826**	**(2,319,455)**	**(2,776,295)**	**5,848,428**

31 December 2017	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	984,408	-	-	-			**984,408**
Due from other banks	-	81,200	22,851	-	-	7,563	**111,614**
Loans and advances to customers	224,070	624,092	749,715	7,072,792	3,642,411	7,416,276	**19,729,356**
Total % bearing financial assets	**1,208,478**	**705,292**	**772,566**	**7,072,792**	**3,642,411**	**7,423,839**	**20,825,378**
Liabilities							
Due to other banks	-	120	107,426	-	72,659	95,869	**276,074**
Customer accounts	57,041	385,579	279,265	1,465	-	-	**723,350**
Debt securities in issue	53	3,610	1,000	37,700	25,060	-	**67,423**
Other borrowed funds	5,238	1,191,139	1,191,139	3,638,710	3,322,545	8,030,922	**17,379,693**
Total financial % bearing liabilities	**62,332**	**1,580,448**	**1,578,830**	**3,677,875**	**3,420,264**	**8,126,791**	**18,446,540**
Net interest sensitivity gap at 31 December 2017	**1,146,146**	**(875,156)**	**(806,264)**	**3,394,917**	**222,147**	**(702,952)**	**2,378,838**

(in millions of Uzbek Soums, unless otherwise indicated)

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

	2018			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	-	2.05	-	-
Due from other banks	3.1-5	0-5	-	-
Loans and advances to customers	0-48	0.25-15	0.75-10	
Liabilities				
Due to other banks	0-16	-	-	-
Customer accounts:				
-term deposits	0-35	4-17	5-6	5
Debt securities in issue	7-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	-	0-6	Euribor+1.6-5	0
-Local Financial Institutions	0-12	0-6	0.5-1	0

	2017			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	0-14.5	0-1.3	-	-
Due from other banks	5	-	-	-
Loans and advances to customers	0-28	0.75-13.59	0.75-10	-
Liabilities				
Due to other banks	0-13.5	-	-	-
Customer accounts:				
-term deposits	0-22	0-17	0.05	0.05
Debt securities in issue	6.5	-	-	-
Other borrowed funds:				
-International Financial Institutions	0	2-Libor+4.7	Euribor+1.6-5	-
-Local Financial Institutions	2-4.3	0.5-6	0.5-1	-

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

(in millions of Uzbek Soums, unless otherwise indicated)

Geographical risk concentration. The geographical concentration of the Group's financial assets and liabilities at 31 December 2018 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,275,203	614,243	7,687	**1,897,133**
Due from other banks	574,008	237,805	279	**812,092**
Loans and advances to customers	28,020,629	-	-	**28,020,629**
Financial assets at fair value through other comprehensive income	35,473	6,331	-	**41,804**
Other financial assets	3,673	3,210	91	**6,974**
Total financial assets	**29,908,986**	**861,589**	**8,057**	**30,778,632**
Liabilities				
Due to other banks	674,396	-	2,304	**676,700**
Customer accounts	5,129,176	-	-	**5,129,176**
Debt securities in issue	67,741	-	-	**67,741**
Other borrowed funds	14,772,708	1,601,430	5,382,017	**21,756,155**
Other financial liabilities	5,753	-	-	**5,753**
Total financial liabilities	**20,649,774**	**1,601,430**	**5,384,321**	**27,635,525**
Net balance sheet position as 31 December 2018	**9,259,212**	**(739,841)**	**(5,376,264)**	**3,143,107**
Credit related commitments (Note 28)	**2,332,084**	**-**	**-**	**2,332,084**

(in millions of Uzbek Soums, unless otherwise indicated)

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

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,133,211	1,922,129	4,027	3,059,367
Due from other banks	472,059	197,314	2	669,375
Loans and advances to customers	20,360,591	-	-	20,360,591
Investment securities available for sale	14,467	5,397	-	19,864
Other financial assets	3,126	-	-	3,126
Total financial assets	**21,983,454**	**2,124,840**	**4,029**	**24,112,323**
Liabilities				
Due to other banks	376,053	-	507	376,560
Customer accounts	3,900,334	-	-	3,900,334
Debt securities in issue	68,885	-	-	68,885
Other borrowed funds	11,927,548	709,011	4,743,601	17,380,160
Other financial liabilities	3,663	-	-	3,663
Total financial liabilities	**16,276,483**	**709,011**	**4,744,108**	**21,729,602**
Net balance sheet position as 31 December 2017	**5,706,971**	**1,415,829**	**(4,740,079)**	**2,382,721**
Credit related commitments (Note 28)	**2,146,656**	**-**	**-**	**2,146,656**

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

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

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

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.

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

(in millions of Uzbek Soums, unless otherwise indicated)

The undiscounted maturity analysis of financial instruments at 31 December 2018 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	176,122	100,052	33,031	161,934	159,923	429,359	**1,060,421**
Customer accounts	3,969,697	536,292	386,091	332,108	4,512	418	**5,229,118**
Debt securities in issue	1,992	25,371	14,287	29,272	9,999	-	**80,921**
Other borrowed funds	621,862	1,172,713	707,188	4,346,182	8,059,701	9,860,788	**24,768,434**
Other financial liabilities	5,753	-	-	-	-	-	**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total potential future payments for financial obligations	**4,819,071**	**2,041,356**	**1,204,587**	**6,181,604**	**8,263,238**	**10,973,406**	**33,483,262**

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

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	101,528	128	120,962	-	90,969	156,267	**469,854**
Customer accounts	3,214,980	424,792	311,918	1,562	26	210	**3,953,488**
Debt securities in issue	1,278	7,375	4,612	47,103	26,792	-	**87,160**
Other borrowed funds	44,890	1,377,535	1,405,719	4,352,260	3,830,747	8,774,414	**19,785,565**
Other financial liabilities	3,663	-	-	-	-	-	**3,663**
Undrawn credit lines	68,553	22,115	11,688	32,074	8,224	33,381	**176,035**
Guarantees issued	110	13,237	34,630	92,731	-	868,737	**1,009,445**
Letters of credit	-	21,420	92,427	847,329	-	-	**961,176**
Total potential future payments for financial obligations	**3,435,002**	**1,866,602**	**1,981,956**	**5,373,059**	**3,956,758**	**9,833,009**	**26,446,386**

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

(in millions of Uzbek Soums, unless otherwise indicated)

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 31 December 2018:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	1,897,133	-	-	-	-	-	**1,897,133**
Due from other banks	331,538	212,563	48,210	171,684	48,097	-	**812,092**
Loans and advances to customers	1,720,833	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**28,020,629**
Financial assets at fair value through other comprehensive income	-	-	-	41,804	-	-	**41,804**
Other financial assets	6,974	-	-	-	-	-	**6,974**
Total financial assets	**3,956,478**	**2,217,390**	**1,840,022**	**11,520,390**	**5,018,840**	**6,225,512**	**30,778,632**
Liabilities							
Due to other banks	169,416	72,460	-	36,525	44,223	354,076	**676,700**
Customer accounts	3,959,295	491,452	357,461	319,514	1,168	286	**5,129,176**
Debt securities in issue	1,281	22,250	11,200	25,010	8,000	-	**67,741**
Other borrowed funds	574,831	951,361	440,822	3,343,437	7,349,138	9,096,566	**21,756,155**
Other financial liabilities	5,753	-	-	-			**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total financial liabilities	**4,754,221**	**1,744,451**	**873,473**	**5,036,594**	**7,431,632**	**10,133,769**	**29,974,140**
Net liquidity gap	**(797,743)**	**472,939**	**966,549**	**6,483,796**	**(2,412,792)**	**(3,908,257)**	**804,492**
Cumulative liquidity gap at 31 December 2018	**(797,743)**	**(324,804)**	**641,745**	**7,125,541**	**4,712,749**	**804,492**	

(in millions of Uzbek Soums, unless otherwise indicated)

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2017:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	3,059,367	-	-	-	-	-	**3,059,367**
Due from other banks	5,945	177,860	99,456	-	-	386,114	**669,375**
Loans and advances to customers	855,305	624,092	749,715	7,072,792	3,642,411	7,416,276	**20,360,591**
Investment securities available for sale	-	-	-	19,864	-	-	**19,864**
Other financial assets	3,126	-	-	-	-	-	**3,126**
Total financial assets	**3,923,743**	**801,952**	**849,171**	**7,092,656**	**3,642,411**	**7,802,390**	**24,112,323**
Liabilities							
Due to other banks	100,486	120	107,426	-	72,659	95,869	**376,560**
Customer accounts	3,214,135	395,070	289,665	1,464	-	-	**3,900,334**
Debt securities in issue	650	4,446	1,029	37,700	25,060	-	**68,885**
Other borrowed funds	5,238	1,191,372	1,191,372	3,638,710	3,322,546	8,030,922	**17,380,160**
Other financial liabilities	3,663	-	-	-	-	-	**3,663**
Undrawn credit lines	68,553	22,115	11,688	32,074	8,224	33,381	**176,035**
Guarantees issued	110	13,237	34,630	92,731	-	868,737	**1,009,445**
Letters of credit	-	21,420	92,427	847,329			**961,176**
Total financial liabilities	**3,392,835**	**1,647,780**	**1,728,237**	**4,650,008**	**3,428,489**	**9,028,909**	**23,876,258**
Net liquidity gap	**530,908**	**(845,828)**	**(879,066)**	**2,442,648**	**213,922**	**(1,226,519)**	**236,065**
Cumulative liquidity gap at 31 December 2017	**530,908**	**(314,920)**	**(1,193,986)**	**1,248,662**	**1,462,584**	**236,065**	

The above analysis is based on remaining contractual maturities.

Although 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 demand deposits 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.

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

As part of liquidity risk management, the Group maintains a contingency plan, periodically reviewed and adjusted, to be able to withstand any unexpected outflow of customers and to respond to financial stress. The contingency plan is developed primarily on the basis of the Group's ability to access the State resources due to its state ownership and strategic importance to the national banking system of the Republic of Uzbekistan.

(in millions of Uzbek Soums, unless otherwise indicated)

As at 31 December 2018, the contingency plan of the Group consisted of the following:

- Attraction of long-term deposits of State funds under the Ministry of Finance – Pension Fund, State Deposit Insurance Fund and others;
- Attraction of budgetary funds up to one year through weekly electronic bidding platform run by the State Treasury under the Ministry of Finance;
- Utilization of the CBU's short-term liquidity loans;
- Attraction of deposits from inter-bank money markets within the limits set by the local commercial banks.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap as at 31 December 2018 and 2017.

33. RELATED PARTY TRANSACTIONS

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

- "Significant shareholders" - legal entities-shareholders which have a significant influence to the Group through Government;
- "Senior management" – members of the Management Board and the Council of the Bank.

Details of transactions between the Group and related parties are disclosed below:

31 December 2018	Significant shareholders	Senior management	Total
Loans and advances to customers	14,870,027	219	**14,870,246**
Customer accounts	912,552	2,715	**915,267**
Other borrowed funds	14,491,232	-	**14,491,232**
Other liabilities	9,712	543	**10,255**

2018	Significant shareholders	Senior management	Total
Interest income	520,642	18	**520,660**
Interest expense	370,414	17	**370,431**
Recovery of provision credit losses on loans and advances to customers	192,155	-	**192,155**
Commission income	39,043	-	**39,043**
Gain from trading in foreign currencies	1,251	-	**1,251**
Other income	116	-	**116**
Administrative expenses	-	1,946	**1,946**

31 December 2017	Significant shareholders	Senior management	Total
Loans and advances to customers	12,721,019	34	**12,721,053**
Customer accounts	1,106,534	142	**1,106,676**
Other borrowed funds	11,669,726	-	**11,669,726**
Other liabilities	80	243	**323**

(in millions of Uzbek Soums, unless otherwise indicated)

2017	Significant shareholders	Senior management	Total
Interest income	336,885	6	**336,891**
Interest expense	221,917	-	**221,917**
Recovery of provision credit losses on loans and advances to customers	110,325	-	**110,325**
Commission income	38,199	-	**38,199**
Gain from trading in foreign currencies	367	-	**367**
Other Income	347	-	**347**
Administrative expenses	-	1,066	**1,066**

The Group enters into transaction with other government related entities in the normal course of business.

Key management compensation is presented below:

	2018	2017
Salaries and other benefits	1,491	938
Bonuses	162	129
Social security contributions	293	315
Total	**1,946**	**1,382**

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

According to the share emission #27 dated 25 December 2018 there was a capital injection of UZS 292,467 million by the UFRD. The funds were received on 18 January 2019.

Subsequent to the reporting date, in accordance with the Presidential Decrees dated 2019, the Group received additional funding in the total amount of UZS 195,142 million and USD 17,146,230 from the Ministry of Finance, UZS 273,713 million from UFRD and UZS 33,859 million from CBU for the development of strategic industries in the Republic of Uzbekistan (total UZS 502,714 million and USD 17,146,230).

In accordance with the Presidential Decree #PD-4112 dated 14 January 2019, the shareholding of the Ministry of Finance of the Republic of Uzbekistan transferred to the newly established State Asset Management Agency.

As a result of the successful placement of Inaugural International Sovereign Bond on the London Stock Exchange in February 2019 and in accordance with the Presidential Decree # PD-4258 dated 2 April 2019 the Bank has received long-term deposits from the Ministry of Finance of the Republic of Uzbekistan for the total amount of USD 122,100,000. These funds were received for long-term lending to strategic projects of the economy of Uzbekistan.

On 10 January 2019, the Group has made additional contribution to the Charter Capital of LLC "Steel Property Construction" and increased its shareholding to 23.02%. The Group, however, did not obtain significant influence (directly or indirectly) over LLC "Steel Property Construction", therefore, continued classifying them as financial assets at FVTOCI.