STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

Consolidated Financial Statements and
Independent Auditors' Report
For the Year Ended 31 December 2013

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the State Joint-Stock Commercial Bank "Asaka" (Open Joint Stock Company) and its subsidiaries (together referred to as the "Group") as of 31 December 2013 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management of the Group is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved by the management on 22 April 2014.

On behalf of the Management:

Aripov K.T. Chairman of the Board	Galinova Z.A. Chief accountant
22 April 2014 Tashkent	22 April 2014 Tashkent

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Council of State Joint-Stock Commercial Bank "Asaka" (Open Joint Stock Company)

We have audited the accompanying consolidated financial statements of State Joint-Stock Commercial Bank "Asaka" (Open Joint Stock Company) and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Deloitte.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2012 were audited by other auditors, who expressed a qualified opinion on those consolidated financial statements on 30 April 2013, with regard to non-revaluation of buildings and premises as at 31 December 2011.

Deloitte & Touche

22 April 2014
Tashkent, Uzbekistan

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(in millions of Uzbek Soums)

	Notes	31 December 2013	31 December 2012	31 December 2011
ASSETS:				
Cash and cash equivalents	5, 30	562,164	918,881	741,623
Due from banks	6	798,720	621,476	351,702
Loans to customers	7, 30	2,902,908	2,410,707	2,212,179
Investments available-for-sale	8	21,248	20,034	14,181
Investments held-to-maturity	15, 27	-	-	39,941
Investments in associates	9, 30	31,724	19,978	17,904
Property and equipment	10	98,729	85,323	44,808
Current income tax assets		1,512	1,887	955
Deferred income tax assets	25	23,594	6,507	12,369
Non-current assets held for sale	11	-	6,499	7,952
Other assets	12	102,073	136,766	49,981
TOTAL ASSETS		**4,542,672**	**4,228,058**	**3,493,595**
LIABILITIES AND EQUITY				
LIABILITIES:				
Amounts due to the CBU and the Government	14	37,353	33,298	7,391
Due to banks	15	527,462	724,119	688,288
Customer accounts	16, 30	3,159,864	2,797,764	2,189,763
Debt securities issued	17	204,364	113,059	123,628
Current income tax payable		2,371	1,110	-
Provision on contingent liabilities	5	-	-	920
Other liabilities	18	33,891	51,444	61,171
TOTAL LIABILITIES		**3,965,305**	**3,720,794**	**3,071,161**
EQUITY:				
Share capital	19	469,802	395,355	377,242
Additional paid -in capital		5,670	3,329	2,564
Capital reserve		7,382	7,382	7,382
Property, plant and equipment revaluation reserve		32,732	36,453	8,366
Cumulative translation reserve		628	611	622
Unrealised gains on available-for-sale securities		4,918	4,794	2,390
Retained earnings		54,788	57,433	22,201
Total equity attributable to equity holders of the parent		**575,920**	**505,357**	**420,767**
Non-controlling interest		1,447	1,907	1,667
TOTAL EQUITY		**577,367**	**507,264**	**422,434**
TOTAL LIABILITIES AND EQUITY		**4,542,672**	**4,228,058**	**3,493,595**

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

22 April 2014
Tashkent

Galinova Z.A.
Chief accountant

22 April 2014
Tashkent

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Uzbek Soums)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Continuing operations			
Interest income	20, 30	250,537	238,983
Interest expense	20, 30	(113,385)	(93,955)
Net interest income before provision for impairment losses on interest bearing assets	20	137,152	145,028
Impairment losses on interest bearing assets	20, 30	(57,928)	(23,889)
Net interest income		**79,224**	**121,139**
Net gain on foreign exchange operations	21	40,051	37,735
Fee and commission income	22, 30	99,919	74,494
Fee and commission expense	22, 30	(21,485)	(13,946)
Dividend income		371	1,202
Gain arising from assets held for sale		-	386
Provision for impairment losses on other operations	13	(17,734)	(51,349)
Share of results from associates	9	12,381	3,092
Other income	23	17,092	13,850
Net non-interest income		**130,595**	**65,464**
Operating income		**209,819**	**186,603**
Operating expenses	24, 30	(145,998)	(131,717)
Profit before income tax		**63,821**	**54,886**
Income tax expense	25	(702)	(7,301)
Net profit for the year		**63,119**	**47,585**
Attributable to:			
Equity shareholders of Parent		63,579	47,345
Non-controlling interest		(460)	240
		63,119	**47,585**

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

22 April 2014
Tashkent

Galinova Z.A.
Chief accountant

22 April 2014
Tashkent

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Uzbek Soums)

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit for the year	**63,119**	**47,585**
Other comprehensive income		
Revaluation gain of buildings and premises	-	33,886
Unrealised gains on investment securities available-for-sale	124	2,332
Exchange diffrence on translation of foreign operations	17	(11)
Income tax relating to components of other comprehensive	-	(5,011)
Other comprehensive income for the year	141	31,196
Total comprehensive income	**63,260**	**78,781**
Attributable to:		
Equity shareholders of Parent	63,720	78,541
Non-controlling interest	(460)	240
Total comprehensive income	**63,260**	**78,781**

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

22 April 2014
Tashkent

Galinova Z.A.
Chief accountant

22 April 2014
Tashkent

The notes on pages 8-67 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Uzbek Soums)

	Notes	Share capital	Additional paid-in capital	Capital reserve	Property and equipment revaluation reserve	Foreign currency translation reserve	Unrealized gains on available-for sale investments	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
31 December 2011		**377,242**	**2,564**	**7,382**	**8,366**	**622**	**2,390**	**22,201**	**420,767**	**1,667**	**422,434**
Other comprehensive income for the year, net of income tax		-	-	-	28,803	(11)	2,404	-	31,196	-	31,196
Profit for the year		-	-	-	-	-	-	47,345	47,345	240	47,585
Share capital increase of:											
-ordinary shares		8,219	765	-	-	-	-	-	8,984	-	8,984
Dividends paid		-	-	-	-	-	-	(2,935)	(2,935)	-	(2,935)
Capitalisation of dividends		9,894	-	-	-	-	-	(9,894)	-	-	-
Depreciation of revaluation reserve, net of tax		-	-	-	(716)	-	-	716	-	-	-
31 December 2012		**395,355**	**3,329**	**7,382**	**36,453**	**611**	**4,794**	**57,433**	**505,357**	**1,907**	**507,264**
Other comprehensive income for the year, net of income tax		-	-	-	-	17	124	-	141	-	141
Profit for the year		-	-	-	-	-	-	63,579	63,579	(460)	63,119
Share capital increase of:											
-ordinary shares	25	15,391	2,341	-	-	-	-	-	17,732	-	17,732
Dividends paid		-	-	-	-	-	-	(10,889)	(10,889)	-	(10,889)
Capitalisation of dividends		59,056	-	-	-	-	-	(59,056)	-	-	-
Release of disposed property revaluation		-	-	-	(364)	-	-	364	-	-	-
Depreciation of revaluation reserve, net of tax		-	-	-	(3,357)	-	-	3,357	-	-	-
31 December 2013		**469,802**	**5,670**	**7,382**	**32,732**	**628**	**4,918**	**54,788**	**575,920**	**1,447**	**577,367**

On behalf of the Management Board.

Aripov K.T.	Galinova Z.A.
Chairman of the Board	Chief accountant
22 April 2014	22 April 2014
Tashkent	Tashkent

The notes on pages 8-67 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(in millions of Uzbek Soums)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities:			
Profit before income tax		63,821	54,886
Adjustments for:			
Provision for impairment losses on interest bearing assets	20, 30	57,928	23,889
Provision for impairment losses on other transactions	13	17,734	51,349
Gain arising from assets held for sale		-	(150)
Unrealized gain on foreign exchange operations		(26,798)	(28,662)
Unrealized losses on Investment Securities Available for Sale		124	2,332
Gain from sale or disposal of property, equipment and intangible assets		(1,687)	(231)
Depreciation and amortization expenses	10	12,637	6,916
Changes in interest accruals, net		(6,370)	(22,295)
Dividend received		371	-
Share of results from associates	9	(12,381)	(3,092)
Cash inflows from operating activities before changes in operating assets and liabilities		105,379	84,942
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		(177,136)	(267,813)
Loans to customers		(581,243)	(239,296)
Non-current assets held for sale		6,499	(635)
Other assets		21,985	(68,986)
Increase/(decrease) in operating liabilities:			
Amounts due to the CBU and the Government		4,306	25,900
Due to banks		(191,490)	45,356
Customer accounts		388,243	607,343
Provisions		-	(920)
Other liabilities		4,758	(5,398)
Cash (outflow)/inflow from operating activities before taxation		(418,699)	180,493
Income tax paid		(16,153)	(6,272)
Net cash (outflow)/inflow from operating activities		(434,852)	174,221
Cash flows from investing activities:			
Proceed from sale of investments held-to-maturity		-	39,941
Proceed from sale of investments in associates		-	700
Dividends received from associates		635	318
Purchase of property, equipment and intangible assets		(31,746)	(38,210)
Proceeds on sale of property, equipment and intangible assets		7,550	4,776
Purchase of investment available-for-sale		(2,818)	(2,698)
Net cash (outflow)/inflow from investing activities		(26,379)	4,827

The notes on pages 8-67 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Uzbek Soums)

Cash flow from financing activities:			
Proceeds from issue of share capital		17,732	8,984
Net proceeds from debt securities issued		89,705	(10,793)
Dividends paid		(10,889)	(2,935)
Net cash inflow/(outflow) from financing activities		96,548	(4,744)
Effect of changes in foreign exchange rate on cash and cash equivalents		7,966	2,954
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(356,717)**	**177,258**
CASH AND CASH EQUIVALENTS, beginning of year	5	**918,881**	**741,623**
CASH AND CASH EQUIVALENTS, end of year	5	**562,164**	**918,881**
Interest paid		(108,009)	(101,891)
Interest received		242,146	229,554

Non-cash transactions:		
- capitalization of dividends	59,056	9,894

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

22 April 2014
Tashkent

Galinova Z.A.
Chief accountant

22 April 2014
Tashkent

(in millions of Uzbek Soums, unless otherwise indicated)

1. ORGANISATION

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

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

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

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

As of 31 December 2013, the Bank operated through its Head office, located in Tashkent city, Republic of Uzbekistan and 26 regional branches, 114 mini banks and 33 currency exchange units (31 December 2012: 26 regional branches, 113 mini banks and 135 currency exchange units) throughout the territory of the Republic of Uzbekistan.

The number of employees of the Bank at 31 December 2013 and 2012 was 2,656 and 2,835 respectively.

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

Name	Country of operation	The Bank ownership interest/voting rights, % 31 December 2013	31 December 2012	Type of operation
SJSCB "Asaka" (OJSC)	Uzbekistan	Parent		Banking
"Dilorom" LLC	Kyrgyzstan	100	100	Recreation center
"Asaka Oquv Komplex" Subsidiary Enterprise	Uzbekistan	100	100	Education services
"Hazarasp Textile" LLC	Uzbekistan	100	100	Textile
"Asaka Trans leasing" LLC	Uzbekistan	70	70	Leasing company
"Bos'ton Kandolat" LLC	Uzbekistan	100	100	Candy factory
"Berteks" LLC	Uzbekistan	100	100	Textile
"Urgench Parranda Invest" LLC	Uzbekistan	100	100	Poultry
"Asaka Investment" LLC	Uzbekistan	100	100	Assets managemer
"Qorako'l Asaka" LLC	Uzbekistan	100	-	Textile

"Dilorom" LLC (further "Company") – recreation centre located on the Issyk-Kul coastal lake, was purchased by the Bank based on the decision of the Cabinet of Ministers #126 dated 29 March 1999. The acquisition amount comprised the amount equivalent of USD 155,344. The same year the Bank transferred amount equivalent of USD 2,703,677 for construction and facilities purposes. Both transfer payments are performed by the Bank in accordance with the Letter of the Central Bank of Uzbekistan #1318/6-1 dated 5 January 2004. The Bank is a sole shareholder of the Company. The Bank did not make investments in the share capital of the Company during the year ended 31 December 2013.

"Asaka Oquv Komplex" Subsidiary Enterprise (further "Company") - involved in banking training and education services provision. The Company also renders touristic services, which is in accordance with License # 055-04 dated 21 July 2004. The Bank is as a sole shareholder of the Company. During the year ended 31 December 2007, the Bank made investments of UZS 14,947 thousand in the share capital of the Company, in accordance with the Bank's decision #14/3272 dated 17 September 2007. The Bank did not make investments in the share capital of the Company during the year ended 31 December 2013.

"Hazarasp Textile" LLC is a manufacturing enterprise, established in accordance with the Government Committee Instruction #20 dated 6 November 2006 "Selection of investors and management companies for textile enterprises", with the Decree of the President of the Republic of Uzbekistan #PP-330 dated 21 April 2006 "Procedures of financial recovery and enhancement of cotton fibre production for textile enterprises", with the Minute of the Council of the Bank #15 dated 6 December 2006, with the Minute of the Bank's Management Board #68 dated 20 November 2006 and the Decision of the shareholders of "Hazorasp Textile" LLC #1 dated 6 December 2006. Earlier, the Bank accepted property of two companies, JV "Uniho" and JSC "Hazorasp textile plant" announced bankrupt, as a repayment of outstanding debt, which these companies owed to the Bank. On the basis of the above stated decisions, this property was afterwards invested in the equity of newly established "Hazorasp Textile" LLC. The Bank did not make investments in the share capital of the Company during the year ended 31 December 2013.

"Asaka Trans Leasing" LLC is a lease company established in accordance with the President's Decree #PP-396 dated 3 July 2006 "Realization of state shares of the Stock company "Toshavtobus". Share capital of "Asaka Trans Leasing" LLC amounted to UZS 4,000,000 thousand. The shareholders of "Asaka Trans Leasing" LLC are the Bank and State Association "Toshshahartranshizmat".

"Bo'ston Kandolat" LLC was established on 18 May 2009 in accordance with the decision of the Board from 25 February, 2009. The subsidiary company was formed on the basis of repossessed property of the bankrupt enterprise JV "Konmit" following the Decision of the Economic Court of Tashkent region #11-0515/5301 from 29 December 2006. The Share Capital of the subsidiary comprises UZS 2,500,000 thousand, with 100% owned by the Bank. The company is engaged in the production of sweets and confectioneries.

The subsidiary company "Berteks" LLC was formed on 14 April 2009 on the basis of repossessed property of two bankrupt enterprises JV "Beruniteks" and JSC "Rayhon" following the Decision of the Economic Court of Republic of Karalpakistan #23-0705/2872 from 28 June 2008 and 23-0705/4149 from 12 June 2008. The Share Capital of the subsidiary comprises UZS 11,165,500 thousand, 100% owned by the Bank. The company is primarily engaged in textile manufacturing.

"Urganch Parranda Invest" poultry farm was established on 25 September 2010 in accordance with the decision of the Council Board #21 from 22 September, 2010. The subsidiary company was formed on the basis of repossessed property of the bankrupt enterprise OJSC "Sharip Zaripov nomli parrandachilik". The Share Capital of the subsidiary comprises UZS 5,822,687 thousand, 100% owned by the Bank.

LLC "Qorako'l Asaka Textile" was established on 12 March 2013 in accordance with the decision of the Council Board #6 from 07 March, 2013. The subsidiary was formed on the basis of repossessed property of the bankrupt enterprise JV "Qorako'ltex" .The Share Capital of the subsidiary comprises UZS 17,163,910 thousand, 100% owned by the Bank.

LLC "Asaka Investment" was established on 22 October 2010 in accordance with the decision of the Council Board #22 from 18 December 2009, in order to support efficient management of subsidiaries. The Share Capital of the subsidiary comprises UZS 10,672,526 thousand, 100% owned by the Bank.

As at 31 December 2013 and 2012, the following shareholders owned the issued shares of the Group:

SHAREHOLDERS	31 December 2013, %	31 December 2012, %
The Ministry of Finance of the Republic of Uzbekistan	58.76	60.97
JSC "Uzavtosanoat"	14.05	14.58
The Fund of Reconstruction and Development of the Republic of Uzbekistan	14.03	14.56
"UzGazOil" LLC	4.88	5.06
OJSC "Almalyk MC"	3.84	-
SJSC "Uzbekistan Railways"	1.25	-
SJSC «Uzbekenergo»	1.00	-
Other	2.19	4.83
Total	**100.00**	**100.00**

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

These consolidated financial statements were authorized for issue by the Management Board of the Group on 22 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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

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

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

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

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

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

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

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

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

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 27.

Functional Currency

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

Offsetting

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

The principal accounting policies are set below.

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

Recognition of interest income and expense

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

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

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

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

Recognition of fee and commission income

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

Financial instruments

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

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

Financial assets

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

Held to maturity investments. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

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

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). Fair value is determined in the manner described (see Note 12]). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

Loans and receivables

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

Impairment of financial assets

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

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

- Significant financial difficulty of the issuer or counterparty; or

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

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

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

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

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

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

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

Renegotiated loans

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

Write-off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral.

Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of comprehensive income in the period of recovery.

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments issued

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

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

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

Financial guarantee contracts

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

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

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

Derecognition of financial liabilities

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

Leases

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

The Group as lessor

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

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

Cash and cash equivalents

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

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

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

Premises and equipment

Buildings and premises are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuation are performed on a regular basis to ensure that the fair value of a revalued assets does not differ materially from its carrying amount.

Accumulated depreciation as of the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated income statement, in which case the increase is recognized in the consolidated income statement. A revaluation deficit is recognized in the consolidated income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

Annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Property and equipment, except for buildings and premises are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

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

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

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

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

If impaired, equipment is written down to the higher of its value in use or fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Intangible assets

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

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

Non-current assets held for sale.

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

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

The Republic of Uzbekistan where the Group operates also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Provisions

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

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

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

Contingencies

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

Foreign currencies

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

	31 December 2013	31 December 2012
UZS/1 US Dollar	2,202.20	1,984.00
UZS/1 Euro	3,031.90	2,620.31

Retirement and other benefit obligations

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

Collateral

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

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

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

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

Share capital

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of loans and receivables

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a Group, and national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the Group of loans. The Group uses management's judgment to adjust observable data for a Group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Uzbekistan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2013 and 2012 the gross loans to customers totaled UZS 3,111,358 million and UZS 2,577,875 million, respectively, and allowance for impairment losses amounted to UZS 208,450 million and UZS 167,168 million, respectively.

Valuation of financial instruments

As described in Note 27, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 28 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets.

The management of the Group is confident that except for the valuation allowance recorded against deferred tax assets for the amount of UZS 5,651million as of 31 December 2013, no other valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than not that the deferred tax asset will be fully realized. The carrying value of net deferred tax assets amounted to UZS 23,594 million and UZS 6,507 million as at 31 December, 2013 and 2012, respectively.

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

Amendments to IFRSs affecting amounts reported in the financial statements

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

Standards affecting the financial statements

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10: IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The management of the Bank made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over "Absolut Leasing" LLC in accordance with the new definition of control and the related guidance set out in IFRS 10. The management concluded that it has had control over "Absolut Leasing" LLC since the acquisition in 2010 on the basis of the Group's absolute size of holding in "Absolut Leasing" LLC. Therefore, in accordance with the requirements of IFRS 10, "Absolut Leasing" LLC has been a subsidiary of the Bank since acquisition in 2010. As a result the application of the standard did not have effect on the Group's consolidated financial statements.

Impact of the application of IFRS 11. IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The management of the Group assessed that the application of IFRS 11 has not had any material impact on the amounts recognised in the consolidated financial statements as the Group does not have any investments in joint arrangements.

Impact of the application of IFRS 12. IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to IFRS 7 *Financial instruments: Disclosures.* The Group has applied the amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

In the current year, the Group has not transferred financial assets.

Amendments to IAS 1 *Presentation of financial statements (amended June 2011).* The Group has applied the amendments to IAS 1 titled *Presentation of Items of Other Comprehensive Income* in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

IFRS 13 ***Fair Value Measurement.*** The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases, and measurements* that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 ***Presentation of Financial Statements*** **(as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012).**

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied a number of new and revised IFRSs (see the discussion above), however, these applications have not resulted in material effects on the information in the consolidated statement of financial position as at 1 January 2012.

New and revised IFRSs in issue but not yet effective

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

IFRS 9 *Financial Instruments*
Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*[2]
Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*[1]
Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities1*
Amendments to IAS 36 Impairment of Assets
Amendments to IAS 39 Financial Instruments: Recognition and Measurement

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 9 *Financial Instruments.* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The management of the Group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

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

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(in millions of Uzbek Soums, unless otherwise indicated)

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

The management of the Group do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

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

The management of the Group do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

4. RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements as at 31 December, 2012 and for the year then ended to conform to the presentation as at 31 December, 2013 and for the year then ended as current year presentation provides better view of the financial position of the Group.

	As previously reported	Reclassification amount	As reclassified
	31 December 2012	31 December 2012	31 December 2012
Loan to customers	2,552,050	25,825	2,577,875
Other financial assets	36,979	(25,825)	11,154
Allowance for impairment of loans to customer	(141,343)	(25,825)	(167,168)
Allowance for impairment of other financial assets	(31,270)	25,825	(5,445)
Due to banks	747,057	(22,938)	724,119
Amounts due to the CBU and the Government	10,360	22,938	33,298

	As previously reported	As reclassified
	Year ended 31 December 2012	Year ended 31 December 2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Changes in operating assets and liabilities		
Increase/(decrease) in operating liabilities:		
Amounts due to the CBU and the Government	2,962	25,900
Due to banks	68,294	45,356

(in millions of Uzbek Soums, unless otherwise indicated)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2013	31 December 2012
Cash on hand	36,334	89,503
Current accounts with other credit institutions	306,704	205,718
Current accounts with the Central Bank of Uzbekistan	128,823	20,291
Time deposits with original maturities up to 90 days	90,303	603,369
Total cash and cash equivalents	**562,164**	**918,881**

As of 31 December 2013, time deposits with maturities up to 90 days include overnight deposit placed with the CBU of UZS 153,600 million (2012- UZS 490,000 million) bearing fixed interest rate of 0.02% per annum (2012-0.02% per annum).

6. DUE FROM BANKS

Due from banks comprise:

	31 December 2013	31 December 2012
Time deposits with other banks with original maturities over 90 days	235,191	180,923
Obligatory reserve with the Central Bank of Uzbekistan	504,424	440,553
Restricted cash	59,105	-
Total due from banks	**798,720**	**621,476**

As at 31 December 2013 and 2012, the Group had balance due from 4 and 3 banks, respectively, with individual exposure exceeding 10% of the Group's equity.

As at 31 December 2013, obligatory reserve deposit at the Central Bank of the Republic of Uzbekistan includes mandatory reserves with the Central Bank of the Republic of Uzbekistan in the amount of UZS 363,106 million (2012: UZS 318,722 million) and UZS 141,317 million (2012: UZS 121,831 million) on impairment losses on assets and on deposits of clients, respectively.

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

(in millions of Uzbek Soums, unless otherwise indicated)

7. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2013	31 December 2012
Loans to customers		
Corporate loans	2,684,149	2,267,061
Residential mortgage lending	160,597	141,047
Small business lending	37,259	11,872
Consumer lending	34,972	22,108
Investments in finance lease	194,381	135,787
	3,111,358	2,577,875
Less allowance for impairment losses	(208,450)	(167,168)
Total loans to customers	**2,902,908**	**2,410,707**

As at 31 December 2013 and 2012 a significant amount of loans is granted to companies operating in the Republic of Uzbekistan, which represents a significant geographical concentration in one region.

As at December 31, 2013 and 2012 the Group had a concentration of loans totalling UZS 1,151,731 million and UZS 709,810 million due from 10 largest borrowers, which represent 37% and 28% of gross loan portfolio, respectively.

An allowance of UZS 2,671 million and UZS 8,889 million respectively was recognized against these loans.

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

(in millions of Uzbek Soums, unless otherwise indicated)

	Corporate loans (including investments in finance lease)	Mortgage Loans	Small businesses lending	Consumer Loans	Total
At 1 January 2012	**235,642**	**2,300**	**3,677**	**335**	**241,954**
Provision/(recovery)	18,978	(359)	4,675	595	23,889
Write-off of assets	(84,804)	(1,877)	(7,362)	(676)	(94,719)
Currency translation difference	(3,956)	-	-	-	(3,956)
As at 31 December 2012	**165,860**	**64**	**990**	**254**	**167,168**
Provision/(recovery)	45,200	11,068	(197)	1,857	57,928
Write-off of assets	(35,130)	-	(44)	-	(35,174)
Recovery of assets previously written-off	15,644	-	18	-	15,662
Currency translation difference	2,866	-	-	-	2,866
As at 31 December 2013	**194,440**	**11,132**	**767**	**2,111**	**208,450**
Individual impairment	148,370	-	-	-	148,370
Collective impairment	46,070	11,132	767	2,111	60,080
As at 31 December 2013	**194,440**	**11,132**	**767**	**2,111**	**208,450**
Gross amount of loans, individually determined to be impaired, before deducitng any individually assessed impairment allowance	403,125	-	-	-	403,125
As at 31 December 2013	**403,125**	**-**	**-**	**-**	**403,125**
Individual impairment	155,786	-	966	244	156,996
Collective impairment	10,074	64	24	10	10,172
As at 31 December 2012	**165,860**	**64**	**990**	**254**	**167,168**
Gross amount of loans, individually determined to be impaired, before deducitng any individually assessed impairment allowance	316,276		3,311	244	319,831
As at 31 December 2012	**316,276**	**-**	**3,311**	**244**	**319,831**

During 2013 and 2012, the Group has written off loans worth UZS 35,173 million and UZS 94,719 million, respectively. Loans written off were considered to be non-recoverable after all procedures (sale of collateral, collection and court cases) were completed.

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

(in millions of Uzbek Soums, unless otherwise indicated)

Loans collateralized by pledges:	31 December 2013	31 December 2012
-Real estate	1,292,772	1,061,081
-Corporate guarantees	1,050,499	695,867
-Cash	452,415	478,323
-Equipment and inventories	130,216	119,074
-Government guarantees	57,943	55,654
-Securities'	704	2,638
-Other	119,051	163,386
Unsecured loans	7,758	1,852
	3,111,358	2,577,875
Less allowance for impairment losses	(208,450)	(167,168)
Total loans to customers	**2,902,908**	**2,410,707**

During the years ended 31 December 2013 and 2012 the Group received financial and non-financial assets by taking possession of collateral it held as security and calling on guarantees and similar credit enhancements. As at 31 December 2013 and 2012 such assets amounting to UZS 100,614 million and UZS 133,905 million, respectively, are included in other assets. The management of the Group expects to dispose collateral within 12 months period through public auction.

As at 31 December 2013 and 2012 loans to customers included loans totaling UZS 44,480 million and UZS 43,707 million, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired

Analysis by sector	31 December 2013	31 December 2012
Manufacturing	1,877,694	1,523,948
Trade	455,388	291,479
Individuals	209,376	180,254
Agriculture	151,840	152,667
Utilities	128,721	33,609
Transport and communications	118,175	60,184
Construction	102,830	209,226
Other	67,334	126,508
	3,111,358	2,577,875
Less allowance for impairment losses	(208,450)	(167,168)
Total loans to customers	**2,902,908**	**2,410,707**

(in millions of Uzbek Soums, unless otherwise indicated)

The components of net investment in finance lease as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Not later than one year	2,866	60,387
From one year to five years	220,956	141,530
More than 5 years	45,238	1,294
Minimum lease payments	269,060	203,211
Less: unearned finance income	(74,679)	(67,424)
Net investment in finance lease	194,381	135,787
Less: allowance for impairment losses	(9,533)	(2,593)
Net investment in finance lease	**184,848**	**133,194**
Current portion	2,639	41,621
Long-term portion	191,742	94,166
Net investment in finance lease	194,381	135,787
Less: allowance for impairment losses	(9,533)	(2,593)
Net investment in finance lease	**184,848**	**133,194**

8. AVAILABLE – FOR - SALE FINANCIAL ASSETS

Available for sale financial assets comprise:

Equity securities	**31 December 2013**	**31 December 2012**
OJSC "Djizzak Accumulators Factory"	8,971	8,971
"Asia Invest" Bank	3,747	3,623
JSB "Microcreditbank"	3,430	2,680
Republican stock-exchange "Tashkent"	3,155	2,997
OJSLC "Qurilish-Leasing"	688	688
OJSC "Chilonzor buyum bozori"	413	315
OJSC LC "UzMed-Leasing"	315	300
SJSFTC"O'zmarkazimpeks"	215	215
OJSC "Uzbekgeofizika"	122	53
SJSIC "Kafolat"	111	111
Other	81	81
Total investments available-for-sale	**21,248**	**20,034**

(in millions of Uzbek Soums, unless otherwise indicated)

9. INVESTMENT IN ASSOCIATES

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

	Ownership/Voting, %		Country	Date of incorporation	Industry	Date of acquisition
	2013	2012				
O'zavtosanoatleazing LLC	49.00%	49.00%	Uzbekistan	2007	Leasing	2007
Samarkand Automobile Factory LLC	26.00%	26.00%	Uzbekistan	2006	Vehicle manufacturing	2006

The percentage held of the above associates represents both direct and indirect ownership of the Group.

The movements of the investments in associates comprise:

	2013	2012
As at 1 January	**19,978**	**17,904**
Sales of investments in associates	-	(700)
Share of results from associates	12,381	3,092
Dividends received	(635)	(318)
As at 31 December	**31,724**	**19,978**

Aggregated assets and liabilities of associates

	31 December 2013	31 December 2012
Total assets	279,729	275,169
Total liabilities	(179,056)	(216,194)
Net assets	**100,673**	**58,975**

Aggregated revenue and profit of associates

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue	309,891	221,164
Net profit	42,348	7,256

(in millions of Uzbek Soums, unless otherwise indicated)

10. PROPERTY AND EQUIPMENT

	Buildings and premises	Furniture and equipment	Vehicles	Construction in progress	Total
Cost/value					
31 December 2011	40,527	34,202	2,162	2,288	79,179
Additions	5,243	1,312	2,574	29,081	38,210
Disposals	(1,407)	(2,925)	(213)	(24,277)	(28,822)
Revaluation	91,385	-	-	-	91,385
31 December 2012	135,748	32,589	4,523	7,092	179,952
Additions	673	6,448	169	24,456	31,746
Disposals	(1,694)	(4,974)	(282)	(7)	(6,957)
31 December 2013	134,727	34,063	4,410	31,541	204,741
Accumulated depreciation and impairment					
31 December 2011	(13,434)	(19,420)	(1,517)	-	(34,371)
Charge for the year	(2,218)	(3,997)	(550)	-	(6,765)
Disposals	1,273	4,107	2	-	5,382
Revaluation	(57,499)	-	-	-	(57,499)
Impairment	(1,376)	-	-	-	(1,376)
31 December 2012	(73,254)	(19,310)	(2,065)	-	(94,629)
Charge for the year	(6,787)	(5,225)	(465)		(12,477)
Disposals	383	469	242	-	1,094
31 December 2013	(79,658)	(24,066)	(2,288)	-	(106,012)
Net book value					
31 December 2013	**55,069**	**9,997**	**2,122**	**31,541**	**98,729**
31 December 2012	**62,494**	**13,279**	**2,458**	**7,092**	**85,323**

Buildings and premises were independently valued as at 31 December 2003 and as at 31 December 2012.

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

(in millions of Uzbek Soums, unless otherwise indicated)

	2013	2012
Cost of Buildings:	21,679	21,005
Accumulated Depreciation	(11,476)	(10,009)
Net Book value	**10,203**	**10,996**

11. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2013	31 December 2012
Buildings	-	6,499
Total non-current assets held for sale	**-**	**6,499**

Non-current assets held for sale as at 31 December 2012 represent the shopping stores constructed by the Group, which were sold during 2013.

12. OTHER ASSETS

Other assets comprise:

	31 December 2013	31 December 2012
Other financial assets:		
Unrealized income on revaluation - forward contracts	3,012	2,395
Assets under litigation	5,928	5,445
Trade accounts receivable from customers	3,190	2,016
Others	2,458	1,298
	14,589	11,154
Less allowance for impairment losses	(5,928)	(5,445)
	8,661	5,709
Other non-financial assets:		
Repossessed property	100,614	133,905
Property and equipment purchased for finance lease purpose	46,901	37,652
Inventories of subsidiaries	6,706	4,780
Advances paid for leasing equipment	3,683	1,666
Tax settlements, other than income tax	789	961
Low value and short life assets in warehouse	109	203
Intangible assets	273	301
	167,735	185,177
	(65,662)	(48,411)
Total other assets	**102,073**	**136,766**

Inventories are represented by the production materials and finished goods of the Bank's subsidiaries.

Intangible assets are represented by computer software licenses purchased for the purpose of the Group's operational activity. As at 31 December 2013, the carrying value of intangible assets amounted to UZS

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273 million (2012: UZS 301million). Amortization expenses for the years ended 31 December 2013 and 2012 were UZS 160 million and UZS 151 million respectively.

Movements in the allowance for impairment losses on other assets for the years ended 31 December 2013 and 2012 are disclosed (see Note 13).

13. ALLOWANCE MOVEMENT FOR IMPAIRMENT LOSSES ON OTHER OPERATIONS

	Other assets	Impairment of buildings and premises	Provision on contingent liabilities	Total
31 December 2011	**2,963**	**-**	920	**2,963**
Provision/(recovery)	50,893	1,376	(920)	51,349
31 December 2012	**53,856**	**1,376**	-	**53,856**
Provision	17,734	-	-	17,734
31 December 2013	**71,590**	**1,376**	-	**71,590**

14. AMOUNTS DUE TO THE CENTRAL BANK OF UZBEKISTAN AND THE GOVERNMENT

	31 December 2013	31 December 2012
Due to the Ministry of Finance of the Republic of Uzbekistan	15,543	10,186
Due to the Fund for Reconstruction and Development of Uzbekistan	21,640	22,938
Loans from the CBU	170	174
Total amounts due to the Central bank of Uzbekistan and the Government	**37,353**	**33,298**

	31 December 2013		31 December 2012	
	Interest rates	Maturity	Interest rates	Maturity
Due to the Ministry of Finance of the Republic of Uzbekistan	1.0-8.6	2014-2026	1.0-8.6	2013-2026
Due to the Fund Reconstruction and Development of Uzbekistan	1	2020	1	2020
Loans from the CBU	LIBOR to 7.5	2019	LIBOR to 7.5	2019

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15. DUE TO BANKS

Due to banks comprise:

	31 December 2013	31 December 2012
Term deposits of banks and other financial institutions	348,193	459,351
Interest-bearing placements with banks	85,653	256,817
Correspondence accounts with other Banks	93,616	7,951
Total due to banks	**527,462**	**724,119**

As at 31 December 2013 and 2012, term deposits in the amount of UZS 158,886 million (30%) and UZS 178,670 million (25%) respectively, were due to 4 banks, which represents a significant concentration.

The Group is obliged to comply with certain financial covenants in relation to funds borrowed from financial institutions. As at 31 December 2013, the Group was in compliance with all financial covenants, except for ratios of total regulatory capital to risk weighted capital, liquid assets to short term liabilities, economic group exposure ratio, related party exposure ratio and open credit exposure ratio. As a result, the Group has presented amounts due to these financial institutions in the aggregate amount of UZS 19,342 million within category "up to one month" in the liquidity risk analysis table disclosed in Note 30.

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2013	31 December 2012
State and public organizations		
Current/settlement accounts	77,733	80,945
Time deposits	530,815	551,563
Other legal entities		
Current/settlement accounts	1,649,893	1,506,142
Time deposits	315,195	338,543
Individuals		
Current/settlement accounts	153,491	74,376
Time deposits	432,737	246,195
Total customer accounts	**3,159,864**	**2,797,764**

(in millions of Uzbek Soums, unless otherwise indicated)

	31 December 2013	31 December 2012
Analysis by sector:		
Joint ventures	1,213,865	1,342,269
State and budget organizations	608,548	632,508
Individuals	586,228	320,571
Private enterprises	564,232	444,541
Non-government organizations	185,339	55,970
Other	1,652	1,905
Total customer accounts	**3,159,864**	**2,797,764**

As at 31 December 2013 and 2012, customer accounts totaling UZS 931,788 million and UZS 277,040 million, respectively, were held as security against letters of credit and other similar instruments issued by the Group.

As of 31 December 2013, customer accounts of UZS 2,101,470 million or 66% were due to ten largest third party customers (2012 UZS 1,595,898 million or 57%).

17. DEBT SECURITIES ISSUED

	Maturity date month / year	Annual coupon/interest rate %	31 December, 2013	31 December, 2012
Bond issued	February 2015-August 2017	11%-12%	59,000	40,000
Certificates of deposit	February 2014-October 2016	8%-10%	145,314	73,026
Savings certificates			50	33
Total debt securities issued			**204,364**	**113,059**

18. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2013	31 December 2012
Other financial liabilites:		
Settlements on purchases of products and services	2,197	6,672
Payables to employees	800	1,168
Amounts owed to creditors of repossessed bankrupt entities	191	8,062
	3,188	15,902
Other non-financial liabilites:		
Unearned revenue	24,249	25,577
Taxes payable, other than income tax	2,371	6,298
Deferred income	1,229	1,611
Other	2,854	2,056
	30,703	35,542
Total other liabilities	**33,891**	**51,444**

(in millions of Uzbek Soums, unless otherwise indicated)

19. SHARE CAPITAL

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

As of 31 December 2013 the Bank's share capital comprised the following:

	Authorized, issued and paid capital	Inflation effect	Total share capital
Ordinary shares	435,681	34,121	469,802
	435,681	34,121	469,802

As of 31 December 2012 the Bank's share capital comprised the following:

	Authorized, issued and paid capital	Inflation effect	Total share capital
Ordinary shares	361,234	34,121	395,355
	361,234	34,121	395,355

On 19 September 2013, the Council of the Group approved an issue of ordinary shares with par value of UZS 61,140 million. This share issue was registered by the Securities Coordination and Control Centre of the State Property Committee of Uzbekistan on 9 December 2013. During 2013 the Group realized new shares via State Stock Exchange for UZS 15,391 million (2012: UZS 8,219 million). In addition, during 2013 the shareholders of the Group declared dividends for the total amount of UZS 69,945 million (2012: UZS 12,829 million). Out of this amount UZS 59,056 million (2012: UZS 9,894 million) was capitalised in share capital.

As at 31 December 2013 and 2012 share capital consisted of ordinary shares 6,867,534 and 7,125,935 thousand pcs, with par value of UZS 61,140 (2012: 52,600) each. As at 31/12/2013 out of 1,226,698 issued new shares 258,401 were sold (21%). Each ordinary share carries one vote.

As at 31 December 2013 and 2012 share premium totaling UZS 5,670 million and UZS 3,329 million, respectively, represent an excess of contribution received over nominal value of shares issued.

Nature and purpose of other reserves

Property and equipment revaluation reserve.
The Group in 2012 revalued its buildings and premises (See Note 10).

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

Capital reserve
The capital reserve is created as required by the regulations of the Republic of Uzbekistan, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

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20. NET INTEREST INCOME

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income comprises:		
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	218,616	205,418
Interest on due from banks	17,322	18,134
Interest on finance lease	14,599	13,143
Interest on investments held-to-maturity	-	2,288
Total interest income	**250,537**	**238,983**
Interest expense comprises:		
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	(76,463)	(58,815)
Interest on due to banks	(18,672)	(23,048)
Interest on debt securities issued	(17,683)	(11,523)
Interest on other borrowed funds	(567)	(569)
Total interest expense	**(113,385)**	**(93,955)**
Net interest income before provision for impairment losses on interest bearing assets	**137,152**	**145,028**

21. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Translation differences, net	34,764	33,364
Dealing transactions, net	5,287	4,371
Total net gain on foreign exchange operations	**40,051**	**37,735**

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22. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Fee and commission income:		
Settlements	54,291	34,945
Foreign currency exchange operations	25,776	22,901
Letters of credit operations	16,731	14,178
Other	3,121	2,470
Total fee and commission income	**99,919**	**74,494**
Fee and commission expense:		
Settlements	(15,419)	(8,137)
Cash collection services	(5,839)	(5,136)
Other	(227)	(673)
Total fee and commission expense	**(21,485)**	**(13,946)**

23. OTHER INCOME

Other income comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Other income:		
Fines and penalties	7,021	3,613
Income of subsidiaries	4,818	5,607
Income from rent of property	2,037	1,354
Income from disposal of property, equipment and intangible assets	1,687	1,999
Other non-interest income	1,529	1,277
Total other income	**17,092**	**13,850**

(in millions of Uzbek Soums, unless otherwise indicated)

24. OPERATING EXPENSES

Operating expenses comprise:	Year ended 31 December 2013	Year ended 31 December 2012
Staff costs	52,741	54,381
Taxes, other than income tax	23,748	23,905
Social costs	20,815	11,785
Depreciation and amortization	12,637	6,916
Security expenses	8,584	6,281
Membership fee	5,586	4,163
Charity and sponsorship expenses	5,237	6,561
Stationery	4,362	4,150
Maintenance	3,000	3,032
Communications	1,979	2,062
Rent expenses	1,320	530
Advertising expenses	784	670
Professional services	561	240
Business trip expenses	907	826
Fuel expense	318	616
Representative expenses	224	260
Insurance	193	62
Fines and penalties	191	369
Other expenses	2,811	4,908
Total operating expenses	**145,998**	**131,717**

25. INCOME TAXES

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

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

Deferred taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for tax purpose. Temporary differences as at December 31, 2013 relate mostly to different methods/timing of income and expenses as well as to temporary differences generated by tax bases' differences for certain assets.

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

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Temporary differences as at 31December 2013 and 2012 comprise:

	31 December 2013	31 December 2012
Deferred tax assets/liabilities in relation to		
Provisions for impairment losses on interest bearing assets	26,667	8,426
Provision for impairment losses on other assets	6,469	13,542
Property and equipment	1,698	(5,840)
Accrued and other liabilities	(5,589)	(9,621)
	29,245	6,507
Deferred tax asset not recognized	(5,651)	-
Net deferred tax assets	**23,594**	**6,507**

Relationships between tax expenses and accounting profit for the years ended 31 December 2013 and 2012 are explained as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before income tax	63,821	54,886
Tax at the statutory tax rate (21.8% for 2013 and 2012)	13,913	11,966
Income tax privileges	(6,805)	(3,732)
Tax effect of permanent differences	(2,343)	5,061
Tax exempt income	(5,140)	(5,754)
Tax rate difference	(4,574)	(240)
Change in deferred tax assets not recognized	5,651	-
Income tax expense	**702**	**7,301**
Current income tax	17,789	6,450
Change in deferred income tax assets	(17,087)	851
Income tax expense	**702**	**7,301**

Deferred income tax assets	**2013**	**2012**
Beginning of the year	6,507	12,369
Change in deferred income tax balances recognized in consolidated profit or loss	17,087	(851)
Change in deferred income tax balances recognized in consolidated statement of other comprehensive income	-	(5,011)
End of the year	**23,594**	**6,507**

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26. COMMITMENTS AND CONTINGENCIES

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

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

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 31 December 2013 and 2012, the nominal or contract amounts were:

	31 December 2013	31 December 2012
Contingent liabilities and credit commitments		
Letters of credit	778,317	656,650
Guarantees issued and other similar instruments	93,076	79,788
Commitments on unused credit lines	103,475	29,400
	974,868	765,838
Less -Cash held as security against letters of credit and guarantees	(931,788)	(277,040)
Total contingent liabilities and creit commitments	**43,080**	**488,798**

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

Capital commitments – the Group had no material capital commitments outstanding as at 31 December 2013 and 2012.

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

The ICD financing agreement terms are structured in a way that the Bank doesn't bear any credit risk related to the projects financed from the ICD funds, other than the contingency risk on the respective guarantees issued on those projects. As such, funds utilized to finance the projects under the terms of this agreement are recorded off balance sheet. The guarantee for the respective amount issued by the Bank was recorded within Guarantees issued line in the above table. As at 31 December, 2013 no provision is recorded under this guarantee in the consolidated statement of financial position.

In accordance with the terms of the ICD financing agreement, the Bank is required to maintain certain specific financial covenants. As at 31 December 2013 the Bank was not able to meet certain covenants of financial line agreement, such as ratio of liquid assets to total assets, total operating expense to total operating income, off balance commitments to total assets and liquid assets to weighted short term liabilities ratios. In accordance with the terms of the ICD financing agreement, in such cases the ICD has the right to take over the administration of the financed projects from the Bank. However, the management believes that the ICD will not use this right in the foreseeable future.

Operating lease commitments – the Group had no material operating lease commitments outstanding as at 31 December 2013 and 2012.

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

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

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

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

Operating environment – The Group's principal business activities are within the Republic of Uzbekistan. Laws and regulations affecting the business environment in the Republic of Uzbekistan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Emerging markets such as the Republic of Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Republic of Uzbekistan and Uzbekistan's economy in general.

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27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	562,164	562,164	918,881	918,881
Due from banks	798,720	794,832	621,476	616,564
Loans to customers	2,902,908	2,857,773	2,410,707	2,367,587
Other financial assets	8,661	8,661	5,709	5,709
Amounts due to the CBU and the Government	37,353	37,353	33,298	33,298
Due to banks	527,462	520,816	724,119	719,817
Customer accounts	3,159,864	3,152,585	2,797,764	2,779,790
Other financial liabilities	3,188	3,188	15,902	15,902

	Level 1	Level 2	Level 3	31 December 2013 Total
Cash and cash equivalents	-	-	562,164	**562,164**
Due from banks	-	-	794,832	**794,832**
Loans to customers	-	-	2,857,773	**2,857,773**
Other financial assets	-	-	8,661	**8,661**
Amounts due to the CBU and the Government	-	-	37,353	**37,353**
Due to banks	-	-	520,816	**520,816**
Customer accounts	-	-	3,152,585	**3,152,585**
Other financial liabilities	-	-	3,188	**3,188**

	Level 1	Level 2	Level 3	31 December 2012 Total
Cash and cash equivalents	-	-	918,881	**918,881**
Due from banks	-	-	616,564	**616,564**
Loans to customers	-	-	2,367,587	**2,367,587**
Other financial assets	-	-	5,709	**5,709**
Amounts due to the CBU and the Government	-	-	33,298	**33,298**
Due to banks	-	-	719,817	**719,817**
Customer accounts	-	-	2,779,790	**2,779,790**
Other financial liabilities	-	-	15,902	**15,902**

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The fair values of the financial assets and financial liabilities included in the level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

28. CAPITAL RISK MANAGEMENT

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

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

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

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

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

The Group's overall capital risk management policy remains unchanged from 2012.

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

	2013	**2012**
Movement in tier 1 capital:		
At 1 January	**505,357**	**420,767**
Profit	63,119	47,585
Other	7,444	37,005
At 31 December	**575,920**	**505,357**

Composition of regulatory capital (a):	**31 December 2013**	**31 December 2012**
Tier 1 capital		
Share capital	469,802	395,355
Capital reserve	7,382	7,382
Additional paid -in capital	5,670	3,329
Unrealised gains on available-for-sale securities	4,918	4,794
Retained earnings	54,788	57,433
Total qualifying tier 1 capital	**542,560**	**468,293**
Property and equipment revaluation reserve	32,732	36,453
Foreign currency translation reserve	628	611
Total regulatory capital	**575,920**	**505,357**
Capital Ratios:		
Tier 1 capital	16.38%	14.30%
Total capital	17.37%	17.10%

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

29. RISK MANAGEMENT POLICIES

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

- Credit exposures
- Liquidity risk
- Market risk

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

Credit risk

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

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

Good	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Standard	2	"Standard" loans are those loans, which are secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay the loan on time. "Good" loans with insufficient information in the credit file or missed information on collateral could be also classified as "standard" loans.
Substandard	3	Substandard loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "substandard" loans, the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "substandard" with the added characteristic that the weakness make collection or liquidation in full, on the basis of currently existing facts, conditions and values highly questionable and improbable.

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Loss	5	Loans classified as "loss" are considered to be uncollectible and have such little value that their continuance as bankable assets of the Bank is not warranted. This classification does not mean that the loans have absolutely no chance of recovery, but rather means that it is not practical or desirable to defer writing off these basically worthless assets even thought partial recovery may be effected in the future and the Bank should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

The following tables provide an analysis of loans to customers that are classified according to internal ratings of the Group.

	31 December 2013	31 December 2012
Good	2,851,391	2,258,044
Standard	111,217	204,929
Substandard	82,365	92,397
Doubtful	35,609	15,307
Loss	30,776	7,198
	3,111,358	**2,577,875**

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

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

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

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

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

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

The principal collateral types for loans are:

- guarantees of other parties;
- building;
- insurance policy;
- equipment;
- inventory;
- deposit;
- residential house;
- furniture.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

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

- The Credit Committee of Head office reviews and approves limits up to amount equivalent of 15 percent of tier 1 capital;
- The Council of the Bank reviews and approves limits above the amount equivalent of 15 percent of tier 1 capital;

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

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

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

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

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

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

(in millions of Uzbek Soums, unless otherwise indicated)

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.

Maximum exposure of credit risk

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

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

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
31 December 2013					
Cash and cash equivalents	562,164	36,334	525,830	-	525,830
Due from banks	798,720	-	798,720	-	798,720
Loans to customers	2,902,908	452,415	2,450,493	2,442,735	7,758
Investments available-for-sale	21,248	-	21,248	-	21,248
Other financial assets	8,661	-	8,661	-	8,661
Contingent liabilities and credit commitments	974,868	931,788	43,080	-	43,080

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
31 December 2012					
Cash and cash equivalents	898,034	89,503	808,531	-	808,531
Due from banks	642,323	-	642,323	-	642,323
Loans to customers	2,410,707	478,323	1,932,384	1,930,532	1,852
Investments available-for-sale	20,034	-	20,034	-	20,034
Other financial assets	5,709	-	5,709	-	5,709
Guarantees issued and similar commitments	736,438	277,040	736,438	135,612	600,826

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.

(in millions of Uzbek Soums, unless otherwise indicated)

Geographical concentration

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

	Uzbekistan	OECD countries	Non-OECD countries	31 December 2013 Total
FINANCIAL ASSETS				
Cash and cash equivalents	555,535	-	6,629	562,164
Due from banks	710,481	7,479	80,760	798,720
Loans to customers	2,902,908	-	-	2,902,908
Investments available-for-sale	17,501	-	3,747	21,248
Other financial assets	8,661	-	-	8,661
TOTAL FINANCIAL ASSETS	**4,226,810**	**7,479**	**91,136**	**4,325,425**
FINANCIAL LIABILITIES				
Amounts due to the CBU and Government	37,353	-	-	37,353
Due to banks	313,135	348	213,979	527,462
Customer accounts	3,159,864	-	-	3,159,864
Debt securities issued	204,364	-	-	204,364
Other financial liabilities	3,188	-	-	3,188
TOTAL FINANCIAL LIABILITIES	**3,680,551**	**348**	**213,979**	**3,894,878**
NET POSITION	**546,259**	**7,131**	**(122,843)**	

(in millions of Uzbek Soums, unless otherwise indicated)

	Uzbekistan	OECD countries	Non-OECD countries	31 December 2012 Total
FINANCIAL ASSETS				
Cash and cash equivalents	898,034	-	-	898,034
Due from banks	548,201	5,952	88,170	642,323
Loans to customers	2,410,707	-	-	2,410,707
Investments available-for-sale	16,411	-	3,623	20,034
Other financial assets	5,709	-	-	5,709
TOTAL FINANCIAL ASSETS	**3,899,040**	**5,952**	**91,793**	**3,996,785**
FINANCIAL LIABILITIES				
Amounts due to the CBU and Government	33,298			33,298
Due to banks	492,851	19,383	211,885	724,119
Customer accounts	2,797,764	-	-	2,797,764
Debt securities issued	113,059	-	-	113,059
Other financial liabilities	15,902	-	-	15,902
TOTAL FINANCIAL LIABILITIES	**3,419,576**	**19,383**	**211,885**	**3,650,844**
NET POSITION	**479,464**	**(13,431)**	**(120,092)**	

Collateral

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory
- For retail lending, mortgages over residential properties.

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

(in millions of Uzbek Soums, unless otherwise indicated)

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

	AAA	AA	A	BBB	BB	B	Not rated	Central Bank of Uzbekistan	31 December 2013 Total
Cash and cash equivalents	-	176,672	64,345	155,990	-	-	36,334	128,823	**562,164**
Due from banks	-	235,191	-	-	-	-	-	563,529	**798,720**
Loans to customers	-	-	-	-	-	-	2,902,908	-	**2,902,908**
Investments available for sale	-	-	-	-	-	-	21,248	-	**21,248**
Other financial assets	-	-	-	-	-	-	8,661	-	**8,661**

	AAA	AA	A	BBB	BB	B	Not rated	Central Bank of Uzbekistan	31 December 2012 Total
Cash and cash equivalents	-	413,421	23,162	321,222	51,282	-	89,503	20,291	**918,881**
Due from banks	-	180,923	-	-	-	-	-	440,553	**621,476**
Loans to customers	-	-	-	-	-	-	2,410,707	-	**2,410,707**
Investments available for sale	-	-	-	-	-	-	20,034	-	**20,034**
Other financial assets	-	-	-	-	-	-	5,709	-	**5,709**

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

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

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

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

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

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

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

Renegotiated loans and advances

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

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

Liquidity risk

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

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

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is a part of assets/liabilities management process. The Board of Management of the Group sets limits on the minimum proportion of maturing funds available to meet

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deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.
An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
FINANCIAL ASSETS								
Cash and cash equivalents	3.39%	153,600	90,304	-	-	-	-	243,904
Due from banks	6.02%	125,421	203,927	109,456	36,287	-	-	475,091
Loans to customers	10%	16,548	110,271	564,144	1,695,092	516,853	-	2,902,908
Total interest bearing financial assets		**295,569**	**404,502**	**673,600**	**1,731,379**	**516,853**	**-**	**3,621,903**
Cash and cash equivalents		318,260	-	-	-	-	-	318,260
Due from banks		91,397	108,785	100,666	22,781	-	-	323,629
Investments in associates		-	-	-	-	-	31,724	31,724
Investments available-for-sale		-	-	-	-	-	21,248	21,248
Other financial assets		8,661	-	-	-	-	-	8,661
Total financial assets		**713,887**	**513,287**	**774,266**	**1,754,160**	**516,853**	**52,972**	**4,325,425**
FINANCIAL LIABILITIES								
Amounts due to the CBU and Government	2.80%	-	-	-	-	15,713	-	15,713
Due to banks	6.20%	159,634	106,519	85,908	121,213	2,568	-	475,842
Customer accounts	4.2%	512,923	425,544	394,531	100,161	-	-	1,433,159
Debt securities issued	10.24%	-	55,544	100	148,720	-	-	204,364
Total interest bearing financial liabilities		**672,557**	**587,607**	**480,539**	**370,094**	**18,281**	**-**	**2,113,365**
Amounts due to the CBU and Government		-	-	-	-	21,640	-	21,640
Due to banks		51,620	-	-	-	-	-	51,620
Customer accounts		1,726,705	-	-	-	-	-	1,726,705
Other financial liabilities		3,188	-	-	-	-	-	3,188
Total financial liabilities		**2,454,070**	**587,607**	**480,539**	**370,094**	**18,281**	**-**	**3,894,878**
Liquidity gap		(1,740,183)	(74,320)	293,727	1,384,066	498,572	52,972	
Interest sensitivity gap		(376,988)	(183,105)	193,061	1,361,285	498,572	-	
Cumulative interest sensitivity gap		**(376,988)**	**(560,093)**	**(367,032)**	**994,253**	**1,492,825**		
Cumulative interest sensitivity gap as percentage of total financial assets		-9%	-13%	-8%	23%	35%		

The negative liquidity gap above between financial assets and liabilities up to 1 month and from 3 months to 1 year is caused by current accounts of customers. The management regularly assesses the stability of its customer accounts funding base based on past performance and analysis of the events subsequent to the reporting date. The management believes that the clients intend to hold their current accounts with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

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	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 Total
FINANCIAL ASSETS								
Cash and cash equivalents	2.15%	439,847	163,522	-	-	-	-	603,369
Due from banks	5.92%	136,008	59,509	60,785	45,846	-	-	302,148
Loans to customers	9.07%	108,698	171,594	614,947	1,027,726	487,742	-	2,410,707
Total interest bearing financial assets		**684,553**	**394,625**	**675,732**	**1,073,572**	**487,742**	**-**	**3,316,224**
Cash and cash equivalents		315,512	-	-	-	-	-	315,512
Due from banks		54,707	20,341	131,803	112,477	-	-	319,328
Investments in associates		-	-	-	-	-	19,978	19,978
Investments available-for-sale		-	-	-	-	-	20,034	20,034
Other financial assets		5,709	-	-	-	-	-	5,709
Total financial assets		**1,060,481**	**414,966**	**807,535**	**1,186,049**	**487,742**	**40,012**	**3,996,785**
FINANCIAL LIABILITIES								
Amounts due to the CBU and Government	2.80%	-	-	-	-	10,360		10,360
Due to banks	6.20%	381,825	139,323	113,965	78,471	6,656	-	720,240
Customer accounts	6.42%	163,684	61,541	398,765	340,293	-	-	964,283
Debt securities issued	10.01%	314	1,628	29,161	81,956	-	-	113,059
Total interest bearing financial liabilities		**546,137**	**204,120**	**571,052**	**582,676**	**6,656**	**-**	**1,910,641**
Amounts due to the CBU and Government		-	-	-	-	22,938	-	22,938
Due to banks		3,879	-	-	-	-	-	3,879
Customer accounts		1,782,156	26,091	25,234	-	-	-	1,833,481
Other financial liabilities		15,902	-	-	-	-	-	15,902
Total financial liabilities		**2,348,074**	**230,211**	**596,286**	**582,676**	**6,656**	**-**	**3,763,903**
Liquidity gap		(1,287,593)	184,755	211,249	603,373	481,086	40,012	
Interest sensitivity gap		138,417	190,505	104,680	490,896	481,086	-	
Cumulative interest sensitivity gap		**138,417**	**328,922**	**433,602**	**924,498**	**1,405,584**		
Cumulative interest sensitivity gap as percentage of total financial assets		(19%)	(9%)	11%	23%	35%		

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

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

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	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
FINANCIAL LIABILITIES								
Amounts due to the CBU and Government	2.80%	-	-	-	-	16,687	-	16,687
Due to banks	6.20%	162,833	106,929	91,234	163,739	2,727	-	527,462
Customer accounts	4.2%	472,737	426,647	410,956	122,819	-	-	1,433,159
Debt securities issued	10.24%	-	55,896	110	148,358	-	-	204,364
Total interest bearing liabilities		**635,570**	**589,472**	**502,300**	**434,916**	**19,414**	-	**2,164,985**
Amounts due to the CBU and Government		-	-	-	-	21,640	-	21,640
Due to banks		51,620	-	-	-	-	-	51,620
Customer accounts		1,726,705	-	-	-	-	-	1,726,705
Other financial liabilities		3,188	-	-	-	-	-	3,188
Total financial liabilities		**2,417,083**	**589,472**	**502,300**	**434,916**	**41,054**	-	**3,968,138**

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2012 Total
FINANCIAL LIABILITIES								
Amounts due to the CBU and Government	2.80%	-	-	-	-	10,650	-	10,650
Due to banks	6.20%	383,744	141,434	121,030	106,002	7,069	-	759,279
Customer accounts	6.42%	164,535	62,506	424,379	464,557	-	-	1,115,977
Debt securities issued	10%	314	1,628	32,079	81,956	-	-	115,977
Total interest bearing liabilities		**548,593**	**205,568**	**577,488**	**652,515**	**7,069**	-	**1,991,233**
Amounts due to the CBU and Government		-	-	-	-	22,938	-	22,938
Due to banks		3,879	-	-	-	-	-	3,879
Customer accounts		1,782,156	26,091	25,234	-	-	-	1,833,481
Other financial liabilities		15,902	-	-	-	-	-	15,902
Total financial liabilities		**2,350,530**	**231,659**	**602,722**	**652,515**	**30,007**	-	**3,867,433**

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Market risk

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

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The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The Treasury Department also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

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

Currency risk

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

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

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

	UZS	USD USD 1 = UZS 2,202.20	EUR EUR 1 = UZS 3,031.90	Other currencies	31 December 2013 Total
FINANCIAL ASSETS					
Cash and cash equivalents	187,361	274,600	97,364	2,839	562,164
Due from banks	760,481	10,588	27,651	-	798,720
Loans to customers	2,189,941	664,485	48,482	-	2,902,908
Investments available-for-sale	21,244	4	-	-	21,248
Investments in associates	31,724	-	-	-	31,724
Other financial assets	8,661	-	-	-	8,661
Total financial assets	**3,199,412**	**949,677**	**173,497**	**2,839**	**4,325,425**
FINANCIAL LIABILITIES					
Amounts due to the CBU and Government	37,353	-	-	-	37,353
Due to banks	208,385	304,559	14,516	2	527,462
Customer accounts	2,546,047	511,469	101,797	551	3,159,864
Debt securities issued	204,364	-	-	-	204,364
Other financial liabilities	3,188	-	-	-	3,188
Total financial liabilities	**2,961,984**	**816,029**	**116,313**	**553**	**3,894,878**
OPEN POSITION	**237,428**	**133,648**	**57,184**	**2,286**	

(in millions of Uzbek Soums, unless otherwise indicated)

	UZS	USD USD 1 = UZS 1,984.00	EUR EUR 1 = UZS 2,620.31	Other currencies	31 December 2012 Total
FINANCIAL ASSETS					
Cash and cash equivalents	646,408	183,217	86,668	2,588	918,881
Due from banks	526,568	75,053	19,855	-	621,476
Loans to customers	1,679,356	694,960	36,391	-	2,410,707
Investments available-for-sale	16,411	3,623	-	-	20,034
Investments in associates	19,978	-	-	-	19,978
Other financial assets	5,709	-	-	-	5,709
Total financial assets	**2,894,430**	**956,853**	**142,914**	**2,588**	**3,996,785**
FINANCIAL LIABILITIES					
Amounts due to the CBU and Government	33,298	-	-	-	33,298
Due to banks	275,243	429,469	19,405	2	724,119
Customer accounts	2,267,482	442,813	86,606	863	2,797,764
Debt securities issued	113,059	-	-	-	113,059
Other financial liabilities	15,902	-	-	-	15,902
Total financial liabilities	**2,671,686**	**872,283**	**106,011**	**865**	**3,650,844**
OPEN POSITION	**222,744**	**84,570**	**36,903**	**1,723**	

Currency risk sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the UZS against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the UZS strengthens 10% against the relevant currency. For a 10% weakening of the UZS against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

(in millions of Uzbek Soums, unless otherwise indicated)

	As at 31 December 2013		As at 31 December 2012	
	UZS/USD +10%	UZS/USD -10%	UZS/USD +10%	UZS/USD -10%
Impact on profit or loss and equity	13,365	(13,365)	8,457	(8,457)

	As at 31 December 2013		As at 31 December 2012	
	UZS/EUR +10%	UZS/EUR -10%	UZS/EUR +10%	UZS/EUR -10%
Impact on profit or loss and equity	5,718	(5,718)	3,690	(3,690)

Limitations of sensitivity analysis

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

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

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

Price risk-own products

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

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

Operational risk

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

(in millions of Uzbek Soums, unless otherwise indicated)

30. TRANSACTIONS WITH RELATED PARTIES

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

	31 December 2013		31 December 2012	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and cash equivalents				
-other related parties	633,246		440,553	
	633,246	**562,164**	**440,553**	**918,881**
Loans to customers				
-shareholders	2,333		375,779	
-other related parties	967,740		439,389	
	970,073	**3,111,358**	**815,168**	**2,577,875**
Allowance for impairment losses				
-other related parties	(5,303)		(3,815)	
	(5,303)	**(208,450)**	**(3,815)**	**(167,168)**
Investments in associates				
-shareholders	4,444		3,726	
-entities with significant influence or joint control over the entity	9,177		8,694	
	13,621	**31,724**	**12,420**	**19,978**
Due to banks				
-other related parties	119,182		404	
	119,182	**527,462**	**404**	**724,119**
Customer accounts				
-shareholders	433,792		412,749	
-other related parties	1,507,009		1,360,027	
	1,940,801	**3,159,864**	**1,772,775**	**2,797,764**
Letters of credit				
-other related parties	586,069			
	586,069	**778,317**	**-**	**656,650**
Guarantees issued and other similar instruments				
-other related parties	14,255			
	14,255	**93,076**	**-**	**79,788**

(in millions of Uzbek Soums, unless otherwise indicated)

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2013 and 2012 are the following amounts which were recognised in transactions with related parties:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
-other related parties	37,490		42,153	
	37,490	**250,537**	**42,153**	**238,983**
Interest expense				
-shareholders	(17,615)		(16,626)	
-other related parties	(15,421)		(11,097)	
	(33,036)	**(113,385)**	**(27,723)**	**(93,955)**
Provision for impairment losses on interest bearing assets				
-other related parties	(1,973)		(429)	
	(1,973)	**(57,928)**	**(429)**	**(23,889)**
Fee and commission income				
-shareholders	3,065		-	
-other related parties	8,168		15,840	
	11,233	**99,919**	**15,840**	**74,494**
Operating expenses				
- Key management personnel compensation:	(156)		(120)	
	(156)	**(145,998)**	**(120)**	**(131,717)**

31. SUBSEQUENT EVENTS

The management is not aware of any material events subsequent to the reporting date.