

**OPEN JOINT STOCK COMMERCIAL BANK  
“UZBEK INDUSTRIAL AND CONSTRUCTION  
BANK”**

**International Financial Reporting Standards  
Consolidated Financial Statements and  
Independent Auditor’s Report  
31 December 2013**

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## ***Independent Auditor's Report***

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

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

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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.

### **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.

*Audit Organisation "PricewaterhouseCoopers" LLC*

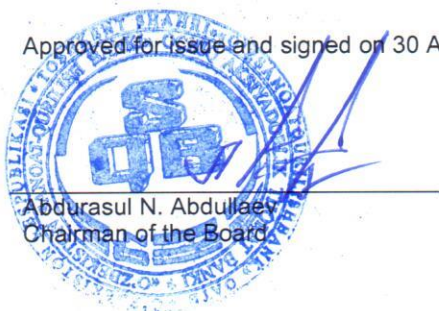
16 May 2014  
Tashkent, Uzbekistan



**Open Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank"**  
**Consolidated Statement of Financial Position**

	Note	31 December 2013	31 December 2012 Restated	1 January 2012 Restated
<i>In thousands of Uzbekistan Soums</i>				
<b>ASSETS</b>				
Cash and cash equivalents	7	1,351,682,461	1,310,638,816	770,997,386
Due from other banks	8	385,742,427	252,175,276	223,165,693
Loans and advances to customers, including finance lease receivables	9	4,810,090,885	3,229,833,220	2,271,309,690
Investment securities available for sale	10	12,328,828	11,578,524	6,249,853
Investment securities held to maturity	11	9,920,000	8,920,000	15,216,446
Investment in associates	12	4,494,939	2,798,501	4,360,133
Deferred income tax asset	26	8,868,437	7,962,900	5,256,853
Property, equipment and intangible assets	13	88,164,756	126,780,437	89,887,948
Other assets	14	39,565,391	23,898,771	10,125,238
Non-current assets held for sale (or disposal groups)	15	67,228,143	37,701,549	34,179,672
<b>TOTAL ASSETS</b>		<b>6,778,086,267</b>	<b>5,012,287,994</b>	<b>3,430,748,912</b>
<b>LIABILITIES</b>				
Due to other banks	16	141,621,848	117,539,685	112,656,546
Customer accounts	17	2,287,761,528	2,174,236,746	1,691,328,638
Debt securities in issue	18	52,918,855	46,141,596	22,156,983
Other borrowed funds	19	3,874,079,575	2,348,606,962	1,394,557,903
Other liabilities	20	24,530,345	26,098,236	17,133,842
Liabilities directly associated with disposal groups held for sale	15	3,694,784	244,297	266,722
<b>TOTAL LIABILITIES</b>		<b>6,384,606,935</b>	<b>4,712,867,522</b>	<b>3,238,100,634</b>
<b>EQUITY</b>				
Share capital	21	326,305,625	259,550,820	156,277,616
Treasury shares	21	(5,387,880)	(4,972,344)	(6,602,344)
Retained earnings		69,887,658	42,993,338	41,677,626
Other reserves		2,673,929	1,848,658	1,295,380
<b>TOTAL EQUITY</b>		<b>393,479,332</b>	<b>299,420,472</b>	<b>192,648,278</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,778,086,267</b>	<b>5,012,287,994</b>	<b>3,430,748,912</b>

Approved for issue and signed on 30 April 2014.

  
 Abdurasul N. Abdullaev  
 Chairman of the Board

  
 Abduhalil A. Rashidov  
 Chief Accountant

**Open Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank"**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	2013	2012 Restated
<i>In thousands of Uzbekistan Soums</i>			
<b>Continuing operations</b>			
Interest income	22	303,466,993	212,311,007
Interest expense	22	(134,350,882)	(102,687,160)
<b>Net interest income</b>		<b>169,116,111</b>	<b>109,623,847</b>
Provision for loan impairment	9	(68,014,384)	(49,291,324)
<b>Net interest income after provision for loan impairment</b>		<b>101,101,727</b>	<b>60,332,523</b>
Fee and commission income	23	115,084,861	99,784,034
Fee and commission expense	23	(18,815,635)	(16,379,080)
Foreign exchange translation gains less losses		2,717,439	11,074,756
Gain and losses from trading in foreign currencies		5,914,780	438,684
Losses on initial recognition of assets at rates below market		(4,759,822)	(1,061,033)
Dividend income		2,161,416	472,365
Other operating income	24	3,602,170	3,388,645
Provision for impairment of investment securities available for sale	10	(847,872)	-
Provision for impairment of other assets	14	(770,049)	(650,079)
Provision for impairment of non-current assets held for sale	15	(5,021,347)	-
Administrative and other operating expenses	25	(149,837,786)	(122,033,999)
Share of result of associates	12	320,598	49,623
<b>Profit before tax</b>		<b>50,850,480</b>	<b>35,416,439</b>
Income tax expense	26	(13,824,259)	(8,747,751)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>37,026,221</b>	<b>26,668,688</b>
<b>Discontinued operations</b>			
Profit/(Loss) for the period from discontinued operations	15	2,835,532	(1,138,981)
<b>NET PROFIT FOR THE PERIOD</b>		<b>39,861,753</b>	<b>25,529,707</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Available-for-sale investments:			
- Gains less losses arising during the year		1,055,334	650,915
Income tax relating to components of other comprehensive income	26	(230,063)	(97,637)
<b>Other comprehensive income for the year</b>		<b>825,271</b>	<b>553,278</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>40,687,024</b>	<b>26,082,985</b>
<b>Continuing operations</b>			
Earnings per ordinary share, basic and diluted in UZS		358	387
Earnings per preference share, basic and diluted in UZS		324	233

**Open Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank”**  
**Consolidated Statement of Changes in Equity**

		Attributable to owners of the Bank						
	Note	Share capital	Treasury shares	Revaluation reserve for available-for-sale securities	Retained earnings	Total	Non-controlling interest	Total equity
In thousands of Uzbekistan Soums								
Previously reported balance at 31 December 2011		155,657,616	(6,602,344)	1,295,380	38,713,967	189,064,619	-	189,064,619
Correction of prior period errors	3	-	-	-	2,963,659	2,963,659	-	2,963,659
Balance at 1 January 2012 (restated)		155,657,616	(6,602,344)	1,295,380	41,677,626	192,028,278	-	192,028,278
Profit for the year		-	-	-	25,529,707	25,529,707	-	25,529,707
Other comprehensive income		-	-	553,278	-	553,278	-	553,278
Total comprehensive income for 2012 (restated)		-	-	553,278	25,529,707	26,082,985	-	26,082,985
Shares issued	21	85,245,204	-	-	-	85,245,204	-	85,245,204
Disposal of treasury shares		-	1,630,000	-	-	1,630,000	-	1,630,000
Non-controlling interest arising on 'investment in subsidiaries (as previously reported)		-	-	-	-	-	1,311,993	1,311,993
Correction	3						(1,311,993)	(1,311,993)
Non-controlling interest arising on 'investment in subsidiaries (restated)		-	-	-	-	-	-	-
Capitalisation of dividends		18,538,000	-	-	(18,538,000)	-	-	-
Effect of change in present value of preference shares		110,000	-	-	-	110,000	-	110,000
Dividends declared	27	-	-	-	(5,675,995)	(5,675,995)	-	(5,675,995)
Balance at 31 December 2012 (restated)		259,550,820	(4,972,344)	1,848,658	42,993,338	299,420,472	-	299,420,472
Profit for the year		-	-	-	39,861,753	39,861,753	-	39,861,753
Other comprehensive income		-	-	825,271	-	825,271	-	825,271
Total comprehensive income for 2013		-	-	825,271	39,861,753	40,687,024	-	40,687,024
Shares issued	21	63,656,046	-	-	-	63,656,046	-	63,656,046
Acquisition of treasury shares		-	(415,536)	-	-	(415,536)	-	(415,536)
Capitalisation of dividends		3,098,759	-	-	580,209	3,678,968	-	3,678,968
Dividends declared	27	-	-	-	(13,547,642)	(13,547,642)	-	(13,547,642)
Balance at 31 December 2013		326,305,625	(5,387,880)	2,673,929	69,887,658	393,479,332	-	393,479,332

**Open Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank”**  
**Consolidated Statement of Cash Flows**

	Note	2013	2012 Restated
<i>In thousands of Uzbekistan Soums</i>			
<b>Cash flows from operating activities</b>			
Interest received		293,173,737	207,895,147
Interest paid		(125,721,182)	(119,566,860)
Fee and commission received		113,111,160	100,078,176
Fee and commission paid		(18,815,635)	(16,379,080)
Realised gains less losses from dealing in foreign currencies		5,914,780	-
Other operating income received		3,118,870	3,614,240
Staff cost		(84,143,039)	(65,160,285)
Administrative and other operating expenses		(52,594,452)	(47,914,471)
Income tax paid		(13,633,300)	(10,161,967)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>120,410,939</b>	<b>52,404,900</b>
Net (increase)/decrease in due from other banks		(132,945,349)	22,022,070
Net increase in loans and advances to customers		(1,631,538,871)	(979,870,384)
Net increase in other assets		(17,235,092)	(5,382,645)
Net increase in due to other banks		20,653,546	7,473,392
Net increase in customer accounts		110,520,993	446,011,283
Net (decrease)/increase in other liabilities		(1,976,198)	1,208,056
<b>Net cash used in operating activities</b>		<b>(1,532,110,032)</b>	<b>(456,133,328)</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities available for sale		(1,632,115)	(4,460,954)
Proceeds from disposal of investment securities available for sale		(979,993)	7,129,661
Purchase of investment securities held to maturity		(1,000,000)	(6,296,446)
Acquisition of associates		(500,000)	-
Acquisition of premises, equipment and intangible assets		(31,720,212)	(50,769,485)
Proceeds from disposal of premises, equipment and intangible assets		11,135,174	1,361,051
Proceeds from disposal of subsidiary, net of disposed cash		17,717,725	-
Dividend income received		2,161,416	639,151
Income received from associates		52,190	166,786
<b>Net cash used in investing activities</b>		<b>(4,765,815)</b>	<b>(52,230,236)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other borrowed funds		2,164,898,739	1,061,225,329
Repayment of other borrowed funds		(649,164,912)	(120,174,827)
Proceeds from debt securities in issue		6,777,259	23,984,613
Issue of ordinary shares	21	63,656,046	85,245,204
Dividends paid	27	(10,284,210)	(5,213,031)
Treasury shares sold		-	1,630,000
<b>Net cash from financing activities</b>		<b>1,575,882,922</b>	<b>1,046,697,288</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>2,036,570</b>	<b>1,307,706</b>
<b>Net increase in cash and cash equivalents</b>		<b>41,043,645</b>	<b>539,641,430</b>
Cash and cash equivalents at the beginning of the year		1,310,638,816	770,997,386
<b>Cash and cash equivalents at the end of the year</b>	7	<b>1,351,682,461</b>	<b>1,310,638,816</b>

## 1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for Open Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" (the "Bank") and its subsidiaries (the "Group"). The Bank is a joint stock company limited by shares and was set up in accordance with Republic of Uzbekistan ("Uzbekistan") regulations.

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license No.17 issued by the Central Bank of Uzbekistan ("CBU") and general license for foreign currency operations No.1 granted on 25 January 2003 and 29 January 2005, respectively.

**Principal activity.** The Bank's principal activity is commercial banking, retail banking, operations with securities, foreign currencies and originating loans and guarantees. The Bank accepts deposits from legal entities and individuals and makes loans and transfers payments. The Bank conducts its banking operations from its head office at Tashkent and 44 branches within Uzbekistan as of 31 December 2013 (31 December 2012: 44 branches).

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

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

At 31 December 2013 and 2012 the Group consolidated the following companies in these financial statements:

Name	Country of incorporation	The Bank ownership Interest/voting rights		Type of operation
		2013 %	2012 %	
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset Management
Asset Invest Trust, LLC	Uzbekistan	100	100	Consulting
Elite Stars Textile, LLC	Uzbekistan	100	100	Manufacturing
JV Miracle Ceramics, LLC	Uzbekistan	100	100	Manufacturing
Horazm shisha idishlari, LLC	Uzbekistan	100	100	Manufacturing
Ferghana Ceramics Industry, LLC	Uzbekistan	100	100	Manufacturing
Samarqand Pure Aqua, LLC	Uzbekistan	100	100	Manufacturing

**Shareholders.** At 31 December 2013 and 31 December 2012, the interest of the shareholders in the Bank's share capital was:

	2013 %	2012 %
<b>Shareholders</b>		
The Ministry of Finance of the Republic of Uzbekistan	29.20	31.27
The Fund of Reconstruction and Development of the Republic of Uzbekistan	21.76	27.53
The National Holding Company "Uzbekneftegaz"	21.14	13.49
State Joint Stock Company "Uzbekenergo"	7.54	5.97
LLC "Pharmed"	5.56	6.67
LLC "Absolute Investments Trust"	2.19	2.77
Treasury shares	1.69	2.22
State Joint Stock Company "Uzkimyosanoat"	1.59	1.11
State Joint Stock Company "Uzbekistan Railway"	1.58	0.02
Other legal entities (individually hold less than 1%)	6.04	6.84
Other shareholders (individually hold less than 1%)	1.71	2.11
<b>Total</b>	<b>100.00</b>	<b>100.00</b>



## **2 Operating Environment of the Group**

**Presentation currency.** These consolidated financial statements are presented in thousands of Uzbek Soums (“UZS thousands”).

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

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

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

Uzbekistan experienced following key economic indicators in 2013:

- Inflation: 7.0% (2012: 7.0%).
- Official exchange rates: 31 December 2013: USD 1 = UZS 2,202.2 (31 December 2012: USD 1 = UZS 1,984.00).
- GDP growth 8.2% (2012: 8.2%).
- Central Bank refinancing rate – 10% (2012: 12%).
- Republican Stock Exchange “Toshkent” composite index: TCI Composite 1000.00 points at 31 December 2013 (31 December 2012: 1000.14).

## **3 Summary of Significant Accounting Policies**

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of available for sale financial assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

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

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

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

### **3 Summary of Significant Accounting Policies (Continued)**

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

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2006. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current at as 31 December 2005 are the basis for the carrying amounts in these financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

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

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

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments. Refer to Note 10.

### **3 Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

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

### **3 Summary of Significant Accounting Policies (Continued)**

**Mandatory cash balances with the CBU.** Mandatory cash balances with the CBU are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows

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

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

**Impairment of financial assets carried at amortised cost.** Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) occur after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

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

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

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

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

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

### **3 Summary of Significant Accounting Policies (Continued)**

This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

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

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

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

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

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

***Performance guarantees.*** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables upon transfer of the loss compensation to the guarantee's beneficiary.

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

### **3 Summary of Significant Accounting Policies (Continued)**

Investment securities available for sale are carried at fair value unless fair value cannot be reliably determined, in which case the investment securities available for sale are carried at cost. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

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

**Premises and equipment.** Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soum at 31 December 2005 for assets acquired prior to 1 January 2006, less accumulated depreciation and provision for impairment, where required.

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

If impaired, premises and equipment are written down to the higher of their 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 and are recognised in profit and loss.

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

	<u>Useful lives in years</u>
Building and leasehold improvements	50
Office and computer equipment	5-10

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



### **3 Summary of Significant Accounting Policies (Continued)**

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

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

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

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

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

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

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

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

### **3 Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

### **3 Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

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

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

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of the Central Bank of Uzbekistan at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

### **3 Summary of Significant Accounting Policies (Continued)**

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

At 31 December 2013 the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 2,202.20 (2012: USD 1 = UZS 1,984.00) and EUR 1 = UZS 3,031.90 (2012: EUR 1 = UZS 2,620.31). Exchange restrictions and controls exist over the conversion of UZS into other currencies. The UZS is not a freely convertible currency outside of the Republic of Uzbekistan.

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

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

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

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

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

**Open Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank”**  
**Notes to the Consolidated Financial Statements – 31 December 2013**

**3 Summary of Significant Accounting Policies (Continued)**

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

<i>In thousands of Uzbekistan Soums</i>	31 December 2013			31 December 2012		
	Amounts expected to be recovered			Amounts expected to be recovered		
	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
<b>ASSETS</b>						
Cash and cash equivalents	1,351,682,461	-	<b>1,351,682,461</b>	1,310,638,816	-	<b>1,310,638,816</b>
Due from other banks	121,879,004	263,863,423	<b>385,742,427</b>	251,174,973	1,000,303	<b>252,175,276</b>
Loans and advances to customers	859,062,321	3,951,028,564	<b>4,810,090,885</b>	646,004,847	2,583,828,373	<b>3,229,833,220</b>
Investment securities available for sale	12,328,828	-	<b>12,328,828</b>	11,578,524	-	<b>11,578,524</b>
Investment securities held to maturity	5,000,000	4,920,000	<b>9,920,000</b>	4,000,000	4,920,000	<b>8,920,000</b>
Investment in associates	-	4,494,939	<b>4,494,939</b>	-	2,798,501	<b>2,798,501</b>
Deferred income tax asset	-	8,868,437	<b>8,868,437</b>	-	7,962,900	<b>7,962,900</b>
Premises and equipment	8,580,546	79,584,210	<b>88,164,756</b>	6,880,829	119,899,608	<b>126,780,437</b>
Other assets	39,565,391	-	<b>39,565,391</b>	23,898,771	-	<b>23,898,771</b>
Non-current assets held for sale (or disposal groups)	67,228,143	-	<b>67,228,143</b>	37,701,549	-	<b>37,701,549</b>
<b>TOTAL ASSETS</b>	<b>2,465,326,694</b>	<b>4,312,759,573</b>	<b>6,778,086,267</b>	<b>2,291,878,309</b>	<b>2,720,409,685</b>	<b>5,012,287,994</b>
<b>LIABILITIES</b>						
Due to other banks	82,736,933	58,884,915	<b>141,621,848</b>	62,976,485	54,563,200	<b>117,539,685</b>
Customer accounts	2,111,659,209	176,102,319	<b>2,287,761,528</b>	2,144,047,814	30,188,932	<b>2,174,236,746</b>
Debt securities in issue	15,558,855	37,360,000	<b>52,918,855</b>	16,281,596	29,860,000	<b>46,141,596</b>
Other borrowed funds	39,242,125	3,834,837,450	<b>3,874,079,575</b>	24,188,205	2,324,418,757	<b>2,348,606,962</b>
Other liabilities	20,183,255	4,347,090	<b>24,530,345</b>	19,986,930	6,111,306	<b>26,098,236</b>
Liabilities directly associated with disposal groups held for sale	3,694,784	-	<b>3,694,784</b>	244,297	-	<b>244,297</b>
<b>TOTAL LIABILITIES</b>	<b>2,273,075,161</b>	<b>4,111,531,774</b>	<b>6,384,606,935</b>	<b>2,267,725,327</b>	<b>2,445,142,195</b>	<b>4,712,867,522</b>

### **3 Summary of Significant Accounting Policies (Continued)**

The revised IAS 1, Presentation of Financial Statements, which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the Group applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. The opening statement of financial position is presented in these consolidated financial statements as a result of restatements further described in this note.

The effect of restatements to the Statement of financial position is as follows as at 1 January 2012:

	<b>As originally presented</b>	<b>Effect of correction of classification</b>	<b>Effect of other restatements</b>	<b>As adjusted</b>
<i>In thousands of Uzbekistan Soums</i>				
<b>Consolidated Statement of Financial Position</b>				
<b>lines affected</b>				
<b>ASSETS</b>				
Cash and cash equivalents	323,770,703	447,226,683	-	770,997,386
Due from other banks	670,392,376	(447,226,683)	-	223,165,693
Investment securities available for sale	21,466,299	(15,216,446)	-	6,249,853
Investment securities held to maturity	-	15,216,446	-	15,216,446
<b>LIABILITIES</b>				
Customer accounts	1,713,485,621	(22,156,983)	-	1,691,328,638
Debt securities in issue	-	22,156,983	-	22,156,983
Other borrowed funds	1,390,817,903	-	3,740,000	1,394,557,903
<b>EQUITY</b>				
Share capital	161,227,616	-	(4,950,000)	156,277,616
Retained earnings	38,713,967	-	2,963,659	41,677,626



### 3 Summary of Significant Accounting Policies (Continued)

The effect of restatements to the Statement of financial position is as follows as at 31 December 2012:

<i>In thousands of Uzbekistan Soums</i>	<b>As originally presented</b>	<b>Effect of correction of classification</b>	<b>Effect of other restatements</b>	<b>As adjusted</b>
<b>Consolidated Statement of Financial Position</b>				
<b>ASSETS</b>				
Cash and cash equivalents	553,170,015	757,468,801	-	1,310,638,816
Due from other banks	1,009,644,077	(757,468,801)	-	252,175,276
Investment securities available for sale	20,498,524	(8,920,000)	-	11,578,524
Investment securities held to maturity	-	8,920,000	-	8,920,000
Deferred income tax asset	4,321,178	-	3,641,722	7,962,900
Non-current assets held for sale	40,447,617	(1,071,821)	(1,674,247)	37,701,549
<b>LIABILITIES</b>				
Customer accounts	2,221,450,163	(47,213,417)	-	2,174,236,746
Debt securities in issue	-	46,141,596	-	46,141,596
Other borrowed funds	2,344,356,962	-	4,250,000	2,348,606,962
Liabilities directly associated with disposal groups held for sale	168,493	-	75,804	244,297
<b>EQUITY</b>				
Share capital	265,010,820	-	(5,460,000)	259,550,820
Retained earnings	38,579,674	-	4,413,664	42,993,338
Non-controlling interest	1,311,993	-	(1,311,993)	-

The effect of restatements on the consolidated Statement of Profit and Loss and Other Comprehensive Income lines is as follows for the year ended 31 December 2012:

<i>In thousands of Uzbekistan Soums</i>	<b>As originally presented</b>	<b>Effect of correction of classification</b>	<b>Effect of other restatements</b>	<b>As adjusted</b>
<b>Statement of Comprehensive Income lines affected</b>				
Interest expense	(101,598,160)	-	(1,089,000)	(102,687,160)
Administrative and other operating expenses	(126,502,031)	4,468,032	-	(122,033,999)
Income tax expense	(6,167,782)	(4,468,032)	1,888,063	(8,747,751)
Profit/(Loss) for the period from discontinued operations	(700,923)	-	(438,058)	(1,138,981)

The third statement of financial position as of 1 January 2012 is presented in these consolidated financial statements as a result of the above described restatements.

The impact of restatements on basic and diluted earnings per share has not been disclosed as it is not material. The Group presented the third statement of financial position at 1 January 2012 but elected not to present the related notes to the opening statement of financial position as at the beginning of the preceding period.

### **3 Summary of Significant Accounting Policies (Continued)**

**Effect of classification restatements.** The effect of classification restatements on the consolidated Statement of Financial Position as of 1 January 2012 is as follows:

*Cash and cash equivalents.* The Group classified mandatory reserves with CBU of UZS 139,073,687 thousand as cash and cash equivalents, which should have been classified as due from other banks.

*Due from other banks.* The Group classified correspondent accounts with other banks of UZS 586,300,370 thousand as due from other banks, which should have been classified as cash and cash equivalents.

*Investment securities available for sale.* The Group incorrectly classified non-documentary bonds received in the amount of UZS 15,216,446 thousand as investment securities available for sale. These should have been classified as investment securities held to maturity.

*Debt securities in issue.* The Group incorrectly classified non-documentary bonds issued in amount of UZS 22,156,983 thousand as Customer accounts. These should have been classified as Debt securities in issue.

**Effect of other restatements.** The effect of other restatements on the consolidated Statement of Financial Position as of 1 January 2012 is as follows:

*Deferred income tax asset.* The Group recognised additional deferred income tax asset in the amount of UZS 1,753,659 thousand, which resulted from the other restatement.

*Other borrowed funds.* The Group did not recognise the gain on origination of the liability component of preference shares. For this reason, the Group restated and increased other borrowed funds by UZS 3,740,000 thousand, decreased the share capital of the Group by UZS 4,950,000 thousand and recognised gain of UZS 1,210,000 thousand. This was adjusted in the consolidated financial statements at 1 January 2012.

**Effect of classification restatements.** The effect of classification restatements on the consolidated Statement of Financial Position as of 31 December 2012 is as follows:

*Cash and cash equivalents.* The Group classified mandatory reserves with CBU of UZS 199,735,965 thousand as cash and cash equivalents, which should have been classified as due from other banks.

*Due from other banks.* The Group classified overnight deposits with CBU of UZS 230,450,000 thousand and correspondent accounts with other banks of UZS 726,754,766 thousand as due from other banks, which should have been classified as cash and cash equivalents.

*Investment securities available for sale.* The Group incorrectly classified non-documentary bonds received in the amount of UZS 8,920,000 thousand as investment securities available for sale. These should have been classified as investment securities held to maturity.

*Customer accounts.* The Group incorrectly classified of UZS 46,141,596 thousand as customer accounts which should have been classified as debt securities in issue, and did not netted off of UZS 1,071,821 thousand against assets held for sale under the consolidation.

*Debt securities in issue.* The Group incorrectly classified non-documentary bonds issued in amount of UZS 46,141,596 thousand as Customer accounts. These should have been classified as Debt securities in issue.

**Effect of other restatements.** The effect of other restatements on the consolidated Statement of Financial Position as of 31 December 2012 is as follows:

*Non-current assets held for sale.* The Group incorrectly recognised of UZS 362,254 thousand, which should have been accounted for as discontinued operations. The Group also incorrectly recognised of UZS 1,311,993 thousand as minority interest which was actually outstanding equity contribution receivable from the Group. Subsequent to 31 December 2012, the Group contributed of UZS 1,311,993 thousand to the charter of the subsidiary in full.

*Deferred income tax asset.* The Group recognised additional deferred income tax asset in the amount of UZS 3,641,722 thousand, which resulted from the other restatement.

*Liabilities directly associated with disposal groups held for sale.* The Group incorrectly recognised of UZS 75,804 thousand, which should have been accounted for as discontinued operations.

### **3 Summary of Significant Accounting Policies (Continued)**

*Other borrowed funds.* The Group did not recognised equity and liability component of preference shares. For this reason, the Group restated and increased other borrowed funds by UZS 4,250,000 thousand, decreased the share capital of the Group by UZS 5,460,000 thousand.

**Effect of other restatements.** The effect of other restatements on the consolidated Profit and Loss and Other of Comprehensive Income for the year ended 31 December 2012 is as follows:

*Interest expense.* To restate the net effect of dividends related to preference shares, the Group adjusted Interest expense by UZS 1,089,000 thousand.

*Income tax expense.* Historically, the Group treated infrastructure development tax of UZS 4,468,032 thousand as other taxes within the administrative and other operating expenses. The tax falls within the scope of IAS 12 "Income Taxes" being based on taxable profit and, hence, should be accounted for as an income. The Group restated prior year figures to reflect proper accounting treatment of infrastructure development tax. In addition the Group recognised additional deferred income tax credit in the amount of UZS 1,888,063 thousand, which resulted from the other restatement

*Loss for the period from discontinued operations.* The Group did not recognised discontinued loss of subsidiary in the amount of UZS 438,058 thousand.

The net impact of above restatements on the consolidated Cash flow statement lines for the year ended 31 December 2012 is tabulated below:

	As originally presented	Effect of classification restatements	As adjusted
<i>In thousands of Uzbekistan Soums</i>			
<b>Cash flows from operating activities</b>			
Administrative and other operating expenses (Note A)	(52,382,503)	4,468,032	(47,914,471)
Income tax paid (Note A)	(5,693,935)	(4,468,032)	(10,161,967)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>53,493,900</b>	<b>-</b>	<b>53,493,900</b>
Net increase in due from other banks (Note B)	15,725,624	(6,296,446)	9,429,178
Net increase in customer accounts	469,995,896	23,984,613	493,980,509
<b>Net cash used in operating activities</b>	<b>(436,893,197)</b>	<b>17,688,167</b>	<b>(419,205,030)</b>
<b>Cash flows from investing activities</b>			
Proceeds from investment securities held to maturity (Note B)	-	6,296,446	6,296,446
<b>Net cash used in investing activities</b>	<b>(45,933,790)</b>	<b>6,296,446</b>	<b>(39,637,344)</b>
<b>Cash flows from financing activities</b>			
Purchase of debt securities in issue (Note B)	-	(23,984,613)	(23,984,613)
<b>Net cash from financing activities</b>	<b>1,021,160,711</b>	<b>(23,984,613)</b>	<b>997,176,098</b>
<b>Net increase in cash and cash equivalents</b>	<b>539,641,430</b>	<b>-</b>	<b>539,641,430</b>
Cash and cash equivalents at the beginning of the year	770,997,386	-	770,997,386
<b>Cash and cash equivalents at the end of the year</b>	<b>1,310,638,816</b>	<b>-</b>	<b>1,310,638,816</b>

**Effect of classification restatements.** The effect of most classification restatements on the Consolidated Statement of Cash Flows for the year ended 31 December 2012 is as follows:

Note A – The effect of classification restatements of Income tax expense, as described above in the note.

Note B – The effect of classification restatements on Cash and cash equivalent, Due from other banks, available for sale investments, Investment securities held to maturity, Due to other banks, and Customer accounts and the effect of change in presentation on Obligatory reserve deposit at the Central bank of Republic of Uzbekistan, as described above in the note.

#### **4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies**

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

**Impairment losses on loans and advances.** The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UZS 21,160,605 thousand (2012: UZS 15,827,746 thousand).

**Preference shares.** According to current legislation, the Group is obliged to pay the minimum level of dividends on preference shares, considering it has sufficient profits. However, the legislation is not clear on whether the Group has the right to pay dividends of less than the minimum level when it has sufficient profits. Accordingly, the Group considers that it has an obligation to pay minimum dividend amount, and the preference shares are accounted for as a compound instrument having both a liability component and an equity component. The liability component is initially determined as the present value of minimum dividend payments discounted at the Group's incremental borrowing rate and the rest of the sale proceeds are classified as equity component. As a discount rate the Group used its average borrowing rate on customer deposits and considers the rate is adequate.

**Tax legislation.** Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 32.

**Investments carried at cost.** Management cannot reliably estimate the fair value of the Group's available-for-sale investments in shares. The investments are carried at cost. The investee's shares are not quoted and recent trade prices are not publicly available. Refer to Note 10.

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

## **5 Adoption of New or Revised Standards and Interpretations**

The following new standards and interpretations became effective for the Group from 1 January 2013:

**IFRS 10 “Consolidated Financial Statements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)** replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Group’s consolidated financial statements.

**IFRS 11 “Joint Arrangements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)** replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Venturers”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Standard did not have any material impact on the Group’s consolidated financial statements.

**IFRS 12 “Disclosure of Interests in Other Entities” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard did not have any material impact on the Group’s consolidated financial statements.

**IFRS 13 “Fair Value Measurement” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)** improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard did not have any material impact on the Group’s consolidated financial statements.

**IAS 27 “Separate Financial Statements” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)** was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 “Consolidated Financial Statements”. The amended standard did not have any material impact on the Group’s consolidated financial statements.

**IAS 28 “Investments in Associates and Joint Ventures” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)**. The amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard did not have any material impact on the Group’s consolidated financial statements.

**Amendments to IAS 1 “Presentation of Financial Statements” (issued in June 2011, effective for annual periods beginning on or after 1 July 2013)** changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to “statement of profit or loss and other comprehensive income”. The amended standard resulted in changed presentation of financial statements, but did not have any impact on measurement of transactions and balances.

**5 Adoption of New or Revised Standards and Interpretations (Continued)**

**Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013)** makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amended standard did not have any material impact on the Group's consolidated financial statements.

**"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).** The amendment requires disclosures that enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Standard did not have any impact on the Group's consolidated financial statements.

**Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).** The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Group's consolidated financial statements.

**"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013).** The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.



## **6 New Accounting Pronouncements**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014, and which the Group has not early adopted.

**IFRS 9, "Financial Instruments: Classification and Measurement"**. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

**"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014)**. The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

The Group did not disclose new standards and interpretations that are clearly not applicable to the Group or that are not expected to affect significantly the Group's consolidated financial statements.

**Open Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank”**  
**Notes to the Consolidated Financial Statements – 31 December 2013**

**7 Cash and Cash Equivalents**

	31 December 2013	31 December 2012 Restated
<i>In thousands of Uzbekistan Soums</i>		
Cash on hand	64,031,002	44,039,624
Cash balances with CBU (other than mandatory reserve deposits)	315,043,905	309,394,426
Correspondent accounts and overnight placements with other banks	972,607,554	957,204,766
<b>Total cash and cash equivalents</b>	<b>1,351,682,461</b>	<b>1,310,638,816</b>

The credit quality of cash and cash equivalents balances at 31 December 2013 is as follows:

	Cash balances with the CBU, other than mandatory reserves	Correspondent accounts and overnight placements	Total
<i>In thousands of Uzbekistan Soums</i>			
<i>Neither past due nor impaired</i>			
- CBU	315,043,905	-	315,043,905
- AA- to AA+ rated	-	12,136,657	12,136,657
- A- to A+ rated	-	742,527,383	742,527,383
- Lower than A- rated	-	217,027,008	217,027,008
- Unrated	-	916,506	916,506
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>315,043,905</b>	<b>972,607,554</b>	<b>1,287,651,459</b>

The credit quality of cash and cash equivalents balances at 31 December 2012, is as follows:

	Cash balances with the CBU, other than mandatory reserves	Correspondent accounts and overnight placements	Total
<i>In thousands of Uzbekistan Soums</i>			
<i>Neither past due nor impaired</i>			
- CBU	309,394,426	-	309,394,426
- AA- to AA+ rated	-	276,570,330	276,570,330
- A- to A+ rated	-	620,165,428	620,165,428
- Lower than A- rated	-	59,276,053	59,276,053
- Unrated	-	1,192,955	1,192,955
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>309,394,426</b>	<b>957,204,766</b>	<b>1,266,599,192</b>

Interest rate analysis of cash and cash equivalents is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

**8 Due from Other Banks**

	<b>31 December 2013</b>	<b>31 December 2012 Restated</b>
<i>In thousands of Uzbekistan Soums</i>		
Mandatory cash balances with CBU	236,184,423	182,923,178
Placements with other banks with original maturities of more than three months	41,183,562	12,015,541
Mandatory reserve deposit held with CBU against assets impairment	27,679,000	16,812,787
Restricted cash	80,695,442	40,423,770
<b>Total due from other banks</b>	<b>385,742,427</b>	<b>252,175,276</b>

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Group on behalf of its customers. The Group does not have the right to use these funds for the purposes of funding its own activities. The Group has received restricted deposits from these customers in the same amounts which are recorded in customer accounts.

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2013 is as follows:

	<b>Mandatory deposits with CBU</b>	<b>Placements with other banks</b>	<b>Total</b>
<i>In thousands of Uzbekistan Soums</i>			
<i>Neither past due nor impaired</i>			
- CBU	263,863,423	-	263,863,423
- Lower than A- rated	-	41,183,562	41,183,562
- Restricted cash	-	80,695,442	80,695,442
<b>Total due from other banks</b>	<b>263,863,423</b>	<b>121,879,004</b>	<b>385,742,427</b>

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2012 is as follows:

	<b>Mandatory deposits with CBU</b>	<b>Placements with other banks</b>	<b>Total</b>
<i>In thousands of Uzbekistan Soums</i>			
<i>Neither past due nor impaired</i>			
- CBU	199,735,965	-	199,735,965
- Lower than A- rated	-	12,015,541	12,015,541
- Restricted cash	-	40,423,770	40,423,770
<b>Total due from other banks</b>	<b>199,735,965</b>	<b>52,439,311</b>	<b>252,175,276</b>

Refer to Note 33 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

**9 Loans and Advances to Customers**

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
State and municipal organisations	4,372,931,099	2,995,513,335
Corporate loans	570,696,335	328,081,478
Loans to individuals	78,069,498	64,515,866
<b>Total loans and advances to customers, including finance lease receivables, gross</b>	<b>5,021,696,933</b>	<b>3,388,110,679</b>
Less: Provision for loan impairment	(211,606,048)	(158,277,459)
<b>Total loans and advances to customers, including finance lease receivables</b>	<b>4,810,090,885</b>	<b>3,229,833,220</b>

Movements in the provision for loan impairment during 2013 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>State and municipal organisations</b>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2013</b>	<b>79,311,601</b>	<b>76,913,559</b>	<b>2,052,299</b>	<b>158,277,459</b>
Provision for impairment during the year *	31,884,481	38,892,737	825,055	71,602,273
Amounts written off during the year as uncollectible	-	(29,417,088)	-	(29,417,088)
Effect of foreign exchange translation difference	-	11,143,404	-	11,143,404
<b>Provision for loan impairment at 31 December 2013</b>	<b>111,196,082</b>	<b>97,532,612</b>	<b>2,877,354</b>	<b>211,606,048</b>

\*The provision for impairment during 2013 differs from the amount presented in profit or loss for the year due to UZS 3,587,887 thousand (2012: 8,360,762 thousand), recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

**9 Loans and Advances to Customers (Continued)**

Movements in the provision for loan impairment during 2012 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>State and municipal organisations</b>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>Total</b>
<b>Provision for loan impairment at 1 January 2012</b>	<b>53,364,069</b>	<b>46,806,838</b>	<b>1,380,870</b>	<b>101,551,777</b>
Provision for loan impairment during the year	30,295,382	26,572,768	783,936	57,652,086
Loans written-off during the year	(4,347,850)	(3,813,598)	(112,507)	(8,273,955)
Effect of foreign exchange translation difference	-	7,347,551	-	7,347,551
<b>Provision for loan impairment at 31 December 2012</b>	<b>79,311,601</b>	<b>76,913,559</b>	<b>2,052,299</b>	<b>158,277,459</b>

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

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>amount</b>	<b>%</b>	<b>amount</b>	<b>%</b>
Oil & Gas and Energy	3,001,132,128	59	1,929,474,412	57
Manufacturing	1,147,437,096	22	614,492,028	18
Construction	285,361,526	6	263,027,791	8
Transport and communication	281,267,950	6	316,281,400	9
Trade and services	182,996,600	4	162,280,974	5
Loans to individuals	78,069,498	2	64,515,866	2
Agriculture	45,432,135	1	38,038,208	1
<b>Total loans and advances to customers before impairment</b>	<b>5,021,696,933</b>	<b>100</b>	<b>3,388,110,679</b>	<b>100</b>

During 2013, a loss on initial recognition of loans at rates below market in the amount of UZS 4,759,822 thousand (2012: UZS 1,061,033 thousand) has been recorded in profit or loss for the year

At 31 December 2013 the Group had 10 largest borrowers with the total aggregate amount of UZS 2,543,198,244 thousand (2012: UZS 1,881,759,683 thousand) or 51% of the gross loan portfolio (2012: 53%).

**9 Loans and Advances to Customers (Continued)**

Disclosure of financial effect of collateral at 31 December 2013 is as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>State and municipal organisations</b>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>31 December 2013</b>
<b>Unsecured loans</b>	-	<b>1,215,259</b>	-	<b>1,215,259</b>
Loans collateralised by:	-	-	-	
- state guarantee	2,520,362,051	119,363,019	-	<b>2,639,725,070</b>
- letter of surety	1,156,123,314	55,427,966	17,773,626	<b>1,229,324,906</b>
- real estate	414,836,426	297,223,148	56,368,711	<b>768,428,285</b>
- shares	183,929,466	1,112,615	11,102	<b>185,053,183</b>
- inventory	55,254,012	7,274,344	-	<b>62,528,356</b>
- equipment	32,114,876	32,553,932	-	<b>64,668,808</b>
- cash deposit	6,299,857	797,032	1,889,837	<b>8,986,726</b>
- vehicle	4,011,097	50,312,472	2,002,465	<b>56,326,034</b>
- insurance policy	-	5,416,548	23,758	<b>5,440,306</b>
<b>Total loans collateralised</b>	<b>4,372,931,099</b>	<b>569,481,076</b>	<b>78,069,499</b>	<b>5,020,481,674</b>
<b>Total loans and advances to customers before impairment provision</b>	<b>4,372,931,099</b>	<b>570,696,335</b>	<b>78,069,499</b>	<b>5,021,696,933</b>

Disclosure of financial effect of collateral at 31 December 2012 is as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>State and municipal organisations</b>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>31 December 2012</b>
<b>Unsecured loans</b>	-	<b>150,871</b>	-	<b>150,871</b>
Loans collateralised by:				
- state guarantee	1,463,642,955	75,029,054	-	<b>1,538,672,009</b>
- letter of surety	832,922,613	48,409,420	12,403,609	<b>893,735,642</b>
- real estate	464,745,606	137,299,248	49,666,499	<b>651,711,354</b>
- shares	199,192,721	1,684,070	7,314	<b>200,884,105</b>
- inventory	19,023,893	1,983,789	7,072	<b>21,014,754</b>
- equipment	6,917,671	17,224,959	-	<b>24,142,630</b>
- cash deposit	192,567	731,221	1,226,049	<b>2,149,837</b>
- vehicle	8,875,309	43,066,249	1,099,089	<b>53,040,647</b>
- insurance policy	-	2,502,596	106,234	<b>2,608,830</b>
<b>Total loans collateralised</b>	<b>2,995,513,335</b>	<b>327,930,606</b>	<b>64,515,866</b>	<b>3,387,959,808</b>
<b>Total loans and advances to customers before impairment provision</b>	<b>2,995,513,335</b>	<b>328,081,477</b>	<b>64,515,866</b>	<b>3,388,110,679</b>

Vehicles include motor cars, heavy trucks and other means of transport. Other assets mainly include trading stock of the borrowers. The disclosure above represents the lower of the carrying value of the loan or fair value of collateral taken. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.



**9 Loans and Advances to Customers (Continued)**

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>State and municipal organisations</b>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>Total</b>
<i>Neither past due nor impaired</i>				
- Loans and advances - Good	4,235,575,064	341,551,686	72,952,859	<b>4,650,079,609</b>
- Loans and advances - Standard	98,534,524	8,570,632	4,179,651	<b>111,284,807</b>
<b>Total neither past due nor impaired</b>	<b>4,334,109,588</b>	<b>350,122,318</b>	<b>77,132,510</b>	<b>4,761,364,416</b>
<i>Past due but not impaired</i>				
- less than 30 days overdue	5,734,427	5,202,107	29,614	<b>10,966,148</b>
- 31 to 90 days overdue	804,846	4,862,740	125,902	<b>5,793,488</b>
- 91 to 180 days overdue	1,530,558	16,814,277	386,805	<b>18,731,640</b>
- 181 to 360 days overdue	1,511,031	14,817,822	178,589	<b>16,507,442</b>
- over 360 days overdue	10,867,923	21,752,325	216,079	<b>32,836,327</b>
<b>Total past due but not impaired</b>	<b>20,448,785</b>	<b>63,449,271</b>	<b>936,989</b>	<b>84,835,045</b>
<i>Loans individually determined to be impaired (gross)</i>				
- less than 30 days overdue	11,145,875	6,153,906	-	<b>17,299,781</b>
- 91 to 180 days overdue	7,226,852	-	-	<b>7,226,852</b>
- 181 to 360 days overdue	-	10,047,450	-	<b>10,047,450</b>
- over 360 days overdue	-	140,923,389	-	<b>140,923,389</b>
<b>Total individually impaired loans (gross)</b>	<b>18,372,727</b>	<b>157,124,745</b>	<b>-</b>	<b>175,497,472</b>
- Impairment provisions for individually impaired loans	(9,456,162)	(86,689,690)	-	<b>(96,145,852)</b>
- Impairment provisions assessed on portfolio basis	(101,739,920)	(10,842,921)	(2,877,355)	<b>(115,460,196)</b>
Less total impairment provisions	(111,196,082)	(97,532,611)	(2,877,355)	<b>(211,606,048)</b>
<b>Total loans and advances to customers</b>	<b>4,261,735,018</b>	<b>473,163,723</b>	<b>75,192,144</b>	<b>4,810,090,885</b>

\* – Refer to Note 30 for definition of “good” and “standard” loans and advances to customers.

## **9 Loans and Advances to Customers (Continued)**

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

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

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

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

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Not later than one year	12,453,411	9,241,977
From one year to five years	19,961,093	10,879,080
More than five years	5,629,972	3,571,400
Minimum lease payments	38,044,476	23,692,457
Less unearned finance income	(11,733,220)	(3,873,834)
<b>Gross investment in finance lease</b>	<b>26,311,257</b>	<b>19,818,623</b>
Less: allowance on finance lease	<b>(4,282,859)</b>	(777,966)
<b>Net investment in finance lease</b>	<b>22,028,398</b>	<b>19,040,657</b>
Current portion	7,210,736	7,202,925
Long-term portion	14,817,661	11,837,732
<b>Net investment in finance lease</b>	<b>22,028,398</b>	<b>19,040,657</b>

## 10 Investment Securities Available For Sale

	Ownership	31 December 2013	31 December 2012 Restated
<i>In thousands of Uzbekistan Soums</i>			
<b>Name</b>			
OJSCB "Microcreditbank"	1.71%	3,206,400	2,456,400
OJSC "Tashkent" Stock Exchange	6.25%	3,043,361	2,885,054
Visa Inc.	0.00%	2,808,317	1,752,983
OJSC "Chilonzor buyum bozori"	5.53%	1,473,214	1,180,714
LLC "Agrotexservices"	10-15%	704,664	704,664
CJSC "Republican Currency Exchange"	0.85%	495,970	495,970
OJSC "Qizilqumsement"	-	450,000	252,000
OJSC "UzMed-Leasing"	0.13%	322,202	255,452
OJSC "Republican Commodity Exchange"	16.67%	223,381	168,021
OJSC "Buhoro Markaziy dekhkon bozori"	2.39%	131,000	131,000
LLC "Ishonch"	11.13%	-	993,908
Other	0.5%-13.8%	381,493	365,660
<b>Corporate shares</b>		<b>13,240,002</b>	<b>11,641,826</b>
Provision for impairment of investment securities available for sale		(911,174)	(63,302)
<b>Total investment securities available for sale</b>		<b>12,328,828</b>	<b>11,578,524</b>

Investment securities available for sale include equity securities with a carrying value of UZS 9,520,511 thousand (2012: UZS 9,825,541 thousand) which are not publicly traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. The investees have not published recent financial information about their operations, their shares are not quoted and recent trade prices are not publicly accessible. These investments are carried at a cost. The Group sells its investment securities available for sale to buyers at agreed prices, previously carried at cost. Upon sale the Group recognises a gain or loss on the sale in profit or loss for the year. The management has no plans to dispose of these equity securities.

Investment in Visa Inc amounting to UZS 2,808,317 thousand is traded in active market, and fair value was determined by reference to the quoted bid price at the end of the reporting period. The fair value measurement was categorised as Level 1 input.

Interest rate analysis of investment securities available for sale is disclosed in Note 30.

Movements in the provision for impairment of investment securities available for sale during 2013 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
<b>Provision for impairment at 1 January</b>	<b>63,302</b>	<b>63,302</b>
Provision for impairment during the year	847,872	-
<b>Provision for impairment at 31 December</b>	<b>911,174</b>	<b>63,302</b>

## 11 Investment Securities Held to Maturity

Name	Nominal interest rate	31 December 2013	31 December 2012 Restated
OJSCB "Qishloq Qurilish Bank"	12%	4,000,000	4,000,000
OJSCB "Ipoteka Bank"	11%-12%	3,920,000	2,920,000
OJSCB "Hamkor Bank"	12%	1,000,000	1,000,000
OJSCB "Trast Bank"	12%	1,000,000	1,000,000
<b>Total investment securities held to maturity</b>		<b>9,920,000</b>	<b>8,920,000</b>

## **11 Investment Securities Held to Maturity (Continued)**

The debt securities are not collateralised. The primary factor the Group considers in determining whether a debt security is impaired is the overdue status of interest payments.

Analysis by credit quality of investment securities classified as held to maturity were as following:

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<i>Neither past due nor impaired</i>		
- Large banks	7,920,000	6,920,000
- Medium banks	2,000,000	2,000,000
<b>Total neither past due nor impaired</b>	<b>9,920,000</b>	<b>8,920,000</b>

The Banks are rated by local agency firm "Ahbor rating" in accordance with the Banks' total assets.

## **12 Investment in Associates**

The table below summarises the movements in the carrying amount of the Group's investment in associates.

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Carrying amount at 1 January</b>	<b>2,798,501</b>	<b>4,360,133</b>
Reclassified from investment securities available for sale	993,908	-
Increase in ownership	434,122	-
Share of profit of associates	320,598	49,623
Disposal due to loss of significance influence	-	(1,444,469)
Dividends from associates	(52,190)	(166,786)
<b>Carrying amount at 31 December</b>	<b>4,494,939</b>	<b>2,798,501</b>

\*During 2013, the Group increased its share in Ishonch LLC from 19.1% to 21.31% whereby, the Group gained significant influence over the Ishonch LLC. As at 31 December 2012, Ishonch LLC classified as investment securities available for sale.

Summarised financial information of each material associate is as follows at 31 December 2013:

<b>Name</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total revenue</b>	<b>Profit/ (loss)</b>	<b>Interest held</b>	<b>Country of incorporation</b>
OJSC "Qurulish Leasing"	16,091,649	9,625,636	2,154,707	313,059	46.77%	Uzbekistan
LLC "Ishonch"	11,155,220	182,419	3,639,884	817,258	21.31%	Uzbekistan

Summarised financial information of each material associate is as follows at 31 December 2012:

<b>Name</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total revenue</b>	<b>Profit/ (loss)</b>	<b>Interest held</b>	<b>Country of incorporation</b>
LLC "Qurulish Leasing"	15,086,249	8,982,161	1,289,911	106,106	46.77%	Uzbekistan

**Open Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank”**  
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**13 Premises, Equipment and Intangible Assets**

<i>In thousands of Uzbekistan Soums</i>	<b>Buildings and premises</b>	<b>Office and computer Equipment</b>	<b>Construction in prog- ress</b>	<b>Total premises and equipment</b>	<b>Computer Software licenses</b>	<b>Total</b>
Cost at 31 December 2011	25,635,974	39,654,045	54,484,164	119,774,183	5,614,214	125,388,397
Accumulated depreciation/ amortisation	(7,197,040)	(23,547,380)	-	(30,744,420)	(4,756,029)	(35,500,449)
<b>Carrying amount at 31 December 2011</b>	<b>18,438,934</b>	<b>16,106,665</b>	<b>54,484,164</b>	<b>89,029,763</b>	<b>858,185</b>	<b>89,887,948</b>
Additions	2,483,926	15,267,193	26,565,345	44,316,464	78,082	44,394,546
Disposals	-	(407,203)	(211,014)	(618,217)	(3,011)	(621,228)
Net transfers	19,677,364	(72,253)	(19,877,583)	(272,472)	272,472	-
Depreciation/ amortisation charge (Note 25)	(1,841,578)	(4,622,051)	-	(6,463,629)	(417,200)	(6,880,829)
<b>Carrying amount at 31 December 2012</b>	<b>38,758,646</b>	<b>26,272,351</b>	<b>60,960,912</b>	<b>125,991,909</b>	<b>788,528</b>	<b>126,780,437</b>
Cost at 31 December 2012	47,797,264	54,441,782	60,960,912	163,199,958	5,961,757	169,161,715
Accumulated depreciation/ amortisation	(9,038,618)	(28,169,431)	-	(37,208,049)	(5,173,229)	(42,381,278)
<b>Carrying amount at 31 December 2012</b>	<b>38,758,646</b>	<b>26,272,351</b>	<b>60,960,912</b>	<b>125,991,909</b>	<b>788,528</b>	<b>126,780,437</b>
Additions	12,104,209	13,933,764	3,814,019	29,851,992	1,868,220	31,720,212
Disposals	(930,542)	(5,434,445)	(5,048,756)	(11,413,743)	(1,670)	(11,415,413)
Net transfers	6,461,858	-	(6,461,858)	-	-	-
Reclassification	(12,379,025)	(8,546,354)	(29,414,555)	(50,339,934)	-	(50,339,934)
Depreciation/ amortisation charge (Note 25)	(2,428,181)	(5,554,045)	-	(7,982,226)	(598,320)	(8,580,546)
<b>Carrying amount at 31 December 2013</b>	<b>41,586,965</b>	<b>20,671,271</b>	<b>23,849,762</b>	<b>86,107,998</b>	<b>2,056,758</b>	<b>88,164,756</b>
Cost at 31 December 2013	53,053,764	54,394,747	23,849,762	131,298,273	7,828,307	139,126,580
Accumulated depreciation/ amortisation	(11,466,799)	(33,723,476)	-	(45,190,275)	(5,771,549)	(50,961,824)
<b>Carrying amount at 31 December 2013</b>	<b>41,586,965</b>	<b>20,671,271</b>	<b>23,849,762</b>	<b>86,107,998</b>	<b>2,056,758</b>	<b>88,164,756</b>

UZS 50,339,934 thousand includes UZS 27,466,663 thousand reclassified to non-current assets held for sale and UZS 22,873,271 thousand prepayment for construction of building in Navoi street under other non-financial assets.

**Open Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank"**  
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**14 Other Assets**

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Other financial assets</b>		
Commission income receivable	2,491,184	517,483
Interest income and other receivable	1,038,864	272,065
Receivable from money transfer organisations	328,763	7,434,264
<b>Total other financial assets</b>	<b>3,858,811</b>	<b>8,223,812</b>
<b>Other non-financial assets</b>		
Prepayment for construction of building in Navoi street	24,303,991	2,236,300
Prepaid expenses and advances	3,366,981	4,686,022
Prepayments for equipment and property	2,930,738	2,500,000
Prepaid income tax	2,696,990	1,554,134
Receivable from employees	1,798,777	2,102,634
Prepayments for equipment for lease purposes	237,000	3,188,066
Inventory	15,658	10,756
Other	3,186,992	1,685,371
<b>Total other non-financial assets</b>	<b>38,537,127</b>	<b>17,963,283</b>
Less allowance for impairment	(2,830,547)	(2,288,324)
<b>Total other assets</b>	<b>39,565,391</b>	<b>23,898,771</b>

Movements in the provision for impairment of other financial assets during 2013 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Receivable from employees</b>	<b>Other</b>	<b>Total</b>
<b>Provision for impairment at 1 January 2013</b>	<b>2,046,426</b>	<b>241,898</b>	<b>2,288,324</b>
Provision for impairment during the year	-	770,049	770,049
Recovery of provision	-	19,823	19,823
Write-off during the year	(247,649)	-	(247,649)
<b>Provision for impairment at 31 December 2013</b>	<b>1,798,777</b>	<b>1,031,770</b>	<b>2,830,547</b>

Movements in the provision for impairment of other financial assets during 2012 are as follows:

	<b>Receivable from employees</b>	<b>Other</b>	<b>Total</b>
<b>Provision for impairment at 1 January 2012</b>	<b>2,046,426</b>	<b>134,545</b>	<b>2,180,971</b>
Provision for impairment during the year	56,208	593,871	650,079
Write-off during the year	-	(542,726)	(542,726)
<b>Provision for impairment at 31 December 2012</b>	<b>2,102,634</b>	<b>185,690</b>	<b>2,288,324</b>

Analysis by credit quality of other financial assets outstanding at 31 December 2013 and 2012 is as follows:

	<b>Other financial assets</b>	
<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<i>Neither past due nor impaired</i>		
- Collected or settled after the end of the reporting period	3,858,811	8,223,812
<b>Total neither past due nor impaired</b>	<b>3,858,811</b>	<b>8,223,812</b>

**15 Non-Current Assets Classified as Held for Sale (or Disposal Groups)**

	31 December 2013	31 December 2012 Restated
<i>In thousands of Uzbekistan Soums</i>		
Assets related to subsidiary companies	49,084,862	14,921,347
Reposessed assets:		
- Buildings held for sale	15,506,189	17,574,713
- Equipment held for sale	1,324,067	4,318,067
- Others assets held for sale	1,313,025	887,422
<b>Total non-current assets (or disposal groups) held for sale</b>	<b>67,228,143</b>	<b>37,701,549</b>

During 2013, the Group recognised an impairment loss of UZS 5,021,347 thousand to write down reposessed assets to fair value less costs to sell.

The management actively markets these assets and expects the sales to be completed within one year.

Assets related to subsidiary companies comprise of total assets, less intercompany balances and transactions, of “Elite Stars Textile” LLC (textile), “Horazm shisha idishlari” LLC (production of glasses), “Fergana Ceramics industry” LLC (production of ceramics), “Miracle Ceramics” LLC (production of ceramics), and “Samarkand pure aqua” LLC (water production). The Group is seeking to dispose of these business units and anticipates that the disposal will be completed during 2014.

Major classes of assets and liabilities of subsidiary companies classified as held for sale (or disposal groups) are as follows:

	31 December 2013	31 December 2012 Restated
<i>In thousands of Uzbekistan Soums</i>		
<i>Assets of a disposal group held for sale:</i>		
Accounts receivable	2,761,489	237,946
Prepaid expenses	394,797	813,669
Inventory	2,066,717	688,470
Other assets	88,638	136,631
Premises and equipment	18,861,165	10,168,985
Construction in progress	24,912,056	2,875,646
Total assets of subsidiary companies (or disposal groups) held for sale	49,084,862	14,921,347
<i>Liabilities of a disposal group held for sale:</i>		
Accounts payable	3,694,784	244,297
Total liabilities directly associated with disposal groups held for sale	3,694,784	244,297
<b>Net assets of subsidiary companies (or disposal groups) held for sale</b>	<b>45,390,078</b>	<b>14,677,050</b>

Profit/(loss) for the period from discontinued operations was as following:

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>
Consideration for disposal of the subsidiary	73,185,668
Carrying amount of disposed net assets, net of non-controlling interest	(76,331,759)
Loss from disposal of subsidiary	(3,146,090)
Total revenue	11,793,240
Total expenses	(11,482,681)
Gain from discontinued operation	310,558
<b>Loss for the period from discontinued operation</b>	<b>(2,835,532)</b>

## 16 Due to Other Banks

	31 December 2013	31 December 2012 Restated
<i>In thousands of Uzbekistan Soums</i>		
Long-term placements of other banks	58,884,915	54,563,200
Short-term placements of other banks	64,747,096	53,189,855
Correspondent accounts and overnight placements of other banks	17,989,837	9,786,630
<b>Total due to other banks</b>	<b>141,621,848</b>	<b>117,539,685</b>

Refer to Note 33 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

## 17 Customer Accounts

	31 December 2013	31 December 2012 Restated
<i>In thousands of Uzbekistan Soums</i>		
Repayable on demand	2,075,386,889	1,949,431,973
Time deposits	212,374,639	224,804,773
<b>Total customer accounts</b>	<b>2,287,761,528</b>	<b>2,174,236,746</b>

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Uzbekistan Soums</i>	2013		2012	
	Amount	%	Amount	%
Energy and manufacturing	922,442,759	40%	872,966,771	39%
Services	480,747,277	21%	424,813,945	21%
Individuals	320,060,975	14%	268,402,676	12%
Communication and transport	306,142,976	13%	136,324,277	6%
Trade and catering	141,783,977	6%	292,791,312	13%
Construction	69,261,149	3%	132,046,320	6%
Agriculture	8,329,411	1%	7,341,363	1%
Other	38,993,004	2%	39,550,082	2%
<b>Total customer accounts</b>	<b>2,287,761,528</b>	<b>100%</b>	<b>2,174,236,746</b>	<b>100%</b>

At 31 December 2013, included in customer accounts are deposits of UZS 513,372,375 thousand (2012: UZS 498,863,862 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 32.

At 31 December 2013 and 2012, customer accounts totalling UZS 1,195,744,260 thousand (52%) and UZS 1,133,034,429 thousand (50.7%), respectively were due to 6 customers in 2013 (2012: 6 customers), which represents significant concentration.

Refer to Note 33 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 30. Information on related party balances is disclosed in Note 35.



**18 Debt securities in issue**

	<b>31 December 2013</b>	<b>31 December 2012 Restated</b>
<i>In thousands of Uzbekistan Soums</i>		
Corporate bonds	52,918,855	46,141,596
<b>Total debt securities in issue</b>	<b>52,918,855</b>	<b>46,141,596</b>

Refer to Note 33 for the disclosure of the fair value of debt securities in issue. Interest rate analyses of customer accounts are disclosed in Note 30.

**19 Other borrowed funds**

	<b>31 December 2013</b>	<b>31 December 2012 Restated</b>
<i>In thousands of Uzbekistan Soums</i>		
<b>International Financial Institutions</b>		
China Export-Import Bank	934,795,806	512,096,034
Landes Bank Berliner AG	23,584,264	28,535,676
World Bank International Agency for Development	13,703,117	6,217,535
Commerzbank AG	13,497,479	12,448,361
China Development Bank	10,664,107	11,393,078
Industrial and Commercial Bank of China	6,898,160	14,499,856
KfW	6,173,625	1,778,062
Preference shares (Note 21)	4,250,000	4,250,000
Hypo und Vereinsbank	2,261,418	3,257,373
<b>Uzbekistan Financial Institutions</b>		
Uzbekistan Fund for Reconstruction and Development	2,854,229,828	1,745,132,636
Long-term loans from the Ministry of Finance	2,048,038	3,749,964
Long-term loans from the CBU	1,973,733	5,186,157
Term borrowings from non-budgetary funds	-	62,230
<b>Total other borrowed funds</b>	<b>3,874,079,575</b>	<b>2,348,606,962</b>

The Group is obliged to comply with the financial covenants in relation to other borrowed funds disclosed above. In accordance with the financial line agreement with China Development Bank dated 23 June 2008 the Group is obliged to comply with certain financial covenants. Loan outstanding as at 31 December 2013 was UZS 10,664,107 thousand (2012: UZS 11,393,078 thousand).

Refer to Note 33 for disclosure of the fair value of each class of other borrowed funds. Interest rate analysis of other borrowed funds is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

## 20 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Uzbekistan Soums</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Payable to creditors of LLC "PSB Anteks Group"	4,347,090	6,111,306
Trade payables	2,337,644	2,896,002
Dividends payable	705,044	124,835
Payable to money transfer operators	-	1,616,908
Other accrued liabilities	4,680	50,090
<b>Total other financial liabilities</b>	<b>7,394,458</b>	<b>10,799,141</b>
Payable to employees	7,658,101	5,241,781
Taxes payable other than on income	3,682,953	6,089,769
Current income tax liability	3,058,885	2,266,245
Prepayments received	1,584,926	1,105,538
Other	1,151,022	595,762
<b>Total other non-financial liabilities</b>	<b>17,135,887</b>	<b>15,299,095</b>
<b>Total other liabilities</b>	<b>24,530,345</b>	<b>26,098,236</b>

Payable to creditors of "PSB Anteks Group" LLC represents liability of the Group to creditors of recovered (formerly bankrupt) entity. In accordance with the Presidential Decree of Uzbekistan No UP 4010 dated 18 November 2009, the Group took over bankrupt company JV "Baliqchiteks" and JSC "Baliqchitekstil" for nil amount. The Group has reformed the bankrupt entity into "PSB Anteks Group" LLC in partnership with JSC "Anteks". During 2011, the Group has sold its investment in recovered entity "PSB Anteks Group" LLC to JSC Anteks under credit terms that to be repaid within five years. In accordance with the Decree, the Group has a commitment to repay liabilities of the bankrupt company out of the proceeds received from JSC "Anteks".

Refer to Note 33 for disclosure of the fair value of each class of other financial liabilities.

## 21 Share Capital

<i>In thousands of Uzbekistan Soums except for number of shares</i>	<b>Number of outstanding shares (in thousands)</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Total</b>
<b>At 31 December 2011</b>	<b>59,800</b>	<b>154,961,495</b>	<b>696,121</b>	<b>(6,602,344)</b>	<b>149,055,272</b>
New shares issued	30,609	103,783,204	-	-	103,783,204
Effect of change in present value of preference shares	-	110,000	-	-	110,000
Sale of treasury shares	-	-	-	1,630,000	1,630,000
<b>At 31 December 2012</b>	<b>90,409</b>	<b>258,854,699</b>	<b>696,121</b>	<b>(4,972,344)</b>	<b>254,578,476</b>
New shares issued	23,969	66,754,805	-	-	66,754,805
Acquisition of treasury shares	-	-	-	(415,536)	(415,536)
<b>At 31 December 2013</b>	<b>114,378</b>	<b>325,609,504</b>	<b>696,121</b>	<b>(5,387,880)</b>	<b>320,917,745</b>

The nominal registered amount of the Group's issued share capital, prior to restatement of capital contributions made before 1 January 2006 to the purchasing power of the Uzbekistan Soums at 31 December 2013, is UZS 318,543,009 thousand (2012: UZS 252,484,325 thousand).

## **21 Share Capital (Continued)**

The total authorised number of ordinary shares is 112,378 thousand shares (2012: 112,378 thousand shares), with a par value of UZS 2,785 per share (2012: UZS 2,785 per share). All issued ordinary shares are fully paid.

The number of ordinary shares issued but not fully paid in was Nil (2012: 23,969 thousand). Each ordinary share carries one vote.

The total authorised number of preference shares is 2,000 thousand shares (2012: 2,000 thousand shares), with a par value of UZS 2,785 per share (2012: UZS 2,785 per share). All issued preference shares are fully paid.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights, except in instances where decisions are made in relation to reorganisation and liquidation of the Group, and where changes and amendments to the Group's charter which restrict the rights of preference shareholders are proposed. Preference share dividends are set at 25 % p.a. (2012: 25 % p.a.) and rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

In the year ended 31 December 2012, the Bank increased its preference share price from UZS 2,475 to UZS 2,785 (31 December 2011: from UZS 2,360 to UZS 2,475) with the minimum rate of dividend change from 22% to 25%. (2011: changed from 20% to 22%). This has resulted in the change of effective minimum rate of dividends on the original nominal amount of preference shares (UZS 2,000), which equaled to 40.6% (2011: 31.8%). Accordingly, as of 31 December 2012, the Group recognised the effect of change in present value of shares in the amount of UZS 110,000 thousand. There was not effect of change in present value of share as at 31 December 2013 since dividend rate and nominal value of preference share remained unchanged.

At 31 December 2013, treasury shares include UZS 5,387,880 thousand ordinary shares of the Group (2012: 4,972,344 thousand ordinary shares) owned by wholly owned subsidiaries of the Group. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Group held by the entities within the Group are effectively controlled by the management of the Group

## **22 Interest Income and Expense**

	<b>2013</b>	<b>2012</b>
<i>In thousands of Uzbekistan Soums</i>		<b>Restated</b>
<b>Interest income</b>		
Loans and advances to customers	300,530,277	208,899,213
Due from other banks	1,803,947	1,418,641
Investment securities held to maturity	1,132,769	1,993,153
<b>Total interest income</b>	<b>303,466,993</b>	<b>212,311,007</b>
<b>Interest expenses</b>		
Other borrowed funds	72,344,149	41,532,644
Term deposits of individuals	34,113,865	30,240,964
Term placements of other banks	22,721,519	23,167,633
Debt securities issued	5,088,132	4,675,960
Term deposits of legal entities	83,217	3,069,959
<b>Total interest expense</b>	<b>134,350,882</b>	<b>102,687,160</b>
<b>Net interest income</b>	<b>169,116,111</b>	<b>109,623,847</b>

Interest income includes UZS 3,113,971 thousand (2012: UZS 1,744,090 thousand) interest income, recognised on impaired loans to customers.

## **23 Fee and Commission Income and Expense**

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
<b>Fee and commission income from:</b>		
- Settlement transactions	85,578,141	71,408,663
- Foreign currency exchange operations	11,492,218	14,744,239
- International money transfers	4,876,078	3,131,443
- Management service fee	3,237,713	2,235,274
- Guarantees issued	3,221,767	2,137,391
- Letter of credits	3,191,273	3,321,925
- Cash transactions	2,257,280	2,310,095
- Other	1,230,391	495,004
<b>Total fee and commission income</b>	<b>115,084,861</b>	<b>99,784,034</b>
<b>Fee and commission expense</b>		
- Cash collection	10,163,217	7,344,193
- Settlement transactions	4,646,518	4,098,521
- Foreign currency exchange operations	1,499,827	2,562,661
- Loan commission expenses	1,164,080	1,248,597
- Payments for guarantees issued	320,497	-
- Other	1,021,496	1,125,108
<b>Total fee and commission expense</b>	<b>18,815,635</b>	<b>16,379,080</b>
<b>Net fee and commission income</b>	<b>96,269,226</b>	<b>83,404,954</b>

## **24 Other Operating Income**

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
Rental income from properties	1,483,728	1,327,338
Gain on disposal of premises and equipment	483,300	739,822
Income from fines and penalties	403,154	471,189
Other	1,231,988	850,296
<b>Total other operating income</b>	<b>3,602,170</b>	<b>3,388,645</b>

## **25 Administrative and Other Operating Expenses**

<i>In thousands of Uzbekistan Soums</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
Staff costs		86,559,359	67,716,495
Taxes other than income tax		21,215,555	15,988,474
Security services		10,407,451	9,446,607
Depreciation and amortisation	13	8,580,546	6,880,829
Charity expenses		4,202,673	8,170,957
Stationery and office supplies		3,405,140	3,572,718
Membership fees		3,272,963	2,317,579
Business trip expenses		1,832,165	1,571,188
Communication expenses		1,703,050	1,385,629
Rent expenses		1,464,796	1,506,038
Cost of maintenance of premises		1,203,071	1,116,328
Cost of utilities		1,106,993	940,179
Advertising and marketing services		914,083	729,295
Loss on sale or disposition of fixed assets		763,539	13,778
Other operating expenses		3,206,402	677,905
<b>Total administrative and other operating expenses</b>		<b>149,837,786</b>	<b>122,033,999</b>

## **25 Administrative and Other Operating Expenses (Continued)**

Included in staff costs are statutory pension contributions of UZS 20,256,884 thousand (2012: UZS 15,485,423 thousand).

## **26 Income Taxes**

### **(a) Components of income tax expense / (benefit)**

Income tax expense comprises the following:

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012 Restated</b>
Current tax charge	14,959,859	11,551,435
Deferred tax credit	(1,135,600)	(2,803,684)
<b>Income tax expense for the year</b>	<b>13,824,259</b>	<b>8,747,751</b>

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

The income tax rate applicable to the majority of the Group's income is comprised of corporate income tax (15%) and infrastructure development tax (8%) with tax base for infrastructure development tax being accounting profit after corporate income tax charge. Effectively, statutory income tax rate is 21.8%.

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

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
<b>IFRS profit before tax (including discontinued operations)</b>	<b>53,686,012</b>	<b>34,277,458</b>
Theoretical tax charge at statutory rate 21.8% (2012: 21.8%)	11,703,551	7,472,486
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses (employee compensation, social tax, and representaton)	3,069,460	2,596,394
- Tax incentives (tax privileges from increase of term deposits of individuals)	(2,997,116)	(4,569,096)
- Tax exempt income (dividend receivable/received)	(252,073)	(50,913)
- Unrecognised deferred tax asset	2,752,455	3,401,488
- Tax rate difference	(576,499)	(111,336)
- Other	124,481	8,728
<b>Income tax expense for the year</b>	<b>13,824,259</b>	<b>8,747,751</b>

In accordance with statutory regulation, the Group can carry forward unrecognized tax loss for five years

**24 Income Taxes (Continued)**

**(c) Deferred taxes analysed by type of temporary difference**

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 21.8% (2012: 21.8%).

<i>In thousands of Uzbekistan Soums</i>	2013	(Debited)/ Credited to profit or loss	Charged to other compre- hensive income	2012	(Debited)/ Credited to profit or loss	Charged to other compre- hensive income	2011
<b>Tax effect of deductible temporary differences</b>							
Loan impairment provision	15,336,883	2,809,764	-	12,527,119	2,676,351	-	9,850,767
Property, equipment and intangible assets	106,082	17,867	-	88,215	116,125	-	(27,910)
Provision for impairment of investment Securities available for sale	26,971	26,971	-	-	-	-	-
Investment in associates	(151,095)	(64,420)	-	(86,675)	(86,675)	-	-
Fair value of investment securities available for sale	(327,700)	-	(230,063)	(97,637)	-	(97,637)	-
Accrued interest expenses	57,838	(1,111,521)	-	1,169,359	(1,226,002)	-	2,395,360
Accrued interest income	(6,589,561)	175,118	-	(6,764,679)	(168,486)	-	(6,596,193)
Other	409,019	(718,179)	-	1,127,198	1,492,370	-	(365,172)
<b>Recognised deferred tax asset</b>	<b>8,868,437</b>	<b>1,135,600</b>	<b>(230,063)</b>	<b>7,962,900</b>	<b>2,803,683</b>	<b>(97,637)</b>	<b>5,256,853</b>
<b>Recognised deferred tax asset</b>	<b>15,936,793</b>	<b>3,029,720</b>	<b>-</b>	<b>14,911,891</b>	<b>3,058,845</b>	<b>-</b>	<b>12,246,128</b>
<b>Recognised deferred tax liability</b>	<b>(7,068,356)</b>	<b>(1,894,119)</b>	<b>(230,063)</b>	<b>(6,948,991)</b>	<b>(255,161)</b>	<b>(97,637)</b>	<b>(6,989,274)</b>
<b>Total net deferred tax asset</b>	<b>8,868,437</b>	<b>1,135,600</b>	<b>(230,063)</b>	<b>7,962,900</b>	<b>2,803,683</b>	<b>(97,637)</b>	<b>5,256,853</b>

## 27 Dividends

	2013	2012
<b>Dividends payable at 1 January</b>	<b>124,835</b>	<b>32,308</b>
Dividends declared during the year	13,547,642	5,675,995
Dividends paid during the year	(10,284,210)	(5,213,031)
Dividends capitalised	(2,683,223)	(370,437)
<b>Dividends payable at 31 December</b>	<b>705,044</b>	<b>124,835</b>
<b>Dividend per declared during the year</b>	<b>133</b>	<b>91</b>

## 28 Earnings per Share

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

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

**Earnings per share from continuing operations are calculated as follows:**

<i>In thousands of Uzbekistan Soums</i>	2013	2012
<b>Earnings per share from continuing operations</b>		
Profit for the year attributable to ordinary shareholders	36,378,786	26,202,363
Profit for the year attributable to preference shareholders	647,435	466,325
Profit for the year	37,026,221	26,668,688
Weighted average number of ordinary shares in issue	101,573,000	67,716,112
Weighted average number of preference shares in issue	2,000,000	2,000,000
<b>Earnings per share per ordinary share, basic and diluted in UZS</b>	<b>358</b>	<b>387</b>
<b>Earnings per share per equity component of preference share, basic and diluted in UZS</b>	<b>324</b>	<b>233</b>

**Earnings per share from discontinuing operations are calculated as follows:**

<i>In thousands of Uzbekistan Soums</i>	2013	2012
<b>Earnings per share from discontinuing operations</b>		
Profit/(loss) for the year attributable to ordinary shareholders	2,785,950	(1,119,065)
Profit/(loss) for the year attributable to preference shareholders	49,582	(19,916)
Profit/(loss) for the year	2,835,532	(1,138,981)
Weighted average number of ordinary shares in issue	101,573,000	67,716,112
Weighted average number of preference shares in issue	2,000,000	2,000,000
<b>Earnings/(loss) per share per ordinary share, basic and diluted in UZS</b>	<b>27</b>	<b>(17)</b>
<b>Earnings/(loss) per share per equity component of preference share, basic and diluted in UZS</b>	<b>25</b>	<b>(10)</b>

Basic and diluted earnings per equity component of preference shares as presented above, represent earnings allocated to the equity component of the preference shares, after the distribution of the minimum dividends of 25% of the nominal value of the preference shares.

## 29 Segment Analysis

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

The Group is organised on the basis of three segments, as follows:

- Retail banking – principally handling individual customers’ deposits, and providing consumer loans, overdrafts, plastic cards facilities and funds transfer facilities.
- Corporate banking – principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
- Group function – Treasury, finance and other central functions.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured based on profit or loss in the consolidated financial statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

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

The CODM reviews financial information prepared based on IFRS, and evaluates performance of each segment based on net income.

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

Segment information for the reportable segments for the year ended 31 December 2013 is set out below:

<i>In thousands of Uzbekistan Soums</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Group function</b>	<b>Total</b>
Cash and cash equivalents	1,162,580,231	189,102,230	-	1,351,682,461
Due from other banks	385,742,427	-	-	385,742,427
Loans and advances to customers, including finance lease receivables	4,728,786,341	81,304,544	-	4,810,090,885
Investment securities available for sale	12,328,828	-	-	12,328,828
Investment securities held to maturity	9,920,000	-	-	9,920,000
Investment in associates	4,494,939	-	-	4,494,939
Deferred income tax asset	-	-	8,868,437	8,868,437
Property, equipment and intangible assets	75,830,386	12,334,370	-	88,164,756
Other assets	36,539,638	328,763	2,696,990	39,565,391
Non-current assets held for sale (or disposal groups)	67,228,143	-	-	67,228,143
<b>Total reportable segment assets</b>	<b>6,483,450,933</b>	<b>283,069,907</b>	<b>11,565,427</b>	<b>6,778,086,267</b>
Due to other banks	141,621,848	-	-	141,621,848
Customer accounts	1,967,700,553	320,060,975	-	2,287,761,528
Debt securities in issue	52,918,855	-	-	52,918,855
Other borrowed funds	3,874,079,575	-	-	3,874,079,575
Other liabilities	9,425,362	8,363,145	6,741,838	24,530,345
Liabilities directly associated with disposal groups held for sale	3,694,784	-	-	3,694,784
<b>Total reportable segment liability</b>	<b>6,049,440,977</b>	<b>328,424,120</b>	<b>6,741,838</b>	<b>6,384,606,935</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Capital expenditure represents additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.



**Open Joint Stock Commercial Bank “Uzbek Industrial and Construction Bank”**  
**Notes to the Consolidated Financial Statements – 31 December 2013**

**29 Segment Analysis (Continued)**

<i>In thousands of Uzbekistan Soums</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Group function</b>	<b>Total</b>
Interest income	293,358,138	10,108,855	-	303,466,993
Fee and commission income	100,991,912	14,092,949	-	115,084,861
Foreign exchange translation gains less losses	2,717,439	-	-	2,717,439
Gain and losses from trading in foreign currencies	5,914,780	-	-	5,914,780
Dividend income	2,161,416	-	-	2,161,416
Other operating income	3,429,813	172,357	-	3,602,170
Share of result of associates	320,598	-	-	320,598
<b>Total revenues</b>	<b>408,894,096</b>	<b>24,374,161</b>	<b>-</b>	<b>433,268,257</b>
Interest expense	(103,217,332)	(31,133,550)	-	(134,350,882)
Fee and commission expense	(18,815,635)	-	-	(18,815,635)
Provision for impairment of loans and advances to customers	(67,234,993)	(779,391)	-	(68,014,384)
Losses on initial recognition of assets at rates below market	(4,759,822)	-	-	(4,759,822)
Provision for impairment of investment securities available for sale	(847,872)	-	-	(847,872)
Provision for impairment of other assets	(770,049)	-	-	(770,049)
Provision for impairment of held for sale assets	(5,021,347)	-	-	(5,021,347)
Administrative and other operating expenses	(44,325,436)	(54,356,579)	(51,155,771)	(149,837,786)
Income tax expense	-	-	(13,824,259)	(13,824,259)
<b>Segment result</b>	<b>163,901,610</b>	<b>(61,895,359)</b>	<b>(64,980,030)</b>	<b>37,026,221</b>

Segment information for the reportable segments for the year ended 31 December 2012 is set out below:

<i>In thousands of Uzbekistan Soums</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Group function</b>	<b>Total</b>
Cash and cash equivalents	1,148,844,584	161,794,232	-	1,310,638,816
Due from other banks	252,175,276	-	-	252,175,276
Loans and advances to customers, including finance lease receivables	3,160,007,856	69,825,364	-	3,229,833,220
Investment securities available for sale	11,578,524	-	-	11,578,524
Investment securities held to maturity	8,920,000	-	-	8,920,000
Investment in associates	2,798,501	-	-	2,798,501
Deferred income tax asset	-	-	7,962,900	7,962,900
Property, equipment and intangible assets	115,517,963	11,262,474	-	126,780,437
Other assets	14,910,373	7,434,264	1,554,134	23,898,771
Non-current assets held for sale (or disposal groups)	37,701,549	-	-	37,701,549
<b>Total reportable segment assets</b>	<b>4,752,454,626</b>	<b>250,316,334</b>	<b>9,517,034</b>	<b>5,012,287,994</b>
Due to other banks	117,539,685	-	-	117,539,685
Customer accounts	1,905,834,070	268,402,676	-	2,174,236,746
Debt securities in issue	46,141,596	-	-	46,141,596
Other borrowed funds	2,348,606,962	-	-	2,348,606,962
Other liabilities	10,758,698	6,983,524	8,356,014	26,098,236
Liabilities directly associated with disposal groups held for sale	244,297	-	-	244,297
<b>Total reportable segment liability</b>	<b>4,429,125,308</b>	<b>275,386,200</b>	<b>8,356,014</b>	<b>4,712,867,522</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 29 Segment Analysis (Continued)

<i>In thousands of Uzbekistan Soums</i>	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Group function</b>	<b>Total</b>
Interest income	203,264,201	9,046,806	-	212,311,007
Fee and commission income	94,299,528	5,484,506	-	99,784,034
Foreign exchange translation gains less losses	11,074,756	-	-	11,074,756
Gain and losses from trading in foreign currencies	438,684	-	-	438,684
Dividend income	472,365	-	-	472,365
Other operating income	3,283,679	104,966	-	3,388,645
Share of result of associates	49,623	-	-	49,623
<b>Total revenues</b>	<b>312,882,836</b>	<b>14,636,278</b>	<b>-</b>	<b>327,519,114</b>
Interest expense	(73,349,440)	(29,337,720)	-	(102,687,160)
Fee and commission expense	(16,379,080)	-	-	(16,379,080)
Provision for impairment of loans and advances to customers	(48,621,075)	(670,249)	-	(49,291,324)
Losses on initial recognition of assets at rates below market	(1,061,033)	-	-	(1,061,033)
Provision for impairment of other assets	(650,079)	-	-	(650,079)
Administrative and other operating expenses	(35,369,513)	(46,292,451)	(40,372,035)	(122,033,999)
Income tax expense	-	-	(8,747,751)	(8,747,751)
<b>Segment result</b>	<b>137,452,616</b>	<b>(61,664,142)</b>	<b>(49,119,786)</b>	<b>26,668,688</b>

### **(e) Analysis of revenues by products and services**

The Group's revenues are analysed by products and services in Notes 22 (interest income), Note 23 (fee and commission income) and in Note 24 (other operating income).

### **(g) Geographical information**

The Group conducts its operations in Uzbekistan and operations of the Group with their foreign counterparts are disclosed in Note 30. All revenue of the Group is generated within Uzbekistan, since financial assets outside Uzbekistan are noninterest bearing.

## 30 Financial Risk Management

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

**Credit risk.** Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of the Group's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

### **30 Financial Risk Management (Continued)**

*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 loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay on time. “Good” loans with insufficient information in the credit file or missed information on collateral could be also classified as “standard” loans.
Sub-standard	3	Sub-standard loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for “sub-standard” loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as “substandard” with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.
Loss	5	Loans classified as “loss” are considered uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

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

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

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

Some other specific control and mitigation measures are outlined below.

*(a) 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 and advances are:

- letter of surety
- motor vehicle
- real estate
- equipment
- cash deposit
- residential

### **30 Financial Risk Management (Continued)**

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

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

- the maximum exposure per borrower – not more than 25 percent of the Group's tier 1 capital (based CBU regulation);
- the maximum exposure per borrower (unsecured loans) – not more than 5 percent of the Group's tier 1 capital (based on CBU regulation);
- total loan amount to related party (based on CBU regulation) – not more than 25 percent of the Group's tier 1 capital;
- the maximum exposure to economic sector – not more than 25 percent of total loan portfolio; and
- total exposure of significant loans – not more than 8 times own capital.

*Impairment and provisioning policies.* The internal and external rating systems described above focus on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses incurred at the 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:

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

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

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

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

### 30 Financial Risk Management (Continued)

The Group reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Note 9.

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

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

**Currency risk.** In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

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

<i>In thousands of Uzbekistan Soums</i>	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>
<b>31 December 2013</b>			
US Dollars	4,861,043,738	4,842,862,217	18,181,521
Euros	274,652,362	255,507,270	19,145,092
Other	193,473,302	185,653,094	7,820,208
<b>Total</b>	<b>5,329,169,402</b>	<b>5,284,022,581</b>	<b>45,146,821</b>
<b>31 December 2012</b>			
US Dollars	3,250,208,492	3,239,935,548	10,272,944
Euros	217,255,499	207,721,890	9,533,609
Other	6,392,441	4,924,632	1,467,809
<b>Total</b>	<b>3,473,856,432</b>	<b>3,452,582,070</b>	<b>21,274,362</b>

The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Group also measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of certain appreciation/depreciation of that currency against Uzbekistan Soum to the profit and loss of the Group.

As required by the CBU's "Rules on maintaining open currency position", the Group calculates its open currency position at the end of each business day separately for each type of foreign currency. Open currency position is a foreign currency position, under which the Group's monetary assets in foreign currency do not coincide with its monetary liabilities in foreign currency. As per the CBU's Rules, open currency position for every type of foreign currency at the end of each business day should not exceed 10 percent of the Group's regulatory capital; and the cumulative effect of open currency positions at the end of each business day should not exceed 20 percent of the Group's regulatory capital.

### 30 Financial Risk Management (Continued)

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

	2013	2012
	Impact on profit or loss, after tax	Impact on profit or loss, after tax
<i>In thousands of Uzbekistan Soums</i>		
US Dollars strengthening by 11.0% (2012: 10.5%)	1,999,967	1,078,659
US Dollars weakening by 11.0% (2012: 10.5%)	(1,999,967)	(1,078,659)
Euro strengthening by 15.5% (2012: 12.1%)	2,967,489	1,153,567
Euro weakening by 15.5% (2012: 12.1%)	(2,967,489)	(1,153,567)

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

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

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability and reports on them to the Management.

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

<i>In thousands of Uzbekistan Soums</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total
<b>31 December 2013</b>					
Total financial assets	1,562,886,631	235,933,237	554,991,557	4,219,811,987	<b>6,573,623,412</b>
Total financial liabilities	1,557,877,013	504,819,997	189,547,480	4,111,531,774	<b>6,363,776,264</b>
<b>Net interest sensitivity gap at 31 December 2013</b>	<b>5,009,618</b>	<b>(268,886,760)</b>	<b>365,444,077</b>	<b>108,280,213</b>	<b>209,847,148</b>
<b>31 December 2012</b>					
Total financial assets	1,605,064,810	156,946,205	469,609,957	2,589,748,676	<b>4,821,369,648</b>
Total financial liabilities	1,707,407,156	217,339,317	296,342,200	2,476,235,457	<b>4,697,324,130</b>
<b>Net interest sensitivity gap at 31 December 2012</b>	<b>(102,342,346)</b>	<b>(60,393,112)</b>	<b>173,267,757</b>	<b>113,513,219</b>	<b>124,045,518</b>

### 30 Financial Risk Management (Continued)

At 31 December 2013, if interest rates at that date had been 200 basis points lower (2012: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 130,950,315 thousand (2012: UZS 95,852,946 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities.

If interest rates had been 200 basis points higher (2012: 200 basis points higher), with all other variables held constant, profit would have been UZS 127,154,036 thousand (2013: UZS 93,756,900 thousand) lower, mainly as a result of higher interest expense on variable interest liabilities.

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

In % p.a.	2013			
	UZS	USD	Euro	Other
<b>Assets</b>				
Cash and cash equivalents	0 - 0.02	0 - Libor*0.5	0 - Eonia-0.5	0 - Libor-2
Due from other banks	0 - 10	0 - Libor-0.35	0 - Eonia-1	0 - Euribor
Loans and advances to customers	2 - 26	1 - 10	1 - 12	-
<b>Liabilities</b>				
Due to other banks	0 - 11	0	0	-
Customer accounts				
- current/demand accounts	0 - 1	0 - 2	0 - 2	0 - 2
- term deposits	1 - 30	4 - 15	4 - 5	4 - 5
Other borrowed funds				
- borrowings from the International Financial Institutions	-	Libor+0.875 - Libor+1.5	Euribor+1.25 - Euribor+7	-
- borrowings from the Local Financial Institutions	0-12	0.5-6	-	-
<b>2012</b>				
In % p.a.	UZS	USD	Euro	Other
	UZS	USD	Euro	Other
<b>Assets</b>				
Cash and cash equivalents	0 - 0.02	0 - Libor*0.5	0 - Eonia-0.5	0 - Libor-2
Due from other banks	0 - 10	0 - Libor-0.35	0 - Eonia-1	0 - Euribor
Loans and advances to customers	2.7 - 26	0.75 - 10.69	0.75 - 11.5	-
<b>Liabilities</b>				
Due to other banks	0 - 11	0	0	-
Customer accounts				
- current/demand accounts	0 - 1	0 - 2	0 - 2	0 - 2
- term deposits	1 - 30	4 - 15	4 - 5	4 - 5
Other borrowed funds				
- borrowings from the International Financial Institutions	-	Libor+0.875 - Libor+1.5	Euribor+1.25 - Euribor+7	-
- borrowings from the Local Financial Institutions	0-12	0.5-6	-	-

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

**Other price risk.** The Group has no material exposure to equity price risk.

The Group is exposed to prepayment risk through providing fixed loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

### 30 Financial Risk Management (Continued)

**Geographical risk concentrations.** The geographical concentration of the Group’s financial assets and liabilities at 31 December 2013 is set out below:

<i>In thousands of Uzbekistan Soums</i>	<b>Uzbekistan</b>	<b>OECD</b>	<b>Non OECD</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	433,977,450	911,623,347	6,081,664	1,351,682,461
Due from other banks	306,148,085	77,597,310	1,997,032	385,742,427
Loans and advances to customers	4,810,090,885	-	-	4,810,090,885
Investment securities available for sale	9,470,369	2,858,459	-	12,328,828
Investment securities held to maturity	9,920,000	-	-	9,920,000
Other financial assets	3,858,811	-	-	3,858,811
<b>Total financial assets</b>	<b>5,573,465,600</b>	<b>992,079,116</b>	<b>8,078,696</b>	<b>6,573,623,412</b>
<b>Liabilities</b>				
Due to other banks	134,209,284	7,228,229	184,335	141,621,848
Customer accounts	2,287,761,528	-	-	2,287,761,528
Debt securities in issue	52,918,855	-	-	52,918,855
Other borrowed funds	3,874,079,575	-	-	3,874,079,575
Other financial liabilities	7,394,458	-	-	7,394,458
<b>Total financial liabilities</b>	<b>6,356,363,700</b>	<b>7,228,229</b>	<b>184,335</b>	<b>6,363,776,264</b>
<b>Net balance sheet position as 31 December 2013</b>	<b>(782,898,100)</b>	<b>984,850,887</b>	<b>7,894,361</b>	<b>209,847,148</b>
<b>Credit related commitments (Note 32)</b>	<b>1,821,700,540</b>	<b>-</b>	<b>-</b>	<b>1,821,700,540</b>

The geographical concentration of the Group’s financial assets and liabilities at 31 December 2011 is set out below:

<i>In thousands of Uzbekistan Soums</i>	<b>Uzbekistan</b>	<b>OECD</b>	<b>Non OECD</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	467,256,266	836,336,916	7,045,634	1,310,638,816
Due from other banks	178,672,771	71,188,935	2,313,570	252,175,276
Loans and advances to customers	3,229,833,220	-	-	3,229,833,220
Investment securities available for sale	10,334,390	1,244,134	-	11,578,524
Investment securities held to maturity	8,920,000	-	-	8,920,000
Other financial assets	8,223,812	-	-	8,223,812
<b>Total financial assets</b>	<b>3,903,240,459</b>	<b>908,769,985</b>	<b>9,359,204</b>	<b>4,821,369,648</b>
<b>Liabilities</b>				
Due to other banks	116,741,919	412,737	385,029	117,539,685
Customer accounts	2,174,236,746	-	-	2,174,236,746
Debt securities in issue	46,141,596	-	-	46,141,596
Other borrowed funds	1,754,294,557	52,598,669	541,713,736	2,348,606,962
Other financial liabilities	10,799,141	-	-	10,799,141
<b>Total financial liabilities</b>	<b>4,102,213,959</b>	<b>53,011,406</b>	<b>542,098,765</b>	<b>4,697,324,130</b>
<b>Net balance sheet position as 31 December 2012</b>	<b>(198,973,500)</b>	<b>855,758,579</b>	<b>(532,739,561)</b>	<b>124,045,518</b>
<b>Credit related commitments (Note 32)</b>	<b>1,478,374,053</b>	<b>-</b>	<b>-</b>	<b>1,478,374,053</b>



### **30 Financial Risk Management (Continued)**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. OECD includes mainly Switzerland, United Kingdom, France, Netherlands, Austria, USA and Germany. Non-OECD includes mainly Russia.

**Other risk concentrations.** Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers:

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

The Group did not have any such significant risk concentrations at 31 December 2013 and 2012.

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

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

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements.

The Group calculates the liquidity ratio monthly in accordance with the requirement of the Central Bank of Uzbekistan as follows:

- Current liquidity ratio (not to be less than 30%), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 102% at 31 December 2012 (2011: 81.2%).

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

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

The table below shows liabilities at 31 December 2013 and 2012 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. These undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

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

### 30 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial instruments at 31 December 2013 is as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Liabilities</b>					
Due to other banks	79,634,066	-	4,043,075	64,773,407	148,450,548
Customer accounts	1,588,270,007	507,616,686	173,613,785	204,278,690	2,473,779,168
Debt securities in issue	3,128,712	3,548,167	9,638,450	41,096,000	57,411,329
Other borrowed funds	10,562,132	6,932,651	22,298,856	4,410,261,068	4,450,054,707
Other financial liabilities	2,999,919	-	-	4,347,090	7,347,009
Undrawn credit lines	45,252,818	44,971,219	163,883,486	1,167,428,017	1,421,535,540
Financial guarantees issued	173,748,870	54,809,572	17,183,680	19,521,583	265,263,705
Letter of credit	88,360,929	27,873,705	8,738,853	9,927,808	134,901,295
<b>Total potential future payments for financial obligations</b>	<b>1,991,957,453</b>	<b>645,752,000</b>	<b>399,400,185</b>	<b>5,921,633,663</b>	<b>8,958,743,301</b>

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

The undiscounted maturity analysis of financial instruments at 31 December 2012 is as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Liabilities</b>					
Due to other banks	9,868,185	22,369,698	100,632	94,222,108	126,560,624
Customer accounts	1,709,187,058	195,049,780	299,450,488	35,019,161	2,238,706,487
Debt securities in issue	3,948,428	3,548,167	9,541,485	32,846,000	49,884,079
Other borrowed funds	2,324,938	1,872,097	20,456,423	2,743,051,733	2,767,705,191
Other financial liabilities	4,687,835	-	-	6,111,306	10,799,141
Undrawn credit lines	13,593,668	36,051,969	114,697,173	657,322,646	821,665,456
Financial guarantees issued	207,517,088	23,373,976	32,894,524	3,714,192	267,499,780
Letter of credit	301,934,754	34,008,842	47,861,118	5,404,103	389,208,817
<b>Total potential future payments for financial obligations</b>	<b>2,253,061,954</b>	<b>316,274,529</b>	<b>525,001,843</b>	<b>3,577,691,250</b>	<b>6,672,029,576</b>

### 30 Financial Risk Management (Continued)

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

<i>In thousands of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>At 31 December 2013</b>					
Total financial assets	1,562,886,633	235,933,236	554,991,556	4,219,811,987	6,573,623,412
Total financial liabilities	1,557,877,013	504,819,997	189,547,480	4,111,531,774	6,363,776,264
<b>Net liquidity gap based on expected maturities</b>	<b>5,009,620</b>	<b>(268,886,761)</b>	<b>365,444,076</b>	<b>108,280,213</b>	<b>209,847,148</b>
<b>At 31 December 2012</b>					
Total financial assets	1,605,064,810	156,946,205	469,609,957	2,589,748,676	4,821,369,648
Total financial liabilities	1,707,407,156	217,339,317	296,342,200	2,476,235,457	4,697,324,130
<b>Net liquidity gap based on expected maturities</b>	<b>(102,342,346)</b>	<b>(60,393,112)</b>	<b>173,267,757</b>	<b>113,513,219</b>	<b>124,045,518</b>

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

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

Thus, the management believes that significant maturity mismatch between assets and liabilities with maturity up to 12 months and more does not represent significant risk to the Group's liquidity, as very low proportion of due to other banks, demand deposits and short-term deposits is expected to be withdrawn based on the Group's past years' and current year experience, which is consistent with the general banking practices in the banking sector of Uzbekistan.

### **31 Management of Capital**

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 10% (31 December 2012: 10%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 5% (31 December 2012: 5%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2012: 6%).

The Group was compliant with capital ratios set above during 12 months 2013 (2012: Compliant).

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

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
Tier 1 capital	390,998,727	302,208,693
Tier 2 capital	75,499,469	61,699,342
Less: deductions from capital	(21,459,127)	(19,043,459)
<b>Total regulatory capital</b>	<b>445,039,069</b>	<b>344,864,576</b>

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

### **32 Contingencies and Commitments**

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

**Tax legislation.** Uzbekistan tax and customs legislation is subject to varying interpretations. Also, changes to regulation can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Uzbekistan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2013 no provision for potential tax liabilities had been recorded (2012: no provision). The Group estimates that it has no potential obligations from exposure to other than remote tax risks (2012: no obligations).

### **32 Contingencies and Commitments**

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

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

Outstanding credit related commitments are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
Undrawn credit lines	1,421,535,540	821,665,456
Financial guarantees issued	265,263,705	267,499,780
Letter of credit	134,901,295	389,208,817
<b>Total credit related commitments</b>	<b>1,821,700,540</b>	<b>1,478,374,053</b>

The total outstanding contractual amount of undrawn credit lines, import letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. As at 31 December 2013 the estimated fair value of credit related commitments was UZS 8,227,714 thousand (31 December 2011: UZS 8,803,411 thousand).

**Capital expenditure commitments.** At 31 December 2013, the Group has no contractual capital expenditure commitments.

### **33 Fair Value of Financial Instruments**

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

**33 Fair Value of Financial Instruments (Continued)**

**a) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value at 31 December 2013 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying value</b>
<b>FINANCIAL ASSETS</b>				
<b>Cash and cash equivalents</b>				
- Cash on hand	64,031,002	-	-	64,031,002
- Cash balances with the CBU (other than mandatory reserve deposits)	315,043,905	-	-	315,043,905
- Correspondent accounts and overnight placements with other banks	-	972,607,554	-	972,607,554
<b>Due from other banks</b>				
- Mandatory reserve deposit held with CBU against assets impairment	-	236,184,423	-	236,184,423
- Mandatory reserve with CBU against credit losses	-	-	27,679,000	27,679,000
- Placements with other banks with original maturities of more than three months	-	-	41,183,562	41,183,562
- Restricted cash	-	-	80,695,442	80,695,442
<b>Loans and advances to customers</b>				
- 'State and municipal organisations	-	-	4,384,791,147	4,262,790,408
- 'Corporate loans	-	-	475,216,501	473,492,031
- 'Loans to individuals	-	-	80,173,796	75,205,787
<b>Investment securities available for sale</b>				
- Corporate shares	2,808,317	-	-	2,808,317
<b>Investment securities held to maturity</b>				
- Corporate bonds	-	-	9,920,000	9,920,000
<b>Other financial assets</b>				
- Commission income receivable	-	-	2,491,184	2,491,184
- Interest income and other receivable	-	-	1,038,864	1,038,864
- Receivable from money transfer organisations	-	-	328,763	328,763
<b>TOTAL</b>	<b>381,883,224</b>	<b>1,208,791,977</b>	<b>5,103,518,260</b>	<b>6,565,500,242</b>

### 33 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value at 31 December 2012 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying value</b>
<b>FINANCIAL ASSETS</b>				
<b><i>Cash and cash equivalents</i></b>				
- Cash on hand	44,039,624	-	-	44,039,624
- Cash balances with the CBU (other than mandatory reserve deposits)	309,394,426	-	-	309,394,426
- Correspondent accounts and overnight placements with other banks	-	957,204,766	-	957,204,766
<b><i>Due from other banks</i></b>				
- Mandatory cash balances with CBU	-	182,923,178	-	182,923,178
- Mandatory reserve deposit held with CBU against credit losses	-	-	16,812,787	16,812,787
- Placements with other banks with original maturities of more than three months	-	-	12,015,541	12,015,541
- Restricted cash	-	-	40,423,770	40,423,770
<b><i>Loans and advances to customers</i></b>				
- 'State and municipal organisations	-	-	3,152,516,885	2,916,201,734
- 'Corporate loans	-	-	468,458,448	251,167,919
- 'Loans to individuals	-	-	72,170,497	62,463,567
<b><i>Investment securities available for sale</i></b>				
- Corporate shares	1,752,983	-	-	1,752,983
<b><i>Investment securities held to maturity</i></b>				
- Corporate bonds	-	-	8,920,000	8,920,000
<b><i>Other financial assets</i></b>				
- Commission income receivable	-	-	517,483	517,483
- Interest income and other receivable	-	-	272,065	272,065
- Receivable from money transfer organisations	-	-	7,434,264	7,434,264
<b>TOTAL</b>	<b>355,187,033</b>	<b>1,140,127,944</b>	<b>3,779,541,740</b>	<b>4,811,544,107</b>

### 33 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value at 31 December 2013 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Level 1</b>	<b>Level 3</b>	<b>Carrying value</b>
<b>FINANCIAL LIABILITIES</b>			
<b><i>Due to other banks</i></b>			
- Long-term placements of other banks		58,884,915	58,884,915
- Short-term placements of other banks	-	64,747,096	64,747,096
- Correspondent accounts and overnight placements of other banks	-	17,989,837	17,989,837
<b><i>Customer accounts</i></b>			
- 'Repayable on demand	2,075,386,889	-	2,075,386,889
- 'Time deposits	-	212,374,639	212,374,639
<b><i>Debt securities in issue</i></b>			
- Non-documentary bonds issued		52,918,855	52,918,855
<b><i>Other borrowed funds</i></b>			
- Borrowings from government, state and international financial organisations	-	3,875,399,575	3,875,399,575
<b><i>Other financial liabilities</i></b>			
- Payable to creditors of LLC "PSB Anteks Group"	-	4,347,090	4,347,090
- Trade payables	-	2,337,644	2,337,644
- Dividends payable	-	705,044	705,044
- Other accrued liabilities	-	4,680	4,680
<b>TOTAL</b>	<b>2,075,386,889</b>	<b>4,289,709,375</b>	<b>6,365,096,264</b>

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value at 31 December 2012 are as follows:

<i>In thousands of Uzbekistan Soums</i>	<b>Level 1</b>	<b>Level 3</b>	<b>Carrying value</b>
<b>FINANCIAL LIABILITIES</b>			
<b><i>Due to other banks</i></b>			
- Long-term placements of other banks	-	54,563,200	54,563,200
- Short-term placements of other banks	-	53,189,855	53,189,855
- Correspondent accounts and overnight placements of other banks		9,786,630	9,786,630
<b><i>Customer accounts</i></b>			
- 'Repayable on demand	1,949,431,973	-	1,949,431,973
- 'Time deposits	-	224,804,773	224,804,773
<b><i>Other borrowed funds</i></b>			
- Borrowings from government, state and international financial organisations	-	2,348,606,962	2,348,606,962
<b><i>Debt securities in issue</i></b>			
- Non-documentary bonds issued		46,141,596	46,141,596
<b><i>Other financial liabilities</i></b>			
- Payable to creditors of LLC "PSB Anteks Group"	-	6,111,306	6,111,306
- Trade payables	-	2,896,002	2,896,002
- Dividends payable	-	124,835	124,835
- Payable to money transfer operators	-	1,616,908	1,616,908
- Other accrued liabilities	-	50,090	50,090
<b>TOTAL</b>	<b>1,949,431,973</b>	<b>2,747,892,157</b>	<b>4,697,324,130</b>



### **33 Fair Value of Financial Instruments (Continued)**

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

The Group's liabilities to its customers are subject to deposit guaranteeing scheme as described in Note 8. The fair value of these liabilities reflects these credit enhancements.

#### **b) Recurring fair value measurements**

The Group's financial instruments measured at fair value are represented only by equity investment in Visa Inc. shares amounting to UZS 2,808,317 thousand. For fair value disclosures relating to this investment, refer to Note 10.

#### **c) Non-recurring fair value measurements**

Non-current assets held for sale (or disposal groups) are mainly comprised of property, plant and construction in progress, the fair value of which is determined by reference to unobservable Level 3 inputs.

### **34 Presentation of Financial Instruments by Measurement Category**

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

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013 and 2012:

<i>In thousands of Uzbekistan Soums</i>	<b>Loans and receivables</b>	<b>Available-for-sale assets</b>	<b>Held to maturity</b>	<b>Total</b>
<b>31 December 2013</b>				
Cash and cash equivalents	1,351,682,461	-	-	1,351,682,461
Due from other banks	385,742,427	-	-	385,742,427
Loans and advances to customers	4,810,090,885	-	-	4,810,090,885
Investment securities available for sale	-	12,328,828	-	12,328,828
Investment securities held to maturity	-	-	9,920,000	9,920,000
Other financial assets	3,858,811	-	-	3,858,811
<b>Total financial assets at 31 December 2013</b>	<b>6,551,374,584</b>	<b>12,328,828</b>	<b>9,920,000</b>	<b>6,573,623,412</b>
<b>31 December 2012</b>				
Cash and cash equivalents	1,310,638,816	-	-	1,310,638,816
Due from other banks	252,175,276	-	-	252,175,276
Loans and advances to customers	3,229,833,220	-	-	3,229,833,220
Investment securities available for sale	-	11,578,524	-	11,578,524
Investment securities held to maturity	-	-	8,920,000	8,920,000
Other financial assets	8,223,812	-	-	8,223,812
<b>Total financial assets at 31 December 2012</b>	<b>4,800,871,124</b>	<b>11,578,524</b>		<b>4,821,369,648</b>

As of 31 December 2013 and 31 December 2012, all of the Group's financial liabilities were carried at amortised cost.

### 35 Related Party Transactions

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

At 31 December 2013, the outstanding balances with related parties were as follows:

	Significant shareholders	Entities under common control	Total
<i>In thousands of Uzbekistan Soums</i>			
Loans and advances to customers, including finance lease receivables (contractual rate 2%-24%)	-	3,038,475,702	3,038,475,702
Other assets	-	748,332	748,332
Customer accounts (current account contractual rate 0%)	3,132,355	450,971,731	454,104,086
Debt securities in issue (contractual rate 8%-12%)	510,082	84,582	594,664
Other borrowed funds (contractual rate 0%-6%)	2,864,685,731	-	2,864,685,731
Other liabilities	31,361	357,476	388,837

The income and expense items with related parties for 2013 were as follows:

	Significant shareholders	Entities under common control	Key management personnel	Total
<i>In thousands of Uzbekistan Soums</i>				
Interest income	91,326	87,876,926	-	87,968,252
Interest expense	212,135	223,693	-	435,828
Provision for loan impairment	-	2,788,299	-	2,788,299
Fee and commission income	653	21,212,400	-	21,213,053
Administrative and other expenses	-	-	502,016	502,016

At 31 December 2012, the outstanding balances with related parties were as follows:

	Significant shareholders	Entities under common control	Total
<i>In thousands of Uzbekistan Soums</i>			
Loans and advances to customers, including finance lease receivables (contractual rate 2%-24%)	-	2,068,363,620	2,068,363,620
Other assets	-	111,301	111,301
Customer accounts (current account contractual rate 0%)	1,911,331	547,294,505	549,205,836
Debt securities in issue (contractual rate 8%-12%)	1,504,274	123,352	1,627,626
Other borrowed funds (contractual rate 0%-6%)	1,748,518,820	-	1,748,518,820
Other liabilities	5,379	316,514	321,893

The income and expense items with related parties for 2012 were as follows:

	Significant shareholders	Entities under common control	Key management personnel	Total
<i>In thousands of Uzbekistan Soums</i>				
Interest income	-	55,392,050	-	55,392,050
Interest expense	286,290	175,611	-	461,901
Provision for loan impairment	-	64,860	-	64,860
Fee and commission income	940	17,532,059	-	17,532,999
Administrative and other expenses	-	-	203,994	203,994

### **35 Related Party Transactions (Continued)**

The Group enters into transaction with other government related entities (such as utility services, taxation etc) in the normal course of business.

Key management compensation is presented below:

<i>In thousands of Uzbekistan Soums</i>	<b>2013</b>	<b>2012</b>
<b>Short-term benefits:</b>		
- Salaries and other short term benefits	401,612	163,195
- Social Security costs	100,403	40,799

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### **36 Events After the End of the Reporting Period**

During February 2014, the Group increased its share capital for UZS 16 billion.