JOINT STOCK COMMERCIAL BANK “UZBEK INDUSTRIAL AND CONSTRUCTION BANK”

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report 31 December 2014

CONTENTS

Independent Auditor's Report

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

1 We have audited the accompanying consolidated financial statements of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2014 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

2 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

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

4 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.

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Audit Organization PricewaterhouseCoopers LLC

30 April 2015
Tashkent, Uzbekistan

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In thousands of Uzbekistan Soums	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7	1,082,129,756	1,351,682,461
Due from other banks	8	440,359,142	385,742,427
Loans and advances to customers, including finance lease receivables	9	6,012,794,548	4,810,090,885
Investment securities available for sale	10	16,262,012	12,328,828
Investment securities held to maturity	11	10,925,178	9,920,000
Investment in associates	12	3,077,233	4,494,939
Deferred income tax asset	26	15,144,276	8,868,437
Property, equipment and intangible assets	13	89,865,530	88,164,756
Other assets	14	57,021,088	39,565,391
Non-current assets held for sale (or disposal groups)	15	26,649,871	67,228,143
TOTAL ASSETS		**7,754,228,634**	**6,778,086,267**
LIABILITIES			
Due to other banks	16	195,999,216	141,621,848
Customer accounts	17	2,211,070,989	2,287,761,528
Debt securities in issue	18	53,591,953	52,918,855
Other borrowed funds	19	4,594,359,911	3,874,079,575
Other liabilities	20	27,242,136	24,530,345
Liabilities directly associated with disposal groups held for sale	15	738,274	3,694,784
TOTAL LIABILITIES		**7,083,002,479**	**6,384,606,935**
EQUITY			
Share capital	21	622,516,198	326,305,625
Treasury shares	21	(6,249,252)	(5,387,880)
Retained earnings		51,575,884	69,887,658
Other reserves		3,383,325	2,673,929
TOTAL EQUITY		**671,226,155**	**393,479,332**
TOTAL LIABILITIES AND EQUITY		**7,754,228,634**	**6,778,086,267**

Approved for issue and signed on 27 April 2015.

Saidkamol S. Khodjaev
Chairman of the Board

Oybek R. Vokhidov
Chief Accountant

In thousands of Uzbekistan Soums	Note	2014	2013
Continuing operations			
Interest income	22	343,226,446	303,466,993
Interest expense	22	(164,626,283)	(134,350,882)
Net interest income		**178,600,163**	**169,116,111**
Provision for loan impairment	9	(58,763,603)	(68,014,384)
Net interest income after provision for loan impairment		**119,836,560**	**101,101,727**
Fee and commission income	23	125,440,178	115,084,861
Fee and commission expense	23	(24,101,566)	(18,815,635)
Foreign exchange translation gains less losses		2,628,530	2,717,439
Gain and losses from trading in foreign currencies		6,670,844	5,914,780
Losses on initial recognition of assets at rates below market	9	(13,051,177)	(3,223,951)
Dividend income		1,677,143	2,161,416
Other operating income	24	6,067,581	3,602,170
Provision for impairment of investment securities available for sale	10	-	(847,872)
Provision for impairment of other assets	14	(2,571,959)	(770,049)
Provision for impairment of non-current assets held for sale	15	(659,376)	(5,021,347)
Administrative and other operating expenses	25	(180,887,084)	(149,837,786)
Share of result of associates	12	162,936	320,598
Profit before tax		**41,212,610**	**52,386,351**
Income tax expense	26	(8,244,342)	(13,824,259)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**32,968,268**	**38,562,092**
Discontinued operations			
Profit for the period from discontinued operations	15	1,233,028	1,299,661
NET PROFIT FOR THE PERIOD		**34,201,296**	**39,861,753**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale investments:			
- Gains less losses arising during the year		843,849	1,055,334
Income tax relating to components of other comprehensive income	26	(134,453)	(230,063)
Other comprehensive income for the year		**709,396**	**825,271**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**34,910,692**	**40,687,024**
Continuing operations			
Earnings per ordinary share, basic and diluted in UZS		290	373
Earnings per preference share, basic and diluted in UZS		173	337

In thousands of Uzbekistan Soums	Note	Attributable to owners of the Bank: Share capital	Treasury shares	Revaluation reserve for available-for-sale securities	Retained earnings	Total	Total equity
Balance at 31 December 2012		**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**
Profit for the year		-	-	-	34,201,296	34,201,296	34,201,296
Other comprehensive income		-	-	709,396	-	709,396	709,396
Total comprehensive income for 2014		-	-	709,396	34,201,296	34,910,692	34,910,692
Shares issued	21	241,946,000	-	-	-	241,946,000	241,946,000
Disposal of treasury shares		-	40,131	-	-	40,131	40,131
Capitalisation of dividends		52,480,573	(901,503)	-	(51,579,070)	-	-
Effect of change in present value of preference shares		1,784,000	-	-	(934,000)	850,000	850,000
Balance at 31 December 2014		**622,516,198**	**(6,249,252)**	**3,383,325**	**51,575,884**	**671,226,155**	**671,226,155**

In thousands of Uzbekistan Soums	Note	2014	2013
Cash flows from operating activities			
Interest received		341,610,765	293,173,737
Interest paid		(158,735,333)	(125,721,182)
Fee and commission received		124,676,455	113,111,160
Fee and commission paid		(24,101,566)	(18,815,635)
Realised gains less losses from dealing in foreign currencies		5,931,111	5,914,780
Other operating income received		6,067,581	3,118,870
Staff cost		(105,957,197)	(84,143,039)
Administrative and other operating expenses		(59,281,706)	(52,594,452)
Income tax paid		(14,520,181)	(13,633,300)
Cash flows from operating activities before changes in operating assets and liabilities		**115,689,929**	**120,410,939**
Net increase in due from other banks		(53,373,394)	(132,945,349)
Net increase in loans and advances to customers		(1,237,569,532)	(1,631,538,871)
Net increase in other assets		(8,164,413)	(17,235,092)
Net increase in due to other banks		51,657,561	20,653,546
Net (decrease)/increase in customer accounts		(77,001,034)	110,520,993
Net decrease in other liabilities		(460,603)	(1,976,198)
Net cash used in operating activities		**(1,209,221,486)**	**(1,532,110,032)**
Cash flows from investing activities			
Acquisition of investment securities available for sale		(1,779,563)	(1,632,115)
Proceeds from disposal of investment securities available for sale		-	(979,993)
Purchase of investment securities held to maturity		(1,000,000)	(1,000,000)
Acquisition of associates		-	(500,000)
Acquisition of premises, equipment and intangible assets		(27,584,518)	(31,720,212)
Proceeds from disposal of premises, equipment and intangible assets		3,289,044	11,135,174
Proceeds from disposal of subsidiary, net of disposed cash		6,953,140	17,717,725
Dividend income received		1,677,143	2,161,416
Income received from associates		137,069	52,190
Net cash used in investing activities		**(18,307,685)**	**(4,765,815)**
Cash flows from financing activities			
Proceeds from other borrowed funds		735,276,058	2,164,898,739
Repayment of other borrowed funds		(18,996,811)	(649,164,912)
Proceeds from debt securities in issue		1,000,000	6,777,259
Repayment of debt securities in issue		(81,625)	-
Issue of ordinary shares	21	241,946,001	63,656,046
Dividends paid	27	(1,243,201)	(10,284,210)
Net cash from financing activities		**957,900,422**	**1,575,882,922**
Effect of exchange rate changes on cash and cash equivalents		**76,044**	**2,036,570**
Net (decrease)/increase in cash and cash equivalents		**(269,552,705)**	**41,043,645**
Cash and cash equivalents at the beginning of the year		1,351,682,461	1,310,638,816
Cash and cash equivalents at the end of the year	7	**1,082,129,756**	**1,351,682,461**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for 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 2014 (31 December 2013: 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 #УП-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 2014 and 2013 the Group consolidated the following companies in these consolidated financial statements:

		The Bank ownership Interest/voting rights		
Name	**Country of incorporation**	**2014 %**	**2013 %**	**Type of operation**
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset Management
Asset Invest Trust, LLC	Uzbekistan	100	100	Consulting
Elite Stars Textile, LLC	Uzbekistan	-	100	Manufacturing
JV Miracle Ceramics, LLC	Uzbekistan	-	100	Manufacturing
Horazm shisha idishlari, LLC	Uzbekistan	100	100	Manufacturing
Ferghana Ceramics Industry, LLC	Uzbekistan	100	100	Manufacturing
Samarqand Pure Aqua, LLC	Uzbekistan	-	100	Manufacturing

Shareholders. At 31 December 2014 and 31 December 2013, the interest of the shareholders in the Bank’s share capital was:

	2014 %	2013 %
Shareholders		
The Fund of Reconstruction and Development of the Republic of Uzbekistan	46.23	21.76
The Ministry of Finance of the Republic of Uzbekistan	20.12	29.20
The National Holding Company "Uzbekneftegaz"	14.88	21.14
State Joint Stock Company "Uzbekenergo"	5.18	7.54
LLC "Pharmed"	3.82	5.56
LLC "Absolute Investments Trust"	1.50	2.19
Treasury shares	1.10	1.69
State Joint Stock Company "Uzkimyosanoat"	1.09	1.59
State Joint Stock Company "Uzbekistan Railway"	1.10	1.58
Other legal entities (individually hold less than 1%)	3.81	6.04
Other shareholders (individually hold less than 1%)	1.17	1.71
Total	**100.00**	**100.00**

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 2014:

- Inflation: 6.1% (2013: 6.8%).
- Official exchange rates: 31 December 2014: USD 1 = UZS 2,422.4 (31 December 2013: USD 1 = UZS 2,202.20).
- GDP growth 8.1% (2013: 8%).
- Central Bank refinancing rate – 10% (2013: 10%).

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated 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 consolidated 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 consolidated financial statements for regulatory purposes in Uzbek Soums in accordance with Uzbekistan Accounting Legislation and related instructions. These consolidated financial statements are based on the 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 consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

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

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

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

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

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value 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.

3 Summary of Significant Accounting Policies (Continued)

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

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity’s net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity’s documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity’s key management personnel; and (c) the market risks, including duration of the entity’s exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 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.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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.

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 consolidated 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.

3 Summary of Significant Accounting Policies (Continued)

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. 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.

3 Summary of Significant Accounting Policies (Continued)

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

The Group applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

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.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year.

Dividends on available-for-sale equity instruments are recognised in profit or loss 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.

3 Summary of Significant Accounting Policies (Continued)

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.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount and are recognised in profit and loss.

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

	Useful lives in years
Building and leasehold improvements	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.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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.

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3 Summary of Significant Accounting Policies (Continued)

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.

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

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 2014 the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 2,422.40 (2013: USD 1 = UZS 2,202.20) and EUR 1 = UZS 2,987.74 (2013: EUR 1 = UZS 3,031.90). 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

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2013:

In thousands of Uzbekistan Soums	**As originally presented**	**Reclassification**	**As reclassified at 31 December 2013**
Losses on initial recognition of assets at rates below market	(4,759,822)	1,535,871	(3,223,951)
Profit for the period from discontinued operations	2,835,532	(1,535,871)	1,299,661

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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.

In thousands of Uzbekistan Soums	31 December 2014 Amounts expected to be recovered Within 12 months after the reporting period	31 December 2014 Amounts expected to be recovered After 12 months after the reporting period	Total	31 December 2013 Amounts expected to be recovered Within 12 months after the reporting period	31 December 2013 Amounts expected to be recovered After 12 months after the reporting period	Total
ASSETS						
Cash and cash equivalents	1,082,129,756	-	**1,082,129,756**	1,351,682,461	-	**1,351,682,461**
Due from other banks	225,713,801	214,645,341	**440,359,142**	121,879,004	263,863,423	**385,742,427**
Loans and advances to customers	2,317,564,319	3,695,230,229	**6,012,794,548**	859,062,321	3,951,028,564	**4,810,090,885**
Investment securities available for sale	16,262,012	-	**16,262,012**	12,328,828	-	**12,328,828**
Investment securities held to maturity	6,925,178	4,000,000	**10,925,178**	5,000,000	4,920,000	**9,920,000**
Investment in associates	-	3,077,233	**3,077,233**	-	4,494,939	**4,494,939**
Deferred income tax asset	-	15,144,276	**15,144,276**	-	8,868,437	**8,868,437**
Premises and equipment	10,478,414	79,387,116	**89,865,530**	8,580,546	79,584,210	**88,164,756**
Other assets	57,021,088	-	**57,021,088**	39,565,391	-	**39,565,391**
Non-current assets held for sale (or disposal groups)	26,649,871	-	**26,649,871**	67,228,143	-	**67,228,143**
TOTAL ASSETS	**3,742,744,439**	**4,011,484,195**	**7,754,228,634**	**2,465,326,694**	**4,312,759,573**	**6,778,086,267**
LIABILIILITIES						
Due to other banks	134,270,302	61,728,914	**195,999,216**	82,736,933	58,884,915	**141,621,848**
Customer accounts	2,092,958,730	118,112,259	**2,211,070,989**	2,111,659,209	176,102,319	**2,287,761,528**
Debt securities in issue	1,311,953	52,280,000	**53,591,953**	15,558,855	37,360,000	**52,918,855**
Other borrowed funds	130,311,404	4,464,048,507	**4,594,359,911**	39,242,125	3,834,837,450	**3,874,079,575**
Other liabilities	23,915,029	3,327,107	**27,242,136**	20,183,255	4,347,090	**24,530,345**
Liabilities directly associated with disposal groups held for sale	738,274	-	**738,274**	3,694,784	-	**3,694,784**
TOTAL LIABILITIES	**2,383,505,692**	**4,699,496,787**	**7,083,002,479**	**2,273,075,161**	**4,111,531,774**	**6,384,606,935**

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 conolidated 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 26,498,296 thousand (2013: UZS 21,160,605 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 2014:

“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 standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Group.

“Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Group.

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Group.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Group.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014).The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on the Group.

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 2015 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.•

- 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.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendment is not expected to have impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment is not expected to have material impact on the Group's consolidated financial statements

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Cash on hand	190,406,619	64,031,002
Cash balances with CBU (other than mandatory reserve deposits)	90,571,966	315,043,905
Correspondent accounts and overnight placements with other banks	801,151,171	972,607,554
Total cash and cash equivalents	**1,082,129,756**	**1,351,682,461**

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

In thousands of Uzbekistan Soums	Cash balances with the CBU, other than mandatory reserves	Correspondent accounts and overnight placements	Total
Neither past due nor impaired			
- CBU	90,571,966	-	90,571,966
- A- to A+ rated	-	627,171,898	627,171,898
- Lower than A- rated	-	173,979,273	173,979,273
Total cash and cash equivalents, excluding cash on hand	**90,571,966**	**801,151,171**	**891,723,137**

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

In thousands of Uzbekistan Soums	Cash balances with the CBU, other than mandatory reserves	Correspondent accounts and overnight placements	Total
Neither past due nor impaired			
- 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
Total cash and cash equivalents, excluding cash on hand	**315,043,905**	**972,607,554**	**1,287,651,459**

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Mandatory cash balances with CBU	178,216,197	236,184,423
Mandatory reserve deposit held with CBU against assets l impairment	36,429,144	27,679,000
Placements with other banks with original maturities of more than three months	28,628,362	41,183,562
Restricted cash	197,085,439	80,695,442
Total due from other banks	**440,359,142**	**385,742,427**

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 2014 is as follows:

In thousands of Uzbekistan Soums	Mandatory deposits with CBU	Placements with other banks	Total
Neither past due nor impaired			
- CBU	214,645,341	-	214,645,341
- Lower than A- rated	-	28,628,362	28,628,362
- Restricted cash	-	197,085,439	197,085,439
Total due from other banks	**214,645,341**	**225,713,801**	**440,359,142**

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

In thousands of Uzbekistan Soums	Mandatory deposits with CBU	Placements with other banks	Total
Neither past due nor impaired			
- 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
Total due from other banks	**263,863,423**	**121,879,004**	**385,742,427**

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

In thousands of Uzbekistan Soums	**31 December 2014**	**31 December 2013**
State and municipal organisations	5,357,518,637	4,372,931,100
Corporate loans	757,896,693	570,696,335
Loans to individuals	134,948,698	78,069,498
Total loans and advances to customers, including finance lease receivables, gross	**6,250,364,028**	**5,021,696,933**
Less: Provision for loan impairment	(237,569,480)	(211,606,048)
Total loans and advances to customers, including finance lease receivables	**6,012,794,548**	**4,810,090,885**

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

In thousands of Uzbekistan Soums	**State and municipal organisations**	**Corporate loans**	**Loans to individuals**	**Total**
Provision for loan impairment at 1 January 2014	**111,196,082**	**97,532,612**	**2,877,354**	**211,606,048**
Provision for impairment during the year *	4,514,563	55,739,968	2,282,974	62,537,505
Amounts written off during the year as uncollectible	-	(33,556,295)	-	(33,556,295)
Transfer to non-current assets held for sale (and disposal groups)	-	(4,517,297)	-	(4,517,297)
Effect of foreign exchange translation difference	-	1,499,519	-	1,499,519
Provision for loan impairment at 31 December 2014	**115,710,645**	**116,698,507**	**5,160,328**	**237,569,480**

*The provision for impairment during 2014 differs from the amount presented in profit or loss for the year due to UZS 3,773,902 thousand (2013: 3,587,889 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 2013 are as follows:

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

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

	31 December 2014		**31 December 2013**	
In thousands of Uzbekistan Soums	**amount**	**%**	**amount**	**%**
Oil & Gas	3,051,996,080	49	2,054,649,424	41
Manufacturing	1,428,975,864	23	1,147,437,096	23
Energy	935,076,547	15	946,482,704	19
Loans to individuals	334,719,014	5	78,069,498	2
Transport and communication	237,495,682	4	281,267,950	6
Construction	136,800,172	2	285,361,526	6
Trade and services	88,656,239	1	182,996,600	4
Agriculture	36,644,430	1	45,432,135	1
Total loans and advances to customers before impairment	**6,250,364,028**	**100**	**5,021,696,933**	**100**

During 2014, a loss on initial recognition of loans at rates below market in the amount of UZS 13,051,177 thousand (2013: UZS 3,223,951 thousand) has been recorded in profit or loss for the year

At 31 December 2014 the Group had 10 largest borrowers with the total aggregate amount of UZS 3,109,406,436 thousand (2013: UZS 2,543,198,244 thousand) or 49% of the gross loan portfolio (2013: 51%).

9 Loans and Advances to Customers (Continued)

Disclosure of financial effect of collateral at 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals	31 December 2014
Unsecured loans	**-**	**246,053**	**-**	**246,053**
Loans collateralised by:				
- state guarantee	3,165,526,516	91,248,739	-	**3,256,775,255**
- letter of surety	1,153,384,039	139,695,366	51,058,394	**1,344,137,799**
- real estate	455,997,661	386,864,631	76,926,189	**919,788,481**
- equipment	318,313,720	46,314,518	82,268	**364,710,506**
- shares	220,478,959	305,623	-	**220,784,582**
- inventory	34,085,690	31,891,717	-	**65,977,407**
- vehicle	4,738,948	56,332,206	3,986,010	**65,057,164**
- cash deposit	4,189,411	454,539	2,864,165	**7,508,115**
- insurance policy	803,693	4,474,165	31,672	**5,309,530**
- other	-	69,136	-	**69,136**
Total loans collateralised	**5,357,518,637**	**757,650,640**	**134,948,698**	**6,250,117,975**
Total loans and advances to customers before impairment provision	**5,357,518,637**	**757,896,693**	**134,948,698**	**6,250,364,028**

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

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

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 2014 is as follows:

In thousands of Uzbekistan Soums	**State and municipal organisations**	**Corporate loans**	**Loans to individuals**	**Total**
Loans assessed for impairment on a portfolio basis				
- large borrowers with credit history over two years	4,687,936,262	-	-	**4,687,936,262**
- large new borrowers	217,908,727	-	-	**217,908,727**
- loans to small and medium size entities	434,121,599	641,875,597	20,364	**1,076,017,560**
- loans to individuals	-	-	134,928,334	**134,928,334**
Total loans assessed for impairment on a portfolio basis	**5,339,966,588**	**641,875,597**	**134,948,698**	**6,116,790,883**
Loans individually determined to be impaired (gross)				
- less than 30 days overdue	10,985,613	13,659,326	-	**24,644,939**
- 30 to 91 days overdue	6,566,436	6,718,753	-	**13,285,189**
- over 360 days overdue	-	95,643,017	-	**95,643,017**
Total individually impaired loans (gross)	**17,552,049**	**116,021,096**	**-**	**133,573,145**
- Impairment provisions for individually impaired loans	(10,160,124)	(100,183,051)	-	**(110,343,175)**
- Impairment provisions assessed on portfolio basis	(105,550,521)	(16,515,456)	(5,160,328)	**(127,226,305)**
Less total impairment provisions	**(115,710,645)**	**(116,698,507)**	**(5,160,328)**	**(237,569,480)**
Total loans and advances to customers	**5,241,807,992**	**641,198,186**	**129,788,370**	**6,012,794,548**

9 Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	**State and municipal organisations**	**Corporate loans**	**Loans to individuals**	**Total**
Loans assessed for impairment on a portfolio basis				
- large borrowers with credit history over two	4,018,228,646	2,073,013	-	**4,020,301,659**
- loans to small and medium size entities	336,329,726	411,498,577	-	**747,828,303**
- loans to individuals	-	-	78,069,498	**78,069,498**
Total loans assessed for impairment on a portfolio basis	**4,354,558,372**	**413,571,590**	**78,069,498**	**4,846,199,460**
Loans individually determined to be impaired (gross)				
- less than 30 days overdue	11,145,875	6,153,906	-	**17,299,781**
- 91 to 180 days overdue	7,226,852	-	-	**7,226,852**
- 181 to 360 days overdue	-	10,047,450	-	**10,047,450**
- over 360 days overdue	-	140,923,390	-	**140,923,390**
Total individually impaired loans (gross)	**18,372,727**	**157,124,746**	**-**	**175,497,473**
- Impairment provisions for individually impaired loans	(9,456,162)	(86,689,790)	-	**(96,145,952)**
- Impairment provisions assessed on portfolio basis	(101,739,920)	(10,842,822)	(2,877,354)	**(115,460,096)**
Less total impairment provisions	**(111,196,082)**	**(97,532,612)**	**(2,877,354)**	**(211,606,048)**
Total loans and advances to customers	**4,261,735,017**	**473,163,724**	**75,192,144**	**4,810,090,885**

* – 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:

In thousands of Uzbekistan Soums	**31 December 2014**	**31 December 2013**
Not later than one year	11,452,429	12,453,411
From one year to five years	15,650,845	19,961,093
More than five years	2,493,770	5,629,972
Minimum lease payments	29,597,044	38,044,476
Less unearned finance income	(7,996,650)	(11,733,220)
Gross investment in finance lease	**21,600,394**	**26,311,256**
Less: allowance on finance lease	(2,471,990)	(4,282,859)
Net investment in finance lease	**19,128,404**	**22,028,397**
Current portion	7,401,641	7,210,736
Long-term portion	11,726,763	14,817,661
Net investment in finance lease	**19,128,404**	**22,028,397**

10 Investment Securities Available For Sale

In thousands of Uzbekistan Soums	Ownership	31 December 2014	31 December 2013
Name			
Visa Inc.	0.0%	3,702,308	2,808,317
JSCB "Microcreditbank"	1.60%	3,206,400	3,206,400
JSC "Tashkent" Stock Exchange	6.25%	3,043,360	3,043,361
JSC "Qurilishmashlizing"	6.82%	1,500,000	-
JSC "Chilonzor buyum bozori"	5.53%	1,473,214	1,473,214
LLC "Ishonch"	15.99%	1,444,225	-
LLC "Agrotexservices"	10-15%	704,664	704,664
JSC "Qizilqumsement"	0.07%	608,000	450,000
JSC "Republican Currency Exchange"	11.13%	495,970	495,970
JSC "UzMed-Leasing"	16.67%	322,202	322,202
JSC "Republican Commodity Exchange"	2.39%	223,380	223,381
JSC "Buhoro Markaziy dekhkon bozori"	0.85%	131,000	131,000
Other	0.4%-13.8%	318,463	381,493
Corporate shares		**17,173,186**	**13,240,002**
Provision for impairment of investment securities available for sale		(911,174)	(911,174)
Total investment securities availabe for sale		**16,262,012**	**12,328,828**

Investment securities available for sale include equity securities with a carrying value of UZS 12,559,704 thousand (2013: UZS 9,520,511 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 3,702,308 thousand (2013: 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 2014 are as follows:

In thousands of Uzbekistan Soums	2014	2013
Provision for impairment at 1 January	**911,174**	**63,302**
Provision for impairment during the year	-	847,872
Provision for impairment at 31 December	**911,174**	**911,174**

11 Investment Securities Held to Maturity

	Nominal interest rate	31 December 2014	31 December 2013
OJSCB "Qishloq Qurilish Bank"	12%	4,000,000	4,000,000
OJSCB "Ipoteka Bank"	11%-12%	3,920,000	3,920,000
OJSCB "Trast Bank"	9%-12%	2,005,178	1,000,000
OJSCB "Hamkor Bank"	12%	1,000,000	1,000,000
Total investment securities held to maturity		**10,925,178**	**9,920,000**

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:

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Neither past due nor impaired		
- Large banks	7,920,000	7,920,000
- Medium banks	3,005,178	2,000,000
Total neither past due nor impaired	**10,925,178**	**9,920,000**

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.

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Carrying amount at 1 January	**4,494,939**	**2,798,501**
Reclassified from investment securities available for sale	-	993,908
Increase in ownership	-	434,122
Loss of significant influence in associates due to additional increase in share capital of associates	(1,580,642)	-
Share of profit of associates	162,936	320,598
Dividends from associates	-	(52,190)
Carrying amount at 31 December	**3,077,233**	**4,494,939**

Summarised financial information of each material associate is as follows at 31 December 2014:

Name	Total assets	Total liabilities	Total revenue	Profit/ (loss)	Interest held	Country of incorporation
OJSC "Qurulish Leasing"	16,131,072	6,152,919	4,152,229	348,398	46.77%	Uzbekistan

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

Name	Total assets	Total liabilities	Total revenue	Profit/ (loss)	Interest held	Country of incorporation
LLC "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

13 Premises, Equipment and Intangible Assets

In thousands of Uzbekistan Soums	**Buildings and premises**	**Office and computer Equipment**	**Construction in prog-ress**	**Total premises and equipment**	**Computer Software licenses**	**Total**
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)
Carrying amount at 31 December 2012	**38,758,646**	**26,272,351**	**60,960,912**	**125,991,909**	**788,528**	**126,780,437**
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)
Carrying amount at 31 December 2013	**41,586,965**	**20,671,271**	**23,849,762**	**86,107,998**	**2,056,758**	**88,164,756**
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)
Carrying amount at 31 December 2013	**41,586,965**	**20,671,271**	**23,849,762**	**86,107,998**	**2,056,758**	**88,164,756**
Additions	10,916,677	12,484,570	2,894,231	26,295,479	1,289,039	27,584,518
Disposals	(180,735)	(2,124,103)	(972,430)	(3,277,268)	(11,776)	(3,289,044)
Net transfers	3,791,513	-	(3,791,513)	-	-	-
Reclassification	-	-	(12,116,286)	(12,116,286)	-	(12,116,286)
Depreciation/ amortisation charge (Note 25)	(3,137,445)	(6,733,387)	-	(9,870,832)	(607,582)	- - (10,478,414)
Carrying amount at 31 December 2014	**52,976,975**	**24,298,351**	**9,863,764**	**87,139,091**	**2,726,439**	**89,865,530**
Cost at 31 December 2014	67,581,219	64,755,214	9,863,764	142,200,198	9,105,570	151,305,768
Accumulated depreciation/ amortisation	(14,604,244)	(40,456,863)	-	(55,061,107)	(6,379,131)	(61,440,238)
Carrying amount at 31 December 2014	**52,976,975**	**24,298,351**	**9,863,764**	**87,139,091**	**2,726,439**	**89,865,530**

14 Other Assets

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Other financial assets		
Commission income receivable	4,131,742	2,491,184
Interest income and other receivables	982,296	1,038,864
Receivable form money transfer organisations	20,768	328,763
Total other financial assets	**5,134,806**	**3,858,811**
Other non-financial assets		
Prepayment for construction of building	34,989,118	24,303,991
Prepaid income tax	5,706,373	2,696,990
Prepayments for equipment and property	4,151,099	2,930,738
Receivable from employees	3,703,520	1,798,777
Prepaid expenses and advances	2,691,897	3,366,981
Inventory	928,314	15,658
Unrealized Gain on Revaluation — SWAPS	857,592	117,859
Prepayments for equipment for lease purposes	-	237,000
Other	4,260,875	3,069,133
Total other non-financial assets	**57,288,788**	**38,537,127**
Less allowance for impairment	(5,402,506)	(2,830,547)
Total other assets	**57,021,088**	**39,565,391**

Analysis by credit quality of other financial assets outstanding at 31 December 2014 and 2013 is as follows:

	Other financial assets	
In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Neither past due nor impaired		
- Collected or settled after the end of the reporting period	5,134,806	3,858,811
Total neither past due nor impaired	**5,134,806**	**3,858,811**

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

In thousands of Uzbekistan Soums	Prepayments for equipment and property	Other	Total
Provision for impairment at 1 January 2014	**1,798,777**	**1,031,770**	**2,830,547**
Provision for impairment during the year	150,700	2,421,259	2,571,959
Provision for impairment at 31 December 2014	**1,949,477**	**3,453,029**	**5,402,506**

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

	Prepayments for equipment and property	Other	Total
Provision for impairment at 1 January 2013	**2,046,426**	**241,898**	**2,288,324**
Provision for impairment during the year	-	770,049	770,049
Recivery of provision	-	19,823	19,823
Write-off during the year	(247,649)	-	(247,649)
Provision for impairment at 31 December 2013	**1,798,777**	**1,031,770**	**2,830,547**

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Assets related to subsidiary companies	17,842,588	49,084,862
Repossessed assets:		
- Buildings held for sale	4,286,838	15,506,189
- Others assets held for sale	4,205,445	1,313,025
- Equipment held for sale	315,000	1,324,067
Total non-current assets (or disposal groups) held for sale	**26,649,871**	**67,228,143**

During 2014, the Group recognised an impairment loss of UZS 659,376 thousand (2013: UZS 5,021,347 thousand) to write down repossessed 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 "Horazm shisha idishlari" LLC (production of glasses), and "Fergana Ceramics industry" LLC (production of ceramics). The Group is seeking to dispose of these business units and anticipates that the disposal will be completed during 2015.

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Assets of a disposal group held for sale:		
Accounts receivable	3,875,087	2,761,489
Prepaid expenses	-	394,797
Inventory	78,998	2,066,717
Other assets	123,604	88,638
Premises and equipment	7,442,171	18,861,165
Construction in progress	6,322,728	24,912,056
Total assets of subsidiary companies (or disposal groups) held for sale	17,842,588	49,084,862
Liabilities of a disposal group held for sale:		
Accounts payable	738,274	3,694,784
Total liabilities directly associated with disposal groups held for sale	738,274	3,694,784
Net assets of subsidiary companies (or disposal groups) held for sale	**17,104,314**	**45,390,078**

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

In thousands of Uzbekistan Soums	2014	2014
Consideration for disposal of the subsidiary	61,138,496	65,668,878
Carrying amount of disposed net assets, net of non-controlling interest	(59,422,124)	(63,862,950)
Gain from disposal of subsidiary	1,716,372	1,805,928
Total revenue	2,313,539	10,969,522
Total expenses	(2,796,883)	(11,475,789)
Loss from discontinued operation	(483,344)	(506,267)
Profit for the period from discontinued operations	**1,233,028**	**1,299,661**

16 Due to Other Banks

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Short-term placements of other banks	118,177,099	64,747,096
Long-term placements of other banks	61,728,914	58,884,915
Correspondent accounts and overnight placements of other banks	16,093,203	17,989,837
Total due to other banks	**195,999,216**	**141,621,848**

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Repayable on demand	1,915,822,911	2,075,386,889
Time deposits	295,248,078	212,374,639
Total customer accounts	**2,211,070,989**	**2,287,761,528**

At 31 December 2014, included in customer accounts are deposits of UZS 460,457,369 thousand (2013: UZS 513,372,375 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 32.

At 31 December 2014 and 2013, customer accounts totalling UZS 1,315,449,446 thousand (56%) and UZS 1,195,744,260 thousand (52%), respectively were due to 6 customers in 2013 (2013: 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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Corporate bonds	53,591,953	52,918,855
Total debt securities in issue	**53,591,953**	**52,918,855**

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
International Financial Institutions		
China Export-Import Bank	1,067,805,421	934,795,806
World Bank International Agency for Development	44,993,540	13,703,117
Commerzbank AG	21,892,948	13,497,479
China Development Bank	15,251,726	10,664,107
Landes Bank Berliner AG	13,944,454	23,584,264
KfW	6,056,287	6,173,625
Preference shares (Note 21)	3,400,000	4,250,000
Hypo und Vereinsbank	1,485,654	2,261,418
Industrial and Commercial Bank of China		6,898,160
Uzbekistan Financial Institutions		
Uzbekistan Fund for Reconstruction and Development	3,317,525,579	2,854,229,828
Long-term loans from the Ministry of Finance	101,596,308	2,048,038
Long-term loans from the CBU	407,994	1,973,733
Total other borrowed funds	**4,594,359,911**	**3,874,079,575**

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. As at 31 December 2014 the loan outstanding to China Development Bank was UZS 15,251,726 thousand (2013: UZS 10,664,107 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:

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Trade payables	4,298,705	2,337,644
Payable to creditors of LLC "PSB Anteks Group"	3,327,107	4,347,090
Dividends payable	363,346	705,044
Other accrued liabilities	-	4,680
Total other financial liabilities	**7,989,158**	**7,394,458**
Payable to employees	9,850,543	7,658,101
Taxes payable other than on income	4,661,935	3,682,953
Current income tax liability	1,978,905	3,058,885
Prepayments received	1,019,353	1,584,926
Other	1,742,242	1,151,022
Total other non-financial liabilities	**19,252,978**	**17,135,887**
Total other liabilities	**27,242,136**	**24,530,345**

20 Other Liabilities (Continued)

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

In thousands of Uzbekistan Soums except for number of shares	Number of outstanding shares (in thousands)	Ordinary and preference shares	Share premium	Treasury shares	Total
At 31 December 2012	**90,409**	**258,854,699**	**696,121**	**(4,972,344)**	**254,578,476**
New shares issued	23,969	63,656,046	-	-	63,656,046
Capitalisation of dividends	-	3,098,759	-	-	3,098,759
Acquisition of treasury shares	-	-	-	(415,536)	(415,536)
At 31 December 2013	**114,378**	**325,609,504**	**696,121**	**(5,387,880)**	**320,917,745**
New shares issued	74,399	241,946,000	-	-	241,946,000
Capitalisation of dividends	-	52,480,573	-	(901,503)	51,579,070
Effect of change in present value of preference shares	-	1,784,000	-	-	1,784,000
Acquisition of treasury shares	-	-	-	40,131	40,131
At 31 December 2014	**188,777**	**621,820,077**	**696,121**	**(6,249,252)**	**616,266,946**

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 2014, is UZS 615,797,581 thousand (2013: UZS 318,543,009 thousand).

The total authorised number of ordinary shares is 186,777 thousand shares (2013: 112,378 thousand shares), with a par value of UZS 3,252 per share (2013: 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 (2013: Nil). Each ordinary share carries one vote.

The total authorised number of preference shares is 2,000 thousand shares (2013: 2,000 thousand shares), with a par value of UZS 3,252 per share (2013: 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 20 % p.a. (2013: 20 % 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.

21 Share Capital (Continued)

In the year ended 31 December 2014, the Bank increased its preference share price from UZS 2,785 to UZS 3,252 (31 December 2013: from UZS 2,475 to UZS 2,785) with the minimum rate of stayed unchanged at 20%. (2012: changed from 22% to 20%). 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 37.9% (2013: 40.6%). Accordingly, as of 31 December 2014, the Group recognised the effect of change in present value of shares in the amount of UZS 849,999 thousand.

At 31 December 2014, treasury shares include UZS 6,249,252 thousand ordinary shares of the Group (2013: 5,387,880 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

In thousands of Uzbekistan Soums	**2014**	**2013**
Interest income		
Loan and advances to customers	337,262,472	300,530,277
Due from other banks	4,872,903	1,803,947
Investment securities held to maturity	1,091,071	1,132,769
Total interest income	**343,226,446**	**303,466,993**
Interest expenses		
Other borrowed funds	95,006,767	72,344,149
Term deposits of individuals	31,140,919	31,113,870
Term placements of other banks	30,248,702	22,721,519
Debt securities issued	4,972,533	5,088,132
Term deposits of legal entities	3,257,362	3,083,212
Total interest expense	**164,626,283**	**134,350,882**
Net interest income	**178,600,163**	**169,116,111**

Interest income includes UZS 3,039,099 thousand (2013: UZS 3,113,971 thousand) interest income, recognised on impaired loans to customers.

23 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	2014	2013
Fee and commission income from:		
- Settlement transactions	89,438,101	85,937,516
- Foreign currency exchange operations	13,781,098	11,492,218
- International money transfers	7,583,777	4,876,078
- Guarantees issued	4,570,288	3,221,767
- Management service fee	3,397,243	3,233,119
- Letter of credits	2,964,705	2,836,492
- Cash transactions	2,007,416	2,257,280
- Other	1,697,550	1,230,391
Total fee and commission income	**125,440,178**	**115,084,861**
Fee and commission expense		
- Cash collection	12,911,471	10,163,217
- Settlement transactions	5,445,776	4,646,518
- Foreign currency exchange	1,834,113	1,499,827
- Loan commission expenses	1,172,947	1,164,080
- Payments for guarantees issued	202,302	320,497
- Other	2,534,957	1,021,496
Total fee and commission expense	**24,101,566**	**18,815,635**
Net fee and commission income	**101,338,612**	**96,269,226**

24 Other Operating Income

In thousands of Uzbekistan Soums	2014	2013
Rental income from properties	1,878,917	1,483,728
Income from fines and penalties	1,315,400	403,154
Gain on disposal of premises and equipment	536,227	483,300
Other	2,337,037	1,231,988
Total other operating income	**6,067,581**	**3,602,170**

25 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	Note	2014	2013
Staff costs		108,149,639	86,559,359
Taxes other than income tax		25,766,283	21,215,555
Security services		11,490,786	10,407,451
Depreciation and amortisation (Note 11)	13	10,478,414	8,580,546
Stationery and office supplies		4,730,536	3,405,140
Charity expenses		4,717,441	4,202,673
Membership fees		3,412,444	3,272,963
Business trip expenses		2,003,085	1,832,165
Communication expenses		1,818,246	1,703,050
Rent expenses		1,554,764	1,464,796
Cost of maintenance of premises		1,434,375	1,203,071
Cost of utilities		1,349,243	1,106,993
Advertising and marketing services		854,003	914,083
Loss on sale or disposition of fixed assets		102,808	763,539
Other operating expenses		3,025,017	3,206,402
Total administrative and other operating expenses		**180,887,084**	**149,837,786**

25 Administrative and Other Operating Expenses (Continued)

Included in staff costs are statutory pension contributions of UZS 20,144,496 thousand (2013: UZS 20,256,884 thousand).

26 Income Taxes

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

Income tax expense comprises the following:

In thousands of Uzbekistan Soums	**2014**	**2013**
Current tax charge	14,654,634	14,959,859
Deferred tax credit	(6,410,292)	(1,135,600)
Income tax expense for the year	**8,244,342**	**13,824,259**

(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.

In thousands of Uzbekistan Soums	**2014**	**2013**
IFRS profit before tax (including discontinued operations)	**42,445,638**	**53,686,012**
Theoretical tax charge at statutory rate 21.8% (2013: 21.8%)	9,253,149	11,703,551
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses (employee compensation, social tax, and representaton)	2,076,708	3,069,460
- Tax incentives (tax privileges)	(727,299)	(2,997,116)
- Tax exempt income (dividend receivable/received)	(271,697)	(252,073)
- Unrecognised deferred tax (liability)/assets	(277,355)	2,752,455
- Tax rate difference	(1,943,335)	(576,499)
- Other	134,171	124,481
Income tax expense for the year	**8,244,342**	**13,824,259**

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

26 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% (2013: 21.8%).

In thousands of Uzbekistan Soums	2014	(Debited)/ Credited to profit or loss	Charged to other compre-hensive income	2013	(Debited)/ Credited to profit or loss	Charged to other compre-hensive income	2012
Tax effect of deductible temporary differences							
Loan impairment provision	15,879,706	7,132,384	-	8,747,322	2,984,882	-	5,762,440
Property, equipment and intangible assets	147,557	41,475	-	106,082	17,867	-	88,215
Fair value of investment securities availabe for sale	(462,153)	-	(134,453)	(327,700)	-	(230,063)	(97,637)
Provision for impairment of investment Securities available for sale	-	(26,971)	-	26,971	26,971	-	-
Investment in associates	(221,841)	(70,746)		(151,095)	(64,420)		(86,675)
Accrued interest expenses	-	(57,838)	-	57,838	(1,111,521)	-	1,169,359
Accrued interest income	(207,126)	(207,126)		-	-	-	-
Other	8,133	(400,886)	-	409,019	(718,179)	-	1,127,198
Recognised deferred tax asset	**15,144,276**	**6,410,292**	**(134,453)**	**8,868,437**	**1,135,600**	**(230,063)**	**7,962,900**
Recognised deferred tax asset	**16,027,263**	**7,173,859**	**-**	**15,936,793**	**3,029,720**	**-**	**8,147,212**
Recognised deferred tax liability	**(882,987)**	**(763,567)**	**(134,453)**	**(7,068,356)**	**(1,894,120)**	**(230,063)**	**(184,312)**
Total net deferred tax asset	**15,144,276**	**6,410,292**	**(134,453)**	**8,868,437**	**1,135,600**	**(230,063)**	**7,962,900**

27 Dividends

	2014	2013
Dividends payable at 1 January	**705,044**	**124,835**
Dividends declared during the year	52,480,573	13,547,642
Dividends paid during the year	(1,243,201)	(10,284,210)
Dividends capitalised	(51,579,070)	(2,683,223)
Dividends payable at 31 December	**363,346**	**705,044**
Dividend per declared during the year	**467**	**133**

28 Earnings per Share

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

In thousands of Uzbekistan Soums	2014	2013
Earnings per share from continuing operations		
Profit for the year attributable to ordinary shareholders	32,622,647	37,887,800
Profit for the year attributable to preference shareholders	345,621	674,292
Profit for the year	32,968,268	38,562,092
Weighted average number of ordinary shares in issue	112,378,100	101,573,000
Weighted average number of preference shares in issue	2,000,000	2,000,000
Earnings per share per ordinary share, basic and diluted in UZS	**290**	**373**
Earnings per share per equity component of preference share, basic and diluted in UZS	**173**	**337**

Earnings per share from discontinuing operations are calculated as follows:

In thousands of Uzbekistan Soums	2014	2013
Earnings per share from discontinuing operations		
Profit for the year attributable to ordinary shareholders	1,220,102	1,276,935
Profit for the year attributable to preference shareholders	12,926	22,726
Profit for the year	1,233,028	1,299,661
Weighted average number of ordinary shares in issue	112,378,100	101,573,000
Weighted average number of preference shares in issue	2,000,000	2,000,000
Earnings per share per ordinary share, basic and diluted in UZS	**11**	**13**
Earnings per share per equity component of preference share, basic and diluted in UZS	**6**	**11**

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 20% 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 2014 is set out below:

In thousands of Uzbekistan Soums	**Corporate banking**	**Retail banking**	**Group function**	**Total**
Cash and cash equivalents	913,915,468	168,214,288	-	1,082,129,756
Due from other banks	440,359,142	-	-	440,359,142
Loans and advances to customers, including finance lease receivables	5,883,006,174	129,788,374	-	6,012,794,548
Investment securities available for sale	16,262,012	-	-	16,262,012
Investment securities held to maturity	10,925,178	-	-	10,925,178
Investment in associates	3,077,233	-	-	3,077,233
Deferred income tax asset	-	-	15,144,276	15,144,276
Property, equipment and intangible assets	75,896,164	13,969,366	-	89,865,530
Other assets	51,293,946	20,769	5,706,373	57,021,088
Non-current assets held for sale (or disposal groups)	26,649,871	-	-	26,649,871
Total reportable segment assets	**7,421,385,189**	**311,992,796**	**20,850,649**	**7,754,228,634**
Due to other banks	195,999,216	-	-	195,999,216
Customer accounts	1,867,365,690	343,705,299	-	2,211,070,989
Debt securities in issue	53,591,953	-	-	53,591,953
Other borrowed funds	4,594,359,911	-	-	4,594,359,911
Other liabilities	10,387,407	10,213,889	6,640,840	27,242,136
Liabilities directly associated with disposal groups held for sale	738,274	-	-	738,274
Total reportable segment liability	**6,722,442,451**	**353,919,188**	**6,640,840**	**7,083,002,479**
Capital expenditure	**-**	**-**	**-**	**-**

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.

29 Segment Analysis (Continued)

In thousands of Uzbekistan Soums	Corporate banking	Retail banking	Group function	Total
Interest income	328,654,584	14,571,862	-	343,226,446
Fee and commission income	108,716,272	16,723,906	-	125,440,178
Foreign exchange translation gains less losses	2,628,530	-	-	2,628,530
Gain and losses from trading in foreign currencies	6,670,844	-	-	6,670,844
Dividend income	1,677,143	-	-	1,677,143
Other operating income	5,704,294	363,287	-	6,067,581
Share of result of associates	162,936	-	-	162,936
Total revenues	**454,214,604**	**31,659,054**	**-**	**485,873,658**
Interest expense	(133,483,284)	(31,142,999)	-	(164,626,283)
Fee and commission expense	(24,101,566)	-	-	(24,101,566)
Provision for impairment of loans and advances to customers	(56,480,629)	(2,282,974)	-	(58,763,603)
Losses on initial recognition of assets at rates below market	(13,051,177)	-	-	(13,051,177)
Provision for impairment of investment securities available for sale	(2,571,959)	-	-	(2,571,959)
Provision for impairment of held for sale assets	(659,376)			(659,376)
Administrative and other operating expenses	(54,221,314)	(65,274,695)	(61,391,075)	(180,887,084)
Income tax expense	-	-	(8,244,342)	(8,244,342)
Segment result	**169,645,298**	**(67,041,614)**	**(69,635,417)**	**32,968,268**

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

In thousands of Uzbekistan Soums	Corporate banking	Retail banking	Group function	Total
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	36,539,637	328,763	24,303,991	61,172,391
Non-current assets held for sale (or disposal groups)	67,228,143	-	-	67,228,143
Total reportable segment assets	**6,483,450,932**	**283,069,907**	**33,172,428**	**6,799,693,267**
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
Total reportable segment liability	**6,049,440,977**	**328,424,120**	**6,741,838**	**6,384,606,935**
Capital expenditure	**-**	**-**	**-**	**-**

29 Segment Analysis (Continued)

In thousands of Uzbekistan Soums	**Corporate banking**	**Retail banking**	**Group function**	**Total**
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
Total revenues	**408,894,096**	**24,374,161**	**-**	**433,268,257**
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	(3,223,951)	-	-	(3,223,951)
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)
Segment result	**165,437,481**	**(61,895,359)**	**(64,980,030)**	**38,562,092**

(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 thought partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

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

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

In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
31 December 2014			
US Dollars	5,829,225,011	5,787,706,152	41,518,859
Euros	237,667,032	202,066,808	35,600,224
Other	4,352,329	3,346,158	1,006,172
Total	**6,071,244,372**	**5,993,119,118**	**78,125,255**
31 December 2013			
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
Total	**5,329,169,402**	**5,284,022,581**	**45,146,821**

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:

In thousands of Uzbekistan Soums	**2014** Impact on profit or loss, after tax	**2013** Impact on profit or loss, after tax
US Dollars strengthening by 10.5% (2013: 11.0%)	41,518,859	1,999,967
US Dollars weakening by 10.5% (2013: 11%)	(41,518,859)	(1,999,967)
Euro strengthening by 1.5% (2013: 15.5%)	534,003	2,967,489
Euro weakening by 1.5% (2013: 15.5%)	(534,003)	(2,967,489)

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:

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**More than 1 year**	**Total**
31 December 2014					
Total financial assets	1,697,347,154	538,345,269	1,418,037,450	3,913,875,569	**7,567,605,442**
Total financial liabilities	1,569,121,727	271,880,582	393,247,376	4,828,761,543	**7,063,011,227**
Net interest sensitivity gap at 31 December 2014	**128,225,427**	**266,464,687**	**1,024,790,074**	**(914,885,974)**	**504,594,215**
31 December 2013					
Total financial assets	1,562,886,631	235,933,237	554,991,557	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**
Net interest sensitivity gap at 31 December 2013	**5,009,618**	**(268,886,760)**	**365,444,077**	**108,280,213**	**209,847,148**

30 Financial Risk Management (Continued)

At 31 December 2014, if interest rates at that date had been 200 basis points lower (2013: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 164,598 thousand (2013: UZS 40,857 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities.

If interest rates had been 200 basis points higher (2013: 200 basis points higher), with all other variables held constant, profit would have been UZS 164,598 thousand (2014: UZS 40,857 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:

	2014			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0 - 10.5	0 - 5.2	0 - 0.973	0 - Libor+6
Due from other banks	0 - 10	0 - Libor-0.35	0 - Eonia-1	0 - Libor-2
Loans and advances to customers	1 - 26	1 - 10	1 - 12	-
Liabilities				
Due to other banks	0 - 10	-	-	-
Customer accounts				
- current/demand accounts	0 - 1	0 - 2	0 - 2	0 - 2
- term deposits	0 - 30	2 - 16	2 - 12	2 - 5
Other borrowed funds				
- borrowings from the International Financial Institutions	-	Libor+0.875 - 2	0 - 8.75	-
- borrowings from the Local Financial Institutions	1 - 12	0.5 - 6	-	-

	2013			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
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	-
Liabilities				
Due to other banks	0 - 11	-	-	-
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 2014 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	350,079,236	731,345,613	704,907	1,082,129,756
Due from other banks	243,536,648	192,344,548	4,477,945	440,359,142
Loans and advances to customers	6,012,794,548			6,012,794,548
Investment securities available for sale	12,559,704	3,702,308		16,262,012
Investment securities held to maturity	10,925,178			10,925,178
Other financial assets	5,134,806			5,134,806
Total financial assets	**6,635,030,120**	**927,392,469**	**5,182,852**	**7,567,605,442**
Liabilities				
Due to other banks	185,871,615	174,418	9,953,183	195,999,216
Customer accounts	2,211,070,989			2,211,070,989
Debt securities in issue	53,591,953			53,591,953
Other borrowed funds	3,422,929,880	88,372,883	1,083,057,148	4,594,359,911
Other financial liabilities	7,989,158			7,989,158
Total financial liabilities	**5,881,453,595**	**88,547,301**	**1,093,010,331**	**7,063,011,227**
Net balance sheet position as 31 December 2014	**753,576,525**	**838,845,168**	**(1,087,827,479)**	**504,594,215**
Credit related commitments (Note 32)	**1,656,751,891**	**-**	**-**	**1,656,751,891**

The geographical concentration of the Group's financial assets and liabilities at 31 December 2013 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non OECD	Total
Assets				
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
Total financial assets	**5,573,465,600**	**992,079,116**	**8,078,696**	**6,573,623,412**
Liabilities				
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
Total financial liabilities	**6,356,363,700**	**7,228,229**	**184,335**	**6,363,776,264**
Net balance sheet position as 31 December 2013	**(782,898,100)**	**984,850,887**	**7,894,361**	**209,847,148**
Credit related commitments (Note 32)	**1,821,700,540**	**-**	**-**	**1,821,700,540**

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 2014 and 2013.

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 92% at 31 December 2014 (2013: 102%).

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 2014 and 2013 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 2014 is as follows:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	8,232,543	4,965,920	228,657,333	236,109,875	477,965,671
Customer accounts	2,003,481,632	96,288,494	26,044,041	137,010,220	2,262,824,387
Debt securities in issue	859,053	102,500	387,000	57,508,000	58,856,553
Other borrowed funds	26,462,399	296,492	105,952,177	4,597,969,962	4,730,681,030
Other financial liabilities	4,662,051			3,327,107	7,989,158
Undrawn credit lines	97,855,500	87,983,871	201,395,433	617,424,828	1,004,659,632
Financial guarantees issued	407,186,552	19,067,838	4,789,065	24,325,141	455,368,596
Letter of credit	175,908,551	8,237,491	2,068,923	10,508,698	196,723,663
Total potential future payments for financial obligations	**2,724,648,281**	**216,942,606**	**569,293,972**	**5,684,183,831**	**9,195,068,690**

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 2013 is as follows:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total
Liabilities					
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
Total potential future payments for financial obligations	**1,991,957,453**	**645,752,000**	**399,400,185**	**5,921,633,663**	**8,958,743,301**

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:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total
At 31 December 2014					
Total financial assets	1,697,347,154	538,345,269	1,418,037,450	3,913,875,569	7,567,605,442
Total financial liabilities	1,569,121,727	271,880,582	393,247,376	4,828,761,543	7,063,011,227
Net liquidity gap based on expected maturities	**128,225,427**	**266,464,687**	**1,024,790,074**	**(914,885,974)**	**504,594,215**
At 31 December 2013					
Total financial assets	1,879,897,326	521,595,197	1,065,003,957	3,107,126,932	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
Net liquidity gap based on expected maturities	**322,020,313**	**16,775,200**	**875,456,477**	**(1,004,404,842)**	**209,847,148**

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 2013: 10%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 5% (31 December 2013: 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 2013: 6%).

The Group was compliant with capital ratios set above during 12 months 2014 (2013: Compliant).

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

In thousands of Uzbekistan Soums	**2014**	**2013**
Tier 1 capital	674,337,133	390,998,727
Tier 2 capital	90,327,981	75,499,469
Less: deductions from capital	(23,616,218)	(21,459,127)
Total regulatory capital	**741,048,896**	**445,039,069**

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 consolidated financial statements.

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

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

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

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2014 no provision for potential tax liabilities had been recorded (2013: no provision). The Group estimates that it has no potential obligations from exposure to other than remote tax risks (2013: 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:

In thousands of Uzbekistan Soums	**2014**	**2013**
Undrawn credit lines	1,004,659,632	1,421,535,540
Financial guarantees issued	455,368,596	265,263,705
Letter of credit	196,723,663	134,901,295
Total credit related commitments	**1,656,751,891**	**1,821,700,540**

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 2014 the estimated fair value of credit related commitments was UZS 14,054,505 thousand (31 December 2013: UZS 8,227,714 thousand).

Capital expenditure commitments. At 31 December 2014, 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.

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 2014 are as follows:

In thousands of Uzbekistan Soums	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents				
- Cash on hand	190,406,619	-	-	190,406,619
- Cash balances with the CBU (other than mandatory reserve deposits)	90,571,966	-	-	90,571,966
- Correspondent accounts and overnight placements with other banks	-	801,151,171	-	801,151,171
Due from other banks				
- Mandatory reserve deposit held with CBU against assets impairment	-	178,216,197	-	178,216,197
- Mandatory reserve with CBU against credit losses	-		36,429,144	36,429,144
- Placements with other banks with original maturities of more than three months			28,628,362	28,628,362
- Restricted cash	-	-	197,085,439	197,085,439
Loans and advances to customers				
- State and municipal organisations	-	-	5,379,566,619	5,241,807,992
- Corporate loans	-	-	617,094,679	641,198,186
- Loans to individuals	-	-	119,491,699	129,788,370
Investment securities available for sale				
- Corporate shares	3,702,308	-	-	3,702,308
Investment securities held to maturity				
- Corporate bonds			10,925,178	10,925,178
Other financial assets				
- Commission income receivable	-	-	4,131,742	4,131,742
- Interest income and other receivable	-	-	982,296	982,296
- Receivable form money transfer organisations	-	-	20,768	20,768
TOTAL	**284,680,893**	**979,367,368**	**6,394,355,926**	**7,555,045,738**

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 2013 are as follows:

In thousands of Uzbekistan Soums	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS				
Cash and cash equivalents				
- 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
Due from other banks				
- 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
Loans and advances to customers				
- '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
Investment securities available for sale				
- Corporate shares	2,808,317	-	-	2,808,317
Investment securities held to maturity				
- Corporate bonds			9,920,000	9,920,000
Other financial assets				
- Commission income receivable	-	-	2,491,184	2,491,184
- Interest income and other receivable	-	-	1,038,864	1,038,864
- Receivable form money transfer organisations			328,763	328,763
TOTAL	**381,883,224**	**1,208,791,977**	**5,103,518,260**	**6,565,500,242**

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 2014 are as follows:

In thousands of Uzbekistan Soums	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES			
Due to other banks			
- Long-term placements of other banks		61,728,914	61,728,914
- Short-term placements of other banks	118,177,099	-	118,177,099
- Correspondent accounts and overnight placements of other banks	-	16,093,203	16,093,203
Customer accounts			
- Repayable on demand	1,915,822,911	-	1,915,822,911
- Time deposits	-	295,248,078	295,248,078
Debt securities in issue			
- Non-documentary bonds issued	53,591,953	-	53,591,953
Other borrowed funds			
- Borrowings from government, state and international financial organisations	-	4,594,359,911	4,594,359,911
Other financial liabilities			
- Payable to creditors of LLC "PSB Anteks Group"	-	3,327,107	3,327,107
- Trade payables	-	4,298,705	4,298,705
- Dividends payable	-	363,346	363,346
TOTAL	**2,087,591,963**	**4,975,419,264**	**7,063,011,227**

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:

In thousands of Uzbekistan Soums	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES			
Due to other banks			
- 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
Customer accounts			
- 'Repayable on demand	2,075,386,889	-	2,075,386,889
- 'Time deposits	-	212,374,639	212,374,639
Other borrowed funds			
- Borrowings from government, state and international financial organisations	-	3,874,079,575	3,874,079,575
Debt securities in issue			
- Non-documentary bonds issued	52,918,855	-	52,918,855
Other financial liabilities			
- 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
TOTAL	**2,193,052,840**	**4,170,723,424**	**6,363,776,264**

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 3,702,308 thousand. For fair value disclosures rating 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 2014 and 2013:

In thousands of Uzbekistan Soums	**Loans and receivables**	**Available-for-sale assets**	**Held to maturity**	**Total**
31 December 2014				
Cash and cash equivalents	1,082,129,756	-	-	1,082,129,756
Due from other banks	440,359,142	-	-	440,359,142
Loans and advances to customers	6,012,794,548	-	-	6,012,794,548
Investment securities available for sale	-	16,262,012	-	16,262,012
Investment securities held to maturity	-	-	10,925,178	10,925,178
Other financial assets	5,134,806	-	-	5,134,806
Total financial assets at 31 December 2014	**7,540,418,252**	**16,262,012**	**10,925,178**	**7,567,605,442**
31 December 2013				
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
Total financial assets at 31 December 2013	**6,551,374,584**	**12,328,828**		**6,573,623,412**

As of 31 December 2014 and 31 December 2013, 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 2014, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control	Total
Loans and advances to customers, including finance lease receivables (contractual rate 2%-24%)	-	3,091,352,137	3,091,352,137
Other assets	-	156,815	156,815
Customer accounts (current account contractual rate 0%)	9,125,845	519,217,547	528,343,392
Debt securities in issue (contractual rate 8%-12%)	-	84,643	84,643
Other borrowed funds (contractual rate 0%-6%)	3,453,518,817	-	3,453,518,817
Other liabilities	966,345	61,450	1,027,795

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

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control	Key management personnel	Total
Interest income	`	56,174,277	-	56,174,277
Interest expense	280,783	102,597	-	383,380
Provision for loan impairment	-	6,410,678	-	6,410,678
Fee and commission income	1,734	22,600,545	-	22,602,279

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

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control	Total
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:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control	Key management personnel	Total
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

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:

In thousands of Uzbekistan Soums	**2014**	**2013**
Short-term benefits:		
- Salaries and other short term benefits	524,355	401,612
- Social Security costs	131,089	100,403

36 Events After the End of the Reporting Period

The following events occurred subsequent to year ended 31 December 2014:

- During January-April 2015, the Group increased its share capital for UZS 1.6 billion;
- In January 2015, the chief accountant of the Group was transferred to another state bank for the same position and replaced by new chief accountant.