JOINT-STOCK COMMERCIAL BANK “MICROCREDITBANK”
International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report

31 December 2014

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INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

In thousands of Uzbekistan Soums	Note	31 December 2014	31 December 2013 (restated)	1 January 2013 (restated)
ASSETS				
Cash and cash equivalents	7	45,107,219	28,993,067	39,910,039
Due from other banks	8	48,003,453	50,520,395	26,922,513
Loans and advances to customers	9	697,746,185	574,642,114	460,800,876
Investment securities available for sale		2,688,459	2,686,650	2,816,804
Premises, equipment and intangible assets	10	39,208,626	35,279,312	31,796,455
Deferred income tax asset	22	2,027,731	2,337,824	-
Other assets	11	13,475,697	11,744,765	25,788,175
TOTAL ASSETS		**848,257,370**	**706,204,127**	**588,034,862**
LIABILITIES				
Due to other banks	12	127,437,117	129,006,350	101,744,000
Customer accounts	13	369,644,053	246,323,371	209,417,807
Other borrowed funds	14	131,553,990	113,899,129	100,438,755
Insurance liabilities	15	6,932,331	4,944,294	4,915,948
Other liabilities	16	4,481,515	4,270,950	3,980,754
TOTAL LIABILITIES		**640,049,006**	**498,444,094**	**420,497,264**
EQUITY				
Share capital	17	200,446,510	200,446,510	160,480,545
Retained earnings		5,485,299	5,017,201	4,703,510
Net assets attributable to the Bank's owners		205,931,809	205,463,711	165,184,055
Non-controlling interest		2,276,555	2,296,322	2,353,543
TOTAL EQUITY		**208,208,364**	**207,760,033**	**167,537,598**
TOTAL LIABILITIES AND EQUITY		**848,257,370**	**706,204,127**	**588,034,862**

Approved for issue and signed on behalf of the Board of Management on 28 April 2015.

Nozim Khusanov
Chairman of the Board

Abdurakhmanov Oybek
Chief Accountant

In thousands of Uzbekistan Soums	Note	2014	2013 (restated)
Interest income	18	87,454,123	67,780,953
Interest expense	18	(35,248,808)	(30,824,565)
Net interest income		**52,205,315**	**36,956,388**
Release of impairment of loans to customers and finance lease receivables	9	2,782,540	1,257,496
Net interest income after provision for impairment of loans to customers and finance lease receivables		**54,987,855**	**38,213,884**
Fee and commission income	19	50,978,942	45,463,748
Fee and commission expense	19	(13,505,603)	(10,479,497)
Net gain on foreign exchange translation		1,030,472	865,155
Net gain/(loss) from trading in foreign currencies		(108,833)	63,599
Other assets write off		-	(1,592,060)
Other operating income	20	9,300,211	4,484,723
Administrative and other operating expenses	21	(100,769,320)	(78,428,094)
Profit/(loss) before tax		**1,913,724**	**(1,408,542)**
Income tax (expense)/benefit	22	(1,405,556)	1,800,158
PROFIT FOR THE YEAR		**508,168**	**391,616**
Other comprehensive income for the year		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**508,168**	**391,616**
Profit is attributable to:			
- Owners of the Bank		496,934	342,527
- Non-controlling interest		11,234	49,089
Basic and diluted earnings per ordinary share (expressed in UZS per share)	23	**2**	**2**

In thousands of Uzbekistan Soums	Note	Attributable to owners of the Bank: Share capital	Retained earnings	Total	Non-controlling interest	Total equity (restated)
Balance as previously reported at 31 December 2012		**160,480,545**	**5,411,310**	**165,891,855**	**2,353,543**	**168,245,398**
Correction of prior period errors		-	(707,800)	(707,800)	-	(707,800)
Balance at 1 January 2013 (restated)		**160,480,545**	**4,703,510**	**165,184,055**	**2,353,543**	**167,537,598**
Profit for the year		-	342,527	342,527	49,089	391,616
Other comprehensive income		-	-	-	-	-
Total comprehensive income for 2013		-	342,527	342,527	49,089	391,616
Shares issued		39,965,965	-	39,965,965	-	39,965,965
Dividends declared		-	(28,836)	(28,836)	(107,310)	(136,146)
Additional non-controlling interest arising on increase of subsidiary's equity		-	-	-	1,000	1,000
Balance at 31 December 2013 (restated)		**200,446,510**	**5,017,201**	**205,463,711**	**2,296,322**	**207,760,033**
Profit for the year		-	496,934	496,934	11,234	508,168
Other comprehensive income		-	-	-	-	-
Total comprehensive income for 2014		-	496,934	496,934	11,234	508,168
Dividends declared	24	-	(28,836)	(28,836)	(31,001)	(59,837)
Balance at 31 December 2014		**200,446,510**	**5,485,299**	**205,931,809**	**2,276,555**	**208,208,364**

In thousands of Uzbekistan Soums	Note	2014	2013 (restated)
Cash flows from operating activities			
Interest received		89,381,088	64,875,293
Interest paid		(34,634,258)	(30,445,152)
Fees and commissions received		51,235,752	45,034,950
Fees and commissions paid		(13,176,960)	(10,303,842)
Net gain from trading in foreign currencies		(108,833)	63,599
Insurance premium received		13,622,758	3,731,028
Insurance claims paid		(7,707,250)	(2,279,826)
Other operating income received		5,175,849	3,354,422
Staff costs paid		(60,463,365)	(41,875,642)
Administrative and other operating expenses paid		(36,253,619)	(28,803,992)
Income tax paid		(1,095,463)	(537,666)
Cash flows from operating activities before changes in operating assets and liabilities		**5,975,699**	**2,813,172**
Net decrease/(increase) in due from other banks		2,615,918	(23,988,358)
Net increase in loans and advances to customers		(122,193,427)	(96,556,653)
Net decrease/(increase) in other assets		2,468,139	(1,293,686)
Net increase/(decrease) due to other banks		(2,964,393)	27,126,909
Net increase in customer accounts		121,182,849	35,704,712
Net decrease in other liabilities		(177,148)	(315,494)
Net cash from operating activities		**6,907,637**	**(56,509,398)**
Cash flows from investing activities			
Purchase of investment securities available for sale		(600)	-
Purchase of premises, equipment and intangible assets		(11,044,630)	(10,325,691)
Proceeds from disposal of premises, equipment and intangible assets		527,875	1,400,017
Dividends received	24	48,109	17,576
Net cash inflow on disposal of interest in subsidiary		-	1,000
Net cash used in investing activities		**(10,469,246)**	**(8,907,098)**
Cash flows from financing activities			
Issue of shares	17	-	39,965,965
Dividends paid	24	(88,611)	(56,553)
Proceeds from other borrowed funds		516,660,271	462,463,142
Repayment of other borrowed funds		(499,198,119)	(449,092,082)
Net cash from financing activities		**17,373,541**	**53,280,472**
Effect of exchange rate changes on cash and cash equivalents		**2,302,220**	**1,219,052**
Net increase/(decrease) in cash and cash equivalents		**16,114,152**	**(10,916,972)**
Cash and cash equivalents at the beginning of the year	7	28,993,067	39,910,039
Cash and cash equivalents at the end of the year	7	**45,107,219**	**28,993,067**

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 “Microcreditbank” (the “Bank”) and its subsidiary (the “Group”). The Bank is a joint stock company limited by shares and was set up in accordance with Uzbekistan legislation.

The Bank was incorporated in May 2006 under the decree of the President of the Republic of Uzbekistan based on the former Joint-Stock Commercial Bank “Tadbirkor”. It was registered in the Republic of Uzbekistan for the assistance in the development of small businesses, private entrepreneurship and private farming, family businesses, especially to further enhance financing by providing access of rural population to microfinance services. The Group is ultimately controlled by the Government of Uzbekistan through Ministry of Finance of the Republic of Uzbekistan and Central Bank of the Republic of Uzbekistan.

Principal activity. The Group’s principal business activity is commercial, retail banking and insurance operations within the Republic of Uzbekistan. The Bank operates under the license issued by the Central Bank of the Republic of Uzbekistan (“CBU”) on banking operations #37 dated 4 August 2014 (replaces license #37 dated 13 May 2006) and the general license to conduct banking transactions in foreign currency #61 dated 4 August 2014 (replaces license #26 dated 13 May 2006). The Bank accepts deposits from the public and issues loans, transfers payments in the Republic of Uzbekistan and abroad, and provides banking services for its commercial and retail customers.

The Bank is the controlling shareholder of subsidiary Joint-Stock Company "Agroinvestsugurta” with an interest of 78.95%. The Company was registered in accordance with the legislation of the Republic of Uzbekistan on 9 April 2008. The main activity of the Company is the provision of insurance services in agricultural sector.

The Bank operates from its Head office located in Tashkent and 85 branches throughout the Republic of Uzbekistan (2013: 85 branches). The registered address of the Head office is 14, Lutfiy street, Tashkent 100096, Republic of Uzbekistan.

The Bank participates in the state deposit insurance scheme introduced by the Uzbek Law #360-II “Insurance of Individual Bank Deposit” dated 5 April 2002. 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. A substantial volume of the Bank’s operations are with, its credit exposure is to, and its funding is from state controlled entities.

Presentation currency. These consolidated financial statements are presented in Uzbekistan Soums ("UZS"), unless otherwise stated.

Shareholders. At 31 December, the interest of the shareholders in the Group’s share capital was:

Shareholders	**2014**	**2013**
Ministry of Finance of the Republic of Uzbekistan	53.41%	53.42%
Central Bank of the Republic of Uzbekistan	26.68%	26.69%
National Bank of the Republic of Uzbekistan	2.37%	2.37%
JSCB "Asaka Bank"	1.71%	1.71%
JSC "Uzkimyosanoat"	1.30%	1.30%
Depository Company "Neftegazdeposit"	3.20%	0.53%
JSCB "Uzpromstroybank"	1.60%	1.60%
National Export-Import Insurance Company "Uzbekinvest"	1.37%	1.37%
JSCB "Agrobank"	1.07%	1.07%
NHC "Uzbekneftegaz"	2.05%	3.42%
JSC "Uzbektelecom"	0.00%	2.05%
Other shareholders (individually holding less than 1%)	5.23%	4.48%
Total	**100%**	**100%**

2 Operating Environment of the Group

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 2,202.2).
- GDP growth 8.1% (2013: 8%).
- Central Bank refinancing rate – 10% (2013: 12%).
- Republican Stock Exchange "Toshkent" composite index: TCI Composite 1000.00 points at 31 December 2014 (31 December 2013: 1000).

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. 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 (refer to Note 5).

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 substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which 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.

3 Summary of Significant Accounting Policies (Continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group’s equity.

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

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 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.

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.

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.

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 must be settled by delivery of such unquoted equity instruments.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates.

Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. 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 expire 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 the 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 additional 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.

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 Bank’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.

3 Summary of Significant Accounting Policies (Continued)

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 Bank’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 Bank’s control in order to manage the amount of mandatory reserve deposit. Amounts due from other banks are carried at amortised cost.

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

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

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of 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.

3 Summary of Significant Accounting Policies (Continued)

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.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Bank 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 Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

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

Investment securities available for sale are carried at fair value unless fair value cannot be reliably determined, in which case the investment securities available for sale are carried at cost.

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 reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. 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 profit or loss for the year.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Intangible assets. The Group’s intangible assets have definite 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.

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

Finance lease receivables. Where the Bank 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 a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

- motor vehicle insurance;
- property insurance;
- loan repayments insurance;
- agriculture harvest;

Motor vehicle and property insurance ensures that Group customers are paid compensation for the damage caused to their property. Customers are also indemnified for losses caused by their inability to use an insured property in their economic activities as a result of the occurrence of an insured event (business interruption).

Basis of accounting for insurance activities.

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

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated using “pro rata temporis” method. The “pro rata temporis” method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date.

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

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

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

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.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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 are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity. Preference shares are equity instruments that are not redeemable and are considered to be participating shares.

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. Uzbek legislation identifies retained earnings as the basis for profit distribution.

Income and expense recognition. Interest income and expense are recorded in the consolidated statement of comprehensive income 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 Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When 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.

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 fees for settlement transactions which represent the fee received by the Bank for processing of each transaction over the customer’s accounts are earned on execution of the underlying transaction, and are recorded on its completion.

3 Summary of Significant Accounting Policies (Continued)

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 reporting period.

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. Such a 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.

Earnings per share. Preference shares are not redeemable and are considered to be participating shares. Earnings per share is determined by dividing the profit or loss attributable to equity holders 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 Republic of Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

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 (furthermore “CBU”) at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of 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 for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

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

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.

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.

Amendments of the financial statements after issue. The Group’s shareholders and management have the power to amend the consolidated financial statements after issue under certain circumstances.

3 Summary of Significant Accounting Policies (Continued)

Presentation of consolidated 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 consolidated statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The following table provides information for each line item in the consolidated statement of financial position which combines amounts expected to be recovered or settled before and after twelve months after the reporting period.

	31 December 2014			31 December 2013		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total
ASSETS						
Cash and cash equivalents	45,107,219	-	45,107,219	28,993,067	-	28,993,067
Due from other banks	47,003,453	1,000,000	48,003,453	46,520,395	4,000,000	50,520,395
Loans and advances to customers	351,684,287	346,061,898	697,746,185	294,103,040	280,539,074	574,642,114
Investment securities available for sale	2,688,459	-	2,688,459	2,686,650	-	2,686,650
Premises and equipment	-	39,208,626	39,208,626	-	35,279,312	35,279,312
Deferred income tax asset	-	2,027,731	2,027,731	-	2,337,824	2,337,824
Other assets	13,475,697	-	13,475,697	11,744,765	-	11,744,765
TOTAL ASSETS	**459,959,115**	**388,298,255**	**848,257,370**	**384,047,917**	**322,156,210**	**706,204,127**
LIABILITIES						
Due to other banks	125,550,246	1,886,871	127,437,117	121,814,651	7,191,699	129,006,350
Customer accounts	291,520,279	78,123,774	369,644,053	237,918,064	8,405,307	246,323,371
Other borrowed funds	117,037,252	14,516,738	131,553,990	56,965,560	56,933,569	113,899,129
Insurance liabilities	6,932,331	-	6,932,331	2,673,212	2,271,082	4,944,294
Other liabilities	4,481,515	-	4,481,515	4,270,950	-	4,270,950
TOTAL LIABILITIES	**545,521,623**	**94,527,383**	**640,049,006**	**423,642,437**	**74,801,657**	**498,444,094**

Changes in presentation. Where necessary corresponding figures have been reclassified to conform to the presentation of the current year as follows:

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

3 Summary of Significant Accounting Policies (Continued)

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2013 the management noted number of classification and other errors.

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" the correction of errors was done retrospectively. As a result, consolidated financial statements for the year ended 31 December 2013 and 1 January 2013 were restated to reflect the effect of errors.

The effect of adjustments to the Consolidated Statement of Financial Position is as follows as at 1 January 2013:

In thousands of Uzbekistan Soums	As originally presented	Effect of correction of classification errors	Effect of correction of other errors	As adjusted
Consolidated Statement of Financial Position lines affected				
ASSETS				
Cash and cash equivalents	53,941,355	(14,031,316)	-	39,910,039
Due from other banks	12,891,197	14,031,316	-	26,922,513
Loans and advances to customers	459,363,056	277,598	1,160,222	460,800,876
Other assets	27,448,388	(277,598)	(1,382,615)	25,788,175
TOTAL ASSETS	**588,257,255**	**-**	**(222,393)**	**588,034,862**
LIABILITIES				
Customer accounts	201,094,887	8,322,920	-	209,417,807
Other liabilities	11,818,267	(8,322,920)	485,407	3,980,754
TOTAL LIABILITIES	**420,011,857**	**-**	**485,407**	**420,497,264**
EQUITY				
Retained earnings	7,764,853	-	(707,800)	7,057,053
TOTAL EQUITY	**168,245,398**	**-**	**(707,800)**	**167,537,598**
TOTAL LIABILITIES AND EQUITY	**588,257,255**	**-**	**(222,393)**	**588,034,862**

3 Summary of Significant Accounting Policies (Continued)

The effect of adjustments to the Consolidated Statement of Financial Position is as follows as at 31 December 2013:

In thousands of Uzbekistan Soums	As originally presented	Effect of correction of classification errors	Effect of correction of other errors	As adjusted
Consolidated Statement of Financial Position lines affected				
ASSETS				
Cash and cash equivalents	67,201,412	(38,208,345)	-	28,993,067
Due from other banks	12,607,230	38,308,345	(395,180)	50,520,395
Loans and advances to customers	570,089,028	177,598	4,375,488	574,642,114
Other assets	13,211,043	(277,598)	(1,188,680)	11,744,765
TOTAL ASSETS	**703,412,499**	**-**	**2,791,628**	**706,204,127**
LIABILITIES				
Customer accounts	239,998,260	6,325,111	-	246,323,371
Other borrowed funds	111,942,512	490,855	1,465,762	113,899,129
Insurance liabilities	4,773,590	-	170,704	4,944,294
Other liabilities	9,223,954	(6,815,966)	1,862,962	4,270,950
TOTAL LIABILITIES	**494,944,666**	**-**	**3,499,428**	**498,444,094**
EQUITY				
Retained earnings	8,021,323	-	(707,800)	7,313,523
TOTAL EQUITY	**208,467,833**	**-**	**(707,800)**	**207,760,033**
TOTAL LIABILITIES AND EQUITY	**703,412,499**	**-**	**2,791,628**	**706,204,127**

The effect of adjustments on the Consolidated Statement of profit or loss lines is as follows for the year ended 31 December 2013:

In thousands of Uzbekistan Soums	As originally presented	Effect of correction of classification errors	Effect of correction of other errors	As adjusted
Consolidated Statement of Profit or Loss and Other Comprehensive Income lines affected				
Interest income	68,176,133	-	(395,180)	67,780,953
(Provision for)/release of impairment of loans to customers and finance lease receivables	(685,943)	-	1,943,439	1,257,496
Net interest income after provision for impairment of loans to customers and finance lease receivables	**37,351,568**	**-**	**1,548,259**	**36,956,388**
Fee and commission income	45,463,748	-	-	45,463,748
Fee and commission expense	(9,577,391)	-	(902,106)	(10,479,497)
Other operating income	4,655,427	-	(170,704)	4,484,723
Administrative and other operating expenses	(77,952,645)	-	(475,449)	(78,428,094)
Loss before tax	**(1,408,542)**	**-**	**-**	**(1,408,542)**
Income tax benefit	1,800,158	-	-	1,800,158
PROFIT FOR THE YEAR	**391,616**	**-**	**-**	**391,616**

3 Summary of Significant Accounting Policies (Continued)

The third consolidated statement of financial position as of 1 January 2013 is presented in these consolidated financial statements as a result of the above described changes in presentation, reclassifications and correction of prior period errors.

Effect of correction of classification errors. The effect of correction of classification errors on the Consolidated Statement of Financial Position as at 1 January 2013 is as follows:

Cash and cash equivalents. The Group incorrectly classified mandatory cash balances with CBU of UZS 20,522,961 thousand as cash and cash equivalents, which should have been classified as due from other banks. Also the Group incorrectly classified all interbank placements with original maturities of less than three months of UZS 6,491,645 thousand as due from other banks, which should have been classified as cash and cash equivalents.

Customer accounts. The Group incorrectly classified deposits of customers for stock subscription of UZS 8,322,920 thousand within other financial liabilities. These should have been classified as customer accounts in accordance with their nature.

Loans and advances to customers. The Group incorrectly classified receivable from customers on guarantees settled of UZS 277,598 thousand as other assets. These should have been classified as loans and advances to customers in accordance with their nature.

Effect of restatement to correct prior period errors. The effect of restatement to correct prior period errors as at 1 January 2013 is as follows:

Loans and advances to customers. The Group has re-evaluated provision for loan impairment and has assessed that the provision should have been lower by UZS 1,160,222 thousand.

Other assets. The Group incorrectly recognized receivable from customers of UZS 1,115,641 being value added tax, which was incurred on construction of residential property and shops, and which was not reimbursable as per contracts. This should have been expensed prior to 2013.

Also, the Group incorrectly recognized charity expenses of UZS 266,974 thousand as receivable, which should have been expensed prior to 2013.

Other liabilities. The Group did not recognize contributions to state deposits insurance fund of UZS 292,995 thousand for the fourth quarter of 2012 and tax payable, other than income tax for December 2012 of UZS 192,412 thousand.

Effect of correction of classification errors. The effect of correction of classification errors on the Consolidated Statement of Financial Position as at 31 December 2013 is as follows:

Cash and cash equivalents. The Group incorrectly classified mandatory cash balances with CBU of UZS 45,679,576 thousand as cash and cash equivalents, which should have been classified as due from other banks. Also the Group incorrectly classified all interbank placements with original maturities of less than three months of UZS 7,471,231 thousand as due from other banks, which should have been classified as cash and cash equivalents.

Loans to customers. The Group incorrectly classified placement with other banks with original maturity of more than three months of UZS 100,000 thousand as loans and advances to customers. These should have been classified as Due from other banks in accordance with their nature and maturities.

Other assets. The Group incorrectly classified receivable from customers on guarantees settled of UZS 277,598 thousand as other assets. These should have been classified as loans and advances to customers in accordance with their nature.

Customer accounts. The Group incorrectly classified deposits of customers for stock subscription and cash collection payable to customers of UZS 6,325,111 thousand within other liabilities. These should have been classified as customer accounts in accordance with their nature.

Other borrowed funds. The Group incorrectly classified borrowing from United Nations Development Programme of UZS 490,855 thousand within other liabilities. This should have been classified as borrowed funds in accordance its nature.

3 Summary of Significant Accounting Policies (Continued)

Effect of restatement to correct prior period errors. The effect of restatement to correct prior period errors on the Consolidated Statement of Financial Position as at 31 December 2013 is as follows:

Due from other banks. The Group incorrectly over accrued interest income on due from other banks of UZS 395,180 thousand.

Loans and advances to customers. The Group incorrectly recognized loans and advances to customers of UZS 193,935 thousand, which were reversed in subsequent period. The Group did not recognize loans issued and related borrowing from Islamic Corporation for the Development of the Private Sector of UZS 1,465,762 thousand. Loans and borrowing should have been recognized as they arise from different contracts and credit risk remains with the Group.

The Group has re-evaluated provision for loan impairment and has assessed that the provision should have been lower by UZS 3,103,661 thousand.

Other assets. The following corrections were made in Other assets:

(i) The Group incorrectly recognized receivable from customers of UZS 1,115,641 being value added tax, which was incurred on construction of residential property and shops, and which was not reimbursable as per contracts. This should have been expensed prior to 2013.

(ii) The Group incorrectly recognized charity expenses of UZS 266,974 thousand as receivable, which should have been expensed prior to 2013.

(iii) The Group incorrectly derecognized real estate held for mortgage loans of UZS 193,935 thousand.

Insurance liabilities. The Group did not fully recognize reported but not settled claims reserves in 2013 in of UZS 170,704 thousand.

Other liabilities. The Group did not recognize contributions to state deposits insurance fund of UZS 420,693 thousand for the fourth quarter of 2013, state cash collection service expenses of UZS 902,106 thousand, tax payable, other than income tax for December 2013 of UZS 499,400 thousand and other operating expenses of UZS 40,763 thousand for December 2013.

Effect of restatement to correct prior period errors. The effect of restatement to correct prior period errors on the Consolidated Statement of Comprehensive Income for the year ended 31 December 2013 is as follows:

Interest income. Interest income on due from other banks should have been lower by UZS 395,180 thousand.

Release of impairment of loans to customers and finance lease receivables. The Group has assessed that recovery of the provision should be higher by UZS 1,943,439 thousand.

Fee and commission expenses. For the purpose of correcting the cut off error related state cash collection service expenses, the Group adjusted fee and commission expenses by UZS 902,106 thousand.

Other operating income. For the purpose of adjusting insurance reserves the Group recognized insurance expenses of UZS 170,704 thousand.

Administrative and other operating expenses. For the purpose of correcting the cut off error related to contributions to state deposits insurance fund, operating taxes and other operating expenses, the Group adjusted administrative and other operating expenses by UZS 475,449 thousand.

Effect of correction of classification errors. The effect of correction of classification errors on the Consolidated Statement of Comprehensive Income for the year ended 31 December 2013 is as follows:

Interest income. The Group has incorrectly classified fees on issuance of loans of UZS 920,256 thousand as fee and commission income. These fees comprise part of effective interest rate and should have been classified as interest income.

3 Summary of Significant Accounting Policies (Continued)

The net impact of above corrections and changes in presentation on the Consolidated Cash flow statement lines for the year ended 31 December 2013 is tabulated below:

In thousands of Uzbekistan Soums	As originally presented	Effect of correction	As adjusted
Consolidated Cash flow lines affected			
Cash flows from operating activities			
Interest received	71,488,541	(6,613,248)	64,875,293
Interest paid	(30,363,723)	(81,429)	(30,445,152)
Fee and commission received	45,463,748	(428,798)	45,034,950
Fee and commission paid	(9,577,391)	(726,451)	(10,303,842)
Net gain from trading in foreign currencies	-	63,599	63,599
Insurance premium received	-	3,731,028	3,731,028
Insurance claims paid	-	(2,279,826)	(2,279,826)
Other operating income received	4,579,772	(1,225,350)	3,354,422
Staff costs paid	(41,875,642)	-	(41,875,642)
Administrative and other operating expenses paid	(30,477,636)	1,673,644	(28,803,992)
Income tax paid	(537,666)	-	(537,666)
Cash flows from operating activities before changes in operating assets and liabilities	**8,700,003**	**(5,886,831)**	**2,813,172**
Net increase in due from other banks	(4,386,371)	(19,601,987)	(23,988,358)
Net increase in loans and advances to customers	(101,873,159)	5,316,506	(96,556,653)
Net decrease in other assets	(205,094)	(1,088,592)	(1,293,686)
Net increase in due to other banks	27,249,991	(123,082)	27,126,909
Net increase in customer accounts	38,490,446	(2,785,734)	35,704,712
Net increase in other liabilities	(2,766,945)	2,451,451	(315,494)
Net cash from operating activities	**(34,791,129)**	**(21,718,269)**	**(56,509,398)**
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets	(10,325,691)	-	(10,325,691)
Proceeds from disposal of premises, equipment and intangil	1,412,463	(12,446)	1,400,017
Dividends received	-	17,576	17,576
Net cash inflow on disposal of interest in subsidiary	1,000	-	1,000
Net cash used in investing activities	**(8,912,228)**	**5,130**	**(8,907,098)**
Cash flows from financing activities			
Issue of shares	39,965,965	-	39,965,965
Dividends paid	(136,146)	79,593	(56,553)
Proceeds from other borrowed funds	68,263,987	394,199,155	462,463,142
Repayment of other borrowed funds	(56,808,125)	(392,283,957)	(449,092,082)
Net cash from financing activities	**51,285,681**	**1,994,791**	**53,280,472**
Effect of exchange rate changes on cash and cash equivalents	**889,165**	**329,887**	**1,219,052**
Net increase in cash and cash equivalents	**8,471,489**	**(19,388,461)**	**(10,916,972)**
Cash and cash equivalents at the end of the year	**45,597,671**	**(16,604,604)**	**28,993,067**

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 consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern. Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources of the Group.

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 consolidated 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.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 22.

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.

Investments carried at cost. Management could not reliably estimate fair value of the Group's available-for-sale investments in shares. The investments are carried at a cost of UZS 2,688,459 thousand (2013: UZS 2,686,650 thousand). The investees have not published recent financial information about their operations, their shares are not quoted and recent trade prices are not publicly accessible.

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 consolidated financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual consolidated 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 any material 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 Group is currently assessing the impact of the amendments on its 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 consolidated 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 Group is currently assessing the impact of the amendments on its 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 new standard on its consolidated financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufact uring. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. 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 separate 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 consolidated 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	2014	2013 (restated)
Cash on hand	28,999,593	19,777,634
Cash balances with the CBU (other than mandatory reserve deposits)	2,834,220	1,744,202
Correspondent accounts and overnight placements with other banks	13,273,406	7,471,231
Total cash and cash equivalents	**45,107,219**	**28,993,067**

As at 31 December 2014 cash balances with CBU (other than mandatory reserve deposits) include an overnight deposit of UZS 2,800,000 thousand (31 December 2013: UZS 1,400,000 thousand) placed with the CBU bearing a fixed interest rate of 0.02% per annum (2013: 0.02% per annum)

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

In thousands of Uzbekistan Soums	Cash balances with the CBU	Correspondent accounts and overnight placements	Total
Neither past due nor impaired			
- Central Bank of Uzbekistan	2,834,220	-	**2,834,220**
- A1 (Moody's rated)	-	3,630	**3,630**
- B2 (Moody's rated)	-	12,937,501	**12,937,501**
- Ba2 (Moody's rated)	-	10,350	**10,350**
- A+ (Fitch rated)	-	102	**102**
- B- (Fitch rated)	-	267,215	**267,215**
- unrated	-	54,608	**54,608**
Total cash and cash equivalents, excluding cash on hand	**2,834,220**	**13,273,406**	**16,107,626**

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

In thousands of Uzbekistan Soums	Cash balances with the CBU	Correspondent accounts and overnight placements	Total
Neither past due nor impaired			
- Central Bank of Uzbekistan	1,744,202	-	**1,744,202**
- A1 (Moody's rated)	-	24,052	**24,052**
- A3 (Moody's rated)	-	1,820,788	**1,820,788**
- B2 (Moody's rated)	-	3,083,649	**3,083,649**
- B3 (Moody's rated)	-	767,527	**767,527**
- Ba2 (Moody's rated)	-	10,439	**10,439**
- Caa1 (Moody's rated)	-	1,897	**1,897**
- A+ (Fitch rated)	-	1,550,201	**1,550,201**
- B- (Fitch rated)	-	212,678	**212,678**
Total cash and cash equivalents, excluding cash on hand	**1,744,202**	**7,471,231**	**9,215,433**

Interest rate analysis of cash and cash equivalents is disclosed in Note 26. Information on related party balances is disclosed in Note 31.

8 Due from Other Banks

In thousands of Uzbekistan Soums	**2014**	**2013 (restated)**
Mandatory cash balances with CBU	42,606,446	45,679,576
Corporate bonds	4,099,726	4,119,671
Placements with other banks with original maturities of more than three months	2,206,486	1,630,353
Less: Provision for loan impairment	(909,205)	(909,205)
Total due from other banks	**48,003,453**	**50,520,395**

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	**Mandatory cash balances with CBU**	**Placements with other banks**	**Corporate bonds**	**Total**
Neither past due nor impaired				
- Central Bank of Uzbekistan	42,606,446	-	-	**42,606,446**
- B- (S&P)	-	-	3,074,794	**3,074,794**
- B- (Fitch rated)	-	1,090,668	-	**1,090,668**
- B2 (Moody's)	-	200,000	1,024,932	**1,224,932**
- unrated	-	-	-	**-**
Total neither past due nor impaired	**42,606,446**	**1,290,668**	**4,099,726**	**47,996,840**
Balances individually determined to be impaired (gross)				
- over 360 days overdue	-	915,818	-	**915,818**
Less provision for impairment	-	(909,205)	-	**(909,205)**
Total due from other banks	**42,606,446**	**1,297,281**	**4,099,726**	**48,003,453**

8 Due from Other Banks (Continued)

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

In thousands of Uzbekistan Soums	**Mandatory cash balances with CBU**	**Placements with other banks**	**Corporate bonds**	**Total**
Neither past due nor impaired				
- Central Bank of Uzbekistan	45,679,576	-	-	**45,679,576**
- B1 (Moody's)	-	6,251	-	**6,251**
- Caa1 (Moody's)	-	5,879	-	**5,879**
- B2 (Moody's)	-	25,000	-	**25,000**
- B- (Fitch)	-	600,923	1,044,876	**1,645,799**
- B- (S&P)	-	612	3,074,795	**3,075,407**
- unrated	-	75,870	-	**75,870**
Total neither past due nor impaired	**45,679,576**	**714,535**	**4,119,671**	**50,513,782**
Balances individually determined to be impaired (gross)				
- over 360 days overdue	-	915,818	-	915,818
Less provision for impairment	-	(909,205)	-	**(909,205)**
Total due from other banks	**45,679,576**	**721,148**	**4,119,671**	**50,520,395**

Refer to Note 29 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 26. Information on related party balances is disclosed in Note 31.

9 Loans and Advance to Customers

In thousands of Uzbekistan Soums	**31 December 2014**	**31 December 2013 (restated)**
Loans to legal entities	578,214,498	458,822,372
Loans to individuals - entrepreneurs	49,572,569	41,075,732
Loans to individuals	35,651,066	31,548,759
Finance lease	34,308,052	48,146,521
Total loans and advances to customers, gross	**697,746,185**	**579,593,384**
Less: Provision for loan impairment	-	(4,951,270)
Total loans and advances to customers, net	**697,746,185**	**574,642,114**

9 Loans and Advance to Customers (Continued)

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

In thousands of Uzbekistan Soums	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Provision for impairment at 1 January 2014	**4,276,552**	**64,808**	**49,777**	**560,133**	**4,951,270**
Recovery of impairment during the year	(1,974,990)	(59,430)	(27,059)	(483,796)	(2,545,275)
Amounts written off during the year as uncollectible	(2,301,562)	(5,378)	(22,718)	(76,337)	(2,405,995)
Provision for impairment at 31 December 2014	**-**	**-**	**-**	**-**	**-**

The provision for impairment during 2014 differs from the amount presented in profit or loss for the year due to UZS 237,265 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.

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

In thousands of Uzbekistan Soums	Loans to legal entities	Loans to individuals	Finance lease	Total
Provision for impairment at 1 January 2013	**6,825,248**	**174,744**	**824,781**	**7,824,773**
Provision for/(recovery of) impairment during the year	(1,155,556)	88,054	(189,994)	(1,257,496)
Amounts written off during the year as uncollectible	(1,393,140)	(148,213)	(74,654)	(1,616,007)
Provision for impairment at 31 December 2013	**4,276,552**	**114,585**	**560,133**	**4,951,270**

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

	2014		2013	
In thousands of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
Agriculture	407,656,310	58	246,249,267	42
Trade and catering	120,301,447	17	148,990,501	26
Services	49,664,237	7	48,999,547	-
Individuals	35,651,066	5	72,624,491	8
Manufacturing	35,347,843	5	1,465,762	8
Construction	27,633,574	4	46,397,234	1
Transportation	17,890,570	3	3,111,949	0
Other	3,601,138	1	11,754,633	2
Total loans and advances to customers before impairment provision	**697,746,185**	**100**	**579,593,384**	**87**

At 31 December 2014 the Group had 13 borrowers (2013: 4 borrowers) with aggregated loan amounts above UZS 3,000,000 thousand. The total aggregate amount of these loans was UZS 90,113,915 thousand (2013: UZS 27,724,569 thousand) or 13% of the gross loan portfolio (2013: 5%).

9 Loans and Advance to Customers (Continued)

Loans to individuals comprise the following products:

In thousands of Uzbekistan Soums	2014 Amount	2014 %	2013 Amount	2013 %
Consumer loans	18,991,971	53	42,284,574	58
Mortgage loans	12,447,775	35	16,706,178	23
Educational loans	3,501,446	10	11,259,738	16
For the purchase of cattle	76,261	0	100,827	0
Other	633,613	2	2,273,174	3
Total loans and advances to customers before impairment provision	**35,651,066**	**100**	**72,624,491**	**100**

Information about collateral at 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	Loans to legal entities	Loans to individuals - entrepreneurs	Loans to individuals	Finance lease	Total
Unsecured loans	128,389,876	2,441,457	4,969,179	12,698,877	**148,499,389**
Loans collateralised by:					
- vehicles	150,358,758	15,921,204	7,474,225	16,193,000	**189,947,187**
- real estate	117,908,107	4,142,002	11,581,814	2,398,540	**136,030,463**
- insurance policy	85,871,228	5,688,117	1,291,093	232,331	**93,082,769**
- guarantees of third parties	58,819,618	19,671,612	7,748,761	2,221,223	**88,461,214**
- equipment	18,766,648	9,186	5,001	-	**18,780,835**
- trade receivables	14,708,620	-	-	-	**14,708,620**
- cash deposit	1,876,440	252,243	2,344,381	564,081	**5,037,145**
- inventory	1,212,051	385,086	177,258	-	**1,774,395**
- other	303,152	1,061,662	59,354	-	**1,424,168**
Collateralised loans	**449,824,622**	**47,131,112**	**30,681,887**	**21,609,175**	**549,246,796**
Total loans and advances to customers	**578,214,498**	**49,572,569**	**35,651,066**	**34,308,052**	**697,746,185**

9 Loans and Advance to Customers (Continued)

Information about collateral at 31 December 2013 is as follows:

In thousands of Uzbekistan Soums	**2013**
Unsecured loans	20,391,222
Loans collateralised by:	
- vehicles	224,318,308
- insurance policy	132,074,726
- real estate	107,305,362
- guarantees of third parties	80,051,107
- cash deposit	8,274,900
- equipment	4,775,063
- inventory	613,719
- other	1,788,977
Collateralised loans	**559,202,162**
Total loans and advances to customers	**579,593,384**

Guarantees of third parties were not included in computation of discounted cash flows in calculation of provision for impairment of loans and advances to customers.

Information by credit quality of loans outstanding at 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	**Loans to legal entities**	**Loans to individuals - entrepreneurs**	**Loans to individuals**	**Finance lease**	**Total**
Not past due	386,932,354	43,526,631	20,224,822	16,057,824	**466,741,631**
Overdue:					
- less than 30 days overdue	48,834,081	1,759,747	4,147,187	1,405,361	**56,146,376**
- 31 to 60 days overdue	36,108,821	1,477,686	3,248,900	4,603,791	**45,439,198**
- 61 to 90 days overdue	25,908,447	851,783	1,803,193	1,858,581	**30,422,004**
- 91 to 180 days overdue	25,708,699	919,581	2,625,865	3,393,024	**32,647,169**
- over 180 days overdue	54,722,096	1,037,141	3,601,099	6,989,471	**66,349,807**
Total overdue	**191,282,144**	**6,045,938**	**15,426,244**	**18,250,228**	**231,004,554**
Less impairment provisions	-	-	-	-	**-**
Total loans and advances to customers	**578,214,498**	**49,572,569**	**35,651,066**	**34,308,052**	**697,746,185**

9 Loans and Advance to Customers (Continued)

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

In thousands of Uzbekistan Soums	Loans to legal entities	Loans to individuals	Finance lease	Total
Not past due	417,070,908	71,525,753	47,242,178	**535,838,839**
Overdue:				
- less than 30 days overdue	5,077,097	753,087	464,263	**6,294,447**
- 31 to 60 days overdue	9,783,916	233,253	440,080	**10,457,249**
- 61 to 90 days overdue	3,982,642	108,150	-	**4,090,792**
- 91 to 180 days overdue	3,309,166	4,248	-	**3,313,414**
- over 180 days overdue	19,598,643	-	-	**19,598,643**
Total overdue	**41,751,464**	**1,098,738**	**904,343**	**43,754,545**
Less impairment provisions	(4,276,552)	(114,585)	(560,133)	**(4,951,270)**
Total loans and advances to customers	**454,545,820**	**72,509,906**	**47,586,388**	**574,642,114**

The primary factors that the Group considers whether a loan is impaired is 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.

Refer to Note 29 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 26, Information on related party balances is disclosed in Note 31.

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

In thousands of Uzbekistan Soums	Due within 1 year	Due between 1 and 5 years	Over 5 years	Total
Finance lease receivable at 31 December 2014	**20,318,814**	**20,970,242**	**170,157**	**41,459,213**
Unearned finance income	(3,677,425)	(3,455,867)	(17,869)	(7,151,161)
Impairment provision	-	-	-	-
Present value of lease receivable at 31 December 2014	**16,641,389**	**17,514,375**	**152,288**	**34,308,052**
Finance lease receivable at 31 December 2013	**15,848,896**	**38,730,281**	**4,077,910**	**58,657,087**
Unearned finance income	(2,839,910)	(6,939,949)	(730,707)	(10,510,566)
Impairment provision	(151,346)	(369,846)	(38,941)	(560,133)
Present value of lease receivable at 31 December 2013	**12,857,640**	**31,420,486**	**3,308,262**	**47,586,388**

.

10 Premises and Equipment

In thousands of Uzbekistan Soums	**Buildings and Premises**	**Office and computer equipment**	**Construction in progress**	**Total premises and equipment**	**Intangible Assets**	**Total**
Cost at 31 December 2012	18,079,459	30,136,189	3,481,284	51,696,932	988,826	52,685,758
Accumulated depreciation/amortisation	(6,350,213)	(13,759,808)	-	(20,110,021)	(779,282)	(20,889,303)
Carrying amount at 31 December 2012	**11,729,246**	**16,376,381**	**3,481,284**	**31,586,911**	**209,544**	**31,796,455**
Additions	2,576,070	6,341,352	1,393,243	10,310,665	15,026	10,325,691
Net transfers	4,102,388	(25,390)	(4,105,200)	(28,202)	28,202	-
Disposals	(134,137)	(1,190,629)	-	(1,324,766)	(902)	(1,325,668)
Depreciation/amortisation charge	(953,811)	(4,467,034)	-	(5,420,845)	(96,321)	(5,517,166)
Carrying amount at 31 December 2013	**17,319,756**	**17,034,680**	**769,327**	**35,123,763**	**155,549**	**35,279,312**
Cost at 31 December 2013	24,576,314	34,542,730	769,327	59,888,371	1,020,086	60,908,457
Accumulated depreciation/amortisation	(7,256,558)	(17,508,050)	-	(24,764,608)	(864,537)	(25,629,145)
Carrying amount at 31 December 2013	**17,319,756**	**17,034,680**	**769,327**	**35,123,763**	**155,549**	**35,279,312**
Additions	2,306,210	5,770,985	2,939,163	11,016,358	5,530	11,021,888
Net transfers	1,505,523	(38,089)	(1,518,367)	(50,933)	50,933	-
Disposals	(6,765)	(441,824)	(5,295)	(453,884)	-	(453,884)
Depreciation/amortisation charge	(1,178,137)	(5,360,448)	-	(6,538,585)	(100,105)	(6,638,690)
Carrying amount at 31 December 2014	**19,946,587**	**16,965,304**	**2,184,828**	**39,096,719**	**111,907**	**39,208,626**
Cost at 31 December 2014	28,381,281	38,831,296	2,184,828	69,397,405	1,070,461	70,467,866
Accumulated depreciation/amortisation	(8,434,694)	(21,865,992)	-	(30,300,686)	(958,554)	(31,259,240)
Carrying amount at 31 December 2014	**19,946,587**	**16,965,304**	**2,184,828**	**39,096,719**	**111,907**	**39,208,626**

In 2014, the Group made significant capital expenditure renovating its head office and branch buildings. The majority of the Group's construction in progress at 31 December 2014 represents this expenditure.

11 Other Assets

In thousands of Uzbekistan Soums	2014	2013 (restated)
Other financial assets		
Commission receivable from customers	4,273,912	4,530,722
Fines and penalties receivable	500,936	197,122
Receivable from money transfer organizations	257,457	386,508
Receivable from Khorezm region administration	253,779	253,779
Other receivable	18,083	284,222
Total other financial assets	**5,304,167**	**5,652,353**
Other non-financial assets		
Prepaid expenses and advances	2,849,131	1,136,430
Repossessed collateral	1,826,459	1,667,934
Inventory	1,888,699	1,085,113
Prepayments to suppliers for lease equipment	823,353	1,240,121
Receivable from employees	373,269	426,460
Prepayment for taxes other than income tax	205,225	457
Real estate held for mortgage loans	72,371	198,762
Other	334,150	509,210
Less impairment provision	(201,127)	(172,075)
Total other non-financial assets	**8,171,530**	**6,092,412**
Total other assets	**13,475,697**	**11,744,765**

Receivable from Khorezm region administration comprise receivable for residential property constructed in accordance with Decision of Cabinet of the Ministers dated 12 April 2012.

Repossessed collateral represents real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of assets in the foreseeable future. Assets do not meet the definition of non-current assets held for sale, and are classified as inventories in accordance with IAS 2 “Inventories”. They were initially recognised at fair value when acquired.

Prepayments to suppliers for the lease equipment mostly comprise prepayments for agricultural equipment to be further leased to farmers under finance lease agreements.

Movements in the provision for impairment of other assets during 2014 and 2013 are as follows:

In thousands of Uzbekistan Soums	Other receivable
Provision for impairment at 1 January 2013	**172,075**
Provision for impairment at 31 December 2013	**172,075**
Provision for impairment during the year	29,052
Provision for impairment at 31 December 2014	**201,127**

11 Other assets (Continued)

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

In thousands of Uzbekistan Soums	**Commission receivable from customers**	**Fines and penalties receivable**	**Receivable from money transfer organizations**	**Other**	**Total**
- Collected or settled after the end of reporting period	3,881,151	-	257,457	18,083	**4,156,691**
Past due but not impaired					
- less than 30 days overdue	-	500,936	-	-	**500,936**
- over 180 days overdue	392,761	-	-	253,779	**646,540**
Total other non-financial assets	**4,273,912**	**500,936**	**257,457**	**271,862**	**5,304,167**

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

In thousands of Uzbekistan Soums	**Commission receivable from customers**	**Fines and penalties receivable**	**Receivable from money transfer organizations**	**Other**	**Total**
- Collected or settled after the end of reporting period	4,530,722	-	386,508	284,222	**5,201,452**
Past due but not impaired					
- less than 30 days overdue	-	197,122	-	-	**197,122**
- over 180 days overdue	-	-	-	253,779	**253,779**
Total other non-financial assets	**4,530,722**	**197,122**	**386,508**	**538,001**	**5,652,353**

Refer to Note 29 for the disclosure of the fair value of each class of other financial assets. Interest rate analysis of other financial assets is disclosed in Note 26.

12 Due to Other Banks

In thousands of Uzbekistan Soums	**2014**	**2013**
Short term placements of other domestic banks	105,542,459	124,520,000
Long term placements of other domestic banks	17,170,000	2,170,000
Corporate bonds issued	4,724,658	2,316,350
Total due to other banks	**127,437,117**	**129,006,350**

Refer to Note 29 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 26. Information on related party balances is disclosed in Note 31.

13 Customer Accounts

In thousands of Uzbekistan Soums	2014	2013 (restated)
State and public organisations		
- Current/settlement accounts	18,374,857	18,999,272
- Term deposits	83,259,483	31,245,125
Other legal entities		
- Current/settlement accounts	70,329,130	63,720,812
- Term deposits	55,552,530	28,735,821
Individuals		
- Current/demand accounts	83,803,002	74,364,019
- Term deposits	58,325,051	29,258,322
Total customer accounts	**369,644,053**	**246,323,371**

At 31 December 2014, the Group had 11 customers (2013: 5 customers) with balances above UZS 2,000,000 thousand. The aggregate balance of these customers was UZS 118,939,540 thousand (2013: UZS 33,504,853 thousand) or 32% (2013: 14%) of total customer accounts.

Refer to Note 29 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 26. Information on related party balances is disclosed in Note 31.

14 Other Borrowed Funds

In thousands of Uzbekistan Soums	Currency	Maturity	Nominal interest rate, %	2014	2013 (restated)
Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting grain	UZS	1-Oct-15	1%	55,229,838	56,128,929
Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting cotton	UZS	1-Mar-15	1%	38,279,861	38,303,421
Islamic Corporation for the Development of the Private Sector	USD	10-Oct-18	Variable	20,437,039	1,465,762
International Development Association through the Ministry of Finance of the Republic of Uzbekistan	UZS	25-Sep-29	CBU rate less 3%	12,237,579	12,538,973
Ministry of Finance of the Republic of Uzbekistan	UZS	21-Nov-17	2%	3,009,867	4,000,036
International Fund of Agricultural Development through Ministry of Finance of the Republic of Uzbekistan	UZS	27-Jun-34	4.5%	1,143,331	-
United Nations Development Programme	USD	30-Jun-12	0%	539,935	490,855
Ministry of Agriculture of the Republic of Uzbekistan	UZS	Unlimited	0%	576,781	781,887
Fund for development of reclaiming fertile land under Ministry of Finance of the Republic of Uzbekistan	UZS	5-Sep-17	3%	99,759	-
State Property Committee	UZS	Unlimited	0%	-	189,266
Total other borrowed funds				**131,553,990**	**113,899,129**

14 Other Borrowed Funds (Continued)

At 31 December 2014 and 2013 the borrowings from other financial institutions consist of:

Borrowings from Agricultural Fund under Ministry of Finance

Borrowings from the Ministry of Finance of the Republic of Uzbekistan include UZS 93,509,699 thousand (2013: UZS 94,432,350 thousand) issued to the Bank through the Agricultural Fund at an interest rate of 1% per annum. These funds are then advanced by the Bank to private farmers to finance their cotton and grain related crop expenditures at an interest rate of 3% per annum.

Islamic Corporation for the Development of Private Sector

Islamic Corporation for the Development of Private Sector (the "ICD") extended financing to the Bank in the total amount of USD 10,000,000 at an interest rate of 5 years USD Swap Rate plus 800 basis points per annum with a floor of 8.5% and a ceiling of 12% per annum in accordance with the Line of Financing Agreements dated 10 October 2013. Funding is provided to finance investment projects of small businesses and private enterprises of Uzbekistan.

International Development Association (The World Bank Group)

The Bank signed Subsidiary Loan Agreement with the Republic of Uzbekistan, represented by the Ministry of Finance, and Rural Restructuring Agency dated 25 September 2009 (Amendments towards agreement dated 31 December 2010 and 29 June 2012) to on-lend UZS 12,526,275 thousand. Funding is provided to finance investment projects and working capital of enterprises engaged in agribusiness in rural areas. The annual interest rate is CBU refinancing rate less 3%. Repayment of principal and interest is based on semi-annual payments. The loan is provided for 20 years, including grace period of 5 years. Repayment of the loan is guaranteed by the Ministry of Finance on behalf of the Republic of Uzbekistan.

Borrowings from Ministry of Finance

Ministry of Finance extended financing to the Bank in the total amount of UZS 10,000,000 thousand at interest rate of 2% per annum in accordance with borrowing agreement dated 21 November 2007. The loan is provided for 10 years, repayment of principal and interest is based on semi-annual payments. Funding is provided to finance investment projects of small business entities.

International Fund for Agricultural Development

The Bank signed Subsidiary Loan Agreement with the Republic of Uzbekistan, represented by the Ministry of Finance, and Rural Restructuring Agency dated 27 June 2014 to on-lend USD 2,000,000 and equivalent of USD 4,000,000 million in UZS. Funding is provided to finance investment projects and working capital of enterprises engaged in agribusiness in rural areas. The annual interest rate for USD denominated part of the loan is 2.5% and for UZS denominated part is 4.5%. Repayment of principal and interest is based on semi-annual payments. The loan is provided for 20 years, including grace period of 5 years.

Refer to Note 29 for the disclosure of the fair value of each class of other borrowed funds. Interest rate analysis of other borrowed funds is disclosed in Note 26. Information on related party balances is disclosed in Note 31.

15 Insurance Liabilities

In thousands of Uzbekistan Soums	**2014**	**2013 (restated)**
Reported but not settled claims reserve	2,218,000	2,758,545
Unearned insurance premium reserve	3,629,713	1,367,815
Incurred but not reported claims reserve	1,084,504	444,440
Payable to reinsurers and agents	114	373,494
Total insurance liabilities	**6,932,331**	**4,944,294**

16 Other Liabilities

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013 (restated)
Other financial liabilities		
Accounts payable for inventories and services	2,468,559	2,626,694
Dividends payable	138,239	167,013
Total other financial liabilities	**2,606,798**	**2,793,707**
Other non-financial liabilities		
Taxes other than income tax payable	1,572,708	984,969
Settlements with employees	232,823	288,359
Other	69,186	203,915
Total other non-financial liabilities	**1,874,717**	**1,477,243**
Total other liabilities	**4,481,515**	**4,270,950**

Refer to Note 29 for the disclosure of the fair value of each class of other financial liabilities. Interest rate analysis of other financial liabilities is disclosed in Note 26. Information on related party balances is disclosed in Note 31.

17 Share Capital

In thousands of Uzbekistan Soums	Number of outstanding shares	Ordinary shares	Preference shares	Total
At 31 December 2012	**150,000**	**160,055,820**	**144,180**	**160,200,000**
Issue of new shares	37,421	39,965,965	-	39,965,965
At 31 December 2013	**187,421**	**200,021,785**	**144,180**	**200,165,965**
At 31 December 2014	**187,421**	**200,021,785**	**144,180**	**200,165,965**

The total authorised share capital at 31 December 2014 was UZS 200,200,000 thousand at nominal amount (31 December 2013: UZS 200,200,000 thousand at nominal amount).

The nominal registered amount of the Bank’s issued share capital corresponds to the amount reported in these consolidated financial statements as at 31 December 2014, as follows:

In thousands of Uzbekistan Soums	Nominal registered amount	Effect of hyperinflation	Inflated amount
Total share capital, including share premium	200,165,965	280,545	200,446,510

As at 31 December 2014 the total authorised number of ordinary and preference shares is 187,318 thousand and 135 thousand respectively (31 December 2013: 187,318 thousand shares and 135 thousand) with a par value of UZS 1,068 per share (31 December 2013: UZS 1,068 per share), including 187,286 thousand ordinary shares and 135 thousand preference shares issued and fully paid in UZS (31 December 2013: 187,286 and 135 thousand respectively). Each share carries one vote. Dividends on preference shares should not be less than dividends on ordinary shares. Preference shares do not carry any other minimum dividend entitlements.

18 Interest Income and Expense

In thousands of Uzbekistan Soums	**2014**	**2013 (restated)**
Interest income		
Loans and advances to customers	86,973,472	67,205,394
Due from other banks	447,518	575,559
Other	33,133	-
Total interest income	**87,454,123**	**67,780,953**
Interest expense		
Customer accounts	19,141,231	13,463,266
Due to other banks	12,116,699	12,596,992
Other borrowed funds	3,990,878	4,764,307
Total interest expense	**35,248,808**	**30,824,565**
Net interest income	**52,205,315**	**36,956,388**

19 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	**2014**	**2013 (restated)**
Fee and commission income		
Settlement transactions	44,975,991	42,055,444
International money transfers	2,252,794	786,507
Guarantees and letters of credit	522,243	390,553
Other	3,227,914	2,231,244
Total fee and commission income	**50,978,942**	**45,463,748**
Fee and commission expense		
Cash Transactions	9,941,796	8,327,474
Settlement transactions	2,069,906	1,170,022
Plastic card operations	713,937	750,710
Other	779,964	231,291
Total fee and commission expense	**13,505,603**	**10,479,497**
Net fee and commission income	**37,473,339**	**34,984,251**

20 Other Operating Income

In thousands of Uzbekistan Soums	2014	2013 (restated)
Insurance revenue	11,360,860	4,047,532
Insurance expenses	(7,806,769)	(2,673,212)
Income from rent of property	2,522,868	1,942,572
Fines and penalties	1,849,558	176,658
Recovery of agency fees	452,338	-
Gain from sale or disposal of property, equipment and intangible assets	134,215	86,795
Other non-interest income	787,141	904,378
Total other operating income	**9,300,211**	**4,484,723**

Rent income from renting equipment of the Group primarily includes income from rent of payment terminals.

Insurance revenue comprises:

Insurance income

In thousands of Uzbekistan Soums	2014	2013
Premium on insurance of:		
Agriculture harvest	8,620,456	2,179,269
Loans	1,095,274	760,721
Vehicles	625,256	659,365
Property from damage and natural disaster	214,495	199,239
Other	805,379	248,938
Total insurance revenue	**11,360,860**	**4,047,532**

Insurance expenses comprises:

In thousands of Uzbekistan Soums	2014	2013
Insurance claims paid for:		
- Loans	3,387,140	290,554
- Agriculture harvest	1,986,017	845,635
- Property from damage and natural disaster	17,136	428
- Vehicles	7,438	38,114
- Other	1,200	-
Agents' fee	46,421	1,166,579
Net change in insurance liability	2,361,417	331,902
Total insurance expenses	**7,806,769**	**2,673,212**

21 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	Note	2014	2013 (restated)
Staff costs		60,407,829	41,714,475
Security service costs		11,472,029	9,906,943
Taxes other than income tax		7,769,753	7,150,249
Depreciation and amortisation	10	6,638,690	5,517,166
Membership fees		2,508,419	1,649,972
Office supplies		2,179,239	2,065,221
Charity		1,563,598	1,456,165
Repairs and maintenance, water and electricity		1,289,029	967,712
Business trips		1,280,073	958,670
Insurance		1,146,918	630,743
Rent expenses		964,384	612,553
Telecommunication expenses		870,671	745,979
Professional services		345,354	242,698
Advertising expenses		250,226	346,894
Court expenses		231,822	250,400
Fuel		167,604	182,438
Allowance for impairment losses of other assets	11	29,052	-
Other		1,654,630	4,029,816
Total administrative and other operating expenses		**100,769,320**	**78,428,094**

22 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Uzbekistan Soums	2014	2013
Current tax charge	1,095,463	537,666
Deferred tax charge/(credit)	310,093	(2,337,824)
Total income tax expense for the year	**1,405,556**	**(1,800,158)**

(b) Reconciliation between 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 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.

21 Income Taxes (Continued)

In thousands of Uzbekistan Soums	2014	2013
Profit before tax	**1,913,724**	**(1,408,542)**
Theoretical tax charge at the applicable statutory rate - 21.8% (2013: 21.8%)	417,192	(307,062)
- Tax effect on income taxed at different rates (7.16% - 7.04%)	(287,059)	(2,062,581)
- Tax effect of permanent differences	-	(69,641)
- Change in deferred tax assets not recognized	-	639,126
- Unrecognized tax loss carryforward	1,204,005	-
- Derecognition of previously recognized deferred tax assets	(86,178)	-
- Under provision of current tax in prior years	157,596	-
Income tax expense/(credit) for the year	**1,405,556**	**(1,800,158)**

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements on these temporary differences is detailed below, and is recorded at the rate of 21.8% (2013: 21.8%).

In accordance with President's Decree #UP-3750 "On creation of Joint-Stock Commercial Bank Microcreditbank" dated 5 May 2006, the Bank has an exemption from payment of corporate income tax, property tax, VAT from sale of repossessed assets and customs duties available during period until 1 January 2018. According to the decree all funds from tax savings are to be used for further development of the material and technical facilities of the Bank.

The total amount of corporate income tax for the year ended 31 December 2014 is UZS 1,248,984 thousand (2013: UZS 2,062,581 thousand). This amount was included in retained earnings as part of equity in these consolidated financial statements.

Current income tax expense disclosed in the consolidated statement of profit or loss and other comprehensive income relates to infrastructure development tax of the Group, as well as corporate income tax of the subsidiary "Agro Invest Sug'urta".

21 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

In thousands of Uzbekistan Soums	2014	(Charged)/ credited to profit or loss	2013	(Charged)/ credited to profit or loss	2012
Tax effect of deductible/(taxable) temporary differences					
Due from other banks	48,245	48,245	-	-	-
Loans and advances to customers	1,663,739	684,546	979,193	979,193	-
Other assets	404,909	404,909	-	-	-
Premises, equipment and intangible assets	(177,327)	(1,535,958)	1,358,631	1,358,631	-
Other liabilities	171,809	171,809	-	-	-
Investments in available for sale	(63,445)	(63,445)	-	-	-
Due to other banks	(20,199)	(20,199)	-	-	-
Other borrowed funds	-	-	-	-	-
Net deferred tax asset	**2,027,731**	**(310,093)**	**2,337,824**	**2,337,824**	**-**
Recognised deferred tax asset	2,288,702	1,309,509	2,337,824	2,337,824	-
Recognised deferred tax liability	(260,971)	(1,619,602)	-	-	-
Net deferred tax asset	**2,027,731**	**(310,093)**	**2,337,824**	**2,337,824**	**-**

23 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary and preference shareholders by the weighted average number of ordinary and, respectively preference shares outstanding during the year.

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

In thousands of Uzbekistan Soums	2014	2013
Profit for the year attributable to preference shareholders	29,173	29,062
Profit for the year attributable to ordinary shareholders	467,761	313,465
Profit for the year attributable to the owners	**496,934**	**342,527**
Weighted average number of preference shares in issue	135	135
Weighted average number of ordinary shares in issue	187,286	169,308
Basic and diluted earnings per preference share (expressed in UZS per share)	**216**	**215**
Basic and diluted earnings per ordinary share (expressed in UZS per share)	**2**	**2**

22 Earnings per Share (Continued)

Profit for the year attributable to ordinary and preference shareholders is calculated as follows:

In thousands of Uzbekistan Soums	2014	2013
Profit for the year attributable to the owners of the Bank	496,934	342,527
Less:		
Dividends on preference shares	(28,836)	(28,836)
Undistributed profit for the year	468,098	313,691
Undistributed profit for the year attributable to preference shareholders based on terms of the shares	337	226
Undistributed profit or loss for the year attributable to ordinary shareholders based on terms of the shares	467,761	313,465
Profit for the year allocated to shareholders	**468,098**	**313,691**

24 Dividends

In thousands of Uzbekistan Soums	2014 Ordinary shares	2014 Preference shares	2013 Ordinary shares	2013 Preference shares
Dividends payable at 1 January	100,444	66,569	39,856	47,564
Dividends declared during the year	-	28,836	107,310	28,836
Dividends paid during the year	(31,001)	(26,609)	(46,722)	(9,831)
Dividends payable at 31 December	**69,443**	**68,796**	**100,444**	**66,569**
Dividends per share declared during the year in UZS per share	**-**	**214**	**0.57**	**214**

All dividends are declared and paid in UZS.

25 Segment Analysis

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

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

The Group is organised on the basis of branch segments, which effectively represents geographical segments:

- Head office – carries out the same operations as other branches below, and in addition money market operations. It is located in Tashkent.
- Branches – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages. They are located in other regions of Uzbekistan.

Out of the above branch segments only Head office, meets the criteria of 10% as described in IFRS 8.

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

The CODM reviews financial information prepared in accordance with CBU instructions adjusted to meet the requirements of internal reporting. This financial information differs in certain aspects from International Financial Reporting Standards:

(i) Non-monetary assets, non-monetary liabilities and equity items arising from transactions prior to 1 January 2006 were not restated in accordance with IAS 29 for the changes in the general purchasing power of the Uzbekistan Soum from the dates of the transactions until 31 December 2005;
(ii) Deferred taxes are not calculated and accounted;
(iii) Assets and liabilities are carried at amortised cost and not fair valued at initial recognition;
(iv) Restatement of non-monetary assets, liabilities and equity formed prior to 1 January 2006.

30 Segment Analysis (Continued)

The CODM evaluates performance of each segment based on net profit.

(c) 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	Head office	Branches	Eliminations	Total
Cash and cash equivalents	13,267,408	28,256,889	-	41,524,297
Due from other banks	50,733,674	197,011	(197,011)	50,733,674
Loans and advances to customers	32,241,110	636,538,367	-	668,779,477
Investment securities available for sale	8,129,189	171,819	-	8,301,008
Premises, equipment and intangible assets	4,230,894	41,238,219	-	45,469,113
Other assets	3,796,658	13,266,278	-	17,062,936
Interbranch receivable	454,780,630	66,108,072	(520,888,702)	-
Total reportable segment assets	**567,179,563**	**785,776,655**	**(521,085,713)**	**831,870,505**
Due to other banks	111,470,439	363,000	-	111,833,439
Customer accounts	154,291,608	229,267,169	-	383,558,777
Other borrowed funds	5,065,025	105,511,989	-	110,577,014
Other liabilities	2,129,864	6,336,475	-	8,466,339
Interbranch payable	94,554,931	421,958,849	(516,513,780)	-
Total reportable segment liability	**367,511,867**	**763,437,482**	**(516,513,780)**	**614,435,569**
Capital expenditure	**1,025,585**	**9,996,303**	**-**	**11,021,888**

In thousands of Uzbekistan Soums	Head office	Branches	Eliminations	Total
Interest income	30,224,145	87,073,663	(29,806,911)	87,490,897
Fee and commission income	1,654,932	50,904,337	-	52,559,269
Net foreign exchange gain	1,023,138	16,829	(118,328)	921,639
Other operating income	403,089	5,185,950	(211,187)	5,377,852
Total revenues	**33,305,304**	**143,180,779**	**(30,136,426)**	**146,349,657**
Interest expense	(19,926,822)	(41,135,313)	25,564,493	(35,497,642)
(Provision) / Release of impairment of loans to customers and finance lease receivables	48,619	(1,139,140)	-	(1,090,521)
Fee and commission expense	(1,005,923)	(12,368,480)	-	(13,374,403)
General, administrative and other operating expenses	(12,433,301)	(83,745,243)	-	(96,178,544)
Income tax expense	(662,296)	(3,610,016)	-	(4,272,312)
Segment result	**(674,419)**	**1,182,587**	**(4,571,933)**	**(4,063,765)**

30 Segment Analysis (Continued)

(d) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reconciliation of revenues and profit or loss for the year ended 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	Total amount for reportable segment	Adjust-ment 1	Adjust-ment 2	Adjust-ment 3	Adjust-ment 4	Adjust-ment 5	Reclassifi-cations	As reported under IFRS
Interest income	87,490,897	-	38,587	-	-	(1,655,688)	1,580,327	87,454,123
Fee and commission income	52,559,269	-	-	-	-	-	(1,580,327)	50,978,942
Net gain on foreign exchange translation	921,639	-	-	-	-	-	108,833	1,030,472
Net gain from trading in foreign currencies	-						(108,833)	(108,833)
Other operating income	5,377,852	109,962	3,766,532	-	45,865	-	-	9,300,211
Total revenues	**146,349,657**	**109,962**	**3,805,119**	**-**	**45,865**	**(1,655,688)**	**-**	**148,654,915**
Interest expense	(35,497,642)	-	-	-	-	591,671	(342,837)	(35,248,808)
(Provision) / release of impairment of loans to customers and finance lease receivables	(1,090,521)	3,873,061	-	-	-	-	-	2,782,540
Fee and commission expense	(13,374,403)	-	(131,548)	-	-	(342,489)	342,837	(13,505,603)
General, administrative and other operating expenses	(96,178,544)	51,561	(2,676,085)	-	713,401	(332,941)	(2,346,712)	(100,769,320)
Income tax expense	(4,272,312)	-	830,137	(310,093)	-	-	2,346,712	(1,405,556)
Segment result	**(4,063,765)**	**4,034,584**	**1,827,623**	**(310,093)**	**759,266**	**(1,739,447)**	**-**	**508,168**

30 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2014 and capital expenditure is as follows:

In thousands of Uzbekistan Soums	Total amount for reportable segment	Adjust-ment 1	Adjust-ment 2	Adjust-ment 3	Adjust-ment 4	Adjust-ment 5	Reclassifi-cations	As reported under IFRS
ASSETS								
Cash and cash equivalents	41,524,297	-	1,595	-	-	-	3,581,327	45,107,219
Due from other banks	50,733,674	(809,205)	200,000	-	-	99,725	(2,220,741)	48,003,453
Loans and advances to customers	668,779,477	170,144	14,436,927	-	-	(2,311,172)	16,670,809	697,746,185
Investment securities available for sale	8,301,008	-	(5,903,583)	-	291,034	-	-	2,688,459
Premises, equipment and intangible assets	45,469,113	-	211,351	-	(7,422,080)	-	950,242	39,208,626
Deferred income tax asset	-	-	-	2,027,731	-	-	-	2,027,731
Other assets	17,062,936	(195,177)	71,848	-	-	(1,382,615)	(2,081,295)	13,475,697
TOTAL ASSETS	**831,870,505**	**(834,238)**	**9,018,138**	**2,027,731**	**(7,131,046)**	**(3,594,062)**	**16,900,342**	**848,257,370**
LIABILITIES								
Due to other banks	111,833,439	-	-	-	-	(297,041)	15,900,719	127,437,117
Customer accounts	383,558,777	-	(1,613,877)	-	-	-	(12,300,847)	369,644,053
Other borrowed funds	110,577,014	-	-	-	-	-	20,976,976	131,553,990
Insurance liabilities	-	-	-	-	-	-	6,932,331	6,932,331
Other liabilities	8,466,339	-	8,097,417	-	-	2,526,596	(14,608,837)	4,481,515
TOTAL LIABILITIES	**614,435,569**	**-**	**6,483,540**	**-**	**-**	**2,229,555**	**16,900,342**	**640,049,006**
Capital expenditure	**11,021,888**							**11,021,888**

30 Segment Analysis (Continued)

The reconciling items are attributable to the following:

- Adjustment 1 "Impairment" – This adjustment represents release of impairment provision on loan to customers and write-off of financial assets.
- Adjustment 2 "Consolidation and writing off tax expenses" – This adjustment relates to consolidation of subsidiary "Agro Invest Sug'urta" and derecognition of property and income tax expenses from which the Bank is exempt based on President's decree of UZS 2,207,855 thousand.
- Adjustment 3 "Deferred tax" – This adjustment relates to recognition of deferred tax assets in accordance with IAS 12.
- Adjustment 4 "Restatement for hyperinflation and reversal of statutory revaluation of premises and equipment and investments available for sale"- This adjustment relates to restatement of premises and equipment and investments available for sale for hyperinflation prior to 1 January 2006 in accordance with IAS 29 and reversal of revaluation of fixed assets performed in accordance with statutory accounting requirements.
- Adjustment 5 "Cutoff of expenses and deferral of revenue" - This adjustment relates to recognition of cutoff of expenses and deferral of income based on useful life of financial assets.
- Reclassifications, expanding and netting – These adjustments relate to netting of assets and liabilities and income and expense that are allowable under IFRS, reclassification between groups under IFRS and recognition of assets and liabilities that are not allowable to be offset as per IFRS.

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 18 (interest income), Note 19 (fee and commission income) and in Note 20 (other operating income).

(f) Geographical information

Information on operations of the Group in Uzbekistan and with foreign counterparties is disclosed in Note 26.

26 Financial Risk Management

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

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

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

31 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 those loans, which are secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are present, which raise doubts on the ability of the borrower to repay the loan on time. "Good" loans with insufficient information in the credit file or missed information on collateral could be also classified as "standard" loans.
Substandard	3	"Substandard" loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "substandard" loans, the primary source of repayment is not sufficient and the 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 weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values highly questionable and improbable.
Loss	5	Loans classified as "loss" are considered to be 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 chance of recovery, but rather means that it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

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

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

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

31 Financial Risk Management (Continued)

Some other specific control and mitigation measures are outlined below.

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

- Bank Council reviews and approves credit limits exceeding 5% of Tier 1 Capital which as at 31 December 2014 was UZS 10,645,050 thousand;
- Management Board reviews and approves credit limits exceeding UZS 1,000,000 thousand;
- The Credit Committee of Head office reviews and approves loan limits from 3,000 of Minimum Monthly Wage (“MMW”) which as at 31 December 2014 was UZS 118,400;
- The credit committees of branches reviews and approves limits up to 3,000 of MMW.

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

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

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

The Bank is eligible to lend to customers via blank (unsecured) loans for the period not exceeding 1 year.

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

- Cash deposits;
- Vehicles;
- Inventory;
- Guarantees of third parties;
- Real estate;
- Equipment;
- Other assets.

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

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

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

31 Financial Risk Management (Continued)

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

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

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

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 Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 28.

The Bank's credit department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 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 Bank 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 interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. Overall Bank's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soums to the profit and loss of the Group.

The Bank measures its currency risk by:

- Net position on each currency should not exceed 10 percent of Bank's total equity;
- Total net position on all currencies should not exceed 20 percent of Bank's total equity.

31 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2014:

In thousands of Uzbekistan Soums	UZS	USD	EUR	Other Currencies	Total
Monetary financial assets					
Cash and cash equivalents	31,835,408	13,206,825	63,354	1,632	45,107,219
Due from other banks	17,446,886	24,581,087	5,975,480	-	48,003,453
Loans and advances to customers	681,448,674	16,297,511	-	-	697,746,185
Other financial assets	5,046,710	257,457	-	-	5,304,167
Total monetary financial assets	**735,777,678**	**54,342,880**	**6,038,834**	**1,632**	**796,161,024**
Monetary financial liabilities					
Due to other banks	104,093,029	17,368,608	5,975,480	-	127,437,117
Customer accounts	347,291,061	21,868,265	484,727	-	369,644,053
Other borrowed funds	110,577,015	20,976,975	-	-	131,553,990
Other financial liabilities	2,606,798	-	-	-	2,606,798
Total monetary financial liabilities	**564,567,903**	**60,213,848**	**6,460,207**	**-**	**631,241,958**
Net position	**171,209,775**	**(5,870,968)**	**(421,373)**	**1,632**	**164,919,066**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2013:

In thousands of Uzbekistan Soums	UZS	USD	EUR	Other Currencies	Total
Monetary financial assets					
Cash and cash equivalents	8,022,673	20,546,460	410,876	13,058	28,993,067
Due from other banks	50,425,927	94,303	-	165	50,520,395
Loans and advances to customers	574,642,114	-	-	-	574,642,114
Other financial assets	5,265,845	386,508	-	-	5,652,353
Total monetary financial assets	**638,356,559**	**21,027,271**	**410,876**	**13,223**	**659,807,929**
Monetary financial liabilities					
Due to other banks	129,006,350	-	-	-	129,006,350
Customer accounts	235,466,340	10,856,996	-	35	246,323,371
Other borrowed funds	111,942,512	1,956,617	-	-	113,899,129
Other liabilities	2,290,533	502,690	-	484	2,793,707
Total monetary financial liabilities	**478,705,735**	**13,316,303**	**-**	**519**	**492,022,557**
Net position	**159,650,824**	**7,710,968**	**410,876**	**12,704**	**167,785,372**

31 Financial Risk Management (Continued)

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

In thousands of Uzbekistan Soums	At 31 December 2014 Impact on profit or loss	At 31 December 2013 Impact on profit or loss
US Dollar strengthening by 10.3% (2013: 10%)	(616,967)	767,108
US Dollar weakening by 10.3% (2013: 10%)	616,967	(767,108)
Euro strengthening by 11.9% (2013: 10%)	(36,710)	1,761
Euro weakening by 11.9% (2013: 10%)	36,710	(1,761)

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 consolidated statement of profit or loss and other comprehensive income.

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

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

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2014						
Total financial assets	148,940,534	35,542,460	264,616,132	308,969,130	38,092,768	**796,161,024**
Total financial liabilities	(269,062,659)	(108,221,946)	(159,429,970)	(71,810,460)	(22,716,923)	**(631,241,958)**
Net interest sensitivity gap at 31 December 2014	**(120,122,125)**	**(72,679,486)**	**105,186,162**	**237,158,670**	**15,375,845**	**164,919,066**
31 December 2013						
Total financial assets	134,979,817	21,959,653	218,329,385	260,969,217	23,569,857	**659,807,929**
Total financial liabilities	(245,002,028)	(35,412,404)	(139,077,550)	(72,530,575)	-	**(492,022,557)**
Net interest sensitivity gap at 31 December 2013	**(110,022,211)**	**(13,452,751)**	**79,251,835**	**188,438,642**	**23,569,857**	**167,785,372**

The Group is not exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows as the interest rate on the Group's only financial liability with floating interest rate is represented by the long-term borrowing from Islamic Corporation for Private Sector Development and International Development Association (The World Bank Group). Refer to Note 14 for details of long-term borrowings.

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 1,044,106 thousand (2013: UZS 739,128 thousand) lower, mainly as a result of lower interest expense on variable interest liabilities.

31 Financial Risk Management (Continued)

If interest rates at that date had been 200 basis points higher (2013: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 1,044,106 thousand (2013: UZS 739,128 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities.

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

	2014		2013	
In % p.a.	UZS	USD	UZS	USD
Assets				
Cash and cash equivalents	0%-0.02%	0%	0%-0.02%	0%
Due from other banks	0%-10%	0%-0.2%	0%-12%	0%
Loans and advances to customers	0%-28%	10%-12%	0%-36%	12%
Liabilities				
Due to other banks	0%-12%	0%-4%	0%-13%	0%
Customer accounts	0%-28%	0%-5%	0%-28%	0%
Other borrowed funds	0% - 6%	Variable	0%-7%	Variable

Other price risk. The Group is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2013: no material impact). The Group has no significant exposure to equity price risk.

Geographical risk concentration. 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	45,038,529	3,733	64,957	45,107,219
Due from other banks	48,003,453	-	-	48,003,453
Loans and advances to customers	697,746,185	-	-	697,746,185
Investment securities available for sale	2,688,459	-	-	2,688,459
Other financial assets	5,046,710	219,381	38,076	5,304,167
Total financial assets	**798,523,336**	**223,114**	**103,033**	**798,849,483**
Liabilities				
Due to other banks	126,540,829	-	896,288	127,437,117
Customer accounts	369,159,573	484,480	-	369,644,053
Other borrowed funds	110,577,016	539,935	20,437,039	131,553,990
Other financial liabilities	2,606,798	-	-	2,606,798
Total financial liabilities	**608,884,216**	**1,024,415**	**21,333,327**	**631,241,958**
Net balance sheet position as 31 December 2013	**189,639,120**	**(801,301)**	**(21,230,294)**	**167,607,525**
Credit related commitments	**167,948,013**	**-**	**-**	**167,948,013**

31 Financial Risk Management (Continued)

Cash and cash equivalents, due from other banks and due to other banks in OECD countries include accounts in banks of Germany and Japan.

Due from other banks and due to other banks in Non-OECD countries include accounts in Russian banks.

Borrowing from other financial institutions in Non-OECD countries includes borrowings from Islamic Corporation for the Development of the Private Sector.

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	24,840,020	3,395,041	758,006	28,993,067
Due from other banks	50,509,384	-	11,011	50,520,395
Loans and advances to customers	574,642,114	-	-	574,642,114
Investment securities available for sale	2,686,650	-	-	2,686,650
Other financial assets	5,652,353	-	-	5,652,353
Total financial assets	**658,330,521**	**3,395,041**	**769,017**	**662,494,579**
Liabilities				
Due to other banks	129,006,350	-	-	129,006,350
Customer accounts	246,323,371	-	-	246,323,371
Other borrowed funds	111,942,512	490,855	1,465,762	113,899,129
Other financial liabilities	2,793,707	-	-	2,793,707
Total financial liabilities	**490,065,940**	**490,855**	**1,465,762**	**492,022,557**
Net balance sheet position as 31 December 2013	**168,264,581**	**2,904,186**	**(696,745)**	**170,472,022**
Credit related commitments	**1,467,987**	**-**	**-**	**1,467,987**

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

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

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

31 Financial Risk Management (Continued)

- Current ratio (not to be less than 0.30), which is calculated as the ratio of liquid assets to liabilities payable on demand; the ratio was 0.49 at 31 December 2014 (31 December 2013: 0.55).

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 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position 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 consolidated statement of financial position date.

The undiscounted maturity analysis of financial liabilities 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 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Total**
Liabilities						
Due to other banks	57,840,528	43,057,775	26,613,340	2,185,566	-	**129,697,209**
Customer accounts	189,707,681	-	30,511,837	81,562,619	68,549,544	**370,331,681**
Other borrowed funds	25,162,882	39,083,283	57,433,940	9,418,865	10,314,535	**141,413,505**
Other financial liabilities	2,606,798	-	-	-	-	**2,606,798**
Guarantees issued	9,025,561	280,200	-	-	-	**9,305,761**
Import letter of credit	-	-	778,308	-	-	**778,308**
Undrawn credit lines	157,863,944	-	-	-	-	**157,863,944**
Total potential future payments for financial obligations	**442,207,394**	**82,421,258**	**115,337,425**	**93,167,050**	**78,864,079**	**811,997,206**

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.

31 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial liabilities 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 months to 1 year	From 1 year to 5 years	Total
Liabilities					
Due to other banks	83,517,107	22,600,947	18,868,041	8,859,052	**133,845,147**
Customer accounts	159,174,026	13,639,754	70,789,003	9,730,553	**253,333,336**
Other borrowed funds	189,267	-	57,037,251	58,555,105	**115,781,623**
Other financial liabilities	2,793,707	-	-	-	**2,793,707**
Guarantees issued	1,467,987	-	-	-	**1,467,987**
Total potential future payments for financial obligations	**247,142,094**	**36,240,701**	**146,694,295**	**77,144,710**	**507,221,800**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap.

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2014:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets						
Cash and cash	44,380,499	726,720	-	-	-	45,107,219
Due from other banks	43,212,082	-	3,791,371	1,000,000	-	48,003,453
Loans and advances to customers	56,043,786	34,815,740	260,824,761	307,969,130	38,092,768	697,746,185
Investment securities available for sale	2,688,459	-	-	-	-	2,688,459
Other financial assets	5,304,167	-	-	-	-	5,304,167
Total financial assets	**151,628,993**	**35,542,460**	**264,616,132**	**308,969,130**	**38,092,768**	**798,849,483**
Liabilities						
Due to other Banks	57,212,740	42,499,720	25,837,786	1,886,871	-	127,437,117
Customer accounts	187,689,364	26,895,976	76,934,939	63,340,158	14,783,616	369,644,053
Other borrowed funds	21,553,757	38,826,250	56,657,245	6,583,431	7,933,307	131,553,990
Other financial liabilities	2,606,798	-	-	-	-	2,606,798
Total financial liabilities	**269,062,659**	**108,221,946**	**159,429,970**	**71,810,460**	**22,716,923**	**631,241,958**
Net liquidity gap	**(117,433,666)**	**(72,679,486)**	**105,186,162**	**237,158,670**	**15,375,845**	**167,607,525**
Cumulative liquidity gap at 31 December 2014	**(117,433,666)**	**(190,113,152)**	**(84,926,990)**	**152,231,680**	**167,607,525**	

31 Financial Risk Management (Continued)

The above analysis is based on remaining contractual maturities. The entire portfolio of investment securities available for sale is classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2013:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	28,993,067	-	-	-	-	28,993,067
Due from other banks	46,520,395	-	-	4,000,000	-	50,520,395
Loans and advances to customers	53,814,002	21,959,653	218,329,385	256,969,217	23,569,857	574,642,114
Investment securities available for sale	2,686,650	-	-	-	-	2,686,650
Other financial assets	5,652,353	-	-	-	-	5,652,353
Total financial assets	**137,666,467**	**21,959,653**	**218,329,385**	**260,969,217**	**23,569,857**	**662,494,579**
Liabilities						
Due to other Banks	82,794,651	22,020,000	17,000,000	7,191,699	-	129,006,350
Customer accounts	158,733,548	13,392,404	65,792,112	8,405,307	-	246,323,371
Other borrowed funds	680,122	-	56,285,438	56,933,569	-	113,899,129
Other financial liabilities	2,793,707	-	-	-	-	2,793,707
Total financial liabilities	**245,002,028**	**35,412,404**	**139,077,550**	**72,530,575**	**-**	**492,022,557**
Net liquidity gap	**(107,335,561)**	**(13,452,751)**	**79,251,835**	**188,438,642**	**23,569,857**	**170,472,022**
Cumulative liquidity gap at 31 December 2014	**(107,335,561)**	**(120,788,312)**	**(41,536,477)**	**146,902,165**	**170,472,022**	

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

27 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBU, and (ii) to safeguard the Group's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBU is monitored monthly with reports outlining their calculation reviewed and signed by the 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 percent (2013: 10 percent);
- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 5 percent (2013: 5 percent); and
- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6 percent (2013: 6 percent).

The Bank complied with the above ratios throughout at 31 December 2014 and 2013.

Regulatory capital is based on the Bank's reports prepared under CBU regulations and comprises:

In thousands of Uzbekistan Soums	**2014**	**2013**
Tier 1 capital	212,900,998	210,050,556
Tier 2 capital	508,168	543,387
Less: deductions from capital	(12,316,008)	(12,314,199)
Total regulatory capital	**201,093,158**	**198,279,744**

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, excluding current year profit, less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit, revaluation reserves and additional paid in capital.

28 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 Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements

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

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: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks (2013: Nil).

Capital expenditure commitments. At 31 December 2014 the Group did not have contractual capital expenditure commitments in respect of premises and equipment (2013: Nil).

33 Contingencies and Commitments (Continued)

***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**
Guarantees issued	9,305,761	1,467,987
Import letter of credit	778,308	-
Undrawn credit lines	157,863,944	-
Total gross credit related commitments	**167,948,013**	**1,467,987**
Less - Cash held as security against letters of credit	(591,371)	(107,587)
Total credit related commitments	**167,356,642**	**1,360,400**

The total outstanding contractual amount of letters of credit, guarantees issued and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Fair value of credit related commitments was UZS 522,243 thousand at 31 December 2014 (31 December 2013: UZS 390,553 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Uzbekistan Soums	**2014**	**2013**
Uzbekistan Soums	167,169,705	1,467,987
US Dollars	778,308	-
Total	**167,948,013**	**1,467,987**

29 Fair Value Disclosures

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.

34 Fair Value Disclosures (Continued)

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**
Cash and cash equivalents				
- Cash on hand	28,999,593	-	-	28,999,593
- Cash balances with the CBU (other than mandatory reserve deposits)	-	2,834,220	-	2,834,220
- Correspondent accounts and overnight placements with other banks	-	13,273,406	-	13,273,406
Due from other banks				
- Mandatory cash balances with CBU	-	42,606,446	-	42,606,446
- Placements with other banks with original maturities of more than three months	-	-	3,190,521	3,190,521
- Corporate bonds	-	-	2,206,486	2,206,486
Loans and advances to customers				
- Loans to legal entities	-	-	603,023,034	603,023,034
- Loans to individuals - entrepreneurs	-	-	51,667,165	51,667,165
- Loans to individuals	-	-	46,406,123	46,406,123
- Finance lease	-	-	41,396,505	41,396,505
Other financial assets				
- Commission receivable from customers	-	-	4,273,912	4,273,912
- Fines and penalties receivable	-	-	500,936	500,936
- Receivable from money transfer organizations	-	-	257,457	257,457
- Receivable from Khorezm City administration	-	-	253,779	253,779
- Other receivable	-	-	18,083	18,083
TOTAL	**28,999,593**	**58,714,072**	**753,194,001**	**840,907,666**

34 Fair Value Disclosures (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
Cash and cash equivalents				
- Cash on hand	19,777,634	-	-	19,777,634
- Cash balances with the CBU	-	1,744,202	-	1,744,202
- Correspondent accounts and overnight placements with other banks	-	7,471,231	-	7,471,231
Due from other banks				
- Mandatory cash balances with CBU	-	45,679,576	-	45,679,576
- Placements with other banks with original maturities of more than three months	-	-	721,148	721,148
- Corporate bonds			4,119,671	4,119,671
Loans and advances to customers				
- Loans to legal entities	-	-	446,315,134	446,315,134
- Loans to individuals	-	-	70,353,973	70,353,973
- Finance lease	-	-	46,641,278	46,641,278
Other financial assets				
- Commission receivable from customers	-	-	4,530,722	4,530,722
- Fines and penalties receivable	-	-	197,122	197,122
- Receivable from money transfer organizations	-	-	386,508	386,508
- Receivable from Khorezm City administration	-	-	253,779	253,779
- Other receivable	-	-	284,222	284,222
TOTAL	**19,777,634**	**54,895,009**	**573,803,557**	**648,476,200**

34 Fair Value Disclosures (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
Due to other banks			
- Short term placements of other domestic banks	105,542,459	-	105,542,459
- Long term placements of other domestic banks	-	17,170,000	17,170,000
- Corporate bonds issued	-	4,724,658	4,724,658
Customer accounts			-
- Current/settlement accounts of state and public organisations	18,374,857	-	18,374,857
- Term deposits of state and public organisations	-	83,259,483	83,259,483
- Current/settlement accounts of other legal entities	70,329,130	-	70,329,130
- Term deposits of other legal entities	-	55,552,530	55,552,530
- Current/demand accounts of individuals	83,803,002	-	83,803,002
- Term deposits of individuals	-	58,325,051	58,325,051
Other borrowed funds			
- Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting grain	-	55,229,838	55,229,838
- Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting cotton	-	38,279,861	38,279,861
- Islamic Corporation for the Development of the Private Sector	-	20,437,039	20,437,039
- International Development Association through the Ministry of Finance of the Republic of Uzbekistan	-	12,237,579	12,237,579
- Ministry of Finance of the Republic of Uzbekistan	-	3,009,867	3,009,867
- International Fund of Agricultural Development through Ministry of Finance of the Republic of Uzbekistan	-	1,143,331	1,143,331
- United Nations Development Programme	-	539,935	539,935
- Ministry of Agriculture of the Republic of Uzbekistan	-	576,781	576,781
- Fund for development of reclaiming fertile land under Ministry of Finance of the Republic of Uzbekistan	-	99,759	99,759
Other financial liabilities			
- Accounts payable for inventories and services	-	2,468,559	2,468,559
- Dividends payable	-	138,239	138,239
TOTAL	**278,049,448**	**353,192,510**	**631,241,958**

34 Fair Value Disclosures (Continued)

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

In thousands of Uzbekistan Soums	Level 2	Level 3	Carrying value
Due to other banks			
- Short-term placements of other banks	124,520,000	-	124,520,000
- Long term placements of other domestic banks	-	2,170,000	2,170,000
- Corporate bonds issued	-	2,316,350	2,316,350
Customer accounts			
- Current/settlement accounts of state and public organisations	18,999,272	-	18,999,272
- Term deposits of state and public organisations	-	31,245,125	31,245,125
- Current/settlement accounts of other legal entities	63,720,812	-	63,720,812
- Term deposits of other legal entities	-	28,735,821	28,735,821
- Current/demand accounts of individuals	74,364,019	-	74,364,019
- Term deposits of individuals	-	29,258,322	29,258,322
Other borrowed funds			
- Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting grain	-	56,128,929	56,128,929
- Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan for harvesting cotton	-	38,303,421	38,303,421
- International Development Association through the Ministry of Finance of the Republic of Uzbekistan	-	12,538,973	12,538,973
- Ministry of Finance of the Republic of Uzbekistan	-	4,000,036	4,000,036
- Islamic Corporation for the Development of the Private Sector	-	1,465,762	1,465,762
- United Nations Development Programme	-	490,855	490,855
- Ministry of Agriculture of the Republic of Uzbekistan	-	781,887	781,887
- State Property Committee	-	189,266	189,266
Other financial liabilities			
- Accounts payable for inventories and services	-	2,626,694	2,626,694
- Dividends payable	-	167,013	167,013
TOTAL	**281,604,103**	**210,418,454**	**492,022,557**

30 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.

In thousands of Uzbekistan Soums	**Loans and receivables**	**Available-for-sale assets**	**Total**
31 December 2014			
Cash and cash equivalents	45,107,219	-	45,107,219
Due from other banks	48,003,453	-	48,003,453
Loans and advances to customers	697,746,185	-	697,746,185
Investment securities available for sale	-	2,688,459	2,688,459
Other financial assets	5,304,167	-	5,304,167
Total financial assets at 31 December 2014	**796,161,024**	**2,688,459**	**798,849,483**
31 December 2013			
Cash and cash equivalents	28,993,067	-	28,993,067
Due from other banks	50,520,395	-	50,520,395
Loans and advances to customers	574,642,114	-	574,642,114
Investment securities available for sale	-	2,686,650	2,686,650
Other financial assets	5,652,353	-	5,652,353
Total financial assets at 31 December 2013	**659,807,929**	**2,686,650**	**662,494,579**

As of 31 December 2014 and 31 December 2013, all the Group’s financial liabilities were carried at amortised cost.

31 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	Immediate parent company	Other significant shareholders	Entities under common control	Total
Cash and cash equivalents	-	2,834,220	5,989,341	8,823,561
Due from other banks	-	42,606,446	1,523,349	44,129,795
Gross amount of loans and advances to customers (contractual interest rate - 16%-40%)	-	-	22,869,212	22,869,212
Due to banks	-	-	43,255,516	43,255,516
Customer accounts (contractual interest rate - 4%-9.5%)	69,104,293	-	66,621,406	135,725,699
Other borrowed funds (contractual interest rate - 1%-7%)	91,491,104	-	539,935	92,031,039

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

In thousands of Uzbekistan Soums	Immediate parent company	Other significant shareholders	Entities under common control	Total
Interest income	-	24	7,598,351	7,598,375
Interest expense	4,253,593	-	2,711,498	6,965,091
Fee and commission income	20,721	-	1,489,757	1,510,478
Other operating income	3,621	-	114,205	117,826

At 31 December 2014, other rights and obligations with related parties were as follows:

In thousands of Uzbekistan Soums	Immediate parent company	Other significant shareholders	Entities under common control	Total
Collateral received at the year end	-	-	35,354,176	35,354,176

Aggregate amounts lent to and repaid by related parties during 2014 were:

In thousands of Uzbekistan Soums	Immediate parent company	Other significant shareholders	Entities under common control	Total
Amounts lent to related parties during the year	-	-	77,623,765	77,623,765
Amounts repaid by related parties during the year	-	-	45,263,737	45,263,737

"Significant shareholders" are those with the power to participate in the financial and operating policy decisions of an entity with which they transact, through controlling over 20% of the entity's voting power, or otherwise.

36 Related Party Transactions (Continued)

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

In thousands of Uzbekistan Soums	Immediate parent company	Other significant shareholders	Other	Total
Cash and cash equivalents	-	1,744,202	576,853	2,321,055
Due from other banks	-	45,679,576	1,682,050	47,361,626
Gross amount of loans and advances to customers	-	-	5,241,684	5,241,684
Impairment provision for loans and advances to customers	-	-	(402,747)	(402,747)
Due to banks	-	-	24,170,000	24,170,000
Customer accounts	20,000,000	-	3,356	20,003,356
Other borrowed funds	110,971,359	-	189,266	111,160,625

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

In thousands of Uzbekistan Soums	Immediate parent company	Other significant shareholders	Other	Total
Interest income	-	9	90,514	90,523
Interest expense	-	1,738,131	-	1,738,131
Fee and commission expense	-	-	7,435,622	7,435,622
Operating expenses	-	-	9,906,943	9,906,943

Key management compensation is presented below:

In thousands of Uzbekistan Soums	2014	2013
Salaries and wages	242,028	85,956
Social security contributions	60,507	21,489
Total	**302,535**	**107,445**