OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

TABLE OF CONTENTS

OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

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

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

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

Management of the Group is also responsible for:

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

The consolidated financial statements for the year ended December 31, 2013 were authorized for issue by the Management Board of the Group on April 24, 2014.

On behalf of the Management Board:

Utkir U. Butaev
Acting Chairman of the Board

April 24, 2014
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 24, 2014
Tashkent, Uzbekistan

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INDEPENDENT AUDITORS' REPORT

To: Shareholders and the Council of Open Joint-Stock Commercial Bank "Microcreditbank"

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Deloitte.

Basis for qualification

As at December 31, 2013, the Group had certain loans issued to its single largest borrower for the aggregate amount of UZS 18,576,000 thousand, which the Group has assessed as impaired. As at December 31, 2012, the Group has assessed the recoverable amount of the loan, based on the future expected cash flows and created an allowance of UZS 3,785,167 thousand, in accordance with International Financial Reporting Standards. However, during 2013, there has been a further worsening of the borrower's financial condition, and no further repayments of the loan have been made. Management has been unable to assess the recoverable amount of the loan and has taken legal action against the borrower, the results of which have yet to be determined. As a result of this matter, we have been unable to determine whether adjustments may be necessary to, impairment losses on interest bearing assets, net income for the year and retained earnings.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the Open Joint-Stock Commercial Bank "Microcreditbank" as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

April 24, 2014
Tashkent, Uzbekistan

OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

	Notes	December 31, 2013	December 31, 2012
ASSETS:			
Cash and balances with the Central Bank of the Republic of Uzbekistan	4,25	67,201,412	53,941,355
Due from banks	5,25	12,607,230	12,891,197
Loans to customers	6,25	570,089,028	459,363,056
Investments available-for-sale		2,686,650	2,816,804
Property, equipment and intangible assets	7	35,279,312	31,796,455
Deferred income tax assets	19	2,337,824	-
Other assets	8	13,211,043	27,448,388
TOTAL ASSETS		**703,412,499**	**588,257,255**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	9,25	129,006,350	101,744,000
Customer accounts	10,25	239,998,260	201,094,887
Other borrowed funds	11,25	111,942,512	100,438,755
Insurance liabilities	12	4,773,590	4,915,948
Other liabilities	13	9,223,954	11,818,267
TOTAL LIABILITIES:		**494,944,666**	**420,011,857**
EQUITY:			
Share capital	14	200,446,510	160,480,545
Retained earnings		5,725,001	5,411,310
Total equity attributable to owners of the Bank		**206,171,511**	**165,891,855**
Non-controlling interest		2,296,322	2,353,543
Total equity		**208,467,833**	**168,245,398**
TOTAL LIABILITIES AND EQUITY		**703,412,499**	**588,257,255**

On behalf of the Management Board:

Utkir U. Butaev
Acting Chairman of the Board

April 24, 2014
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 24, 2014
Tashkent, Uzbekistan

The notes on pages 10-66 form an integral part of these consolidated financial statements.

OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

(in thousands of Uzbek Soums, except for earnings per share, which are in Uzbek Soums)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Interest income	15,25	68,176,133	51,823,514
Interest expense	15,25	(30,824,565)	(19,813,072)
Net interest income before impairment losses on interest bearing assets		37,351,568	32,010,442
Impairment losses on interest bearing assets	6	(685,943)	(3,731,388)
Net interest income		**36,665,625**	**28,279,054**
Fee and commission income	16	45,463,748	38,981,345
Fee and commission expense	16, 25	(9,577,391)	(8,686,772)
Net gain on foreign exchange operations		928,754	685,286
Provision for impairment losses on other operations	8	(1,592,060)	(15,102)
Other income, net	17	4,655,427	5,343,810
Net non-interest income		**39,878,478**	**36,308,567**
Operating income		**76,544,103**	**64,587,621**
Operating expense	18	(77,952,645)	(60,728,575)
(Loss)/profit before income tax		**(1,408,542)**	**3,859,046**
Income tax benefit/(expense)	19	1,800,158	(45,541)
Net profit for the year		**391,616**	**3,813,505**
Other comprehensive income		-	-
Total comprehensive income for the year		**391,616**	**3,813,505**
Attributable to:			
Owners of the Bank		342,527	3,681,303
Non-controlling interest		49,089	132,202
Total Comprehensive income		**391,616**	**3,813,505**
Earnings per share, basic (expressed in UZS per share)	20	2	24

On behalf of the Management Board:

Utkir U. Butaev
Acting Chairman of the Board

April 24, 2014
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 24, 2014
Tashkent, Uzbekistan

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OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

	Share capital	Retained earnings	Total equity attributable to owners of the Bank	Non-controlling interest	Total equity
January 1, 2012	**157,030,545**	**5,208,221**	**162,238,766**	**984,756**	**163,223,522**
Total comprehensive income	-	3,681,303	3,681,303	132,202	3,813,505
Share capital increase of:					
- ordinary shares issuance - cash	-	-	-	-	-
Dividends declared on preference shares	-	(28,214)	(28,214)	-	(28,214)
Dividends capitalised	3,450,000	(3,450,000)	-	-	-
Additional non-controlling interest arising on increase of subsidiary's equity	-	-	-	1,236,585	1,236,585
December 31, 2012	**160,480,545**	**5,411,310**	**165,891,855**	**2,353,543**	**168,245,398**
Total comprehensive income	-	342,527	342,527	49,089	391,616
Share capital increase of:				-	-
- ordinary shares issuance - cash	39,965,965	-	39,965,965	-	39,965,965
Dividends declared on preference shares	-	(28,836)	(28,836)	-	(28,836)
Dividends declared to non-controlling interest	-	-	-	(107,310)	(107,310)
Additional non-controlling interest arising on increase of subsidiary's equity	-	-	-	1,000	1,000
December 31, 2013	**200,446,510**	**5,725,001**	**206,171,511**	**2,296,322**	**208,467,833**

On behalf of the Management Board:

Utkir U. Butaev
Acting Chairman of the Board

April 24, 2014
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 24, 2014
Tashkent, Uzbekistan

The notes on pages 10-66 form an integral part of these consolidated financial statements.

OPEN JOINT-STOCK COMMERCIAL BANK "MICROCREDITBANK"

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

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows from operating activities:			
Interest received		71,488,541	45,749,956
Interest paid		(30,363,723)	(19,779,807)
Fee and commission received		45,463,748	37,188,058
Fee and commission paid		(9,577,391)	(8,686,772)
Other operating income received		4,579,772	7,839,317
Staff costs paid		(41,875,642)	(32,981,365)
Administrative and other operating expenses paid		(30,477,636)	(22,582,379)
Income tax paid		(537,666)	(45,541)
Cash flows from operating activities before cbanges in operating assets and liabilities		**8,700,003**	**6,701,467**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the Central Bank of the Republic of Uzbekistan		(5,768,154)	(5,804,820)
Due from other banks		1,381,783	(1,562,362)
Loans and advances to customers		(101,873,159)	(67,676,479)
Other assets		(205,094)	(723,360)
Increase/(decrease) in operating liabilities:			
Due to banks		27,249,991	43,821,664
Customer accounts		38,490,446	43,947,790
Other liabilities		(2,766,945)	6,543,419
Net cash (used in)/from operating activities		**(34,791,129)**	**25,247,319**
Cash flows from investing activities:			
Purchase of investments available-for-sale		-	(159,907)
Purchase of property, equipment and intangible assets		(10,325,691)	(13,436,300)
Proceeds on disposal of property, equipment and intangible assets		1,412,463	1,623,245
Net cash inflow on disposal of interest in subsidiary		1,000	1,236,585
Net cash used in investing activities		**(8,912,228)**	**(10,736,377)**

The notes on pages 10-66 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2013

(in thousands of Uzbek Soums)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows from financing activities			
Dividends paid		(136,146)	(28,214)
Proceeds from other borrowed funds		68,263,987	72,603,292
Repayment of other borrowed funds		(56,808,125)	(77,313,821)
Proceeds from issue of share capital		39,965,965	-
Net cash from/(used in) financing activities		**51,285,681**	**(4,738,743)**
Effect of changes in foreign exchange rate on cash and cash equivalents		889,165	689,000
Net increase in cash and cash equivalents		**8,471,489**	**10,461,198**
CASH AND CASH EQUIVALENTS, beginning of the year	4	**45,597,671**	**35,136,473**
CASH AND CASH EQUIVALENTS, end of the year	4	**54,069,160**	**45,597,671**

On behalf of the Management Board:

Utkir U. Butaev
Acting Chairman of the Board

April 24, 2014
Tashkent, Uzbekistan

Oybek M. Abdurahmonov
Chief Accountant

April 24, 2014
Tashkent, Uzbekistan

(in thousands of Uzbek Soums, unless otherwise indicated)

1. ORGANISATION

Open Joint-Stock Commercial Bank "Microcreditbank" (the "Bank") is an Open Joint-Stock Commercial Bank incorporated in the Republic of Uzbekistan and formed in 2006 under 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 and cottage industries, especially to further enhance financing by providing access of large groups of the rural population to microfinance services. The Bank carries out its operations under banking licence of the Central Bank of the Republic of Uzbekistan #37 updated April 30, 2009 and general license of the Central Bank of the Republic of Uzbekistan #44 dated May 30 2006, providing the right for carrying out transactions in foreign currency.

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

The Bank operates through its Head Office, registered and located in Tashkent, Republic of Uzbekistan.
As at December 31, 2013, the Bank had 85 branches within the Republic of Uzbekistan (December 31, 2012: 84 branches). The number of the Bank's employees as at December 31, 2013 was 3,555 (December 31, 2012: 3,526).

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

Name	Country of operation	The Bank ownership interest/voting rights, % 2013	2012	Type of operation
OJSCB "Microcreditbank"	The Republic of Uzbekistan	Parent	Parent	Banking
OJSC "Agro Invest Sugurta"	The Republic of Uzbekistan	78.955%	78.963%	Insurance

OJSC "Agro Invest Sugurta" was formed as an Open Joint-Stock Company under the laws of the Republic of Uzbekistan on April 8, 2008. The company's principal activity is the provision of insurance services in agricultural sector. The Bank owns 78.955% of shares of the OJSC "Agro Invest Sugurta" and has control over the subsidiary.

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	December 31, 2013, %	December 31, 2012, %
SHAREHOLDERS:		
Ministry of Finance	53.42%	53.34%
Central Bank of Republic of Uzbekistan	26.69%	26.67%
NHC "Uzbekneftegaz"	3.42%	3.33%
National Bank of Republic Uzbekistan	2.37%	2.33%
JSC "Uzbektelecom"	2.05%	2.00%
OJSCB "Asaka Bank"	1.71%	1.67%
OJSCB Uzpromstroybank	1.60%	1.53%
NHC "Uzbekinvest"	1.37%	1.33%
NHC "Uzhimprom"	1.30%	1.31%
OJSCB Agrobank	1.07%	1.33%
Neftegazdeposit	0.53%	0.67%
Other shareholders (individually holding less than 1%)	4.48%	4.48%
Total	**100.00%**	**100.00%**

These consolidated financial statements were authorized for issue by the Management Board of the Group on April 24, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Going concern

These consolidated financial statements have been prepared assuming the Group continues as a going concern which contemplates that the Group will continue in operation for the foreseeable future.

The Management of the Group believes that the Group will be able to continue as a going concern, through the following:

- The Group is supported by the Government of Uzbekistan as the Ministry of Finance and the Central Bank of the Republic of Uzbekistan hold 53,3% and 26,7% of shares capital of the Group, respectively. The Group has sufficient capital to absorb the possible losses, which has been strengthened through increase of share capital for the amount of UZS 39,965,965 thousand during 2013. In addition, the existing shareholders plan to increase the Group share capital by additional UZS 85,000,000 thousand during 2014. Also, in February 2014 the Group has obtained short term borrowings from Agricultural Fund of the Ministry of Finance of the Republic of Uzbekistan, in the amount of UZS 95,637,451 thousand. (Note 26). This illustrates the commitment of shareholders to support the Group;

- as at December 31, 2013 and 2012 the Group was not in breach of any prudential covenants set by the regulator.

Having reviewed the Group's forecasts, projections and other relevant evidence, the Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

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

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

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

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

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

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

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") the economy of the Republic of Uzbekistan was considered to be hyperinflationary during 2005 and prior years. Starting January 1, 2006, the Uzbek economy is no longer considered to be hyperinflationary and the values of non-monetary assets, liabilities and equity as stated in measuring units as at December 31, 2005 have formed the basis for the amounts carried forward to January 1, 2006.

The Group, registered in the Republic of Uzbekistan, maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Council of the Bank. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non–current) is presented in Note 25.

Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group (the "functional currency"). The functional currency of the Group is Uzbek Soums ("UZS"), which is also the presentation currency of the Group's consolidated financial statements. All values are rounded to the nearest thousand Uzbek Soums ("UZS"), except when otherwise indicated.

Offsetting

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

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

Non-controlling interests

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the CBU with original maturity within 90 days, amounts due from banks in Uzbekistan and other countries with original maturity within 90 days, and are free from contractual encumbrances.

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

Mandatory cash balances with the Central Bank of the Republic of Uzbekistan represent mandatory reserve deposits with the Central Bank of the Republic of Uzbekistan, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows (Note 4).

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Amounts due from banks are carried net of any allowance for impairment losses.

Financial instruments

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

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

Financial assets

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

Available-for-sale financial assets

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

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

Dividends received on available-for-sale investments are included in dividend income in the statement of comprehensive income.

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

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the statement of comprehensive income for the period. These financial assets are recognized at net of impairment loss.

A financial asset classified as available-for-sale may be reclassified out of the available-for-sale category to the loans and receivables category if it meets the definition of a loan and receivable at the date of reclassification and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Loans and receivables

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

Impairment of financial assets

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss i recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

Renegotiated loans

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

Write-off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of comprehensive income in the period of recovery.

Derecognition of financial assets

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

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

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

Leases

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

The Group as lessor

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

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

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Property, equipment and intangible assets

Property, equipment and intangible assets, acquired after January 1, 2006 are carried at historical cost less accumulated depreciation and amortization and any recognized impairment loss, if any. Property, equipment and intangible assets, acquired before January 1, 2006 are carried at historical cost restated for inflation less accumulated depreciation and amortization and any recognized impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Buildings	5%
Furniture and equipment	10-20%
Intangible assets	20%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Intangible assets

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

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

Impairment of tangible and intangible assets other than goodwill. At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial liabilities and equity instruments issued

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Other financial liabilities

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

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

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

Financial guarantee contracts

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

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

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

Derecognition of financial liabilities

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

Other borrowed funds

The Group obtains long term funds from government and other funds 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 such financing, the Group is able to advance funds to specific customers (small and medium businesses) at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management's judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise.

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.
The Group offers various insurance products in property and casualty, and liability.

Underwriting income

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve. 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. The unearned insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within reserve for insurance claims in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of comprehensive income as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred in the consolidated statement of comprehensive income.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable. Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalized and recorded in the accompanying consolidated statements of financial position within insurance assets. The asset related to deferred acquisition costs is subsequently amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately.

All other costs are recognized as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

The incurred but not reported reserve ("IBNR") for motor hull and liability insurance is actuarially determined and is based upon statistical claim data for the period typical for loss development of the classes and sub-classes of business and the Group's previous experience.
The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of comprehensive income in the period in which they are determined.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance assets. Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer. The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Recognition of income and expense

Recognition of interest income and expense

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

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

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

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

Recognition of fee and commission income and expense

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

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Taxation

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

Current and deferred tax for the year

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

Income tax expense disclosed in the consolidated statement of comprehensive income relates to the subsidiary of the Bank. In accordance with President's Decree # PD-3750 "On creation of Joint-Stock Commercial Bank "Microcreditbank" dated May 5, 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 the period until January 1, 2015 (Note 19).

Current tax

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

Deferred tax

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

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

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

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

Operating taxes

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

Contingencies

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

Foreign currencies

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Rates of exchange

The exchange rates at reporting date used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2013	31 December 2012
UZS / 1 USD	2,202.20	1,984.00
UZS / 1 EUR	3,031.90	2,620.31
UZS / 1 GBP	3,628.34	3,206.94
UZS / 1 RUR	67.49	64.58

Retirement and other benefit obligations

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

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

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

Collateral

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

Share capital

Contributions to share capital made before January 1, 2006 are recognized at their cost restated for inflation. Contributions to share capital made after January 1, 2006 are recognized at cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Key sources of estimation uncertainty

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

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

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

<u>Impairment of loans and receivables</u>

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

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

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

As at December 31, 2013 and 2012 the gross loans totaled UZS 578,143,959 thousand and UZS 468,348,051 thousand, respectively, and allowance for impairment losses amounted to UZS 8,054,931 thousand and UZS 8,984,995 thousand, respectively.

Valuation of financial instruments

As described in Note 22, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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

Amendments to IFRSs affecting amounts reported in the financial statements

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

Standards affecting the financial statements

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

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

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

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

Impact of the application of IFRS 10. IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee.

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

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

Impact of the application of IFRS 12. IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has not had any material impact on the consolidated financial statements.

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

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

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

IAS 19 *Employee Benefits (revised June 2011)* In the current year, the Group has applied IAS 19 (as revised in June 2011) *Employee Benefits* and the related consequential amendments in advance of their effective dates. The Group has applied IAS 19 (as revised in June 2011) retrospectively and in accordance with the transitional provisions as set out in IAS 19.173. These transitional provisions do not have an impact on future periods. The amendments to IAS 19 change the accounting for defined benefit schemes and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and scheme assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of scheme assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated balance sheet to reflect the full value of the scheme deficit or surplus. Furthermore, the interest cost and expected return on scheme assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying a discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) has not had any material impact on the presentation of the defined benefit cost.

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

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

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

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

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

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

Standards not affecting the reported results nor the financial position. The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IAS 12 Income Taxes. The Group has applied the amendments to IAS 12 (December 2010) titled *Deferred tax: Recovery of underlying assets*. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 *Investment Property*. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

New and revised IFRSs in issue but not yet effective

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

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

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

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

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The management of the Group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

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

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

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

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

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

4. CASH AND BALANCES WITH THE CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN

Cash and balances with the Central Bank of the Republic of Uzbekistan comprise:

	December 31, 2013	December 31, 2012
Cash	19,777,634	24,661,293
Balances with the Central Bank of the Republic of Uzbekistan	47,423,778	29,280,062
Total cash and balances witb the Central Bank of the Republic of Uzbekistan	**67,201,412**	**53,941,355**

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	December 31, 2013	December 31, 2012
Cash and balances with the CBU	67,201,412	53,941,355
Correspondent accounts and overnight placements with other banks	7,471,231	6,491,645
	74,672,643	60,433,000
Less minimum reserve deposit at the Central Bank of the Republic of Uzbekistan	(20,603,483)	(14,835,329)
Total cash and cash equivalents	**54,069,160**	**45,597,671**

Balances with the Central Bank of Uzbekistan include deposits of UZS 1,400,000 thousand (2012: UZS 8,536,383 thousand) bearing a fixed interest rate of 0.02 percent per annum.

In accordance with the banking legislation of the Republic of Uzbekistan, the Group should have non-interest bearing minimum reserve deposit at the CBU, which is defined as a portion of certain of the Group's liability and has a restriction on its usage. As at December 31, 2013 and 2012, the mandatory reserve deposits with the CBU were in the amount of UZS 20,603,483 thousand and UZS 14,835,329 thousand, respectively.

5. DUE FROM BANKS

Due from banks comprise:

	December 31, 2013	December 31, 2012
Correspondent accounts	7,471,231	6,491,645
Time deposits with original maturity more then 90 days	6,045,204	7,308,757
	13,516,435	13,800,402
Less: allowance for impairment losses	(909,205)	(909,205)
Total due from banks	**12,607,230**	**12,891,197**

As at December 31, 2013 and 2012 due from banks totaling UZS 9,692,427 thousand (77%) and UZS 7,477,408 thousand (60%), respectively, were due from 4 banks, which represents significant concentration.

(in thousands of Uzbek Soums, unless otherwise indicated)

6. LOANS TO CUSTOMERS

Loans to customers comprise:

	December 31, 2013	December 31, 2012
Loans to legal entities	457,372,947	351,766,543
Loans to individuals	72,624,491	58,544,392
Finance lease	48,146,521	58,037,116
	578,143,959	468,348,051
Less: allowance for impairment losses	(8,054,931)	(8,984,995)
Total loans to customers	**570,089,028**	**459,363,056**

Analysis of credit quality of loans to legal entities outstanding as at December 31, 2013 was as follows:

Loans to legal entities As at December 31, 2013	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Not past due	415,799,081	(6,177,274)	409,621,807	1.5%
Overdue:				
up to 30 days	5,077,097	(18,947)	5,058,150	0.4%
31 to 60 days	9,783,916	(136,769)	9,647,147	1.4%
61 to 90 days	3,982,642	(418)	3,982,224	0.0%
91 to 180 days	3,309,166	(259,263)	3,049,903	7.8%
over 180 days	19,421,045	(364,600)	19,056,445	1.9%
Total loans to legal entities	**457,372,947**	**(6,957,271)**	**450,415,676**	**1.5%**

Analysis of credit quality of loans to individuals outstanding as at December 31, 2013 was as follows:

	Gross loans	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Loans to Individuals				
As at December 31, 2013				
Not past due	71,525,753	(2,894)	71,522,859	0%
Overdue:				
up to 30 days	753,087	(104,306)	648,781	13.9%
31 to 60 days	233,253	(53,454)	179,799	22.9%
61 to 90 days	108,150	(24,785)	83,365	22.9%
91 to 180 days	4,248	(973)	3,275	22.9%
Total loans to individuals	**72,624,491**	**(186,412)**	**72,438,079**	**0.3%**

(in thousands of Uzbek Soums, unless otherwise indicated)

Analysis of credit quality of financial leasing to customers outstanding as at December 31, 2013 was as follows:

Finance Lease to customers As at December 31, 2013	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross finance lease**
Not past due	47,242,178	(509,721)	46,732,457	1.1%
Overdue:				
up to 30 days	464,263	(251,667)	212,596	54.2%
31 to 60 days	440,080	(149,860)	290,220	34.1%
Total finance lease	48,146,521	(911,248)	47,235,273	1.9%

Analysis of credit quality of loans to legal entities outstanding as at December 31, 2012 was as follows:

Loans to legal entities As at December 31, 2012	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Not past due	340,281,594	(6,616,933)	333,664,661	1.9%
Overdue:				
up to 30 days	1,823,795	(206,086)	1,617,709	11.3%
31 to 60 days	3,103,377	(115,663)	2,987,714	3.7%
61 to 90 days	163,938	(2,221)	161,717	1.4%
91 to 180 days	438,969	(3,131)	435,838	0.7%
over 180 days	5,954,870	(893,231)	5,061,639	15.0%
Total loans to legal entities	351,766,543	(7,837,265)	343,929,278	2.2%

Analysis of credit quality of loans to individuals outstanding as at December31, 2012 was as follows:

Loans to Individuals As at December 31, 2012	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Not past due	57,163,302	(1,041)	57,162,261	0%
Overdue:				
up to 30 days	595,753	(95,315)	500,439	16.0%
31 to 60 days	583,723	(72,042)	511,681	12.3%
61 to 90 days	201,612	(32,256)	169,356	16.0%
Total loans to individuals	58,544,392	(200,654)	58,343,737	0.3%

(in thousands of Uzbek Soums, unless otherwise indicated)

Analysis of credit quality of financial leasing to customers outstanding as at 31 December 2012 was as follows:

Finance Lease to customers	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross finance lease
As at December 31, 2012				
Not past due	57,413,482	(904,429)	56,509,054	1.6%
Overdue:				
up to 30 days	280,544	(14,578)	265,966	5.2%
31 to 60 days	280,237	(1,179)	279,058	0.4%
91 to 180 days	62,853	(26,890)	35,963	42.8%
Total finance lease	**58,037,116**	**(947,076)**	**57,090,040**	**1.6%**

As at December 31, 2013 loans and advances to customers include loans of UZS 111,942,512 thousand (December 31, 2012: UZS 100,438,755 thousand) funded by borrowings from international financial institutions and government and budget organisations as stated in Note 11.

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

	Loans to legal entities	Loans to individuals	Financial Leasing	Total
January 1, 2012	**5,144,245**	**317,993**	**302,593**	**5,764,831**
Additional provision recognised	2,887,513	199,392	644,483	**3,731,388**
Write-off of assets	(194,493)	(316,731)	-	**(511,224)**
December 31, 2012	**7,837,265**	**200,654**	**947,076**	**8,984,995**
Additional provision recognised	513,146.0	133,971.0	38,826.0	**685,943**
Write-off of assets	(1,393,140)	(148,213)	(74,654)	**(1,616,007)**
December 31, 2013	**6,957,271**	**186,412**	**911,248**	**8,054,931**

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	December 31, 2013	December 31, 2012
Loans collateralized by:		
Vehicles	224,318,308	178,578,362
Insurance policy and others	132,074,726	101,180,555
Real estate	107,499,297	106,051,743
Guarantees of third parties	80,051,107	47,608,507
Cash deposit	8,274,900	4,980,426
Equipment	3,309,301	3,719,878
Inventory	613,719	4,203,645
Pledge of corporate bonds	38,304	16,195
Others	1,750,673	744,372
Unsecured loans	20,213,624	21,264,368
	578,143,959	468,348,051
Less: allowance for impairment losses	(8,054,931)	(8,984,995)
Total loans to customers	**570,089,028**	**459,363,056**

	December 31, 2013	December 31, 2012
Analysis by sector:		
Agriculture	246,443,201	188,342,422
Trading and food companies	148,990,501	142,059,353
Individuals	72,624,491	58,544,392
Financial services	48,821,950	30,524,902
Construction and construction materials	46,397,234	39,256,795
Transport	3,111,949	4,721,751
Other	11,754,633	4,898,436
	578,143,959	468,348,051
Less: allowance for impairment losses	(8,054,931)	(8,984,995)
Total loans to customers	**570,089,028**	**459,363,056**

Loans to individuals comprise the following products:

	December 31, 2013	December 31, 2012
Consumer loans	42,284,574	32,928,606
Mortgage loans	16,706,178	13,112,716
For the purchase of cattle	11,259,738	10,487,373
Educationsl loans	2,273,174	1,878,891
Other	100,827	136,805
	72,624,491	58,544,392
Less: allowance for impairment losses	(186,412)	(200,654)
Total loans to customers	**72,438,079**	**58,343,738**

(in thousands of Uzbek Soums, unless otherwise indicated)

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

As at December 31, 2013 loans to customers included loans totaling UZS 232,427 thousand, whose terms were renegotiated (2012: nil).

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

	December 31, 2013	December 31, 2012
Not later than one year	15,848,896	37,776,756
From one year to five years	38,730,281	25,765,035
More than 5 years	4,077,910	645,333
Minimum lease payments	58,657,087	64,187,124
Less: unearned finance income	(10,510,566)	(6,150,008)
	48,146,521	58,037,116
Less: allowance for impairment losses	(911,249)	(947,076)
Net investment in finance lease	**47,235,272**	**57,090,040**
Current portion	8,475,037	33,334,986
Long-term portion	38,760,234	23,755,054
Net investment in finance lease	**47,235,271**	**57,090,040**

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. As at December 31, 2013 average effective interest rate contracted is approximately 11.8% (December 31, 2012, 11%) per annum.

(in thousands of Uzbek Soums, unless otherwise indicated)

7. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings	Construction in progress	Furniture and equipment	Total property and equipment	Intangible assets	Total
At cost						
December 31, 2011	**15,568,232**	**7,952,598**	**25,229,215**	**48,750,045**	**916,481**	**49,666,526**
Addition	1,433,209	4,953,236	6,986,793	13,373,238	63,062	13,436,300
Transfer	1,326,676	(9,078,433)	(67,367)	(7,819,124)	19,124	(7,800,000)
Disposal	(588,064)	(6,711)	(2,012,452)	(2,607,227)	(9,841)	(2,617,068)
December 31, 2012	**17,740,053**	**3,820,690**	**30,136,189**	**51,696,932**	**988,826**	**52,685,758**
Additions	2,576,070	1,393,243	6,341,351	10,310,665	15,026	10,325,691
Transfers	3,400,330	(3,403,142)	(25,390)	(28,202)	28,202	-
Disposals	(181,603)	-	(1,909,422)	(2,091,024)	(11,968)	(2,102,992)
December 31, 2013	**23,534,850**	**1,810,791**	**34,542,728**	**59,888,371**	**1,020,086**	**60,908,457**
Accumulated depreciation						
December 31, 2011	**(5,761,482)**	-	**(10,877,377)**	**(16,638,859)**	**(675,652)**	**(17,314,511)**
Charge for the year	(753,763)	-	(3,701,901)	(4,455,664)	(112,951)	(4,568,615)
Transfer	1,762		(1,762)	-	-	-
Eliminated on disposal	163,270	-	821,232	984,502	9,321	993,823
December 31, 2012	**(6,350,213)**	-	**(13,759,808)**	**(20,110,021)**	**(779,282)**	**(20,889,303)**
Charge for the year	(953,811)	-	(4,467,034)	(5,420,845)	(96,321)	(5,517,166)
Eliminated on disposal	47,466	-	718,792	766,258	11,066	777,324
December 31, 2013	**(7,256,558)**	-	**(17,508,050)**	**(24,764,608)**	**(864,537)**	**(25,629,145)**
Net book value						
December 31, 2012	**11,389,840**	**3,820,690**	**16,376,381**	**31,586,911**	**209,544**	**31,796,455**
December 31, 2013	**16,278,292**	**1,810,791**	**17,034,678**	**35,123,763**	**155,549**	**35,279,312**

(in thousands of Uzbek Soums, unless otherwise indicated)

As at December 31, 2013 and 2012 included in property and equipment were fully depreciated assets totalling UZS 3,025,496 thousand and UZS 2,047,077 thousand, respectively.

During 2012 the Group has completed construction of the real estate in Khorezm region of Uzbekistan, which during construction period was accounted within Property, Plant and Equipment and Intangible Assets, as Construction in progress. Upon completion total cost of the property has been transferred to other assets, as Real estate held for mortgage loans (Notes 7 and 21).

8. OTHER ASSETS

Other assets comprise:

	December 31, 2013	December 31, 2012
Other financial assets:		
Commission receivable from customers	4,808,320	4,379,522
Receivable from money transfer organisations	386,508	201,049
Receivable from online payment system	9,315	23,447
Other receivable	898,489	1,274,764
	6,102,632	5,878,782
Less: allowance for impairment losses	(172,075)	(172,075)
	5,930,557	5,706,707
Other non-financial assets:		
Equipment held for finance lease	1,934,266	2,782,188
Repossessed collateral	1,667,934	808,568
Real estate held for mortgage loans	1,641,221	5,831,186
Prepayments for equipment to be leased	1,234,928	9,895,343
Prepaid expenses and advances	292,470	1,326,132
Prepayment for taxes other than income tax	457	6,415
Other	509,210	1,091,849
	7,280,486	21,741,681
Total other assets	**13,211,043**	**27,448,388**

The movements in allowances for impairment losses on non interest bearing assets were as follows:

	Other assets	Total
December 31, 2011	**177,024**	**177,024**
Additional provisions recognized	15,102	**15,102**
Write off	(20,051)	**(20,051)**
December 31, 2012	**172,075**	**172,075**
Additional provisions recognized	1,592,060	**1,592,060**
Write off	(1,592,060)	**(1,592,060)**
December 31, 2013	**172,075**	**172,075**

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

(in thousands of Uzbek Soums, unless otherwise indicated)

Real estate held for mortgage loans represents outstanding part of apartment houses constructed in Khorezm region of Uzbekistan, for the purpose of financing borrowers under mortgage loan agreements (Notes 7 and 21).

Equipment held for finance lease consist of equipment held by the Bank for the purposes of financing under finance lease agreements.

9. DUE TO BANKS

Due to banks comprise:

	December 31, 2013	December 31, 2012
Term deposits of banks and other financial institutions	126,690,000	96,744,000
Corporate bonds issued	2,316,350	5,000,000
Total due to banks	**129,006,350**	**101,744,000**

As at December 31, 2013 and 2012, term deposits of domestic banks in the amount of UZS 77,500,000 thousand (63%) and UZS 67,000,000 thousand (61%), respectively, were due to four banks, which represents a significant concentration.

As at December 31, 2013 and 2012 due to banks included accrued interest expense totaling UZS 95,559 thousand and UZS 92,257 thousand, respectively.

As at December 31, 2013 and 2012, corporate bonds issued by the Group are with interest charge of 10% and 12% respectively, with original maturity of up to 5 years.

10. CUSTOMER ACCOUNTS

Customer accounts comprise:

	December 31, 2013	December 31, 2012
Repayable on demand	151,902,402	125,723,459
Time deposits	88,095,858	75,371,428
Total customer accounts	**239,998,260**	**201,094,887**

	December 31, 2013	December 31, 2012
Individuals	113,892,061	87,158,055
Legal entities	100,924,432	93,124,515
Government and state owned enterpises	25,181,767	20,812,317
Total customer accounts	**239,998,260**	**201,094,887**

As at December 31, 2013 and 2012 customer accounts totaling UZS 1,573,349 thousand and UZS 1,070,964 thousand, respectively, were held as security against letters of credit and other similar instruments issued by the Group (Note 21).

(in thousands of Uzbek Soums, unless otherwise indicated)

As at December 31, 2013 and 2012 customer accounts totaling UZS 40,735,000 thousand (17%) and UZS 35,705,000 thousand (18%), respectively, were due to 6 customers in 2013 (2012: 4 customers), which represents significant concentration.

As at December 31, 2013 and 2012 customer accounts included accrued interest expense totaling UZS 418,012 thousand and UZS 317,398 thousand, respectively.

11. OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency	Maturity	Nominal interest rate, %	December 31, 2013	December 31, 2012
Borrowings from the Agricultural Fund under Ministry of Finance of the Republic of Uzbekistan	UZS	March 30, 2014	1%	94,432,350	69,633,460
Borrowings from non-budgetary funds	UZS	March 1, 2014	2%	12,538,973	11,561,636
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	UZS	November 20, 2017	2%	4,000,036	5,081,466
Borrowings from the Ministry of Agriculture and Water management of Uzbekistan	UZS	December 31, 2014	-	781,887	149,089
Borrowings from the State Property Committee	UZS	unlimited	-	189,266	11,433,918
Borrowings from the International Development Association	USD	September 25, 2029	9%	-	1,771,526
Borrowings from the United Nations Development Programme	USD	June 30, 2012	-	-	442,220
Borrowings from the German Savings Bank	EURO	unlimited	-	-	340,640
Borrowings from the Agricultural Sector Restructuring Agency	USD	October 15, 2013	Libor +2.5	-	24,800
Total other borrowed funds				**111,942,512**	**100,438,755**

(in thousands of Uzbek Soums, unless otherwise indicated)

12. INSURANCE LIABILITIES

	December 31, 2013	December 31, 2012
Reported but not settled claims reserve	2,598,000	2,340,457
Unearned insurance premium reserve	1,367,815	1,684,319
Incurred but not reported claims reserve	434,281	469,142
Payables to reinsurers and agents	373,494	422,030
Total insurance liabilities	**4,773,590**	**4,915,948**

13. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2013	December 31, 2012
Other financial liabilities:		
Deposits for stock subscription	5,979,625	8,322,920
Cash collection payable to clients of other banks	345,486	758,298
Dividends payable	167,013	87,420
	6,492,124	9,168,638
Otber non-financial liabilities:		
Accounts payable for inventories and services	1,753,987	1,412,976
Taxes payable, other than income tax	485,569	292,047
Settlements with employees	288,359	449,526
Other	203,915	495,080
	2,731,830	2,649,629
Total other liabilities	**9,223,954**	**11,818,267**

14. SHARE CAPITAL

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

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Share capital	200,165,965	280,545	200,446,510
	200,165,965	280,545	200,446,510

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

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total sbare capital (UZS'000)
Share capital	160,200,000	280,545	160,480,545
	160,200,000	280,545	160,480,545

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	Share capital authorized, Pcs'000	Total
Ordinary shares (par value of 1068 UZS)		
December 31, 2011	**149,865**	**149,865**
Issue of shares	-	-
December 31, 2012	**149,865**	**149,865**
Issue of shares	37,421	37,421
December 31, 2013	**187,286**	**187,286**

	Share capital authorized, Pcs'000	Total
Preference shares (par value of 1068 UZS)		
December 31, 2011	**135**	**135**
Issue of shares	-	-
December 31, 2012	**135**	**135**
Issue of shares	-	-
December 31, 2013	**135**	**135**

The nominal registered amount of the Group's issued share capital prior to restatement of capital contributions made before January 1, 2006 to the purchasing power of the Uzbekistan UZS at December 31, 2013 is UZS 200,165,965 thousand (December 31, 2012: UZS 160,200,000 thousand).

In 2012, the par value of both the ordinary and preference shares issued was increased from UZS 1,045 to UZS 1,068 per share as per approval of the Shareholders' Meetings held in March 23, 2013 by capitalization of declared dividends from retained earnings for amount of UZS 3,450,000 thousand. On June 26, 2013 the Council of the Bank has registered 37,453,184 ordinary shares, of which 37,421,316 ordinary shares for the total amount of UZS 39,965,965 thousand, were issued and fully paid in cash by existing shareholders on December 21, 2013.

In 2013 and 2012 the Group declared and paid dividends of UZS 28,836 thousand and UZS 28,214 thousand, respectively, on preference shares.

(in thousands of Uzbek Soums, unless otherwise indicated)

15. NET INTEREST INCOME

Net interest income comprises:

	Year ended December 31, 2013	Year ended December 31, 2012
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers	67,600,574	51,241,785
Interest on balances due from banks	575,559	581,729
Total interest income on financial assets recorded at amortized cost	68,176,133	51,823,514
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on due to banks	(12,596,992)	(8,717,936)
Interest on customer accounts	(13,463,266)	(8,828,657)
Interest on other borrowed funds	(4,764,307)	(2,266,479)
Total interest expense on financial liabilities recorded at amortized cost	(30,824,565)	(19,813,072)
Net interest income before impairment losses on interest bearing assets	**37,351,568**	**32,010,442**

16. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended December 31, 2013	Year ended December 31, 2012
Fee and commission income:		
Settlement transactions	42,055,444	35,928,704
Plastic cards service fee	1,214,042	926,740
Foreign money transfers	786,507	965,628
Commission on guarantees issued	390,553	408,576
Conversion transactions	5,997	181,502
Other	1,011,205	570,195
Total fee and commission income	**45,463,748**	**38,981,345**
Fee and commission expense:		
Commission expense for cash settlements	7,687,419	7,582,925
Plastic cards services	750,710	395,946
Other	1,139,262	707,901
Total fee and commission expense	**9,577,391**	**8,686,772**

(in thousands of Uzbek Soums, unless otherwise indicated)

17. OTHER INCOME, NET

Other income and expenses comprise:

	Year ended December 31, 2013	Year ended December 31, 2012
Insurance revenue	4,047,532	4,447,185
Insurance expenses	(2,502,508)	(3,295,487)
Income from rent of property	1,942,572	2,021,133
Gain from sale or disposition of property, equipment and intangible assets	86,795	435,711
Other non-interest income	1,081,036	1,735,268
Total other income, net	**4,655,427**	**5,343,810**

Insurance revenue comprises:

	Year ended December 31, 2013	Year ended December 31, 2012
Premium on insurance of:		
Agriculture harvest	2,179,269	2,429,946
Loans	760,721	902,423
Vehicles	659,365	510,081
Property from damage and natural disaster	199,239	269,374
Other	248,938	335,361
Total Insurance revenue	**4,047,532**	**4,447,185**

Insurance expenses comprise:

	Year ended December 31, 2013	Year ended December 31, 2012
Insurance claims paid for:		
- Agriculture harvest	845,635	1,067,714
- Loans	119,850	96,738
- Vehicles	38,114	30,279
- Property from damage and natural disaster	428	1,912
Agents' fee	1,166,579	1,106,875
Net change in insurance liability	331,902	991,969
Total Insurance expenses	**2,502,508**	**3,295,487**

(in thousands of Uzbek Soums, unless otherwise indicated)

18. OPERATING EXPENSES

Operating expenses comprise:

	Year ended December 31, 2013	Year ended December 31, 2012
Staff costs	41,714,475	33,326,547
Security service costs	9,906,943	7,757,073
Taxes other than income tax	7,583,431	5,088,129
Depreciation and amortisation of property, equipment and intangible assets	5,517,165	4,568,615
Office supplies	1,676,528	1,237,415
Membership fees	1,522,274	1,024,643
Charity	1,456,165	1,491,293
Plastic cards issued to clients	1,407,030	613,916
Repairs and maintenance, water and electricity	1,003,792	1,157,372
Telecommunication expenses	747,823	712,567
Insurance	630,743	586,420
Rent expenses	612,553	595,522
Business trips	446,491	435,445
Software maintenance expenses	348,762	233,792
Advertising expenses	346,894	358,758
Court expenses	250,400	94,437
Professional services	242,698	215,391
Fuel	182,438	200,485
Other	2,356,040	1,030,755
Total operating expenses	**77,952,645**	**60,728,575**

19. INCOME TAX

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

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

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

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

In accordance with President's Decree №PP-3750 "On creation of Joint-Stock Commercial Bank "Microcreditbank" dated May 5, 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 the period until January 1, 2015. According to this decree all funds from tax savings are to be used for special purposes, mainly to further the development of the material and technical facilities of the Bank.

(in thousands of Uzbek Soums, unless otherwise indicated)

The total exempt amount of corporate income tax for the year ended December 31, 2013 is UZS 2,062,581 thousand (December 31, 2012: UZS 612,642 thousand). This amount was included in retained earnings as part of equity in these consolidated financial statements.

Deferred tax assets or liabilities recorded as at December 31, 2013 relate to taxable and deductible temporary differences, which are expected to be utilised after the tax exemption period.

Current tax expense disclosed in the consolidated statement of comprehensive income relates to Infrastructure Tax of the Bank, as well as Corporate Income Tax and Infrastructure Tax of the subsidiary "Agro Invest Sugurta".

Temporary differences as at December 31, 2013 and 2012 comprised:

Deferred tax assets/liabilities in relation:	**December 31, 2013**	**December 31, 2012**
Loans and advances from banks and loans to customers	1,618,318	-
Property and equipment	1,358,631	-
Net deferred tax asset	2,976,949	-
Deferred tax asset not recognized	(639,125)	-
Net deferred tax assets	**2,337,824**	**-**

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

	Year ended December 31, 2013	**Year ended December 31, 2012**
Profit before income tax	(1,408,542)	3,859,046
Tax at the statutory tax rate 21,8% (2012-21,8%)	(307,062)	841,272
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Tax effect of permanent differences	(69,641)	(183,085)
- Change in deferred tax assets not recognized	639,125	-
- Tax exempt income	(2,062,581)	(612,646)
Income tax (benefit)/expense	**(1,800,158)**	**45,541**

(in thousands of Uzbek Soums, unless otherwise indicated)

	Year ended December 31, 2013	Year ended December 31, 2012
Current income tax expense	537,666	45,541
Deferred tax benefit	(2,337,824)	-
Income tax (benefit)/expense	**(1,800,158)**	**45,541**

20. EARNINGS PER SHARE

	Year ended December 31, 2013	Year ended December 31, 2012
Net profit for the year attributable to owners of the Bank	342,527	3,681,303
Less dividends on preference shares	(28,836)	(28,214)
Net profit attributable to ordinary shareholders	313,691	3,653,089
Weighted average number of ordinary shares for basic earnings per share	187,286,316	149,865,000
Earnings per share, basic (expressed in UZS per share)	**2**	**24**

As at December 31, 2013 and 2012, the Group did not have any securities that could potentially be converted to share capital and would therefore dilute earnings per share.

21. COMMITMENTS AND CONTINGENCIES

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

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

As at December 31, 2013 and 2012 contingent liabilities comprise:

	December 31, 2013		December 31, 2012	
Contingent liabilities and credit commitments:	**Nominal amount**	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Guarantees issued	2,933,749	2,933,749	7,979,598	7,979,598
Letters of credit	-	-	1,263,319	631,660
	2,933,749	2,933,749	9,242,917	8,611,258
Cash coverage	(1,573,349)	(1,573,349)	(1,070,964)	(1,070,964)
Total contingent liabilities and creit commitments	**1,360,400**	**1,360,400**	**9,242,917**	**8,611,258**

In 2013 the group has signed a financial line agreement with The Islamic Corporation for the Development of the Private Sector (the "ICD") for the amount of USD 10,000 thousand. The facility is to be used to finance small and medium sized enterprise in the Republic of Uzbekistan whereas the Group is given an authority to act as an agent in respect of the financed projects and provides guarantee to the ICD for non-repayment of the ICD approved and financed projects.

The ICD financing agreement terms are structured in a way that the Bank doesn't bear any credit risk related to the projects financed from the ICD funds, other than the contingency risk on the respective guarantees issued on those projects. As such, funds utilised to finance the projects under the terms of this agreement are recorded off balance sheet. As at December 31, 2013 only one project was financed from the ICD funds for the total amount of UZS 562,695 thousand. The guarantee for the respective amount issued by the Bank was recorded within Guarantees issued line in the above table. As at December 31, 2013 no provision is recorded under this guarantee in the consolidated statement of financial position.

In accordance with the terms of the ICD financing agreement, the Bank is required to maintain all prudential ratios set by the CBU, as well as certain specific financial covenants. As at December 31, 2013 the Bank has met all prudential ratios set by the CBU. However, several ratios set in the ICD financing agreement were breached, such as ratio of liquid assets to total assets, total operating expense to total operating income and liquid assets to weighted short term liabilities ratios. In accordance with the terms of the ICD financing agreement, in such cases the ICD has the right to take over the administration of the financed projects from the Bank. However, the management believes that the ICD will not use this right in the foreseeable future.

Capital commitments – In accordance with Decision of the Cabinet of the Ministers dated April 12, 2012 to build apartment houses in Khorezm region of Uzbekistan, the Group concluded agreement with contractor amounting UZS 7,800,000 thousand. As at December 31, 2013 and 2012, amount of capital commitments under this agreement was UZS 1,641,221thousand UZS 4,683,212 respectively.

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

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

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

Laws and regulations affecting businesses in the Republic of Uzbekistan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Uzbekistan. The future economic direction of the country is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

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

	December 31, 2013		December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Cash and Balances with the CBU	67,201,412	67,201,412	53,941,355	53,941,355
Due from banks	12,607,230	12,607,230	12,891,197	12,891,197
Loans to customers	570,089,028	561,473,091	459,363,056	452,608,204
Other financial assets	5,930,557	5,930,557	5,706,707	5,706,707
Due to banks	129,006,350	127,740,665	101,744,000	101,269,368
Customer accounts	239,998,260	239,998,260	201,094,887	201,094,887
Other borrowed funds	111,942,512	111,942,512	100,438,755	100,438,755
Other financial liabilities	6,492,124	6,492,124	9,168,638	9,168,638

	Level 1	Level 2	Level 3	December 31, 2013 Total
Cash and Balances with the CBU	-	-	67,201,412	67,201,412
Due from banks	-	-	12,607,230	12,607,230
Loans to customers	-	-	561,473,091	561,473,091
Other financial assets	-	-	5,930,557	5,930,557
Due to banks	-	-	127,740,665	127,740,665
Customer accounts	-	-	239,998,260	239,998,260
Other borrowed funds	-	-	111,942,512	111,942,512
Other financial liabilities	-	-	6,492,124	6,492,124

	Level 1	Level 2	Level 3	December 31, 2012 Total
Cash and Balances with the CBU	-	-	53,941,355	53,941,355
Due from banks	-	-	12,891,197	12,891,197
Loans to customers	-	-	452,608,204	452,608,204
Other financial assets	-	-	5,706,707	5,706,707
Due to banks	-	-	101,269,368	101,269,368
Customer accounts	-	-	201,094,887	201,094,887
Other borrowed funds	-	-	100,438,755	100,438,755
Other financial liabilities	-	-	9,168,638	9,168,638

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

23. CAPITAL RISK MANAGEMENT

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

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

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

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

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

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

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

Estimate	Description of Positions
0%	Cash and cash equivalents
0%	State debt securities
20%	Due from banks for up to 1 year
100%	Loans to customers
100%	Guarantees issued
50%	Obligations and committements on unused loans with initial maturity of over 1 year
50%	Letters of credit not secured with cash
100%	Other assets

The Group structures the level 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 region are approved quarterly by the Group Council.

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

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

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

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

- letter of surety
- motor vehicle
- building
- insurance policy
- equipment
- inventory
- deposit
- residential

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

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

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

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

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

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

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

Maximum exposure of credit risk

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

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

Decemebr 31, 2013

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with CBU	67,201,412	(19,777,634)	47,423,778	-	47,423,778
Due from banks	12,607,230	(3,000,000)	9,607,230	-	9,607,230
Loans to customers	578,143,959	-	578,143,959	(557,930,335)	20,213,624
Investments available-for-sale	2,686,650	-	2,686,650	-	2,686,650
Guarantees issued and similar commitments	2,933,749	-	2,933,749	(1,573,349)	1,360,400
Other financial assets	5,930,557	-	5,930,557	-	5,930,557

(in thousands of Uzbek Soums, unless otherwise indicated)

					Decemebr 31, 2012
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and balances with CBU	53,941,355	(24,661,293)	29,280,062		29,280,062
Due from banks	12,891,197	-	12,891,197	-	12,891,197
Loans to customers	468,348,051	-	468,348,051	(447,083,683)	21,264,368
Investments available-for-sale	2,816,804	-	2,816,804	-	2,816,804
Guarantees issued and similar commitments	7,979,598	-	7,979,598	(1,070,964)	6,908,634
Other financial assets	5,706,707	-	5,706,707	-	5,706,707

Off-balance sheet risk

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

Geographical concentration

Control over the risk related to changes in the legislation and regulatory arena and assesses of their influence on the Group's activity is carried out by all participants of risk management process within their authorities and responsibilities. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan. Risk oversight committee sets up country limits, assessment and control over the concentration risk is carried out by Risk management.

The geographical concentration of assets and liabilities is set out below:

	Uzbekistan	OECD countries	Non-OECD countries	December 31, 2013 Total
FINANCIAL ASSETS				
Cash and balances with the CBU	67,201,412	-	-	67,201,412
Due from banks	8,443,173	3,395,041	769,017	12,607,230
Loans to customers	570,089,028	-	-	570,089,028
Investments available-for-sale	2,686,650	-	-	2,686,650
Other financial assets	5,930,557	-	-	5,930,557
TOTAL FINANCIAL ASSETS	**654,350,820**	**3,395,041**	**769,017**	**658,514,877**
FINANCIAL LIABILITIES				
Due to banks	129,006,350	-	-	129,006,350
Customer accounts	239,998,260	-	-	239,998,260
Other borrowed fund	111,942,512	-	-	111,942,512
Insurance liabilities	4,773,590			4,773,590
Other financial liabilities	6,492,124	-	-	6,492,124
TOTAL FINANCIAL LIABILITIES	**492,212,836**	**-**	**-**	**492,212,836**
NET POSITION	**162,137,984**	**3,395,041**	**769,017**	

(in thousands of Uzbek Soums, unless otherwise indicated)

	Uzbekistan	OECD countries	Non-OECD countries	December 31, 2012 Total
FINANCIAL ASSETS				
Cash and balances with the CBU	53,941,355	-	-	53,941,355
Due from banks	9,055,815	2,405,122	1,430,260	12,891,197
Loans to customers	459,363,056	-	-	459,363,056
Investments available-for-sale	2,816,804	-	-	2,816,804
Other financial assets	5,706,707	-	-	5,706,707
TOTAL FINANCIAL ASSETS	**530,883,736**	**2,405,122**	**1,430,260**	**534,719,119**
FINANCIAL LIABILITIES				
Due to banks	101,744,000	-	-	101,744,000
Customer accounts	201,094,887	-	-	201,094,887
Other borrowed fund	97,623,634	1,043,595	1,771,526	100,438,755
Insurance liabilities	4,915,948	-	-	4,915,948
Other financial liabilities	9,168,638	-	-	9,168,638
TOTAL FINANCIAL LIABILITIES	**414,547,107**	**1,043,595**	**1,771,526**	**417,362,228**
NET POSITION	**116,336,629**	**1,361,527**	**(341,266)**	

Collateral

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

The main types of collateral obtained are as follows:

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

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

The following table details the credit ratings of financial assets held by the Group as at 31 December 2013:

	A	BBB	B	Not rated	December 31, 2013 Total
Cash and balances with CBU	-	-	-	67,201,412	**67,201,412**
Due from banks	3,395,041	779,863	3,237,132	5,195,194	**12,607,230**
Loans to customers	-	-	-	570,089,028	**570,089,028**
Investments available-for-sale	-	-	-	2,686,650	**2,686,650**
Other financial assets	-	-	-	5,930,557	**5,930,557**

(in thousands of Uzbek Soums, unless otherwise indicated)

	A	BBB	B	Not rated	December 31, 2012 Total
Cash and balances with CBU	-	-	-	53,941,355	**53,941,355**
Due from banks	-	2,819,148	1,443,251	8,628,797	**12,891,197**
Loans to customers	-	-	-	459,363,056	**459,363,056**
Investments available-for-sale	-	-	-	2,816,804	**2,816,804**
Other financial assets	-	-	-	5,706,707	**5,706,707**

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

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

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

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

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

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

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

Renegotiated loans and advances

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

The banking industry is generally exposed to credit risk through its loans to customers and interbank deposits. With regard to the loans to customers this risk exposure is concentrated within the Republic of Uzbekistan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached

Liquidity risk

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

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

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is a part of assets/liabilities management process. The Board of Management of the Group sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

An analysis of liquidity and interest rate risk is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

(in thousands of Uzbek Soums, unless otherwise indicated)

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2013 Total
FINANCIAL ASSETS								
Cash and balances with the CBU	0.02%	1,400,000	-	-	-	-	-	1,400,000
Due from banks	12.00%		-	-	4,000,000	-	-	4,000,000
Loans to customers	10.49%	53,540,308	21,840,687	216,990,966	254,274,899	23,442,168	-	570,089,028
Total interest bearing financial assets		54,940,308	21,840,687	216,990,966	258,274,899	23,442,168	-	575,489,028
Cash and balances with the CBU		46,635,669	810,365	8,051,115	9,434,478	869,785	-	65,801,412
Due from banks		8,607,230	-	-	-	-	-	8,607,230
Investments available-for-sale		-	-	-	-	-	2,686,650	2,686,650
Other financial assets		5,930,557	-	-	-	-	-	5,930,557
Total financial assets		116,113,763	22,651,052	225,042,081	267,709,377	24,311,953	2,686,650	658,514,877
FINANCIAL LIABILITIES								
Due to banks	10.99%	82,794,630	22,000,000	17,000,000	7,191,699	-	-	128,986,329
Customer accounts	7.59%	71,985,957	13,392,404	65,792,112	8,405,307	-	-	159,575,780
Other borrowed funds	1.21%	-	-	56,128,964	55,624,281	-	-	111,753,245
Total interest bearing financial liabilities		154,780,587	35,392,404	138,921,076	71,221,287	-	-	400,315,354
Due to banks		22	20,000	-	-	-	-	20,022
Customer accounts		80,422,479	-	-	-	-	-	80,422,479
Other borrowed funds		-	-	-	-	-	189,267	189,267
Insurance liabilities		2,664,191	55,264	1,184,650	822,324	47,161	-	4,773,590
Other financial liabilities		6,492,124	-	-	-	-	-	6,492,124
Total financial liabilities		244,359,403	35,467,668	140,105,727	72,043,611	47,161	189,267	492,212,835
Liquidity gap		(128,245,639)	(12,816,615)	84,936,354	195,665,766	24,264,792		
Interest sensitivity gap		(99,840,279)	(13,551,717)	78,069,890	187,053,612	23,442,168		
Cumulative interest sensitivity gap		(99,840,279)	(113,391,995)	(35,322,106)	151,731,507	175,173,674		

Negative liquidity gap above between financial assets and liabilities up 1 year is caused by demand deposits of customers and short term borrowings from banks. The management regularly assesses the stability of its customers accounts funding base based on past performance and analysis of the events subsequent to the balance sheet date. The management believes that the clients intend to hold their demand deposits with the Group; and that this source of funding will remain at a similar level for the foreseeable future. In addition, in February, 2014 the Group has obtained borrowings from the Agricultural Fund of the Ministry of Finance of the Republic of Uzbekistan in the amount of UZS 95,637,451 thousand with the maturity date of March 30, 2015 (Note 26).

(in thousands of Uzbek Soums, unless otherwise indicated)

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2012 Total
FINANCIAL ASSETS								
Cash and balances with the CBU	0.02%	4,600,000	-	-	-	-	-	4,600,000
Due from banks	10.08%	1,888,000	-	-	4,000,000	-	-	5,888,000
Loans to customers	10.11%	25,275,810	40,883,624	173,441,143	204,511,307	15,251,172	-	459,363,056
Total interest bearing financial assets		31,763,810	40,883,624	173,441,143	208,511,307	15,251,172	-	469,851,056
Cash and balances with the CBU		35,322,319	1,320,354	5,601,357	6,604,781	492,543	-	49,341,355
Due from banks		7,003,197	-	-	-	-	-	7,003,197
Investments available-for-sale		-	-	-	-	-	2,816,804	2,816,804
Other financial assets		5,706,707	-	-	-	-	-	5,706,707
Total financial assets		79,796,033	42,203,978	179,042,500	215,116,088	15,743,715	2,816,804	534,719,119
FINANCIAL LIABILITIES								
Due to banks	10.48%	59,484,000	34,000,000	5,260,000	3,000,000	-	-	101,744,000
Customer accounts	5.90%	64,692,893	5,986,885	47,725,058	-	-	-	118,404,836
Other borrowed funds	1.28%	-	69,633,460	24,800	16,643,102	1,771,526	-	88,072,888
Total interest bearing financial liabilities		124,176,893	109,620,345	53,009,858	19,643,102	1,771,526	-	308,221,724
Customer accounts		82,690,051	-	-	-	-	-	82,690,051
Other borrowed funds		442,220	-	149,089	-	-	11,774,558	12,365,867
Insurance liabilities		2,663,865	358,164	1,137,913	741,698	14,307	-	4,915,948
Other financial liabilities		9,168,638	-	-	-	-	-	9,168,638
Total financial liabilities		219,141,667	109,978,509	54,296,860	20,384,800	1,785,833	11,774,558	417,362,228
Liquidity gap		(139,345,634)	(67,774,531)	124,745,640	194,731,288	13,957,882		
Interest sensitivity gap		(92,413,083)	(68,736,721)	120,431,285	188,868,205	13,479,646		
Cumulative interest sensitivity gap		(92,413,083)	(161,149,804)	(40,718,519)	148,149,686	161,629,332		

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

	Weighted average effective interest rate	Up to 1 months	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2013 Total
FINANCIAL LIABILITIES								
Due to banks	10.99%	83,517,085	22,580,947	18,868,041	8,859,052	-	-	133,825,125
Customer accounts	7.59%	72,426,436	13,639,754	70,789,002	9,730,553	-	-	166,585,745
Other borrowed funds	1.21%	-	-	56,808,125	56,978,532	-	-	113,786,657
Total interest bearing financial liabilities		155,943,521	36,220,701	146,465,168	75,568,137	-	-	414,197,527
Due to banks		22	20,000	-	-	-	-	20,022
Customer accounts		80,422,479	-	-	-	-	-	80,422,479
Other borrowed funds		-	-	-	-	-	189,267	189,267
Insurance liabilities		2,664,191	55,264	1,184,650	822,324	47,161	-	4,773,590
Other financial liabilities		6,492,124	-	-	-	-	-	6,492,124
Total financial liabilities		245,522,337	36,295,965	147,649,818	76,390,461	47,161	189,267	506,095,008

	Weighted average effective interest rate	Up to 1 months	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2012 Total
FINANCIAL LIABILITIES								
Due to banks	10.48%	59,980,068	34,857,745	5,811,219	3,661,712	-	-	104,310,744
Customer accounts	5.90%	65,002,798	6,144,979	50,541,973	-	-	-	121,689,750
Other borrowed funds	1.28%	-	69,856,060	25,119	17,073,524	1,832,875	-	88,787,578
Total interest bearing financial liabilities		124,982,866	110,858,784	56,378,311	20,735,236	1,832,875	-	314,788,072
Customer accounts		82,690,051	-	-	-	-	-	82,690,051
Other borrowed funds		442,220	-	149,089	-	-	11,774,558	12,365,867
Insurance liabilities		2,663,865	358,164	1,137,913	741,698	14,307	-	4,915,948
Other financial liabilities		9,168,638	-	-	-	-	-	9,168,638
Total financial liabilities		219,947,640	111,216,948	57,665,313	21,476,934	1,847,182	11,774,558	423,928,576

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

Market risk

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

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

(in thousands of Uzbek Soums, unless otherwise indicated)

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

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

Currency risk

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

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

The Group's exposure to foreign currency exchange rate risk as at December 31, 2013 and 2012 is presented in the tables below:

	UZS	USD USD 1 = UZS 2202.20	EUR EUR 1 = UZS 3031.90	Other Currency	December 31, 2013 Total
Financial assets					
Cash and balances with CBU	53,643,053	13,535,550	11,569	11,240	67,201,412
Due from banks	5,100,726	7,105,213	399,307	1,983	12,607,230
Loans to customers	570,089,028	-	-	-	570,089,028
Investments available-for-sale	2,686,650	-	-	-	2,686,650
Other financial assets	5,544,049	386,508	-	-	5,930,557
Total financial assets	**637,063,507**	**21,027,270**	**410,876**	**13,223**	**658,514,877**
Due to banks	129,006,350	-	-	-	129,006,350
Customer accounts	229,141,228	10,856,996	-	35	239,998,259
Other Borrowed Funds	111,942,512	-	-	-	111,942,512
Insurance liabilities	4,773,590	-	-	-	4,773,590
Other financial liabilities	5,988,952	502,690	-	484	6,492,124
Total financial liabilities	**480,852,632**	**11,359,685**	**-**	**518**	**492,212,835**
OPEN BALANCE SHEET POSITION	**156,210,875**	**9,667,585**	**410,876**	**12,705**	**166,302,042**

(in thousands of Uzbek Soums, unless otherwise indicated)

	UZS	USD USD 1 = UZS 1984.00	EUR EUR 1 = UZS 2,620.31	Other Currency	December 31, 2012 Total
FINANCIAL ASSETS					
Cash and balances with the Central Bank of the Uzbekistan	38,524,497	15,396,880	9,998	9,980	53,941,355
Due from banks	6,441,173	5,455,437	358,506	636,081	12,891,197
Loans to customers	459,363,056	-	-	-	459,363,056
Investments AFS	2,816,804	-	-	-	2,816,804
Other financial assets	5,505,658	201,049	-	-	5,706,707
TOTAL FINANCIAL ASSETS	**512,651,188**	**21,053,366**	**368,504**	**646,061**	**534,719,119**
FINANCIAL LIABILITIES					
Due to banks	99,760,000	1,984,000	-	-	101,744,000
Customer accounts	189,531,115	10,920,602	10,253	632,917	201,094,887
Other borrowed funds	99,631,095	467,020	340,640	-	100,438,755
Insurance liabilities	4,915,948	-	-	-	4,915,948
Other financial liabilities	10,569,670	10,662	-	1,282	10,581,614
TOTAL FINANCIAL LIABILITIES	**404,407,828**	**13,382,284**	**350,894**	**634,199**	**418,775,204**
NET BALANCE SHEET POSITION	**108,243,360**	**7,671,082**	**17,611**	**11,861**	**115,943,915**

Currency risk sensitivity

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

(in thousands of Uzbek Soums, unless otherwise indicated)

Impact on net profit and equity based on asset values as at December 31, 2013 and 2012

	As at December 31, 2013		As at December 31, 2012	
	UZS/USD +10%	UZS/USD -10%	UZS/USD +10%	UZS/USD -10%
Impact on profit or loss	767,108	(767,108)	569,995	(569,995)

	As at December 31, 2013		As at December 31, 2012	
	UZS/EUR +10%	UZS/EUR -10%	UZS/EUR +10%	UZS/EUR -10%
Impact on profit or loss	1,761	(1,761)	52,571	(52,571)

Limitations of sensitivity analysis

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

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

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

Price risk-own products

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

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

Operational risk

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

(in thousands of Uzbek Soums, unless otherwise indicated)

25. TRANSACTIONS WITH RELATED PARTIES

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

	December 31, 2013		December 31, 2012	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and balances with Central Bank of the Republic of Uzbekistan				
-entities with joint control or significant influence over the Bank	47,423,778		29,280,062	
	47,423,778	**67,201,412**	**29,280,062**	**53,941,355**
Due from banks				
-entities with joint control or significant influence over the Bank	3,005,697		1,677,061	
	3,005,697	**12,607,230**	**1,677,061**	**12,891,197**
Loans to customers				
-other	5,241,684		5,030,604	
	5,241,684	**570,089,028**	**5,030,604**	**459,363,056**
Allowance for impairment losses on loans to customers				
-other	(402,747)		(449,250)	
	(402,747)	**(8,054,931)**	**(449,250)**	**(8,984,995)**
Due to banks				
-entities with joint control or significant influence over the Bank	24,170,000		32,267,756	
	24,170,000	**129,006,350**	**32,267,756**	**101,744,000**
Customer accounts				
-shareholders	20,000,000		9,293,142	
-Other	3,356		5,274,000	
	20,003,356	**239,998,259**	**14,567,142**	**201,094,887**
Other borrowed funds				
-shareholders	110,971,359		86,297,933	
-Other	189,266		11,433,918	
	111,160,625	**111,942,512**	**97,731,851**	**100,438,755**

(in thousands of Uzbek Soums, unless otherwise indicated)

Included in the statement of comprehensive income for the years ended December 31, 2013 and 2012, are the following amounts which were recognized in transactions with related parties:

	Year ended December 31, 2013		Year ended December 31, 2012	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
-shareholders	9		66	
-Other	90,514		121,846	
	90,523	**68,176,133**	**121,912**	**51,823,514**
Interest expense				
-shareholders	1,738,131		1,156,325	
	1,738,131	**30,824,565**	**1,156,325**	**19,813,072**
Fee and commission expense				
-the parent company	-		21,530	
-Other	7,435,622		5,699,055	
	7,435,622	**9,577,391**	**5,720,585**	**8,686,772**
Operating expenses (excluding staff costs)				
-Other	9,906,943		8,466,667	
	9,906,943	**36,238,170**	**8,466,667**	**27,402,028**
Key management personnel compensation:				
-mangement board of the Group	61,284		63,741	
-council of the Group	24,672		11,380	
	85,956	**41,714,475**	**75,121**	**33,326,547**

26. SUBSEQUENT EVENTS

In February 2014, the Chairman of the Management Board of the Group has resigned due to health reason. The resignation was approved by the decree of the Ministry of Finance of the Republic of Uzbekistan #30, dated February 17, 2014. At the date of issuance of these financial statements the first deputy Chairman of the Management Board was executing the duties of the Chairman of the Management Board.

During February 2014, the Group has obtained borrowings from Agricultural Fund of the Ministry of Finance of the Republic of Uzbekistan, in the amount of UZS 95,637,451 thousand (1% annual interest rate), with the maturity date of March 30, 2015.