# STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

**Consolidated Financial Statements and**
**Independent Auditors' Report**
For the Year Ended 31 December 2014

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

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## STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the State Joint-Stock Commercial Bank "Asaka" and its subsidiaries (together referred to as the "Group") as at 31 December 2014 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management of the Group is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by the Management Board on 20 April 2014.

**On behalf of the Management Board:**

Aripov K.T.
Chairman of the Management Board

20 April 2014
Tashkent

Galinova Z.A.
Chief Accountant

20 April 2014
Tashkent

Deloitte.

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Council of State Joint-Stock Commercial Bank "Asaka"

We have audited the accompanying consolidated financial statements of State Joint-Stock Commercial Bank "Asaka" ("the Bank") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Deloitte.

**Opinion**

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

**Emphasis of Matter**

We draw attention to Note 5 to the consolidated financial statements which describes the restatement of the corresponding figures for the year ended 31 December 2013. Our audit opinion is not qualified in that respect.

Deloitte & Touche

20 April 2015
Tashkent, Uzbekistan

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2014

*(in millions of Uzbek Soums)*

| | Notes | 31 December 2014 | 31 December 2013 (restated) | 1 January 2013 (restated) |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash and cash equivalents | 6, 32 | 624,250 | 562,164 | 918,881 |
| Due from banks | 7 | 752,937 | 798,720 | 621,476 |
| Loans to customers | 8, 32 | 3,592,652 | 2,886,757 | 2,400,607 |
| Investments available-for-sale | 9 | 23,677 | 21,248 | 20,034 |
| Investments in associates | 10, 32 | 48,889 | 31,724 | 19,978 |
| Property and equipment | 11 | 83,403 | 98,729 | 85,323 |
| Current income tax assets | | 1,935 | 1,512 | 1,887 |
| Deferred income tax assets | 26 | 36,522 | 21,829 | 4,136 |
| Other assets | 12 | 49,138 | 102,073 | 136,766 |
| Assets classified as held for sale | 13 | 40,230 | - | 6,499 |
| **TOTAL ASSETS** | | 5,253,633 | 4,524,756 | 4,215,587 |
| **LIABILITIES:** | | | | |
| Amounts due to the CBU and the Government | 15 | 288,120 | 37,353 | 33,298 |
| Due to banks | 16 | 487,903 | 527,462 | 724,119 |
| Customer accounts | 17, 32 | 3,521,939 | 3,159,864 | 2,797,764 |
| Debt securities issued | 18 | 254,896 | 204,364 | 113,059 |
| Current income tax payable | | 1,658 | 2,371 | 1,110 |
| Other liabilities | 19 | 20,315 | 9,642 | 25,536 |
| Liabilities directly associated with assets classified as held for sale | 13 | 3,073 | - | - |
| **TOTAL LIABILITIES** | | 4,577,904 | 3,941,056 | 3,694,886 |
| **EQUITY:** | | | | |
| **Equity attributable to shareholders of the Bank:** | | | | |
| Share capital | 20 | 538,667 | 469,802 | 395,355 |
| Share premium | 20 | 3,659 | 5,670 | 3,329 |
| Capital reserve | | 7,382 | 7,382 | 7,382 |
| Buildings and premises revaluation reserve | | 29,411 | 32,732 | 36,453 |
| Foreign currency translation reserve | | 620 | 628 | 611 |
| Unrealised gains on investments available-for-sale | | 4,918 | 4,918 | 4,794 |
| Retained earnings | | 88,613 | 61,121 | 70,870 |
| **Total equity attributable to shareholders of the Bank** | | 673,270 | 582,253 | 518,794 |
| Non-controlling interest | | 2,459 | 1,447 | 1,907 |
| **TOTAL EQUITY** | | 675,729 | 583,700 | 520,701 |
| **TOTAL LIABILITIES AND EQUITY** | | 5,253,633 | 4,524,756 | 4,215,587 |

**On behalf of the Management Board:**

Aripov K.T.
Chairman of the Management Board
20 April 2015
Tashkent

Galinova Z.A.
Chief Accountant
20 April 2015
Tashkent

The notes on pages 10-74 form an integral part of these consolidated financial statements.

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2014
*(in millions of Uzbek Soums)*

| | Notes | 2014 | 2013 (restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Interest income | 21, 32 | 352,216 | 250,537 |
| Interest expense | 21, 32 | (145,515) | (113,385) |
| Net interest income before impairment losses on interest bearing assets | | 206,701 | 137,152 |
| Impairment losses on interest bearing assets | 8, 32 | (104,465) | (57,928) |
| **Net interest income** | | **102,236** | **79,224** |
| Net gain on foreign exchange operations | 22 | 81,251 | 40,051 |
| Fee and commission income | 23, 32 | 98,652 | 99,919 |
| Fee and commission expense | 23, 32 | (30,140) | (21,485) |
| Dividend income | | 1,436 | 371 |
| Provision for impairment losses on other operations | 14 | (12,655) | (25,444) |
| Share of profits of associates | 10 | 18,225 | 12,381 |
| Other income/(expenses) | 24 | 1,962 | 17,706 |
| **Net non-interest income** | | **158,731** | **123,499** |
| **Operating income** | | **260,967** | **202,723** |
| Operating expenses | 25, 32 | (179,507) | (145,998) |
| **Profit before income tax** | | **81,460** | **56,725** |
| Income tax expense | 26 | (3,785) | (96) |
| **Profit for the year from continuing operations** | | **77,675** | **56,629** |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 27 | (1,058) | (614) |
| **Net profit for the year** | | **76,617** | **56,015** |
| Attributable to: | | | |
| Shareholders of the Bank | | 76,725 | 56,475 |
| Non-controlling interest | | (108) | (460) |
| **Net profit for the year** | | **76,617** | **56,015** |

**On behalf of the Management Board:**

Aripov K.T.
Chairman of the Management Board
20 April 2015
Tashkent

Galinova Z.A.
Chief Accountant
20 April 2015
Tashkent

The notes on pages 10-74 form an integral part of these consolidated financial statements.

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2014**
*(in millions of Uzbek Soums)*

| | 2014 | 2013 (restated) |
|---|---|---|
| Net profit for the year | 76,617 | 56,015 |
| **Other comprehensive income** | | |
| Unrealised gains on investments available-for-sale | - | 124 |
| Exchange difference on translation of foreign operations, net | (8) | 17 |
| Other comprehensive income for the year | (8) | 141 |
| **Total comprehensive income** | **76,609** | **56,156** |
| Attributable to: | | |
| Shareholders of the Bank | 76,717 | 56,616 |
| Non-controlling interest | (108) | (460) |
| **Total comprehensive income** | **76,609** | **56,156** |

**On behalf of the Management Board:**

Aripov K.T.
Chairman of the Management Board
20 April 2015
Tashkent

Galinova Z.A.
Chief Accountant
20 April 2015
Tashkent

The notes on pages 10-74 form an integral part of these consolidated financial statements.

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

## CONSOLIDATED STATEMENT OE CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

*(in millions of Uzbek Soums)*

| | Notes | Share capital | Share premium | Capital reserve | Buildings and premises revaluation reserve | Foreign currency translation reserve | Unrealised gains on investments available-for-sale | Retained earnings | Total equity attributable to the shareholders of the Bank | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1 January 2013** | | 395,355 | 3,329 | 7,382 | 36,453 | 611 | 4,794 | 57,433 | 505,357 | 1,907 | 507,264 |
| Effect of restatement (Note 5) | | - | - | - | - | - | - | 13,437 | 13,437 | - | 13,437 |
| **1 January 2013 (as restated)** | | 395,355 | 3,329 | 7,382 | 36,453 | 611 | 4,794 | 70,870 | 518,794 | 1,907 | 520,701 |
| Other comprehensive income for the year, net of income tax | | - | - | - | - | 17 | 124 | - | 141 | - | 141 |
| Profit for the year | | - | - | - | - | - | - | 56,475 | 56,475 | (460) | 56,015 |
| Issue of ordinary shares | 20 | 15,391 | 2,341 | - | - | - | - | - | 17,732 | - | 17,732 |
| Dividends paid | | - | - | - | - | - | - | (10,889) | (10,889) | - | (10,889) |
| Capitalisation of dividends | 20 | 59,056 | - | - | - | - | - | (59,056) | - | - | - |
| Release of revaluation on disposed property | | - | - | - | (364) | - | - | 364 | - | - | - |
| Depreciation of revaluation reserve, net of tax | | - | - | - | (3,357) | - | - | 3,357 | - | - | - |
| **31 December 2013** | | 469,802 | 5,670 | 7,382 | 32,732 | 628 | 4,918 | 61,121 | 582,253 | 1,447 | 583,700 |
| Other comprehensive income for the year, net of income tax | | - | - | - | - | (8) | - | - | (8) | - | (8) |
| Profit for the year | | - | - | - | - | - | - | 76,725 | 76,725 | (108) | 76,617 |
| Issue of ordinary shares | 20 | 62,857 | 2,782 | - | - | - | - | - | 65,639 | - | 65,639 |
| Redemption of shares | 20 | (32,346) | (4,793) | - | - | - | - | - | (37,139) | - | (37,139) |
| Dividends paid | | - | - | - | - | - | - | (14,200) | (14,200) | (218) | (14,418) |
| Capitalisation of dividends | 20 | 38,354 | - | - | - | - | - | (38,354) | - | 120 | 120 |
| Additional non-controlling interest from increase of Charter capital in "Hazarasp Textil" LLC | | - | - | - | - | - | - | - | - | 1,218 | 1,218 |
| Release of revaluation on disposed property | | - | - | - | (34) | - | - | 34 | - | - | - |
| Depreciation of revaluation reserve, net of tax | | - | - | - | (3,287) | - | - | 3,287 | - | - | - |
| **31 December 2014** | | 538,667 | 3,659 | 7,382 | 29,411 | 620 | 4,918 | 88,613 | 673,270 | 2,459 | 675,729 |

**On behalf of the Management Board:**

Aripov K.T.
Chairman of the Management Board

20 April 2015
Tashkent

Galinova Z.A.
Chief Accountant

20 April 2015
Tashkent

The notes on pages 10-74 form an integral part of these consolidated financial statements.

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2014
*(in millions of Uzbek Soums)*

| | Notes | 2014 | 2013 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Profit for the year | | 76,617 | 56,015 |
| Adjustments for: | | | |
| Income tax expense recognised in profit or loss | | 3,785 | 96 |
| Provision for impairment losses on interest bearing assets | 21, 32 | 104,465 | 57,928 |
| Provision for impairment losses on other operations | 14 | 12,655 | 25,444 |
| Unrealized gain on foreign exchange operations | | (66,770) | (26,798) |
| Adjustment for investments available for sale | | - | 124 |
| Gain from sale or disposal of property and equipment | | (519) | (1,687) |
| Depreciation and amortization expenses | 11 | 13,154 | 12,637 |
| Changes in interest accruals, net | | (19,584) | (6,370) |
| Share of profits of associates | 10 | (18,226) | (12,381) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 105,577 | 105,008 |
| Changes in operating assets and liabilities | | | |
| (Increase)/decrease in operating assets: | | | |
| Due from banks | | 46,324 | (177,136) |
| Loans to customers | | (720,032) | (581,243) |
| Assets classified as held for sale | | (6,040) | 6,499 |
| Other assets | | 9,468 | 21,985 |
| Increase/(decrease) in operating liabilities: | | | |
| Amounts due to the CBU and the Government | | 250,707 | 4,306 |
| Due to banks | | (38,351) | (191,490) |
| Customer accounts | | 366,937 | 388,243 |
| Other liabilities | | 12,725 | 4,758 |
| Liabilities associated with assets classified as held for sale | | 3,073 | - |
| Cash flows from/(used in) operating activities before taxation | | 30,388 | (419,070) |
| Income tax paid | | (20,328) | (16,153) |
| Net cash from/(used in) operating activities | | 10,060 | (435,223) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Dividends received from associates | | 1,061 | 635 |
| Other dividends received | | 489 | 371 |
| Purchase of property, equipment and intangible assets | | (7,543) | (31,746) |
| Proceeds on sale of property and equipment | | 8,851 | 7,550 |
| Purchase of investment available-for-sale | | (1,500) | (2,818) |
| Net cash from/(used in) investing activities | | 1,358 | (26,008) |

The notes on pages 10-74 form an integral part of these consolidated financial statements.

## STATE JOINT-STOCK COMMERCIAL BANK "ASAKA"

### CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014
*(in millions of Uzbek Soums)*

| | | | |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from issue of shares | | 65,639 | 17,732 |
| Redemption of shares | | (37,139) | - |
| Proceeds from debt securities issued | | 50,348 | 89,705 |
| Dividends paid | | (14,418) | (10,889) |
| **Net cash from financing activities** | | 64,430 | 96,548 |
| *Effect of exchange rate changes on the balance of cash held in foreign currency* | | (13,762) | 7,966 |
| **Net increase/(decrease) in cash and cash equivalents** | | 62,086 | (356,717) |
| **CASH AND CASH EQUIVALENTS, beginning of the year** | 6 | 562,164 | 918,881 |
| **CASH AND CASH EQUIVALENTS, end of the year** | 6 | 624,250 | 562,164 |
| Interest paid | | (143,868) | (108,009) |
| Interest received | | 330,986 | 242,146 |
| **Non-cash transaction:** | | | |
| - capitalization of dividends | | 38,354 | 59,056 |

**On behalf of the Management Board:**

Aripov K.T.
Chairman of the Management Board
20 April 2015
Tashkent

"ASAKA" DAVLAT-AKSIYADORLIK TIJORAT BANKI O'ZBEKISTON RESPUBLIKASI
ASAKA BANK

Galinova Z.A.
Chief Accountant
20 April 2015
Tashkent

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 1. ORGANISATION

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

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

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

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

As at 31 December 2014, the Bank operated through its Head office, located in Tashkent city, Republic of Uzbekistan and 26 regional branches, 113 mini banks and 33 currency exchange units (31 December 2013: 26 regional branches, 114 mini banks and 33 currency exchange units) throughout the territory of the Republic of Uzbekistan.

The number of employees of the Bank at 31 December 2014 and 2013 was 2,732 and 2,656 respectively.

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

| Name | Country of operation | The Bank ownership interest/voting rights, % 31 December 2014 | 31 December 2013 | Type of operation |
|---|---|---|---|---|
| SJSCB "Asaka" | Uzbekistan | Parent | | Banking |
| "Dilorom" LLC | Kyrgyzstan | 100 | 100 | Recreation center |
| "Asaka Oquv Komplex" SE | Uzbekistan | 100 | 100 | Education services |
| "Hazarasp Textile" LLC | Uzbekistan | 96 | 100 | Textile |
| "Asaka Trans leasing" LLC | Uzbekistan | 70 | 70 | Leasing company |
| "Boston Kandolat" LLC | Uzbekistan | 100 | 100 | Candy factory |
| "Berteks" LLC | Uzbekistan | 100 | 100 | Textile |
| "Urgench Parranda Invest" LLC | Uzbekistan | 100 | 100 | Poultry |
| "Asaka Investment" LLC | Uzbekistan | 100 | 100 | Assets management |
| "Qorako'l Asaka" LLC | Uzbekistan | - | 100 | Textile |

- "Dilorom" LLC is the recreation centre located on the Issyk-Kul coastal lake and was purchased by the Bank based on the decision of the Cabinet of Ministers #126 dated 29 March 1999. The Bank is a sole shareholder of the "Dilorom" LLC.

- "Asaka Oquv Komplex" Subsidiary Company is involved in banking training and provision of education services. "Asaka Oquv Komplex" Subsidiary Company also renders tourist services, which are performed in accordance with the License # 055-04 dated 21 July 2004. The Bank is as a sole shareholder of the "Asaka Oquv Komplex" Subsidiary Company.

- "Hazarasp Textile" LLC is a manufacturing enterprise, established in accordance with the number of government instructions and decrees in year 2006. "Hazarasp Textile" LLC was established by the Bank using property of the other two enterprises, JV "Umiho" and JSC "Hozarasp textile plant" announced bankrupt, as a repayment of outstanding debt, which these companies owed to the Bank.

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

- "Bo'ston Kandolat" LLC was established on 18 May 2009 in accordance with the decision of the Board from 25 February 2009. The Company was formed on the basis of repossessed property of the bankrupt enterprise JV "Konmit" in year 2006. The Bank is as a sole shareholder of the "Bo'ston Kandolat" LLC. "Bo'ston Kandolat" LLC is engaged in the production of sweets and confectioneries.

- "Berteks" LLC was formed on 14 April 2009 on the basis of repossessed property of two bankrupt enterprises JV "Beruniteks" and JSC "Rayhon". The Bank is as a sole shareholder of the "Berteks" LLC. "Berteks" LLC is primarily engaged in textile manufacturing.

- "Urganch Parranda Invest" poultry farm was established on 25 September 2010. The "Urganch Parranda Invest" poultry farm was formed on the basis of repossessed property of the bankrupt enterprise OJSC "Sharip Zaripov nomli parrandachilik". The Bank is as a sole shareholder of the "Urganch Parranda Invest" poultry farm. Subsequent to balance sheet date, 100% ownership rights were sold (Note 12).

- "Asaka Investment" LLC was established on 22 October 2010, in order to support efficient management of subsidiaries. The Bank is as a sole shareholder of the "Asaka Investment" LLC.

- "Qorako'l Asaka Textile" LLC was established on 12 March 2013. "Qorako'l Asaka Textile" LLC was formed on the basis of repossessed property of the bankrupt enterprise JV "Qorako'ltex". The Bank is as a sole shareholder of the "Qorako'l Asaka Textile" LLC. "Qorako'l Asaka Textile" LLC is primarily engaged in textile manufacturing.

As at 31 December 2014 and 2013, the following shareholders owned the issued shares of the Group:

| SHAREHOLDERS | 31 December 2014, % | 31 December 2013, % |
|---|---|---|
| Ministry of Finance of the Republic of Uzbekistan | 55.37 | 58.76 |
| JSC "Uzavtosanoat" | 13.24 | 14.05 |
| The Fund of Reconstruction and Development of the Republic of Uzbekistan | 13.22 | 14.03 |
| JSC "Almalyk MMC" | 6.24 | 3.84 |
| "UzGazOil" LLC | 4.60 | 4.88 |
| SJSC "Uzbekistan Railways" | 2.26 | 1.25 |
| SJSC "Uzbekenergo" | - | 1.00 |
| Other legal entities (individually holding less than 1% of the share capital of the Group) | 5.07 | 2.19 |
| **Total** | **100.00** | **100.00** |

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

These consolidated financial statements were authorized for issue by the Management Board of the Group on 20 April 2015.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at the revalued amounts or at fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS

2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

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

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 consolidated statement of financial position date (non-current) is presented (see Note 31).

### Functional Currency

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

### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of 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 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 interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interest is 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 the shareholders of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised 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, 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.

**Revenue recognition**

Recognition of interest income and expense
Interest income from a financial asset is recognised 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 recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

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

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

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

Recognition of fee and commission income
Loan origination fees are deferred, together with the related direct costs, and recognised 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 recognised 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 recognised 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 recognised in profit or loss on expiry. Loan servicing fees are recognised as revenue as the services are provided. All other commissions are recognised when services are provided. Loan syndication fees are recognised in profit or loss when the syndication has been completed. All other commissions are recognised when services are provided.

Recognition of dividend income
Dividend income from investments is recognised 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).

Recognition of rental income
The Group's policy for recognition of income as a lessor is set out in the "Leases" section of this footnote.

**Financial instruments**

The Group recognises 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 recognised 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 recognised immediately in profit or loss.

**Financial assets**

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

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

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). Fair value is determined in the manner described (see Note 29). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

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

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

For 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 amortised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

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

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 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 consolidated statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognises 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 recognises 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 recognised in other comprehensive income and accumulated in equity is recognised 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 recognise 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 recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**Financial liabilities and equity instruments issued**

Classification as debt or equity
Debt and equity instruments issued by the Group 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 recognised and deducted directly in equity. No gain or loss is recognised 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, customer accounts, debt securities issued and other financial liabilities) are initially measured at fair value, net of transaction costs.

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

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

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

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised 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 derecognised and the consideration paid and payable is recognised in profit and loss.

Leases

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

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

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

The Group as lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Cash and cash equivalents

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

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

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

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 and equipment

Buildings and premises are stated in the consolidated statement of financial position at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures 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 properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

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

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

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

### 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.

Non-current assets held for sale

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

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

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

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

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

## Taxation

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

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit before tax differs from profit as reported in the consolidated statement of profit or loss 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.

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 utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are 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.

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 profit or loss.

**Provisions**

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

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

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

Contingencies

Contingent liabilities are not recognised 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 recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the

foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| UZS/ 1 US Dollar | 2,422.40 | 2,202.20 |
| UZS/ 1 Euro | 2,987.74 | 3,031.90 |

### Retirement benefit costs

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

### Collateral

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

### Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

### Share capital

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

**Equity reserves**

The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include:

- 'Buildings and premises revaluation reserve' which comprises revaluation reserve of land and building;
- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- 'Unrealised gains on investments available-for-sale' which comprises revaluation reserve of investments available-for-sale;
- 'Capital reserve' which is created as required by the regulations of the Republic of Uzbekistan, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

**Key sources of estimation uncertainty**

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

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

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

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

As at 31 December 2014 and 2013 the gross loans to customers totaled UZS 3,878,291 million and UZS 3,095,207 million respectively, and allowance for impairment losses amounted to UZS 285,639 million and UZS 208,450 million, respectively.

Valuation of financial instruments
As described in Note 31, 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 29 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets
The management of the Group is confident that except for the valuation allowance recorded against deferred tax assets for the amount of nil and UZS 5,651 million as of 31 December 2014 and 2013 respectively, no other valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than not that the deferred tax asset will be fully realised. The carrying value of net deferred tax assets amounted to UZS 36,522 million and UZS 21,829 million as at 31 December 2014 and 2013, respectively.

Buildings and premises carried at revalued amounts
Buildings are measured at revalued amounts. The date of the latest appraisal was 31 December 2012. The next revaluation is preliminary scheduled in 2015. The carrying amount of revalued property amounted to UZS 39,427 million and UZS 55,069 million as at 31 December 2014 and 2013, respectively. Details of the valuation techniques used are set out (see Note 11).

## 4. 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.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;
- IFRIC 21 *Levies*.

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*
The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

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.

These amendments do not have any effect on the Group's consolidated financial statements as the Company 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 realization and settlement'.

There is no effect of these amendments on the consolidated financial statements as the Group does not have any material financial assets and financial liabilities that qualify for offset.

**Amendments to IAS 36 –** ***Recoverable Amount Disclosures for Non-Financial Assets***
The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognised or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements.*

**IFRIC 21** ***Levies***
The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognised progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements except for the change in Group's policy.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

**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:

- Annual Improvements to IFRSs 2010-2012 Cycle[1];
- Annual Improvements to IFRSs 2011-2013 Cycle[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[2];
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[2];
- Amendments to IAS 27 - *Equity Method in Separate Financial Statements*[2];

- Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*[2];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2];
- IFRS 15 Revenue from Contracts with Customers[3];
- IFRS 9 Financial Instruments[4].

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 15 *Revenue from Contracts with Customers*
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 *Financial Instruments*
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- ***Classification and measurement of financial assets***

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the 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 after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. 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.

- ***Classification and measurement of financial liabilities***

Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. 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 OCI 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.

- ***Impairment***

The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- ***Hedge accounting***

Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

- ***Derecognition***

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. 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 11** – ***Accounting for Acquisitions of Interests in Joint Operations***

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The management of the Group does not anticipate that the application of these amendments will have a material impact of the Group's consolidated financial statements.

Amendments to **IAS 16** and **IAS 38** – ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortisation of its property, plant and equipment and intangible assets, respectively. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to **IAS 27** – ***Equity Method in Separate Financial Statements***

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

Amendments to **IFRS 10** and **IAS 28** – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognised depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognised in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle
The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle
The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle
The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 5. RESTATEMENTS

In 2014, the Group's management determined that a number of account balances and classes of transactions had not been appropriately presented in the consolidated financial statements for the year ended 31 December 2013. The cause of the misstatements related to measurement of losses on initial recognition incurred in origination of secured loans. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," these consolidated financial statements have been restated as detailed in the following paragraph.

The effect of the adjustments made to the consolidated financial statements for the year ended 31 December 2013 and is as follows and opening balance sheet as at 1 January 2013, as follows:

| Financial statement line item | As previously reported | Adjustment | As restated |
|---|---|---|---|
| Consolidated financial position as at 1 January 2013: | | | |
| Loans to customers | 2,410,707 | (10,100) | 2,400,607 |
| Deferred tax assets | 6,507 | (2,371) | 4,136 |
| Other liabilities | 51,444 | (25,908) | 25,536 |
| Retained earnings | 57,433 | 13,437 | 70,870 |

| Financial statement line item | As previously reported | Adjustment | As restated |
|---|---|---|---|
| Consolidated financial position as at 31 December 2013: | | | |
| Loans to customers | 2,902,908 | (16,151) | 2,886,757 |
| Deferred tax assets | 23,594 | (1,765) | 21,829 |
| Other liabilities | 33,891 | (24,249) | 9,642 |
| Retained earnings | 54,788 | 6,333 | 61,121 |
| Consolidated statement of profit or loss for the year ended 31 December 2013: | | | |
| Provision for impairment losses on other operations | (17,734) | (7,710) | (25,444) |
| Income tax expenses | (702) | 606 | (96) |
| Net profit for the year | 63,119 | (7,104) | 56,015 |

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Current accounts with other credit institutions | 326,656 | 306,704 |
| Current accounts with the CBU | 193,188 | 128,823 |
| Cash on hand | 72,145 | 36,334 |
| Time deposits with original maturities up to 90 days | 32,261 | 90,303 |
| Total cash and cash equivalents | 624,250 | 562,164 |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 7. DUE FROM BANKS

Due from banks comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Obligatory reserve with the CBU | 454,080 | 504,424 |
| Time deposits with other banks with original maturities over 90 days | 214,400 | 235,191 |
| Restricted cash | 84,457 | 59,105 |
| **Total due from banks** | 752,937 | 798,720 |

As at 31 December 2014 and 2013, the Group had balance due from 2 and 4 banks, respectively, with individual exposure exceeding 10% of the Group's equity.

As at 31 December 2014, obligatory reserve deposit with the Central Bank of the Republic of Uzbekistan ("the CBU") includes mandatory reserves with the CBU in the amount of UZS 358,319 million (2013: 363,107 million) and UZS 95,761 million (2013: 141,317 million) on impairment losses on assets and on deposits of clients, respectively.

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

## 8. LOANS TO CUSTOMERS

The Group uses the following classification of loans by classes:

**Loans to legal entities:**

- Corporate loans – loans issued to legal entities, except for investment in financial lease;
- Small business lending – loans issued to individual entrepreneurs; and
- Investments in financial lease – loans issued to corporate clients that meet definition of the financial lease.

**Loans to individuals:**

- Residential mortgage lending; and
- Consumer lending.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 8. LOANS TO CUSTOMERS (CONTINUED)

Loans to customers comprise:

| | 31 December 2014 | 31 December 2013 (restated) |
|---|---|---|
| Loans to legal entities | | |
| Corporate loans | 3,427,994 | 2,667,998 |
| Investments in finance lease | 165,173 | 194,381 |
| Small business lending | 28,904 | 37,259 |
| **Total loans to legal entities** | **3,622,071** | **2,899,638** |
| **Loans to individuals:** | | |
| Residental mortgage lending | 207,640 | 160,597 |
| Consumer lending | 48,580 | 34,972 |
| **Total loans to individuals** | **256,220** | **195,569** |
| **Gross loans to customers** | **3,878,291** | **3,095,207** |
| Less: Allowance for impairment losses | (285,639) | (208,450) |
| **Total loans to customers** | **3,592,652** | **2,886,757** |

As at 31 December 2014 and 2013 the Group had a concentration of loans totalling UZS 714,143 million and UZS 1,151,731 million due from the 10 largest borrowers, which represent 18% and 37% of gross loan portfolio, respectively.

As at 31 December 2014 and 2013 a significant amount of loans is granted to companies operating in the Republic of Uzbekistan, which represents a significant geographical concentration in one region.

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

| | Corporate loans (including investments in finance lease) | Residental mortgage lending | Small business lending | Consumer lending | Total |
|---|---|---|---|---|---|
| **At 1 January 2013** | **165,860** | 64 | 990 | **254** | **167,168** |
| Provision/(recovery) | 45,200 | 11,068 | (197) | 1,857 | 57,928 |
| Write-off assets | (35,130) | - | (44) | | (35,174) |
| Recovery of assets previously written-off | 15,644 | - | 18 | - | 15,662 |
| Currency translation difference | 2,866 | - | - | - | 2,866 |
| **As at 31 December 2013** | **194,440** | **11,132** | 767 | 2,111 | **208,450** |
| Provision/(recovery) | 97,665 | 5,437 | 153 | 1,210 | 104,465 |
| Write-off assets | (26,193) | (58) | - | - | (26,251) |
| Recovery of assets previously written-off | 1,166 | - | - | - | 1,166 |
| Currency translation difference | (2,191) | - | - | - | (2,191) |
| **As at 31 December 2014** | **264,887** | **16,511** | 920 | 3,321 | **285,639** |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 8. LOANS TO CUSTOMERS (CONTINUED)

| | Corporate loans (including investments in finance lease) | Residental mortgage lending | Small business lending | Consumer lending | Total |
|---|---|---|---|---|---|
| Individual impairment | 148,370 | - | - | - | 148,370 |
| Collective impairment | 46,070 | 11,132 | 767 | 2,111 | 60,080 |
| **As at 31 December 2013** | 194,440 | 11,132 | 767 | 2,111 | 208,450 |
| Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance | 386,974 | - | - | - | 386,974 |
| **As at 31 December 2013 (restated)** | 386,974 | - | - | - | 386,974 |
| Individual impairment | 48,885 | - | - | - | 48,885 |
| Collective impairment | 216,002 | 16,511 | 920 | 3,321 | 236,754 |
| **As at 31 December 2014** | 264,887 | 16,511 | 920 | 3,321 | 285,639 |
| Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance | 68,440 | - | - | - | 68,440 |
| **As at 31 December 2014** | 68,440 | - | - | - | 68,440 |

The amount of individually impaired loans of UZS 403,125 million as at 31 December 2013 has been restated for UZS 16,151 million which relates to the restatement disclosed in Note 5.

Also, as at 31 December 2013, individually impaired loans total UZS 386,974 million included:

- 6 loans for the total amount of UZS 176,364 million that management assessed for impairment based on historical loss experience for loans with similar credit risk characteristics due to lack of sufficient credit history of the borrowers and objective evidence of impairment similar to those in the group of loans. In 2014, management adjusted its impairment assessment for these loans, reflecting the current circumstances, which are based on observable history of repayments and customer behavior subsequent to the year 2013. As a result of such adjustment, the management of the Group no longer classifies these loans as past due and individually impaired. The management of the Group continues to review these loans to ensure that future payments are likely to occur and makes assessment for impairment individually for each loan, using the loan's original effective interest rate. As at 31 December 2014, these loans were no longer classified as part of individually impaired loans.

- 2 loans for the total amount of UZS 45,703 million due to objective evidence of impairment based on observable history of repayments and past customer behavior. During 2014, these loans have been restructured by the Group and borrowers' management to adjust for the specific industry requirements and limits set by the Government of the Republic of Uzbekistan. The restructuring involved extending the payment arrangements to match the operating cash flows of the borrowers, and considering specific industry requirements and limits. As a result of the restructuring, the management of the Group no longer classifies these loans as past due and individually impaired. The management of the Group continues to review these loans to ensure that future payments are likely to occur and makes assessment for impairment individually for each loan, using the loan's original effective interest rate. As at 31 December 2014, these loans were no longer classified as part of individually impaired loans.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 8. LOANS TO CUSTOMERS (CONTINUED)

- 2 loans for the total amount of UZS 34,220 million issued to one utility company as part of social program on modernisation of water supply network in the regions of Uzbekistan. Repayments of the loans are considered to be made partially from state budget and partially from payments of population for water usage. In year 2013 these loans were restructured by the Group and borrower's management in association with the Cabinet of Ministers of the Republic of Uzbekistan in order to adjust for the needs of the borrower's ongoing investment project. This investment project was related to the modernisation of water supply network. The restructuring involved extending the payment arrangements to match the operating cash flows of the borrower after the investment period. As a result of such restructuring, the management of the Group no longer classifies this loan as past due and individually impaired. The management of the Group continues to review the loan to ensure that future payments are likely to occur and performs individual assessment for impairment, using the loan's original effective interest rate. As at 31 December 2014, these loans were no longer classified within individually impaired loans primarily due to them being restructured and the coverage by the guarantee of the Ministry of Finance.

During 2014 and 2013, the Group has written off loans worth UZS 26,251 million and UZS 35,174 million, respectively. Loans written off were considered to be non-recoverable after all procedures (sale of collateral, collection and court cases) were completed.

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

| | 31 December 2014 | 31 December 2013 (restated) |
|---|---|---|
| Real estate | 1,536,734 | 1,276,621 |
| Corporate guarantees | 897,836 | 1,050,499 |
| Cash | 842,806 | 452,415 |
| Equipment and inventories | 333,288 | 130,216 |
| Government guarantees | 53,587 | 57,943 |
| Securities | 1,080 | 704 |
| Unsecured loans | 49,246 | 7,758 |
| Other | 163,714 | 119,051 |
| | 3,878,291 | 3,095,207 |
| Less allowance for impairment losses | (285,639) | (208,450) |
| **Total loans to customers** | 3,592,652 | 2,886,757 |

During the years ended 31 December 2014 and 2013 the Group received financial and non-financial assets by taking possession of collateral it held as security and calling on guarantees and similar credit enhancements. As at 31 December 2014 and 2013 such assets amounting to UZS 53,468 million and UZS 100,614 million, respectively, are included in other assets (Note 12). The management of the Group expects to dispose of this collateral within 12 months period through public auction.

As at 31 December 2014 and 2013 loans to customers included loans totalling UZS 86,251 million and UZS 44,480 million, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 8. LOANS TO CUSTOMERS (CONTINUED)

| | 31 December 2014 | 31 December 2013 (restated) |
|---|---|---|
| Manufacturing | 2,547,024 | 1,861,543 |
| Trading and Catering | 433,587 | 455,388 |
| Individuals | 261,964 | 209,376 |
| Construction | 162,286 | 102,830 |
| Agriculture | 156,662 | 151,840 |
| Utilities | 78,184 | 128,721 |
| Transport and Communication | 62,560 | 118,175 |
| Other | 176,024 | 67,334 |
| | 3,878,291 | 3,095,207 |
| Less allowance for impairment losses | (285,639) | (208,450) |
| **Total loans to customers** | 3,592,652 | 2,886,757 |

During the years ended 31 December 2014 and 2013 the Group received financial (or non-financial) assets by taking possession of collateral it held as security (or calling on other credit enhancements, e.g. guarantees).

The components of net investments in finance lease as at 31 December 2014 and 2013 are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Not later than one year | 42,690 | 2,866 |
| From one year to five years | 174,304 | 220,956 |
| More than 5 years | 20,579 | 45,238 |
| Minimum lease payments | 237,573 | 269,060 |
| Less: unearned finance lease | (72,400) | (74,679) |
| | 165,173 | 194,381 |
| Less: allowance for impairment losses | (10,216) | (9,533) |
| **Net investment in finance lease** | 154,957 | 184,848 |
| Current portion | 39,996 | 2,639 |
| Long-term portion | 114,961 | 191,742 |
| **Net investment in finance lease** | 154,957 | 194,381 |

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted as at 31 December 2014 and 2013 is approximately 12% and 13% per annum, respectively.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 9. INVESTMENTS AVAILABLE-FOR-SALE

Available for sale financial assets comprise:

| Equity securities | 31 December 2014 | 31 December 2013 |
|---|---|---|
| JSC "Djizzak Accumulators Factory" | 8,971 | 8,971 |
| JSC "Asia Invest Bank" | 4,355 | 3,747 |
| JSB "Microcreditbank" | 3,430 | 3,430 |
| Republican stock-exchange "Tashkent" | 3,155 | 3,155 |
| JSC "Qurilishmashlizing" | 1,500 | - |
| JSLC "Qurilish-Leasing" | 688 | 688 |
| SJSFTC"O'zmarkazimpeks" | 420 | 413 |
| JSC "Chilonzor buyum bozori" | 413 | 315 |
| JSC LC "UzMed-Leasing" | 380 | 215 |
| JSC "Uzbekgeofizika" | 163 | 122 |
| SJSIC "Kafolat" | 132 | 111 |
| Other | 70 | 81 |
| **Total investments available-for-sale** | 23,677 | 21,248 |

## 10. INVESTMENTS IN ASSOCIATES

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

| | Proportion of ownership interest and voting rights held by the Group | | Place of incorporation and principal place of business | Date of incorporation | Principal activity | Date of acquisition |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | | | | |
| O'zavtosanoatleazing LLC | 19.60% | 49.00% | Uzbekistan | 2007 | Leasing | 2007 |
| Samarkand Automobile Factory LLC | 26.00% | 26.00% | Uzbekistan | 2006 | Vehicle manufacturing | 2006 |

The above associates are accounted for using the equity method.

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

Although the Group holds less than 20% of the equity shares of "O'zavtosanoatleazing" LLC, the Group has significant influence over the entity as the Group has the power to participate in the financial and operating policy decisions of the entity by having its member within the Supervisory Board.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 10. INVESTMENTS IN ASSOCIATES (CONTINUED)

The movements of the investments in associates comprise:

| | 2014 | 2013 |
|---|---|---|
| **As at 1 January** | 31,724 | 19,978 |
| Increase of share in associates | 8,970 | - |
| Share of results from associates | 9,256 | 12,381 |
| Dividends received | (1,061) | (635) |
| **As at 31 December** | 48,889 | 31,724 |

**Aggregated assets and liabilities of associates**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Total assets | 336,545 | 279,729 |
| Total liabilities | (183,321) | (179,056) |
| **Net assets** | 153,224 | 100,673 |

**Aggregated revenue and profit of associates**

| | 2014 | 2013 |
|---|---|---|
| Revenue | 371,360 | 309,891 |
| Net profit | 36,976 | 42,348 |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 11. PROPERTY AND EQUIPMENT

| | Buildings and premises | Furniture and equipment | Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|
| Cost/value | | | | | |
| 31 December 2012 | 135,748 | 32,589 | 4,523 | 7,092 | 179,952 |
| Additions | 673 | 6,448 | 169 | 24,456 | 31,746 |
| Disposals | (1,694) | (4,974) | (282) | (7) | (6,957) |
| 31 December 2013 | 134,727 | 34,063 | 4,410 | 31,541 | 204,741 |
| Additions | 561 | 227 | 164 | 6,591 | 7,543 |
| Disposals | (7,477) | (2,818) | (395) | (1,982) | (12,672) |
| Reclassified as held for sale | (1,772) | - | - | - | (1,772) |
| 31 December 2014 | 126,039 | 31,472 | 4,179 | 36,150 | 197,840 |
| Accumulated depreciation and impairment | | | | | |
| 31 December 2012 | (73,254) | (19,310) | (2,065) | - | (94,629) |
| Depreciation charge | (6,787) | (5,225) | (465) | - | (12,477) |
| Disposals | 383 | 469 | 242 | - | 1,094 |
| 31 December 2013 | (79,658) | (24,066) | (2,288) | - | (106,012) |
| Depreciation charge | (6,736) | (4,109) | (427) | - | (11,272) |
| Disposals | 756 | 2,693 | 372 | - | 3,821 |
| Reclassified as held for sale | 577 | - | - | - | 577 |
| Impairment | (1,551) | - | - | - | (1,551) |
| 31 December 2014 | (86,612) | (25,482) | (2,343) | - | (114,437) |
| Net book value | | | | | |
| 31 December 2014 | 39,427 | 5,990 | 1,836 | 36,150 | 83,403 |
| 31 December 2013 | 55,069 | 9,997 | 2,122 | 31,541 | 98,729 |

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

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

Had the Group's buildings (other than buildings classified as held for sale or included in a disposal group) been measured on a historical cost basis, their carrying amount would have been UZS 10,016 million as at 31 December 2014.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 12. OTHER ASSETS

Other assets comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Other financial assets:** | | |
| Assets under litigation | 5,578 | 5,928 |
| Trade accounts receivable from customers | 2,647 | 3,190 |
| Unrealized gain on swaps | 667 | 3,012 |
| Others | 1,599 | 2,458 |
| | 10,491 | 14,588 |
| Less allowance for impairment losses | (9,241) | (5,928) |
| | 1,250 | 8,660 |
| **Other non-financial assets:** | | |
| Repossessed property | 53,468 | 100,614 |
| Property and equipment purchased for finance lease purpose | 17,533 | 36,749 |
| Prepayments | 4,305 | 10,152 |
| Tax settlements, other than income tax | 1,259 | 789 |
| Advances paid for leasing equipment | 895 | 3,683 |
| Intangible assets | 838 | 273 |
| Inventory of subsidiaries | 413 | 6,706 |
| Low value and short life assets in warehouse | 369 | 109 |
| | 80,330 | 167,735 |
| Less allowance for impairment losses | (31,192) | (65,662) |
| Total other assets | 49,138 | 102,073 |

Intangible assets are represented by computer software licenses purchased for the purpose of the Group's operational activity. As at 31 December 2014, net carrying value of intangible assets amounted to UZS 838 million (2013: UZS 273 million). Amortisation expenses for the years ended 31 December 2014 and 2013 were UZS 317 million and UZS 160 million, respectively.

Movements in the allowance for impairment losses on other assets for the years ended 31 December 2014 and 2013 are disclosed (see Note 14).

## 13. ASSETS CLASSIFIED AS HELD FOR SALE

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Buildings | 28,246 | - |
| Assets related to "Urgench Parranda Invest" LLC | 11,984 | - |
| Total non-current assets held for sale | 40,230 | - |
| Liabilities directly associated with assets held for sale | 3,073 | - |

As at 31 December 2014 assets classified as held for sale include the real estate constructed by the Group that comprise of apartments and commercial estate, and is located at central part of Tashkent city. The building was built in accordance with the resolution of the Cabinet Ministers of the Republic of Uzbekistan #288-R, dated 17 May 2011. The construction of property was completed in 2014. The management of the Group believes that the carrying amount of the property will be recovered principally through sale to individuals. Management expects this real estate to be sold during the year 2015.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 13. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The Group is seeking to dispose of its business related to "Urgench Parranda Invest" LLC ("the Company) and anticipates that the disposal will be completed by 31 July 2015. The major classes of assets and liabilities of the Company's business at the end of the reporting period are as follows:

| | 31 December 2014 |
|---|---|
| Property and equipment | 7,962 |
| Inventories | 1,167 |
| Trade receivables | 2,854 |
| Cash and bank balances | 1 |
| Assets of "Urgench Parranda Invest" LLC classified as held for sale | 11,984 |
| Trade payables | (633) |
| Borrowings | (2,440) |
| Liabilities of "Urgench Parranda Invest" LLC associated with assets classified as held for sale | (3,073) |
| Net assets of "Urgench Parranda Invest" LLC classified as held for sale | 8,911 |

## 14. ALLOWANCE MOVEMENT FOR IMPAIRMENT LOSSES ON OTHER OPERATIONS

| | Other assets | Impairment of buildings and premises | Total |
|---|---|---|---|
| **1 January 2013** | **53,856** | **1,376** | **55,232** |
| Provision | 25,444 | - | 25,444 |
| Write-off | (7,710) | | (7,710) |
| **31 December 2013** | **71,590** | **1,376** | 72,966 |
| Provision | 11,104 | 1,551 | 12,655 |
| Write-off | (42,261) | - | (42,261) |
| **31 December 2014** | 40,433 | 2,927 | 43,360 |

## 15. AMOUNTS DUE TO THE CBU AND THE GOVERNMENT

Amounts due to the CBU and the Government comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Due to the Fund for Reconstruction and Development of Uzbekistan | 247,154 | 21,640 |
| Due to the Ministry of Finance of the Republic of Uzbekistan | 40,806 | 15,543 |
| Loans from the CBU | 160 | 170 |
| Total amounts due to the CBU and the Government | **288,120** | 37,353 |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 15. AMOUNTS DUE TO THE CBU AND THE GOVERNMENT (CONTINUED)

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Interest rates | Maturity | Interest rates | Maturity |
| Due to the Fund for Reconstruction and Development of Uzbekistan | 1% | 2020 | 1% | 2020 |
| Due to the Ministry of Finance of the Republic of Uzbekistan | 1.0-8.6% | 2015-2026 | 1.0-8.6% | 2014-2026 |
| Loans from the CBU | LIBOR to 7.5% | 2019 | LIBOR to 7.5% | 2019 |

## 16. DUE TO BANKS

Due to banks comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Term deposits of banks and other financial institutions | 410,370 | 348,193 |
| Interest-bearing placements with banks | 71,566 | 85,653 |
| Correspondence accounts with other banks | 5,968 | 93,616 |
| **Total due to banks** | **487,903** | **527,462** |

As at 31 December 2014 and 2013, term deposits in the amount of UZS 338,686 million (69%) and UZS 158,886 million (30%) respectively, were due to 4 banks, which represents a significant concentration.

The Group is obliged to comply with certain financial covenants in relation to funds borrowed from financial institutions. As at 31 December 2014, the Group was in compliance with all financial covenants, except for aggregated interest rate risk ratio, aggregated foreign exchange risk ratio, ratios of liquid assets to short term liabilities, ratio of maximum secured exposure to any single party to Tier 1 capital, ratio of maximum aggregated exposure to the parties which are connected parties to the issuing bank to Tier 1 capital, and loan to deposit ratio. As a result, the Group has presented amounts due to these financial institutions in the aggregate amount of UZS 41,722 million within category "up to one month" in the liquidity risk analysis table disclosed in Note 31.

## 17. CUSTOMER ACCOUNTS

Customer accounts comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| State and public organizations | | |
| Time deposits | 738,304 | 530,815 |
| Current/settlement accounts | 282,769 | 77,733 |
| Other legal entities | | |
| Current/settlement accounts | 1,706,956 | 1,649,893 |
| Time deposits | 293,739 | 315,195 |
| Individuals | | |
| Time deposits | 345,323 | 432,737 |
| Current/settlement accounts | 154,848 | 153,491 |
| **Total customer accounts** | **3,521,939** | **3,159,864** |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 17. CUSTOMER ACCOUNTS (CONTINUED)

As at 31 December 2014 and 2013, customer accounts totalling UZS 573,998 million and UZS 931,788 million, respectively, were held as security against letters of credit and other similar instruments issued by the Group.

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Analysis by customer type: | | |
| Joint ventures | 1,175,760 | 1,213,865 |
| State and public organizations | 1,021,073 | 608,548 |
| Private enterprises | 799,494 | 564,232 |
| Individuals | 500,170 | 586,228 |
| Non-government organizations | 24,213 | 185,339 |
| Other | 1,229 | 1,652 |
| **Total customer accounts** | **3,521,939** | **3,159,864** |

As at 31 December 2014, customer accounts totalling UZS 2,218,487 million or 63% were due to ten largest customers (2013: UZS 2,101,470 million or 67%) which represents a significant concentration. As described in Note 32, UZS 1,035,915 million out of these accounts were due to shareholders of the Group.

## 18. DEBT SECURITIES ISSUED

Debt securities issued comprise:

| | Maturity date month / year | Annual coupon/interest rate % | 31 December 2014 | 31 December 2013 |
|---|---|---|---|---|
| Bond issued | February 2015-July 2018 | 9%-10% | 71,560 | 59,000 |
| Certificates of deposit | February 2015-August 2017 | 7%-10% | 183,294 | 145,314 |
| Savings certificates | | | 42 | 50 |
| **Total debt securities issued** | | | **254,896** | **204,364** |

## 19. OTHER LIABILITIES

Other liabilities comprise:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Other financial liabilites:** | | |
| Settlements on purchases of products and services | 1,117 | 2,197 |
| Unrealized loss on swaps | 1,896 | - |
| Payable to employees | 5,462 | 800 |
| Accounts payable | 3,485 | 191 |
| | 11,960 | 3,188 |
| **Other non-financial liabilites:** | | |
| Unearned revenue | 5,293 | 1,388 |
| Taxes payable, other than income tax | 1,182 | 2,371 |
| Deferred income | 21 | 1,229 |
| Other | 1,859 | 1,466 |
| | 8,355 | 6,454 |
| **Total other liabilities** | **20,315** | **9,642** |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 20. SHARE CAPITAL

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

| | Authorized, issued and paid capital | Inflation effect | Total share capital |
|---|---|---|---|
| Ordinary shares | 504,546 | 34,121 | 538,667 |
| | 504,546 | 34,121 | 538,667 |

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

On 19 September 2013, the Council of the Group approved an issue of ordinary shares with par value of UZS 61,140. This share issue was registered by the Securities Coordination and Control Centre of the State Property Committee of Uzbekistan on 9 December 2013.

During 2014, the Group realised new shares via State Stock Exchange for UZS 62,857 million (2013: UZS 15,391 million). In addition, during 2014 the shareholders of the Group declared dividends for the total amount of UZS 52,554 million (2013: UZS 69,945 million). Out of this amount dividends at total of UZS 38,354 million (2013: UZS 59,056 million) were capitalised to share capital.

In 2014, the shareholders of the Group made decision to split the shares by decreasing par value from UZS 61,140 to UZS 1,112.08.

As at 31 December 2014 and 2013 share capital consisted of 453,693,399 and 6,867,534 ordinary shares, with par value of UZS 1,112.08 (2013: 61,140) each. As at 31 December 2014 out of 67,441,194 shares issued, 41,642,359 or 62% new shares were sold. Each ordinary share carries one vote.

As at 31 December 2014 and 2013 share premium totalling UZS 3,659 million and UZS 5,670 million, respectively, represent an excess of contribution received over the nominal value of shares issued.

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies.

The Group distributes profits as dividends or transfers to reserves on the basis of the financial information prepared in accordance with the local legislation. According to the information provided to the CBU, IFRS retained earnings as at 31 December 2014 include distributable earnings of UZS 77,965 million.

The nature and purpose of other reserves within equity is disclosed in Note 2.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 21. NET INTEREST INCOME

| | 2014 | 2013 |
|---|---|---|
| Interest income comprises: | | |
| Interest income on financial assets recorded at amortized cost comprises: | | |
| Interest on loans to customers | 314,921 | 218,616 |
| Interest on due from banks | 22,737 | 17,322 |
| Interest on finance lease | 14,558 | 14,599 |
| Total interest income | 352,216 | 250,537 |
| Interest expense comprises: | | |
| Interest expense on financial liabilities recorded at amortized cost comprise: | | |
| Interest on customer accounts | (106,608) | (76,463) |
| Interest on debt securities issued | (20,416) | (17,683) |
| Interest on due to banks | (17,737) | (18,672) |
| Interest on amounts due to the CBU and the Government | (754) | (567) |
| Total interest expense | (145,515) | (113,385) |
| Net interest income before impairment loss on interest bearing assets | 206,701 | 137,152 |

## 22. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

| | 2014 | 2013 |
|---|---|---|
| Translation differences, net | 75,907 | 34,764 |
| Dealing transactions, net | 5,344 | 5,287 |
| Total net gain on foreign exchange operations | 81,251 | 40,051 |

## 23. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

| | 2014 | 2013 |
|---|---|---|
| Fee and commission income: | | |
| Settlements | 48,270 | 54,291 |
| Foreign currency exchange operations | 32,517 | 25,776 |
| Letters of credit operations | 15,020 | 16,731 |
| Other | 2,845 | 3,121 |
| Total fee and commission income | 98,652 | 99,919 |
| Fee and commission expense: | | |
| Settlements | (19,308) | (15,419) |
| Cash collection services | (10,419) | (5,839) |
| Other | (413) | (227) |
| Total fee and commission expense | (30,140) | (21,485) |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 24. OTHER INCOME/(EXPENSES)

Other income/(expenses) comprises:

| | 2014 | 2013 |
|---|---|---|
| Fines and penalties | 3,437 | 7,021 |
| Income from rent of property | 1,757 | 2,037 |
| Gain from disposal of property and equipment | 519 | 1,687 |
| Profit of subsidiaries | 299 | 5,432 |
| Unrealized (loss)/gain on swaps | (4,220) | 749 |
| Other non-interest income | 170 | 780 |
| Total other income/(expenses), net | 1,962 | 17,706 |

## 25. OPERATING EXPENSES

Operating expenses comprise:

| | 2014 | 2013 |
|---|---|---|
| Staff costs | 70,721 | 52,741 |
| Taxes, other than income tax | 29,974 | 23,748 |
| Social costs | 26,733 | 20,815 |
| Depreciation and amortisation | 13,154 | 12,637 |
| Security expenses | 9,211 | 8,584 |
| Charity and sponsorship expenses | 6,487 | 5,237 |
| Membership fee | 5,969 | 5,586 |
| Stationery | 3,628 | 4,362 |
| Communications | 2,500 | 1,979 |
| Maintenance | 2,474 | 3,000 |
| Rent expenses | 1,578 | 1,320 |
| Business trip expenses | 1,431 | 907 |
| Advertising costs | 987 | 784 |
| Utilities | 841 | 778 |
| Fuel expense | 711 | 318 |
| Fines and penalties | 504 | 191 |
| Professional services | 426 | 561 |
| Representative expenses | 240 | 224 |
| Insurance | 175 | 193 |
| Other expenses | 1,763 | 2,033 |
| Total operating expenses | 179,507 | 145,998 |

## 26. 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.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 26. INCOME TAX (CONTINUED)

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 31 December 31 2014 and 2013 relate mostly to different methods/timing of income and expenses as well as to temporary differences generated by tax book 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 (as defined) in accordance with the Tax Code. The effective tax rate used in calculations of deferred tax is 21.8%.

Deferred tax assets/liabilities as at 31December 2014 and 2013 comprise:

| | 31 December 2014 | 31 December 2013 (restated) |
|---|---|---|
| Deferred tax assets/liabilities in relation to: | | |
| Loans to customers | 36,599 | 24,655 |
| Property and equipment | 2,463 | 1,698 |
| Other assets | 2,024 | 11,998 |
| Assets classified as held for sale | 218 | - |
| Investments | (4,014) | (5,447) |
| Other liabilities | (366) | (5,022) |
| Assets classified as held for sale | (402) | (402) |
| Net deferred tax assets | 36,522 | 27,480 |
| Deferred tax asset not recognized | - | (5,651) |
| Net deferred tax assets | 36,522 | 21,829 |

The effective tax rate reconciliation is as follows for the years ended 31 December 2014 and 2013:

| | 2014 | 2013 (restated) |
|---|---|---|
| Profit before income tax | 80,184 | 56,111 |
| Tax at the statutory tax rate (21.8% for 2014 and 2013) | 17,480 | 12,232 |
| Non-deductible expenses | 7,540 | 8,147 |
| Income tax privileges | (5,055) | (2,308) |
| Tax exempt income | (1,629) | (1,044) |
| Tax effect of permanent differences | (4,189) | (18,007) |
| Effect on tax rate, different from the rate of 21.8% | (4,929) | (4,575) |
| Change in deferred tax assets not recognized | (5,651) | 5,651 |
| Income tax expense including discontinued operations | 3,567 | 96 |
| Current income tax expense | 18,260 | 17,789 |
| Change in deferred income tax assets | (14,475) | (17,693) |
| Income tax expenses from continuing operations | 3,785 | 96 |
| Change in deferred income tax from discontinued operations | (218) | - |
| Income tax expense including discontinued operations | 3,567 | 96 |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 26. INCOME TAX (CONTINUED)

| Deferred income tax asset/(liabilities) | 2014 | 2013 (restated) |
|---|---|---|
| As at 1 January - deferred tax assets | 21,829 | 4,136 |
| Change in deferred income tax balances recognized in consolidated profit or loss | 14,693 | 17,693 |
| As at 31 December - deferred tax assets | 36,522 | 21,829 |

## 27. DISPOSALS

### Disposal of "Qorako'l Asaka" LLC

On 29 September 2014, the Group entered into a sale agreement to dispose of "Qorako'l Asaka" LLC which carried out textile manufacturing operations. The disposal was completed on 13 November 2014 on which date the control passed to the acquirer. The carrying amount of the related net assets exceeded the proceeds of the sale and, accordingly, impairment losses for UZS 640 million were recognised on the disposal of these operations.

**Consideration received:**

| | 2014 |
|---|---|
| Deferred sales proceeds | 17,772 |
| Total | 17,772 |

**Assets and liabilities disposed of:**

| | 13 November 2014 |
|---|---|
| ASSETS: | |
| Cash and cash equivalents | 38 |
| Trade receivables | 240 |
| Inventory | 2,357 |
| Property and equipment | 15,165 |
| Intangible assets | 1,029 |
| Total assets | 18,829 |
| Trade payables | 322 |
| Payables to employees | 53 |
| Taxes payable | 42 |
| Total liabilities | 417 |
| Net assets disposed of | 18,412 |

**Gain on disposal of subsidiary:**

| | 2014 |
|---|---|
| Consideration received | 17,772 |
| Net assets disposed of | (18,412) |
| Loss on disposal | (640) |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 27. DISPOSALS (CONTINUED)

Net cash outflow on disposal of subsidiary:

| | 2014 |
|---|---|
| Cash and cash equivalents disposed of | (38) |
| **Total** | **(38)** |

### Disposal of "Urgench Parranda Invest" LLC

On 31 December 2014, the Group entered into a sale agreement to dispose of "Urgench Parrand Invest" LLC which is a poultry farm. The disposal was completed subsequent to the balance sheet date on 15 January 2015 on which date control passed to the acquirer. It is expected that the carrying amount of the related net assets will exceed the proceeds of the sale and, accordingly, impairment losses for UZS 361 million were recognised on the reclassification of these operations as held for sale.

The combined results of the discontinued operations included in the consolidated statement of profit or loss are set out below. The comparative profit from discontinued operations has been re-presented to include those operations classified as discontinued in the current period.

| | 2014 | 2013 |
|---|---|---|
| **Loss for the year from discontinued operations** | | |
| Revenue | 2,911 | 877 |
| Other gains | 884 | 67 |
| Expenses | (4,070) | (1,558) |
| Loss on remeasurement to fair value less cost to sell | (1,001) | - |
| Deferred income tax benefit | 218 | |
| **Loss for the year from discontinued operations** | **(1,058)** | **(614)** |

## 28. 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 consolidated 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.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As at 31 December 2014 and 2013 the nominal or contract amounts were:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Contingent liabilities and credit commitments** | | |
| Letters of credit | 683,177 | 778,317 |
| Guarantees issued and other similar instruments | 179,722 | 93,076 |
| Commitments on unused credit lines | 79,366 | 103,475 |
| | 942,265 | 974,868 |
| Less - Cash held as security against letters of credit and guarantees | (573,998) | (931,788) |
| **Total contingent liabilities and credit commitments** | 368,267 | 43,080 |

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

***Capital commitments*** – the Group had no material capital commitments outstanding as at 31 December 2014 and 2013.

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

The ICD financing agreement terms are structured in a way that the Bank doesn't bear any credit risk related to the projects financed from the ICD funds, other than the contingency risk on the respective guarantees issued on those projects. As such, funds utilized to finance the projects under the terms of this agreement are recorded off balance sheet. The guarantee for the respective amount issued by the Bank was recorded within "Guarantees issued and other similar instruments" line in the above table. As at 31 December, 2014 no provision is recorded under this guarantee in the consolidated statement of financial position.

In accordance with the terms of the ICD financing agreement, the Bank is required to maintain certain specific financial covenants. As at 31 December 2014 the Bank was not able to meet certain covenants of financial line agreement, such as ratio of liquid assets to total assets, total operating expense to total operating income and liquid assets to weighted short term liabilities ratios. In accordance with the terms of the ICD financing agreement, in such cases the ICD has the right to take over the administration of the financed projects from the Bank. However, the management believes that the ICD will not use this right in the foreseeable future.

***Operating lease commitments*** – the Group had no material operating lease commitments outstanding as at 31 December 2014 and 2013.

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

## 28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

**Operating Environment**
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. Laws and regulations affecting businesses in the Republic of Uzbekistan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Due from banks | 752,937 | 746,926 | 798,720 | 794,832 |
| Loans to customers | 3,592,652 | 3,552,378 | 2,886,757 | 2,857,773 |
| Due to banks | 487,903 | 473,775 | 527,462 | 520,816 |
| Customer accounts | 3,521,939 | 3,549,924 | 3,159,864 | 3,152,585 |

| | | | | 31 December 2014 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Due from banks | - | - | 746,926 | 746,926 |
| Loans to customers | - | - | 3,552,378 | 3,552,378 |
| Due to banks | - | - | 473,775 | 473,775 |
| Customer accounts | - | - | 3,549,924 | 3,549,924 |

| | | | | 31 December 2013 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Due from banks | - | - | 794,832 | 794,832 |
| Loans to customers | - | - | 2,857,773 | 2,857,773 |
| Due to banks | - | - | 520,816 | 520,816 |
| Customer accounts | - | - | 3,152,585 | 3,152,585 |

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 flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 30. CAPITAL RISK MANAGEMENT

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

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

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 consolidated statement of changes in equity.

The Management Board reviews the capital structure of the Group 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 Management 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 2013.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 30. CAPITAL RISK MANAGEMENT (CONTINUED)

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

| | 2014 | 2013 |
|---|---|---|
| Movement in tier 1 capital: | | |
| At 1 January | 582,253 | 518,794 |
| *Profit* | 76,617 | 56,015 |
| *Other* | 14,400 | 7,444 |
| At 31 December | 673,270 | 582,253 |

| Composition of regulatory capital (a): | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Tier 1 capital | | |
| *Share capital* | 538,667 | 469,802 |
| *Share premium* | 3,659 | 5,670 |
| *Capital reserve* | 7,382 | 7,382 |
| *Unrealised gains on investments available for sale* | 4,918 | 4,918 |
| *Retained earnings* | 88,613 | 61,121 |
| **Total qualifying tier 1 capital** | 643,239 | 548,893 |
| *Property and equipment revaluation reserve* | 29,411 | 32,732 |
| *Foreign currency translation reserve* | 620 | 628 |
| **Total regulatory capital** | 673,270 | 582,253 |
| Capital Ratios: | | |
| Tier 1 capital | 16.35% | 16.38% |
| Total capital | 17.12% | 17.37% |

Quantitative measures in accordance with the Basle Committee principles to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

## 31. RISK MANAGEMENT POLICIES

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

- Credit exposures
- Liquidity risk
- Market risk

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

### Credit risk

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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

***Group's internal ratings scale:***

| | | |
|---|---|---|
| Good | 1 | Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration. |
| Standard | 2 | "Standard" loans are those loans, which are secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavorable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay the loan on time. "Good" loans with insufficient information in the credit file or missed information on collateral could be also classified as "Standard" loans. |
| Substandard | 3 | "Substandard" loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "Substandard" loans, the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral. |
| Doubtful | 4 | "Doubtful" loans are those loans, which have all the weaknesses inherent in those classified as "Substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values highly questionable and improbable. |
| Loss | 5 | Loans classified as "Loss" are considered to be uncollectible and have such little value that their continuance as bankable assets of the Bank is not warranted. This classification does not mean that the loans have absolutely no chance of recovery, but rather means that it is not practical or desirable to defer writing off these basically worthless assets even thought partial recovery may be effected in the future and the Bank should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment. |

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

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Good | 3,541,020 | 2,835,240 |
| Standard | 239,282 | 111,217 |
| Substandard | 46,600 | 82,365 |
| Doubtful | 29,825 | 35,609 |
| Loss | 21,564 | 30,776 |
| **Total loans to customers, gross** | 3,878,291 | 3,095,207 |

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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

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

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

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

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

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

The principal collateral types for loans are:

- Real estate;
- Corporate guarantees;
- Cash;
- Equipment;
- Inventory;
- Government guarantees;
- Securities;
- Deposits.

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

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

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

- The Credit Committee of Head office reviews and approves limits up to amount equivalent of USD 7.5 million;
- The Management Board of the Bank reviews and approves limits up to amount equivalent of 10 percent of tier 1 capital;
- The Council of the Bank reviews and approves limits up to amount equivalent of 25 percent of tier 1 capital.

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

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

*Impairment and provisioning policies.* The internal and external rating systems described above focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are 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.

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.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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

| | Maximum exposure | Offset | Net exposure after offset | Collateral pledged | Net exposure after offset and collateral |
|---|---|---|---|---|---|
| 31 December 2014 | | | | | |
| Cash and cash equivalents | 624,250 | 72,145 | 552,105 | - | 552,105 |
| Due from banks | 752,937 | - | 752,937 | - | 752,937 |
| Loans to customers | 3,592,652 | 842,806 | 2,749,846 | 2,700,600 | 49,246 |
| Investments available-for-sale | 23,677 | - | 23,677 | - | 23,677 |
| Other financial assets | 1,250 | - | 1,250 | - | 1,250 |
| Contingent liabilities and credit commitments | 942,265 | 573,998 | 368,267 | - | 368,267 |

| | Maximum exposure | Offset | Net exposure after offset | Collateral pledged | Net exposure after offset and collateral |
|---|---|---|---|---|---|
| 31 December 2013 | | | | | |
| Cash and cash equivalents | 562,164 | 36,334 | 525,830 | - | 525,830 |
| Due from banks | 798,720 | - | 798,720 | - | 798,720 |
| Loans to customers | 2,886,757 | 452,415 | 2,434,342 | 2,426,584 | 7,758 |
| Investments available-for-sale | 21,248 | - | 21,248 | - | 21,248 |
| Other financial assets | 8,660 | - | 8,660 | - | 8,660 |
| Contingent liabilities and credit commitments | 974,868 | 931,788 | 43,080 | - | 43,080 |

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 ofthe counterparty and the nature of the transaction.

### Geographical concentration

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

| | Uzbekistan | OECD countries | Non-OECD countries | 31 December 2014 Total |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| Cash and cash equivalents | 303,043 | 320,253 | 954 | 624,250 |
| Due from banks | 660,753 | 84,657 | 7,527 | 752,937 |
| Loans to customers | 3,592,652 | - | - | 3,592,652 |
| Investments available-for-sale | 19,322 | - | 4,355 | 23,677 |
| Other financial assets | 1,250 | - | - | 1,250 |
| **TOTAL FINANCIAL ASSETS** | 4,577,020 | 404,910 | 12,836 | 4,994,766 |
| **FINANCIAL LIABILITIES** | | | | |
| Amounts due to the CBU and Government | 288,120 | - | - | 288,120 |
| Due to banks | 181,652 | 213,314 | 92,937 | 487,903 |
| Customer accounts | 3,521,939 | - | - | 3,521,939 |
| Debt securities issued | 254,896 | - | - | 254,896 |
| Other financial liabilities | 11,960 | - | - | 11,960 |
| **TOTAL FINANCIAL LIABILITIES** | 4,258,567 | 213,314 | 92,937 | 4,564,818 |
| **NET POSITION** | 318,453 | 191,596 | (80,101) | |

| | Uzbekistan | OECD countries | Non-OECD countries | 31 December 2013 Total |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| Cash and cash equivalents | 555,535 | - | 6,629 | 562,164 |
| Due from banks | 710,481 | 80,760 | 7,479 | 798,720 |
| Loans to customers | 2,886,757 | - | - | 2,886,757 |
| Investments available-for-sale | 17,501 | - | 3,747 | 21,248 |
| Other financial assets | 8,660 | - | - | 8,660 |
| **TOTAL FINANCIAL ASSETS** | 4,178,934 | 80,760 | 17,855 | 4,277,549 |
| **FINANCIAL LIABILITIES** | | | | |
| Amounts due to the CBU and Government | 37,353 | - | - | 37,353 |
| Due to banks | 313,135 | 154,023 | 60,304 | 527,462 |
| Customer accounts | 3,159,864 | - | - | 3,159,864 |
| Debt securities issued | 204,364 | - | - | 204,364 |
| Other financial liabilities | 3,188 | - | - | 3,188 |
| **TOTAL FINANCIAL LIABILITIES** | 3,717,904 | 154,023 | 60,304 | 3,932,231 |
| **NET POSITION** | 461,030 | (73,263) | (42,449) | |

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

### 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 – cash or securities
- For commercial lending – charges over real estate properties, inventory
- For retail lending – mortgages over residential properties.

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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

| | AA | A | BBB | BB | B | Not rated | Central Bank of Uzbekistan | 31 December 2014 Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 74,624 | 238,147 | 7,759 | - | 19,450 | 91,082 | 193,188 | **624,250** |
| Due from banks | 8,560 | 89 | 75,546 | 1 | 172,851 | 41,810 | 454,080 | **752,937** |
| Loans to customers | - | - | - | - | - | 3,592,652 | - | **3,592,652** |
| Investments available for sale | - | - | - | - | - | 23,677 | - | **23,677** |
| Other financial assets | - | - | - | - | - | 1,250 | - | **1,250** |

| | AA | A | BBB | BB | B | Not rated | Central Bank of Uzbekistan | 31 December 2013 Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 176,672 | 64,345 | 84,990 | - | 71,000 | 36,334 | 128,823 | **562,164** |
| Due from banks | 58,064 | - | 76,419 | - | 100,708 | 59,105 | 504,424 | **798,720** |
| Loans to customers | - | - | - | - | - | 2,886,757 | - | **2,886,757** |
| Investments available for sale | - | - | - | - | - | 21,248 | - | **21,248** |
| Other financial assets | - | - | - | - | - | 8,660 | - | **8,660** |

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, eredit 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.

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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 (Note 8).

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

### Liquidity risk

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

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

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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.

| | Weighted average interest rate | Up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | Over 5 years | Maturity undefined | 31 December 2014 Total |
|---|---|---|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | | | | |
| Cash and cash equivalents | 5.0% | 14,000 | 18,000 | - | - | - | - | 32,000 |
| Due from banks | 6.8% | 77,424 | 28,950 | 97,264 | 66,146 | 28,100 | - | 297,884 |
| Loans to customers | 9.8% | 124,798 | 131,225 | 1,123,165 | 1,485,118 | 728,346 | - | 3,592,652 |
| Total interest bearing financial assets | | 216,222 | 178,175 | 1,220,429 | 1,551,264 | 756,446 | - | 3,922,536 |
| Cash and cash equivalents | | 445,770 | - | - | 146,480 | - | - | 592,250 |
| Due from banks | | 88,190 | 8,544 | - | 358,319 | - | - | 455,053 |
| Investments available-for-sale | | - | - | - | - | - | 23,677 | 23,677 |
| Other financial assets | | 1,250 | - | - | - | - | - | 1,250 |
| Total financial assets | | 751,432 | 186,719 | 1,220,429 | 2,056,063 | 756,446 | 23,677 | 4,994,766 |
| FINANCIAL LIABILITIES | | | | | | | | |
| Amounts due to the CBU and Government | 1.4% | 223 | 588 | 7,796 | 14,604 | 264,909 | - | 288,120 |
| Due to banks | 5.2% | 58,347 | 193,247 | 103,254 | 40,978 | - | - | 395,826 |
| Customer accounts | 6.1% | 249,623 | 518,087 | 547,738 | 81,128 | 23 | 14,151 | 1,410,750 |
| Debt securities issued | 14.0% | 462 | 40,926 | 99,908 | 113,600 | - | - | 254,896 |
| Total interest bearing financial liabilities | | 308,655 | 752,848 | 758,696 | 250,310 | 264,932 | 14,151 | 2,349,592 |
| Due to banks | | 92,077 | - | - | - | - | - | 92,077 |
| Customer accounts | | 1,155,133 | 15,598 | 20,458 | 920,000 | - | - | 2,111,189 |
| Other financial liabilities | | 11,960 | - | - | - | - | - | 11,960 |
| Commitments on loans and unused credit lines | | - | - | - | - | - | 79,366 | 79,366 |
| Total financial liabilities | | 1,567,825 | 768,446 | 779,154 | 1,170,310 | 264,932 | 93,517 | 4,644,184 |
| Interest sensitivity gap | | (92,433) | (574,673) | 461,733 | 1,300,954 | 491,514 | (14,151) | |
| Cumulative interest sensitivity gap | | (92,433) | (667,106) | (205,373) | 1,095,581 | 1,587,095 | 1,572,944 | |
| Liquidity gap | | (816,393) | (581,727) | 441,275 | 885,753 | 491,514 | (69,840) | |
| Cumulative liquidity gap | | (816,393) | (1,398,120) | (956,845) | (71,092) | 420,422 | 350,582 | |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

The negative liquidity gap above between financial assets and liabilities up to 5 years is caused by current accounts of customers. The management regularly assesses the stability of its customer accounts funding base based on past performance and analysis of the events subsequent to the reporting date. Also, as described in Note 32, as at 31 December 2014 customer accounts due to shareholders and other related parties constitute UZS 1,035,915 million and UZS 1,152,855 million, respectively. The management believes that the clients intend to hold their current accounts with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

| | Weighted average interest rate | Up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | Over 5 years | Maturity undefined | 31 December 2013 Total |
|---|---|---|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | | | | |
| Cash and cash equivalents | 3.4% | 153,600 | 90,304 | - | - | - | - | 243,904 |
| Due from banks | 6.0% | 125,421 | 203,927 | 109,456 | 36,287 | - | - | 475,091 |
| Loans to customers | 9.9% | 16,548 | 110,271 | 564,144 | 1,678,941 | 516,853 | - | 2,886,757 |
| Total interest bearing financial assets | | 295,569 | 404,502 | 673,600 | 1,715,228 | 516,853 | - | 3,605,752 |
| Cash and cash equivalents | | 318,260 | - | - | - | - | - | 318,260 |
| Due from banks | | 91,397 | 108,785 | 100,666 | 22,781 | - | - | 323,629 |
| Investments available-for-sale | | - | - | - | - | - | 21,248 | 21,248 |
| Other financial assets | | 8,660 | - | - | - | - | - | 8,660 |
| Total financial assets | | 713,886 | 513,287 | 774,266 | 1,738,009 | 516,853 | 21,248 | 4,277,549 |
| FINANCIAL LIABILITIES | | | | | | | | |
| Amounts due to the CBU and Government | 2.8% | - | - | - | - | 15,893 | - | 15,893 |
| Due to banks | 6.2% | 159,634 | 106,519 | 85,908 | 121,213 | 2,568 | - | 475,842 |
| Customer accounts | 4.2% | 512,923 | 425,544 | 394,531 | 100,161 | - | - | 1,433,159 |
| Debt securities issued | 10.2% | - | 55,544 | 100 | 148,720 | - | - | 204,364 |
| Total interest bearing financial liabilities | | 672,557 | 587,607 | 480,539 | 370,094 | 18,461 | - | 2,129,258 |
| Amounts due to the CBU and Government | | - | - | - | - | 21,460 | - | 21,460 |
| Due to banks | | 51,620 | - | - | - | - | - | 51,620 |
| Customer accounts | | 1,726,705 | - | - | - | - | - | 1,726,705 |
| Other financial liabilities | | 3,188 | - | - | - | - | - | 3,188 |
| Commitments on loans and unused credit lines | | - | - | - | - | - | 103,475 | 103,475 |
| Total financial liabilities | | 2,454,070 | 587,607 | 480,539 | 370,094 | 39,921 | 103,475 | 4,035,706 |
| Interest sensitivity gap | | (376,988) | (183,105) | 193,061 | 1,345,134 | 498,392 | - | |
| Cumulative interest sensitivity gap | | (376,988) | (560,093) | (367,032) | 978,102 | 1,476,494 | 1,476,494 | |
| Liquidity gap | | (1,740,184) | (74,320) | 293,727 | 1,367,915 | 476,932 | (82,227) | |
| Cumulative liquidity gap | | (1,740,184) | (1,814,504) | (1,520,777) | (152,862) | 324,070 | 241,843 | |

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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

| | Weighted average interest rate | Up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | Over 5 years | 31 December 2014 Total |
|---|---|---|---|---|---|---|---|
| **FINANCIAL LIABILITIES** | | | | | | | |
| Amounts due to the CBU and Government | 1.4% | - | 2 | 109 | 3 | - | 114 |
| Due to banks | 5.2% | 253 | 2,512 | 5,369 | 111 | - | 8,245 |
| Customer accounts | 6.1% | 1,269 | 7,901 | 33,412 | 302 | - | 42,884 |
| Debt securities issued | 14.0% | 5 | 1,432 | 13,987 | 2,227 | - | 17,651 |
| **Total interest bearing liabilities** | | 1,527 | 11,847 | 52,877 | 2,643 | - | 68,894 |
| Due to banks | | 92,077 | - | - | - | - | 92,077 |
| Customer accounts | | 1,155,133 | 15,598 | 20,458 | 920,000 | - | 2,111,189 |
| Other financial liabilities | | 11,960 | - | - | - | - | 11,960 |
| **Total financial liabilities** | | 1,260,697 | 27,445 | 73,335 | 922,643 | - | 2,284,120 |

| | Weighted average interest rate | Up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | Over 5 years | 31 December 2013 Total |
|---|---|---|---|---|---|---|---|
| **FINANCIAL LIABILITIES** | | | | | | | |
| Amounts due to the CBU and Government | 2.8% | - | - | - | - | 16,687 | 16,687 |
| Due to banks | 6.2% | 162,833 | 106,929 | 91,234 | 163,739 | 2,727 | 527,462 |
| Customer accounts | 4.2% | 472,737 | 426,647 | 410,956 | 122,819 | - | 1,433,159 |
| Debt securities issued | 10.2% | - | 55,896 | 110 | 148,358 | - | 204,364 |
| **Total interest bearing liabilities** | | 635,570 | 589,472 | 502,300 | 434,916 | 19,414 | 2,181,672 |
| Amounts due to the CBU and Government | | - | - | - | - | 21,460 | 21,460 |
| Due to banks | | 51,620 | - | - | - | - | 51,620 |
| Customer accounts | | 1,726,705 | - | - | - | - | 1,726,705 |
| Other financial liabilities | | 3,188 | - | - | - | - | 3,188 |
| **Total financial liabilities** | | 2,417,083 | 589,472 | 502,300 | 434,916 | 40,874 | 3,984,645 |

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 counterparties to the guarantees. 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 arrangements. However, this estimate is subject to change depending oh 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.

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the fully guaranteed amount is claimed by the counterparty to the guarantee as at 31 December 2014 and 2013 is UZS 179,722 million and UZS 93,076 million, respectively.

### 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.

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

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

### Currency risk

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

The Risk Management Department controls currency risk by management of the open currency position on the estimated basis of UZS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Risk Management 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.

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

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

| | UZS | USD<br>USD 1 = UZS<br>2,422.40 | EUR<br>EUR 1 = UZS<br>2,987.74 | Other currencies | 31 December 2014 Total |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| Cash and cash equivalents | 144,897 | 377,347 | 98,506 | 3,500 | 624,250 |
| Due from banks | 556,182 | 41,246 | 155,509 | - | 752,937 |
| Loans to customers | 2,623,168 | 930,360 | 39,124 | - | 3,592,652 |
| Investments available-for-sale | 21,417 | 1,817 | - | 443 | 23,677 |
| Other financial assets | 1,250 | - | - | - | 1,250 |
| Total financial assets | 3,346,914 | 1,350,770 | 293,139 | 3,943 | 4,994,766 |
| **FINANCIAL LIABILITIES** | | | | | |
| Amounts due to the CBU and Government | 4,050 | 260,554 | 23,516 | - | 288,120 |
| Due to banks | 251,458 | 206,929 | 29,514 | 2 | 487,903 |
| Customer accounts | 2,633,064 | 642,884 | 244,894 | 1,097 | 3,521,939 |
| Debt securities issued | 254,896 | - | - | - | 254,896 |
| Other financial liabilities | 11,960 | - | - | - | 11,960 |
| Total financial liabilities | 3,155,428 | 1,110,367 | 297,924 | 1,099 | 4,564,818 |
| OPEN POSITION | 191,486 | 240,403 | (4,785) | 2,844 | |

| | UZS | USD<br>USD 1 = UZS<br>2,202.20 | EUR<br>EUR 1 = UZS<br>3,031.90 | Other currencies | 31 December 2013 Total |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| Cash and cash equivalents | 187,361 | 274,600 | 97,364 | 2,839 | 562,164 |
| Due from banks | 760,481 | 10,588 | 27,651 | - | 798,720 |
| Loans to customers | 2,173,790 | 664,485 | 48,482 | - | 2,886,757 |
| Investments available-for-sale | 21,244 | 4 | - | - | 21,248 |
| Other financial assets | 8,660 | - | - | - | 8,660 |
| Total financial assets | 3,151,536 | 949,677 | 173,497 | 2,839 | 4,277,549 |
| **FINANCIAL LIABILITIES** | | | | | |
| Amounts due to the CBU and Government | 37,353 | - | - | - | 37,353 |
| Due to banks | 208,385 | 304,559 | 14,516 | 2 | 527,462 |
| Customer accounts | 2,546,047 | 511,469 | 101,797 | 551 | 3,159,864 |
| Debt securities issued | 204,364 | - | - | - | 204,364 |
| Other financial liabilities | 3,188 | - | - | - | 3,188 |
| Total financial liabilities | 2,999,337 | 816,028 | 116,313 | 553 | 3,932,231 |
| OPEN POSITION | 152,199 | 133,649 | 57,184 | 2,286 | |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

**Currency risk sensitivity**

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

| | As at 31 December 2014 | | As at 31 December 2013 | |
|---|---|---|---|---|
| | UZS/USD +10% | UZS/USD -10% | UZS/USD +10% | UZS/USD -10% |
| Impact on profit or loss and equity | 24,040 | (24,040) | 13,365 | (13,365) |

| | As at 31 December 2014 | | As at 31 December 2013 | |
|---|---|---|---|---|
| | UZS/EUR +10% | UZS/EUR -10% | UZS/EUR +10% | UZS/EUR -10% |
| Impact on profit or loss and equity | (479) | 479 | 5,718 | (5,718) |

**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.

## 31. RISK MANAGEMENT POLICIES (CONTINUED)

### Price risk-own products

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

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

### Operational risk

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

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 32. TRANSACTIONS WITH RELATED PARTIES

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

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Related party balances | Total category as per financial statements caption | Related party balances | Total category as per financial statements caption |
| Cash and cash equivalents | | | | |
| *- other related parties* | 193,188 | | 128,823 | |
| | 193,188 | 624,250 | 128,823 | 562,164 |
| Loans to customers | | | | |
| *- shareholders* | 166,725 | | 2,333 | |
| *-other related parties* | 679,575 | | 967,740 | |
| | 846,300 | 3,878,291 | 970,073 | 3,095,207 |
| Allowance for impairment losses | | | | |
| *- shareholders* | (3,522) | | - | |
| *-other related parties* | - | | (5,303) | |
| | (3,522) | (285,639) | (5,303) | (208,450) |
| Investments in associates | | | | |
| *- entities with signifiant influence or joint control over the entity* | 48,889 | | 31,724 | |
| | 48,889 | 48,889 | 31,724 | 31,724 |
| Amounts due to the CBU and the Government | | | | |
| *- shareholders* | 287,960 | | 37,183 | |
| *- other related parties* | 160 | | 170 | |
| | 288,120 | 288,120 | 37,353 | 37,353 |
| Due to banks | | | | |
| *- other related parties* | 160,703 | | 119,182 | |
| | 160,703 | 487,903 | 119,182 | 527,462 |
| Customer accounts | | | | |
| *- shareholders* | 1,035,915 | | 433,792 | |
| *- other related parties* | 1,152,855 | | 1,507,009 | |
| | 2,188,770 | 3,521,939 | 1,940,801 | 3,159,864 |
| Letters of credit | | | | |
| *- other related parties* | 477,156 | | 586,069 | |
| | 477,156 | 683,177 | 586,069 | 778,317 |
| Guarantees issued and other similar instruments | | | | |
| *- other related parties* | 9,963 | | 14,255 | |
| | 9,963 | 179,722 | 14,255 | 93,076 |

*(in millions of Uzbek Soums, unless otherwise indicated)*

## 32. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2014 and 2013 are the following amounts which were recognised in transactions with related parties:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Related party balances** | **Total category as per financial statements caption** | **Related party balances** | **Total category as per financial statements caption** |
| Interest income | | | | |
| *- shareholders* | 266 | | - | |
| *- other related parties* | 93,352 | | 37,490 | |
| | 93,618 | 352,216 | 37,490 | 250,537 |
| Interest expense | | | | |
| *- shareholders* | (1,142) | | (17,615) | |
| *- other related parties* | (9,200) | | (15,421) | |
| | (10,341) | (145,515) | (33,036) | (113,385) |
| Provision for impairment losses on interest bearing assets | | | | |
| *- shareholders* | (1,803) | | - | |
| *- other related parties* | - | | (1,973) | |
| | (1,803) | (104,465) | (1,973) | (57,928) |
| Fee and comission income | | | | |
| *- shareholders* | 233 | | 3,065 | |
| *- other related parties* | 24,691 | | 8,168 | |
| | 24,924 | 98,652 | 11,233 | 99,919 |
| Operating expenses | | | | |
| *- Key management personnel compensation:* | (1,154) | | (156) | |
| | (1,154) | (179,507) | (156) | (145,998) |

## 33. SUBSEQUENT EVENTS

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