PRIVATE JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2014

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Independent Auditor's Report

To the Shareholders and Council of the Private Joint Stock Commercial Bank "Invest Finance Bank":

1 We have audited the accompanying consolidated financial statements of the Private Joint Stock Commercial Bank "Invest Finance Bank" (the "Bank") and its subsidiaries (collectively referred as the "Group"), which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
12 April 2015
Tashkent, Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC
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In thousands of Uzbekistan Soums	Note	31 December 2014	31 December 2013 Restated	1 January 2013 Restated
ASSETS				
Cash and cash equivalents	7	98,453,914	124,400,382	83,602,103
Due from other banks	8	98,453,448	70,630,269	31,849,937
Loans and advances to customers	9	252,949,413	202,531,758	91,166,108
Investment securities available for sale	10	5,197,408	3,367,408	3,040,000
Current income tax prepayments		909,973	-	-
Deferred income tax assets	25	864,911	349,735	256,244
Premises, equipment and intangible assets	11	67,582,767	70,379,432	27,632,867
Reinsurers' share of reserves for insurance contracts	12	2,526,047	6,385,682	-
Other assets	13	10,825,517	13,931,374	8,503,749
TOTAL ASSETS		**537,763,398**	**491,976,040**	**246,051,008**
LIABILITIES				
Due to other banks	14	117,031,380	72,894,515	27,143,783
Customer accounts	15	307,006,443	327,053,009	177,744,161
Debt securities in issue	16	25,032,516	13,880,414	14,633,495
Advances from lessees		494,994	227,792	446,508
Reserves for insurance contracts	17	14,620,827	15,426,633	-
Other liabilities	18	4,351,175	7,143,451	787,548
TOTAL LIABILITIES		**468,537,335**	**436,625,814**	**220,755,495**
EQUITY				
Share capital	19	60,000,000	44,131,357	23,270,678
Share capital reserve		-	2,022,981	-
Share premium	19	1,273,780	1,273,780	230,746
Other insurance reserves	19	3,560,920	3,499,650	-
Retained earnings		466,539	1,310,366	1,794,089
Net assets attributable to the Bank's owners		65,301,239	52,238,134	25,295,513
Non-controlling interest		3,924,824	3,112,092	-
TOTAL EQUITY		**69,226,063**	**55,350,226**	**25,295,513**
TOTAL LIABILITIES AND EQUITY		**537,763,398**	**491,976,040**	**246,051,008**

Approved for issue and signed on 10 April 2015.

Abdullaev Z.S.
Chairman of the Board

Umarova I.M.
Chief Accountant

Private Joint Stock Commercial Bank "Invest Finance Bank" and its subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Uzbekistan Soums	Note	2014	2013 Restated
Interest income	20	36,762,177	27,130,752
Interest expense	20	(22,810,991)	(16,914,785)
Net interest income		**13,951,186**	**10,215,967**
Provision for loan impairment	9	(249,857)	(864,754)
Net interest income after provision for loan impairment		**13,701,329**	**9,351,213**
Fee and commission income	21	24,291,666	21,525,373
Fee and commission expense	21	(3,591,841)	(2,961,639)
Insurance operations income	22	14,182,692	9,944,763
Insurance operations expense	22	(7,893,669)	(4,999,491)
Foreign exchange translation gains less losses		2,704,308	1,859,672
Provision for impairment losses on other operations	13	(256,579)	(1,253,212)
Dividend income		115,692	138,097
Other operating income	23	3,105,547	6,375,743
Administrative and other operating expenses	24	(36,155,374)	(27,033,960)
Profit before tax		**10,203,771**	**12,946,559**
Income tax expense	25	(2,040,347)	(1,274,061)
PROFIT FOR THE YEAR		**8,163,424**	**11,672,498**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,163,424**	**11,672,498**
Profit is attributable to:			
- Owners of the Bank		7,350,692	11,034,588
- Non-controlling interest		812,732	637,910
Profit for the year		**8,163,424**	**11,672,498**
Total comprehensive income is attributable to:			
- Owners of the Bank		7,350,692	11,034,588
- Non-controlling interest		812,732	637,910
Total comprehensive income for the year		**8,163,424**	**11,672,498**
Basic and diluted earnings per ordinary share (expressed in UZS per share)	27	**153**	**324**

		Attributable to owners of the Bank								Non-	Total equity
In thousands of Uzbekistan Soums	Note	Share capital	Share premium	Share capital reserve	Stabilisation reserve	Reserve for preventive measures	Equity component in insurance reserves	Retained earnings	Total	controlling interest	
Balance at 31 December 2012		**23,270,678**	**230,746**	**-**	**-**	**-**	**-**	**1,794,089**	**25,295,513**	**-**	**25,295,513**
Total comprehensive income for 2013 (restated)		-	-	-	-	-	-	11,034,588	11,034,588	637,910	11,672,498
Share issue:											
- cash	19	12,000,013	600,000	-	-	-	-	-	12,600,013	-	12,600,013
- dividends capitalised	19	8,860,666	443,034	-	-	-	-	-	9,303,700	-	9,303,700
Share subscription deposit		-	-	2,022,981	-	-	-	-	2,022,981	-	2,022,981
Dividends declared	26	-	-	-	-	-	-	(11,326,681)	(11,326,681)	(762,194)	(12,088,875)
Purchase of share of non-controlling interest		-	-	-	-	-	-	104,153	104,153	(204,763)	(100,610)
Acquisition of subsidiary		-	-	-	2,699,489	760,403	(256,025)	-	3,203,867	3,441,139	6,645,006
Change in other insurance reserves	19	-	-	-	176,409	180,430	(61,056)	(295,783)	-	-	-
Balance at 31 December 2013 (restated)		**44,131,357**	**1,273,780**	**2,022,981**	**2,875,898**	**940,833**	**(317,081)**	**1,310,366**	**52,238,134**	**3,112,092**	**55,350,226**
Total comprehensive income for 2014		-	-	-	-	-	-	7,350,692	7,350,692	812,732	8,163,424
Shares issue:											
- cash	19	5,712,413	-	-	-	-	-	-	5,712,413	-	5,712,413
- dividends capitalised	19	8,133,249	-	-	-	-	-	-	8,133,249	-	8,133,249
- share subscription deposit	19	2,022,981	-	-	-	-	-	-	2,022,981	-	2,022,981
Share subscription deposit		-	-	(2,022,981)	-	-	-	-	(2,022,981)	-	(2,022,981)
Dividends declared	26	-	-	-	-	-	-	(8,133,249)	(8,133,249)	-	(8,133,249)
Change in other insurance reserves	19	-	-	-	(106,440)	252,965	(85,255)	(61,270)	-	-	-
Balance at 31 December 2014		**60,000,000**	**1,273,780**	**-**	**2,769,458**	**1,193,798**	**(402,336)**	**466,539**	**65,301,239**	**3,924,824**	**69,226,063**

The notes set out on pages 5 to 59 form an integral part of these consolidated financial statements.

In thousands of Uzbekistan Soums	Note	2014	2013 Restated
Cash flows from operating activities			
Interest received		35,731,410	28,278,039
Interest paid		(22,750,251)	(17,784,863)
Fee and commission received		22,850,866	22,278,202
Fee and commission paid		(3,591,841)	(2,961,639)
Income received from insurance operations		15,881,394	11,768,556
Expense paid on insurance operations		(6,538,542)	(4,464,407)
Other operating income received		2,525,580	5,669,614
Staff costs paid		(15,463,593)	(13,321,307)
Administrative and other operating expenses paid		(16,840,091)	(12,014,505)
Income tax paid		(3,450,149)	(1,300,392)
Cash flows from operating activities before changes in operating assets and liabilities		**8,354,783**	**16,147,298**
Net (increase)/decrease in:			
- due from other banks		(26,911,570)	(28,517,158)
- loans and advances to customers		(33,368,517)	(113,154,581)
- other assets		(1,307,257)	(357,964)
Net increase/(decrease) in:			
- due to other banks		44,250,229	45,044,897
- customer accounts		(20,118,568)	145,599,534
- debt securities in issue		11,050,000	(750,000)
- advances from lessees		267,202	227,792
- other liabilities		(2,638,455)	(410,110)
Net cash (used in)/from operating activities		**(20,422,153)**	**63,829,708**
Cash flows from investing activities			
Acquisition of property, equipment and intangible assets	11	(25,828,673)	(47,113,157)
Proceeds from disposal of property, equipment and intangible assets	11	10,921,436	3,911,305
Acquisition of investment securities available for sale	10	(1,880,000)	(100,610)
Proceeds from disposal of investment securities available for sale	10	50,000	2,545,518
Dividend income received		115,692	138,097
Acquisition of subsidiaries, net of cash acquired		-	1,586,637
Proceeds from disposal of subsidiary, net of disposed cash		3,605,250	-
Net cash used in investing activities		**(13,016,295)**	**(39,032,210)**
Cash flows from financing activities			
Issuance of ordinary shares	19	5,712,413	12,600,013
Dividends paid	26	-	(762,194)
Net cash from financing activities		**5,712,413**	**11,837,819**
Effect of exchange rate changes on cash and cash equivalents		**1,779,567**	**4,162,962**
Net increase/(decrease) in cash and cash equivalents		**(25,946,468)**	**40,798,279**
Cash and cash equivalents at the beginning of the year	7	124,400,382	83,602,103
Cash and cash equivalents at the end of the year	**7**	**98,453,914**	**124,400,382**
Non-cash transactions:			
Capitalisation of dividends		8,133,249	9,303,700
Share subscription deposit		-	2,022,981

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for Private Joint Stock Commercial Bank "Invest Finance Bank" (the "Bank") and its subsidiaries (the "Group").

The Bank was incorporated and is domiciled in Uzbekistan. The Bank is a private joint stock company limited by shares and was set up in accordance with Uzbekistan regulations. As of 31 December 2014 and 2013 the Bank was ultimately controlled by Mr Mamadjanov Fakhritdin Djuraevich.

Principal activity. The Group's principal business activity is commercial and retail banking operations within Uzbekistan. The Bank has operated under a full banking licence issued by the Central Bank of Uzbekistan ("CBU") # 75 since 24 December 2007. The Bank participates in the state deposit insurance scheme, which was introduced by Law of the Republic of Uzbekistan # 360-II "Insurance of Individuals Bank Deposits" dated 5 April 2002. The State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount in the case of the withdrawal of a licence of a Bank.

Registered address and place of business. The Bank's registered address is: 18B, Navoi Street, Tashkent 100011, Uzbekistan. The Bank has eight (2013: five) branches within Uzbekistan.

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

Subsidiaries. The Bank's subsidiaries comprise the following enterprises:

Name	Ownership 2014	Ownership 2013	Country	Industry
LLC "Infin Leasing"	100.0%	100.0%	Uzbekistan	Leasing
LLC "Asia Insurance"	62.2%	62.2%	Uzbekistan	Insurance
LLC "Tashkent Trans Avto"	0.0%	100.0%	Uzbekistan	Logistics

2 Operating Environment of the Group

Republic of Uzbekistan. The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments.

The largest Uzbek banks are state - controlled and act as Government agents to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state and privately owned entities.

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

The ongoing uncertainty and volatility of the financial markets, in particular in Eurasia, and other risks could have significant negative effects on the Uzbekistan financial and corporate sectors.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

3 Summary of Significant Accounting Policies (Continued)

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments. Refer to Notes 4 and 10.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Due from other banks include all interbank placements with original maturities of more than three months, restricted cash and mandatory deposits with the CBU. Mandatory deposits with the CBU are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

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

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

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

Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

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

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

3 Summary of Significant Accounting Policies (Continued)

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

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

	Useful lives in years
Premises	20
Office and computer equipment	5 to 10
Intangible assets	20

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

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

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

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

- motor insurance, including third party liability;
- aircraft insurance;
- property insurance;
- loan repayments insurance;
- construction insurance;
- medical insurance;
- civil liability of employer.

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

Liability insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees or society (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Basis of accounting for insurance activities.

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

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated using "pro rata temporis" or "1/24" method. The "pro rata temporis" method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date. The "1/24" method is determined by multiplying the total amount of the basic insurance premiums on the coefficients which are defined for each subgroup as the ratio of not elapsed at the reporting date of the term of the subgroup contracts to the whole duration of subgroup contracts.

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

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

Stabilisation reserve. Reserve on compulsory insurance of civil liability of owners of vehicles and compulsory insurance of civil liability of the employer is designed to compensate expenses on insurance claims payments in subsequent years. Charge to stabilisation reserve for the period is calculated on portfolio basis based on results of insurance activities separately for each of the two insurance portfolios.

3 Summary of Significant Accounting Policies (Continued)

If income exceeds expenses by 5% than the amount of the increase is charged as increase of the stabilisation reserve for the period; if expenses exceed income than the difference is charged as decrease of the stabilisation reserve for the period.

Reserve for preventive measures. This reserve is designed to finance events on prevention of accidents, loss or damage to the insured property, as well as to finance other activities aimed at the warning and prevention of occurrence of insurance claims. The reserve is compulsory for insurance of civil liability of owners of vehicles and for insurance of civil liability of the employer, for other types of insurance it is voluntary. Charge to reserve for the period is calculated on portfolio basis as 5% from the gross premium written.

Equity component in insurance reserves. The nature of the reserve for preventive measures (the "RFPM") component included into the calculation of the unearned premium reserve under the statutory requirements is the same as the amount of liability for the RFPM under statutory requirements. For IFRS purposes the amount of unearned premium is adjusted for the RFPM component by analogy to the treatment of the RFPM accrued as liability, because the component does not comply with the definition of either asset or liability and is accrued for future expenses of the Group. Similar to the presentation of the RFPM, the RFPM component included into the unearned premium reserve is separately presented as a component of equity.

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

Reinsurance. The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the term of each reinsurance contract. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses, reinsurers' share of loss provision and premiums ceded to the Group. Reinsurance payables are obligations of the Group for the transfer of reinsurance premiums to reinsurers.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income.

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

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

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

Derivative financial instruments. The Group enters into offsetting loans with its counterparties to exchange currencies. Such loans, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the loans are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. Derivative financial instruments are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

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

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and the Group's presentation currency, is the national currency of Uzbekistan, Uzbekistan Soum ("UZS").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

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

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

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income. The results and financial position of each group entity are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

At 31 December 2014, the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 2,422.40 (2013: USD 1 = UZS 2,202.20). The principal average rate of exchange used for translating income and expenses was USD 1 = UZS 2,095.47, (2013: USD 1 = UZS 2,311.49).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

3 Summary of Significant Accounting Policies (Continued)

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

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

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

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

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

In thousands of Uzbekistan Soums	As originally presented	Effect of reclassification and correction of error	As restated
Statement of Financial Position lines affected			
ASSETS			
Cash and cash equivalents	-	124,400,382	124,400,382
Cash and balances with the CBU	131,629,760	(131,629,760)	-
Due from other banks	63,400,891	7,229,378	70,630,269
TOTAL ASSETS	**491,976,040**	**-**	**491,976,040**
LIABILITIES			
Reserves on insurance contracts	18,926,283	(3,499,650)	15,426,633
TOTAL LIABILITIES	**440,125,464**	**(3,499,650)**	**436,625,814**
EQUITY			
Other insurance reserves	-	3,499,650	3,499,650
TOTAL EQUITY	**51,850,576**	**3,499,650**	**55,350,226**
TOTAL LIABILITIES AND EQUITY	**491,976,040**	**-**	**491,976,040**

In thousands of Uzbekistan Soums	As originally presented	Effect of correction of error	As restated
Statement of Profit or Loss and Other Comprehensive Income lines affected			
Insurance operations income	9,113,896	830,867	9,944,763
Insurance operations expense	(4,464,407)	(535,084)	(4,999,491)
Profit before tax	**12,650,776**	**295,783**	**12,946,559**
PROFIT FOR THE YEAR	**11,376,715**	**295,783**	**11,672,498**
Basic and diluted earnings per ordinary share (expressed in UZS per share)	**316**	**8**	**324**

3 Summary of Significant Accounting Policies (Continued)

The effect of reclassifications for presentation purposes was as follows on amounts at 1 January 2013:

In thousands of Uzbekistan Soums	As originally presented	Effect of reclassification	As restated
Statement of Financial Position lines affected			
ASSETS			
Cash and cash equivalents	-	83,602,103	83,602,103
Cash and balances with the CBU	76,281,874	(76,281,874)	-
Due from other banks	39,170,166	(7,320,229)	31,849,937
TOTAL ASSETS	**246,051,008**	**-**	**246,051,008**

The corresponding figures for "Cash and balance with the CBU" and "Due from other banks" have been adjusted to conform to the presentation of the current year amounts. The corresponding figures for "Reserves on insurance contracts", "Insurance operations income" and "Insurance operations expenses" have been adjusted to reflect correction of an error, which is described below.

The nature of prior period error. IFRS 4 Insurance Contracts prohibits provisions for possible claims under insurance contracts that are not in existence at the end of a reporting period. In its prior year IFRS financial statements, the Group erroneously recognised these reserves as liabilities, although there was no present obligation for losses under the insurance contracts at the end of the prior reporting period. These reserves should have rather been recognised as part of equity. Changes in such reserves on insurance contracts are appropriations of retained earnings rather than expenses; therefore, corresponding figures for insurance operations income and expenses have been adjusted accordingly. Correction of the error does not affect figures at the beginning of the earliest prior period presented, since the insurance subsidiary was acquired during the prior reporting period.

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

3 Summary of Significant Accounting Policies (Continued)

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

In thousands of Uzbekistan Soums	31 December 2014 Amounts expected to be recovered or settled Within 12 months after the reporting period	31 December 2014 Amounts expected to be recovered or settled Beyond 12 months after the reporting period	31 December 2014 Total	31 December 2013 Amounts expected to be recovered or settled Within 12 months after the reporting period	31 December 2013 Amounts expected to be recovered or settled Beyond 12 months after the reporting period	31 December 2013 Total
ASSETS						
Cash and cash equivalents	98,453,914	-	98,453,914	124,400,382	-	124,400,382
Due from other banks	98,453,448	-	98,453,448	70,630,269	-	70,630,269
Loans and advances to customers	31,289,103	221,660,310	252,949,413	82,308,650	120,223,108	202,531,758
Investment securities available for sale	625,374	4,572,034	5,197,408	-	3,367,408	3,367,408
Current income tax prepayment	909,973	-	909,973	-	-	-
Deferred income tax asset	-	864,911	864,911	-	349,735	349,735
Premises, equipment and intangible assets	3,727,320	63,855,447	67,582,767	5,571,760	64,807,672	70,379,432
Reinsurers' share of reserves for insurance contracts	2,526,047	-	2,526,047	6,385,682	-	6,385,682
Other assets	10,825,517	-	10,825,517	13,931,374	-	13,931,374
Total assets	**246,810,696**	**290,952,702**	**537,763,398**	**303,228,117**	**188,747,923**	**491,976,040**

In thousands of Uzbekistan Soums	31 December 2014 Amounts expected to be recovered or settled Within 12 months after the reporting period	31 December 2014 Amounts expected to be recovered or settled After 12 months after the reporting period	31 December 2014 Total	31 December 2013 Amounts expected to be recovered or settled Within 12 months after the reporting period	31 December 2013 Amounts expected to be recovered or settled After 12 months after the reporting period	31 December 2013 Total
LIABILITIES						
Due to other banks	105,354,929	11,676,451	117,031,380	72,894,515	-	72,894,515
Customer accounts	301,773,060	5,233,383	307,006,443	277,896,409	49,156,600	327,053,009
Debt securities in issue	20,782,516	4,250,000	25,032,516	9,080,414	4,800,000	13,880,414
Advances from lessees	494,994	-	494,994	227,792	-	227,792
Insurance liabilities	7,893,669	6,727,158	14,620,827	4,999,491	10,427,142	15,426,633
Other liabilities	4,351,175	-	4,351,175	7,143,451	-	7,143,451
Total liabilities	**440,650,343**	**27,886,992**	**468,537,335**	**372,242,072**	**64,383,742**	**436,625,814**

Amendments of the consolidated financial statements after issue. The Bank's shareholders and management have the power to amend the consolidated financial statements after issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

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

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

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UZS 194,956 thousand (2013: UZS 73,485 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of UZS 56,600 thousand (2013: UZS 153,085 thousand), respectively.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Group.

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

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

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

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

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

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

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

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

6 New Accounting Pronouncements (Continued)

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

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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

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

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

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).

- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).

- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).

- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).

- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).

6 New Accounting Pronouncements (Continued)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Cash on hand	17,427,663	6,004,304
Cash balances with CBU (other than mandatory reserve deposit)	40,360,760	88,189,506
Correspondent accounts and overnight deposits with other banks	20,306,518	27,306,572
Placements with other banks with original maturities of less than three months	20,358,973	2,900,000
Total cash and cash equivalents	**98,453,914**	**124,400,382**

Cash balances with the CBU include an overnight deposit of UZS 33,900,000 thousand (2013: UZS 89,200,000 thousand) bearing a fixed interest rate of 0.02% per annum (2013: 0.02% per annum).

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

In thousands of Uzbekistan Soums	Balances with CBU other than mandatory reserve deposit	Correspondent accounts	Placements with other banks	Total
Neither past due nor impaired				
- Central Bank of Uzbekistan	40,360,760	-	-	40,360,760
- Lower than A- rated	-	20,306,518	20,358,973	40,665,491
Total cash and cash equivalents, excluding cash on hand	**40,360,760**	**20,306,518**	**20,358,973**	**81,026,251**

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

In thousands of Uzbekistan Soums	Balances with CBU other than mandatory reserve deposit	Correspondent accounts	Placements with other banks	Total
Neither past due nor impaired				
- Central Bank of Uzbekistan	88,189,506	-	-	88,189,506
- Lower than A- rated	-	27,306,572	2,900,000	30,206,572
Total cash and cash equivalents, excluding cash on hand	**88,189,506**	**27,306,572**	**2,900,000**	**118,396,078**

Interest rate analysis of cash and cash equivalents is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

8 Due from Other Banks

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Mandatory deposits with CBU	41,184,163	37,435,950
Restricted cash	26,787,931	27,770,844
Placements with other banks with original maturities of more than three months	30,481,354	5,423,475
Total due from other banks	**98,453,448**	**70,630,269**

The mandatory deposits with CBU include reserves against assets impairment and customer deposits, and represent non-interest bearing deposits held in accordance with CBU instructions. The Group does not have the right to use these deposits for the purposes of funding its own activities. For related accounting policy refer to Note 3.

Amounts due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2014, is as follows:

In thousands of Uzbekistan Soums	Mandatory deposits with CBU	Restricted cash	Placements with other banks	Total
Neither past due nor impaired				
- CBU	41,184,163	-	-	41,184,163
- Lower than A- rated	-	26,787,931	30,481,354	57,269,285
Total due from other banks	**41,184,163**	**26,787,931**	**30,481,354**	**98,453,448**

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

In thousands of Uzbekistan Soums	Mandatory deposits with CBU	Restricted cash	Placements with other banks	Total
Neither past due nor impaired				
- CBU	37,435,950	-	-	37,435,950
- Lower than A- rated	-	27,770,844	5,423,475	33,194,319
Total due from other banks	**37,435,950**	**27,770,844**	**5,423,475**	**70,630,269**

Refer to Note 33 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

9 Loans and Advances to Customers

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Loans to legal entities	231,953,547	182,816,773
Net investment in finance lease	17,344,881	19,585,335
Loans to individuals	6,166,538	2,395,346
Total loans and advances to customers, gross	**255,464,966**	**204,797,454**
Less: Provision for loan impairment	(2,515,553)	(2,265,696)
Total loans and advances to customers	**252,949,413**	**202,531,758**

9 Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Provision for loan impairment at 1 January	**1,529,322**	**735,282**	**1,092**	**2,265,696**
Provision for / (Recovery of) loan impairment during the year	250,040	(102,823)	102,640	249,857
Provision for loan impairment at 31 December	**1,779,362**	**632,459**	**103,732**	**2,515,553**

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

In thousands of Uzbekistan Soums	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Provision for loan impairment at 1 January	**803,693**	**596,107**	**1,142**	**1,400,942**
Provision for / (Recovery of) loan impairment during the year	725,629	139,175	(50)	864,754
Provision for loan impairment at 31 December	**1,529,322**	**735,282**	**1,092**	**2,265,696**

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

	31 December 2014		31 December 2013	
In thousands of Uzbekistan Soums	Amount	%	Amount	%
Manufacturing	158,577,605	63	130,928,358	63
Financial services	34,020,373	13	16,194,750	8
Trade	23,807,389	9	23,684,111	12
Construction	14,750,668	6	11,689,875	6
Agriculture	9,231,530	4	13,874,867	7
Individuals	6,166,538	2	2,395,346	1
Services	5,252,016	2	4,028,657	2
Transport and communication	3,658,847	1	2,001,490	1
Total loans and advances to customers (before impairment)	**255,464,966**	**100**	**204,797,454**	**100**

At 31 December 2014 the Group had 10 borrowers (2013: 5 borrowers) with aggregated loan amounts above UZS 6,000,000 thousand. The total aggregate amount of these loans was UZS 105,311,960 thousand (2013: UZS 60,629,174 thousand) or 46% of the gross loan portfolio (2013: 42%).

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Loans guaranteed by other parties	36,738,591	-	787,271	37,525,862
Loans collateralised by:				
- equipment	104,995,581	9,370,678	1,420,827	115,787,086
- real estate	68,544,539	5,075,646	2,480,715	76,100,900
- vehicles	14,055,767	2,722,984	698,626	17,477,377
- insurance	4,595,432	-	143,479	4,738,911
- inventory	2,130,672	-	244,603	2,375,275
- cash deposits	892,965	175,573	391,017	1,459,555
Total loans and advances to customers (before impairment)	**231,953,547**	**17,344,881**	**6,166,538**	**255,464,966**

Information about collateral at 31 December 2013 is as follows:

In thousands of Uzbekistan Soums	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Loans guaranteed by other parties	4,557,794	-	552,699	5,110,493
Loans collateralised by:				
- equipment	80,475,096	14,218,172	8,632	94,701,900
- cash deposits	51,854,283	-	24,792	51,879,075
- real estate	40,152,776	1,637,336	1,381,406	43,171,518
- vehicles	4,922,596	3,729,827	291,067	8,943,490
- insurance	854,228	-	136,750	990,978
Total loans and advances to customers (before impairment)	**182,816,773**	**19,585,335**	**2,395,346**	**204,797,454**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures.

9 Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Loans assessed for impairment on a portfolio basis				
- Large borrowers with credit history over two years	103,881,004	6,666,528	-	110,547,532
- Large new borrowers	7,273,925	-	-	7,273,925
- Loans to small and medium size entities	103,790,534	8,448,406	-	112,238,940
- Loans to micro firms and individuals	15,747,183	1,335,212	6,166,538	23,248,933
Total loans assessed for impairment on a portfolio basis	**230,692,646**	**16,450,146**	**6,166,538**	**253,309,330**
Loans individually determined to be impaired (gross)				
- less than 30 days overdue	781,378	-	-	781,378
- 31 to 90 days overdue	479,523	-	-	479,523
- 91 to 180 days overdue	-	292,444	-	292,444
- 181 to 360 days overdue	-	602,291	-	602,291
Total individually impaired loans (gross)	**1,260,901**	**894,735**	**-**	**2,155,636**
Total loans and advances to customers (gross)	**231,953,547**	**17,344,881**	**6,166,538**	**255,464,966**
Impairment provisions assessed on a portfolio basis	(1,646,365)	(199,458)	(103,732)	(1,949,555)
Impairment provisions for individually impaired loans	(132,997)	(433,001)	-	(565,998)
Less impairment provisions	**(1,779,362)**	**(632,459)**	**(103,732)**	**(2,515,553)**
Total loans and advances to customers	**230,174,185**	**16,712,422**	**6,062,806**	**252,949,413**

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

In thousands of Uzbekistan Soums	Loans to legal entities	Net investment in finance lease	Loans to individuals	Total
Loans assessed for impairment on a portfolio basis				
- Large borrowers with credit history over two years	63,734,222	8,382,084	-	72,116,306
- Large new borrowers	2,854,691	-	-	2,854,691
- Loans to small and medium size entities	99,923,814	8,853,285	-	108,777,099
- Loans to micro firms and individuals	4,810,571	-	2,393,161	7,203,732
Total loans assessed for impairment on a portfolio basis	**171,323,298**	**17,235,369**	**2,393,161**	**190,951,828**
Loans individually determined to be impaired (gross)				
- less than 30 days overdue	11,493,475	347,471	2,185	11,843,131
- 31 to 90 days overdue	-	140,951	-	140,951
- 91 to 180 days overdue	-	1,586,870	-	1,586,870
- 181 to 360 days overdue	-	274,674	-	274,674
Total individually impaired loans (gross)	**11,493,475**	**2,349,966**	**2,185**	**13,845,626**
Total loans and advances to customers (gross)	**182,816,773**	**19,585,335**	**2,395,346**	**204,797,454**
Impairment provisions assessed on a portfolio basis	(333,572)	(401,274)	-	(734,846)
Impairment provisions for individually impaired loans	(1,195,750)	(334,008)	(1,092)	(1,530,850)
Less impairment provisions	**(1,529,322)**	**(735,282)**	**(1,092)**	**(2,265,696)**
Total loans and advances to customers	**181,287,451**	**18,850,053**	**2,394,254**	**202,531,758**

9 Loans and Advances to Customers (Continued)

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

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

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

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

In thousands of Uzbekistan Soums	Due within 1 year	Due between 1 and 5 years	Total
Finance lease payments receivable at 31 December 2014	**10,498,929**	**11,374,063**	**21,872,992**
Unearned finance income	(2,382,546)	(2,145,565)	(4,528,111)
Impairment loss provision	(213,814)	(418,645)	(632,459)
Present value of lease payments receivable at 31 December 2014	**7,902,569**	**8,809,853**	**16,712,422**
Finance lease payments receivable at 31 December 2013	**10,309,494**	**21,650,442**	**31,959,936**
Unearned finance income	(3,754,560)	(7,884,759)	(11,639,319)
Impairment loss provision	(237,184)	(498,098)	(735,282)
Present value of lease payments receivable at 31 December 2013	**6,317,750**	**13,267,585**	**19,585,335**

10 Investment Securities Available for Sale

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Equity securities	4,572,034	3,317,408
Debt securities	625,374	50,000
Total investment securities available for sale	**5,197,408**	**3,367,408**

10 Investment Securities Available for Sale (Continued)

At 31 December, the principal equity securities available for sale were:

In thousands of Uzbekistan Soums	Share %	Nature of business	Country of registration	Carrying amount 2014	2013
JV LLC "UzTex Shovot"	10.00	Textile	Uzbekistan	3,055,429	2,655,426
JV LLC "Uchkurgan Textil"	6.04	Textile	Uzbekistan	675,771	-
JSCB "Ipoteka Bank"	0.22	Banking	Uzbekistan	393,460	299,766
JSC "Kapital Sugurta"	2.53	Insurance	Uzbekistan	200,000	200,000
JSCB "UzPromStroyBank"	0.01	Banking	Uzbekistan	117,174	59,216
PJSCB "Hamkor Bank"	0.01	Banking	Uzbekistan	55,200	48,000
Credit Bureau "Credit Informative Analytical Centre"	3.00	Banking	Uzbekistan	40,000	40,000
Fund for financing investment projects preparation under Uzbekistan Bank Association	1.82	Banking	Uzbekistan	20,000	-
Association of professional participants of the insurance	4.70	Insurance	Uzbekistan	15,000	15,000
Total equity securities available for sale				**4,572,034**	**3,317,408**

The movements in equity securities available for sale are as follows:

In thousands of Uzbekistan Soums	2014	2013
Total equity securities available for sale at 1 January	**3,317,408**	**3,040,000**
Purchases of equity securities available for sale	1,254,626	621,982
Disposals of equity securities available for sale	-	(344,574)
Total equity securities available for sale at 31 December	**4,572,034**	**3,317,408**

At 31 December, the principal debt securities available for sale were:

In thousands of Uzbekistan Soums	Type of security	Nominal interest rate	Maturity	Carrying amount 2014	2013
JSCB "UzPromStroyBank"	Bonds	11%	31-Dec-14	-	50,000
JSCB "Kapital Bank"	Bonds	10%	23-Oct-19	625,374	-
Total debt securities available for sale				**625,374**	**50,000**

The movements in debt securities available for sale are as follows:

In thousands of Uzbekistan Soums	2014	2013
Total debt securities available for sale at 1 January	**50,000**	**-**
Purchases	625,374	50,000
Disposals of debt securities available for sale	(50,000)	-
Total debt securities available for sale at 31 December	**625,374**	**50,000**

11 Premises, Equipment and Intangible Assets

In thousands of Uzbekistan Soums	Premises	Office and computer equipment	Construction in progress	Total property and equipment	Intangible assets	Total
Cost at 1 January 2013	19,987,823	5,742,006	4,076,867	29,806,696	460,648	30,267,344
Accumulated depreciation and amortisation	(1,084,550)	(1,397,487)	-	(2,482,037)	(152,440)	(2,634,477)
Carrying amount at 1 January 2013	**18,903,273**	**4,344,519**	**4,076,867**	**27,324,659**	**308,208**	**27,632,867**
Additions	25,404,340	17,926,397	3,699,046	47,029,783	83,374	47,113,157
Acquisition through business combinations	1,900,504	106,074	-	2,006,578	-	2,006,578
Disposals, net	(3,601,142)	(138,344)	-	(3,739,486)	(6,086)	(3,745,572)
Transfers	(334,179)	(4,898,174)	5,232,353	-	-	-
Depreciation and amortisation charge (Note 24)	(1,325,623)	(1,207,314)	-	(2,532,937)	(94,661)	(2,627,598)
Carrying amount at 31 December 2013	**40,947,173**	**16,133,158**	**13,008,266**	**70,088,597**	**290,835**	**70,379,432**
Cost at 31 December	43,306,956	19,101,241	13,008,266	75,416,463	534,729	75,951,192
Accumulated depreciation and amortisation	(2,359,783)	(2,968,083)	-	(5,327,866)	(243,894)	(5,571,760)
Carrying amount at 31 December 2013	**40,947,173**	**16,133,158**	**13,008,266**	**70,088,597**	**290,835**	**70,379,432**
Additions	18,023,329	5,503,024	2,263,126	25,789,479	39,194	25,828,673
Disposals, net	(9,663,094)	(663,128)	(15,247)	(10,341,469)	-	(10,341,469)
Transfers	936,125	(974,704)	38,579	-	-	-
Net effect of disposal of subsidiary LLC "Tashkent Trans Avto"	(4,566,402)	(5,167,022)	(4,823,125)	(14,556,549)	-	(14,556,549)
Depreciation and amortisation charge (Note 24)	(1,631,967)	(1,992,376)	-	(3,624,343)	(102,977)	(3,727,320)
Carrying amount at 31 December 2014	**44,045,164**	**12,838,952**	**10,471,599**	**67,355,715**	**227,052**	**67,582,767**
Cost at 31 December	47,712,326	18,054,313	10,471,599	76,238,238	577,045	76,815,283
Accumulated depreciation and amortisation	(3,667,162)	(5,215,361)	-	(8,882,523)	(349,993)	(9,232,516)
Carrying amount at 31 December 2014	**44,045,164**	**12,838,952**	**10,471,599**	**67,355,715**	**227,052**	**67,582,767**

Construction in progress consists mainly of construction and refurbishment of branch premises. Upon completion, assets are transferred to premises and equipment.

12 Reinsurers' Share of Reserves for Insurance Contracts

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Unearned insurance premium reserve	1,744,885	4,344,032
Incurred but not reported claims reserve	731,162	2,041,650
Reported but not settled claims reserve	50,000	-
Total reinsurers share of reserves for insurance contracts	**2,526,047**	**6,385,682**

13 Other Assets

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Other financial assets:		
Commission and other receivables from customers	1,730,246	289,446
Receivable from payment system "Paynet"	1,285,264	1,020,582
Receivable from money transfer organisations	756,753	1,326,682
Receivable from insurance policy holders	710,987	789,268
Unrealized forex gain	652,920	199,105
Receivable from insurance agents	422,341	252,185
Claims receivable from leases	187,379	951,853
Receivable from plastic cards systems	137,650	-
Prepayment for equity securities	-	675,771
Less: Provision for impairment	(261,555)	(13,329)
Total other financial assets	**5,621,985**	**5,491,563**
Other non-financial assets:		
Prepayment for building and structure	1,500,000	-
Assets held for further leasing out	1,389,340	-
Prepaid expenses and advances	668,132	945,019
Office supplies and other inventories	496,738	-
Prepaid taxes other than income tax	358,980	175,234
Prepayment for services	337,405	902,634
Prepayment for suppliers	286,020	857,407
Prepayment for transport vehicles	119,250	5,522,305
Other	47,667	37,212
Total other non-financial assets	**5,203,532**	**8,439,811**
Total other assets	**10,825,517**	**13,931,374**

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

In thousands of Uzbekistan Soums	2014	2013
Provision for impairment at 1 January	**13,329**	**775,170**
Provision for impairment during the year	256,579	1,253,212
Amounts written off during the year as uncollectible	(8,353)	(2,015,053)
Provision for impairment at 31 December	**261,555**	**13,329**

14 Due to Other Banks

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Liabilities under letters of credit	58,851,609	51,783,487
Short-term placements of other banks	47,789,243	21,111,028
Long-term placements of other banks	10,390,528	-
Total due to other banks	**117,031,380**	**72,894,515**

Refer to Note 33 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

At 31 December 2014 the Group had liabilities under letters of credit on behalf of two customers (2013: one customer), the aggregate amount of these liabilities was UZS 40,773,391 thousand (2013: UZS 50,138,285 thousand) or 35% of the due to other banks (2013: 69%)

At 31 December 2014 the Group had deposit placements of one bank (2013: one bank), the aggregate amount of these deposits was UZS 25,844,800 thousand (2013: UZS 6,606,600 thousand) or 22% of the due to other banks (2013: 9%).

15 Customer Accounts

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
State and public organisations		
- current/settlement accounts	13,779,242	5,487,504
- term deposits	7,685,539	969,964
Other legal entities		
- current/settlement accounts	145,085,371	194,293,974
- term deposits	58,432,277	53,511,702
Individuals		
- current/settlement accounts	9,003,503	27,029,972
- term deposits	73,020,511	45,759,893
Total customer accounts	**307,006,443**	**327,053,009**

Economic sector concentrations within customer accounts are as follows:

	31 December 2014		31 December 2013	
In thousands of Uzbekistan Soums	Amount	%	Amount	%
Individuals	82,024,014	27	72,789,865	22
Financial organisations	55,267,315	18	31,362,893	10
Manufacturing	40,993,228	12	89,539,154	26
Real estate	34,809,437	11	17,195,149	5
Trade	23,728,672	8	45,518,184	14
State and public organisations	21,464,781	7	6,457,468	2
Construction	17,449,618	6	29,330,476	9
Services	12,973,382	4	6,408,585	2
Transport and communication	12,017,798	4	19,639,959	6
Agriculture	6,211,774	2	8,778,464	3
Other	66,424	1	32,812	1
Total customer accounts	**307,006,443**	**100**	**327,053,009**	**100**

15 Customer Accounts (Continued)

At 31 December 2014, the Group had 10 customers (2013: 9 customers) with balances above UZS 3,300,000 thousand. The aggregate balance of these customers was UZS 54,068,240 thousand (2013: UZS 64,726,047 thousand) or 18% (2013: 20%) of total customer accounts.

Refer to Note 33 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 29. Information on related party balances is disclosed in Note 35.

16 Debt Securities in Issue

In thousands of Uzbekistan Soums	Maturity date	Annual coupon rate	31 December 2014	31 December 2013
Deposit certificates	2 Feb 2015 - 6 May 2016	10.0% - 13.5%	25,032,516	13,880,414
Total debt securities in issue			**25,032,516**	**13,880,414**

At 31 December 2014, the Group had one customer (2013: one customer) with aggregate balance of UZS 24,350,000 thousand (2013: UZS 7,400,000 thousand) or 89% (2013: 53%) of total debt securities in issue.

Refer to Note 33 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

17 Reserves on Insurance Contracts

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Unearned insurance premium reserve	10,062,011	11,047,711
Reserve for preventive measures component in unearned insurance premium reserve	402,336	317,081
Reported but not settled claims reserve	2,098,530	817,713
Incurred but not reported claims reserve	2,057,950	3,244,128
Total reserves for insurance contracts	**14,620,827**	**15,426,633**

18 Other Liabilities

Other liabilities comprise the following:

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Premium payable on reinsurance	949,897	4,563,373
Accounts payable for co-insurance	682,358	529,020
Payable for real estate	521,565	695,420
Payable on money transfer operations	494,280	-
Payable to the Individuals Deposit Insurance Fund	403,772	324,690
Trade payable	282,132	237,249
Professional fees payable	239,908	185,560
Other	101,716	107,365
Total other financial liabilities	**3,675,628**	**6,642,677**
Taxes payable, other than income tax	385,069	197,189
Current income tax payable	131,511	116,164
Accrued employee costs	83,944	147,454
Other	75,023	39,967
Total other non-financial liabilities	**675,547**	**500,774**
Total other liabilities	**4,351,175**	**7,143,451**

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

19 Share Capital and Other Components of Equity

In thousands of Uzbekistan Soums except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Share premium	Total
At 1 January 2013	**23,271**	**23,270,678**	**230,746**	**23,501,424**
New shares issued	20,860	20,860,679	1,043,034	21,903,713
At 31 December 2013	**44,131**	**44,131,357**	**1,273,780**	**45,405,137**
New shares issued	15,869	15,868,643	-	15,868,643
At 31 December 2014	**60,000**	**60,000,000**	**1,273,780**	**61,273,780**

Share premium represents the excess of contributions received over the nominal value of shares issued.

Stabilisation reserve, reserve for preventive measures and equity component in insurance reserves represent possible claims under insurance contracts that are not in existence at the end of the reporting period and are calculated based on regulative instructions at each month end and at the end of the reporting period. These reserves indicate legal restrictions on the ability of the Group to use its equity. The changes in such reserves are appropriations of retained earnings rather than expenses. For related accounting policy refer to Note 3.

20 Interest Income and Expense

In thousands of Uzbekistan Soums	2014	2013
Interest income		
Loan and advances to customers	30,376,008	21,730,496
Letters of credit	4,467,037	2,852,320
Due from other banks	1,919,132	2,547,936
Total interest income	**36,762,177**	**27,130,752**
Interest expense		
Customer accounts	15,148,050	10,995,939
Due to other banks	5,412,144	4,296,817
Debt securities in issue	2,250,797	1,622,029
Total interest expense	**22,810,991**	**16,914,785**
Net interest income	**13,951,186**	**10,215,967**

Interest income includes UZS 846,547 thousand (2013: UZS 1,715,667 thousand) interest income, recognised on impaired loans to customers.

21 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	2014	2013
Fee and commission income		
- Settlement transactions	8,495,642	7,099,455
- Maintenance fee	5,708,543	4,270,541
- International money transfers	1,767,660	2,226,566
- Letters of credit	1,594,503	1,484,417
- SWAP operations	1,312,487	1,270,616
- Conversion operations	1,149,544	1,047,122
- Issuance of bank statements	1,030,656	899,406
- Guarantees	809,859	699,952
- Plastic cards services	643,685	115,368
- Internet banking	466,807	312,088
- Payment system "Paynet"	457,575	732,552
- Cash transactions	326,380	643,107
- Registration fee	162,968	192,206
- Other	365,357	531,977
Total fee and commission income	**24,291,666**	**21,525,373**
Fee and commission expenses		
- Cash transactions	1,475,717	912,253
- Foreign currency operations	863,172	752,524
- Letters of credit	822,786	851,625
- Settlement transactions	225,132	333,677
- Other	205,034	111,560
Total fee and commission expense	**3,591,841**	**2,961,639**
Net fee and commission income	**20,699,825**	**18,563,734**

22 Insurance Operations Income and Expense

In thousands of Uzbekistan Soums	2014	2013
Premium on insurance of:		
- Aircraft insurance	5,420,540	14,728,339
- Compulsory insurance of civil liability of motor vehicles	4,687,641	3,171,258
- Loan repayments	3,984,705	3,017,893
- Car insurance	2,514,734	1,902,997
- Construction insurance	1,820,860	1,179,981
- Medical insurance	1,671,003	689,556
- Compulsory insurance of civil liability of employer	1,298,331	410,713
- Responsibility	522,698	318,543
- Property from damage and natural disasters	379,067	606,352
- Other	727,341	419,004
Change in unearned insurance premium reserves:		
- insurance operations	985,700	(2,327,810)
- reinsurance operations	(2,599,147)	745,502
- reserve for preventive measures component	(85,255)	(61,056)
Agent's fee commission	256,374	159,823
Effect of foreign exchange differences on reinsurance operations	62,592	102,101
Less: Premium ceded	(7,464,492)	(15,118,433)
Total insurance operations income	**14,182,692**	**9,944,763**
Claims paid for:		
- Property from damage and natural disasters	1,411,712	32,912
- Car insurance	992,910	777,235
- Compulsory insurance of civil liability of motor vehicles	399,515	254,076
- Medical insurance	254,823	471,212
- Compulsory insurance of civil liability of employer	140,383	4,064
- Other	61,033	1,922
Change in insurance loss reserves:		
- reported but not settled claims reserve	1,280,817	433,686
- incurred but not reported claims reserve	(1,186,178)	219,646
Change in reinsurance loss reserves:		
- incurred but not reported claims reserve	1,310,488	62,182
- reported but not settled claims reserve	(50,000)	-
Agent's fee for voluntary insurance	1,621,746	1,407,130
Insurance claims handling cost	886,937	688,796
Agent's fee for obligatory insurance	769,483	646,630
Total insurance operations expense	**7,893,669**	**4,999,491**
Net insurance income	**6,289,023**	**4,945,272**

23 Other Operating Income

In thousands of Uzbekistan Soums	2014	2013
Fines and penalties	2,112,611	999,132
Income from sale or disposition of fixed assets	579,967	165,733
Income from the rental of fixed assets	93,628	57,400
Gain on redemption of loan	-	3,538,009
Gain on sale of assets under finance lease	-	1,325,493
Gain on acquisition of subsidiary	-	222,534
Other non-interest income	319,341	67,442
Total other operating income	**3,105,547**	**6,375,743**

24 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	2014	2013
Staff costs	15,400,083	13,321,307
Taxes other than on income	4,831,166	3,161,545
Depreciation and amortisation	3,727,320	2,627,598
Rent expenses	2,537,460	2,356,553
Contribution to the Deposit Guarantee Fund	1,533,652	1,300,679
Security services	1,395,501	1,001,172
Communication	1,207,501	848,637
Repairs and maintenance	836,278	499,147
Loss on initial recognition of asset at rates below market	769,090	-
Professional services	692,641	395,913
Expenses associated with disposal of subsidiary	650,361	-
Office supplies	647,819	751,606
Fuel expenses	372,519	151,585
Representative expenses	295,005	290,889
Utilities	217,710	138,352
Loss on sale of assets under finance lease	103,840	-
Other	937,428	188,977
Total administrative and other operating expenses	**36,155,374**	**27,033,960**

Included in staff costs are statutory pension contributions of UZS 2,703,848 thousand (2013: UZS 2,064,238 thousand).

25 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Uzbekistan Soums	2014	2013
Current tax	2,555,523	1,367,552
Deferred tax	(515,176)	(93,491)
Income tax expense for the year	**2,040,347**	**1,274,061**

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

The income tax rate applicable to the majority of the Group's 2014 income includes corporate income tax of 15% and infrastructure development tax of 8%, effectively income tax rate is 21.8% (2013: 21.8%). The income tax rate applicable to the majority of income of subsidiaries ranges from 0% to 8% (2013: from 0% to 8%). Reconciliation between the expected and the actual taxation charge is provided below.

25 Income Taxes (Continued)

In thousands of Uzbekistan Soums	2014	2013
Profit before tax	**10,203,771**	**12,946,559**
Theoretical tax charge at statutory rate of 21.8% (2013: 21.8%)	2,224,422	2,822,350
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income tax benefits	(615,742)	(2,187,285)
- Permanent differences	(114,279)	625,419
- Tax rate differences (10.5%-11.25%)	(47,831)	(89,775)
- Other	(154,725)	167,833
Under provision of current tax in prior years, based on 2014 tax inspection results	761,859	-
Effect of changes in other insurance reserves	(13,357)	(64,481)
Income tax expense for the year	**2,040,347**	**1,274,061**

In accordance with the Decree of the President of Uzbekistan, until 1 January 2015, all commercial banks pay income tax on the differential rates, depending on the proportion of long-term investment financing in the loan portfolio. Income generated by this financing is taxed as follows: proportion of 35-40% of long-term investment financing taxed at 12%, proportion of 40-50% taxed at 11.25%, and proportion of more than 50% is taxed at 10.5%. In accordance with current tax legislation, the Group receives certain tax incentives (additional deductible expenses) calculated as the amount of interest expense incurred to increase term and saving deposits of individuals (in excess of 0.75 ratio from CBU refinancing rate) in arriving at the Group's taxable profit.

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of Uzbekistan Soums	2014	(Charged)/ credited to profit or loss	2013	(Charged)/ credited to profit or loss	2012
Tax effect of deductible / (taxable) temporary differences					
Loan impairment provision	570,526	204,661	365,865	265,978	99,887
Lease impairment provision	137,876	38,773	99,103	95,778	3,325
Other assets impairment provision	57,019	57,019	-	(86,947)	86,947
Accrued expenses	59,999	259,616	(199,617)	(251,597)	51,980
Property, equipment and intangible assets	39,491	(44,893)	84,384	70,279	14,105
Net deferred tax asset	**864,911**	**515,176**	**349,735**	**93,491**	**256,244**
Recognised deferred tax asset	864,911	315,559	549,352	293,108	256,244
Recognised deferred tax liability	-	199,617	(199,617)	(199,617)	-
Net deferred tax asset	**864,911**	**515,176**	**349,735**	**93,491**	**256,244**

26 Dividends

In thousands of Uzbekistan Soums	2014	2013
Dividends payable at 1 January	-	-
Dividends declared during the year	8,133,249	12,088,875
Dividends paid during the year	-	(762,194)
Dividends capitalised during the year	(8,133,249)	(11,326,681)
Dividends payable at 31 December	-	-
Dividends per share declared during the year (in UZS per share)	169	355

All dividends are declared and paid in Uzbekistan Soums.

27 Earnings per Share

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

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

In thousands of Uzbekistan Soums except for number of shares	2014	2013
Profit for the year attributable to ordinary shareholders	7,350,692	11,034,588
Profit for the year attributable to the owners	**7,350,692**	**11,034,588**
Weighted average number of ordinary shares in issue (thousands)	48,091	34,013
Basic and diluted earnings per ordinary share (in UZS per share)	**153**	**324**

28 Segment Analysis

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

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

The Group is organised on the basis of three main business segments:

- Banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency, derivative products, private banking services, private customer current accounts, savings, deposits, credit and debit cards, consumer loans and mortgages.

- Leasing – representing finance lease products to the legal entities where finance leases are the leases that transfer substantially all the risks and rewards incident to ownership of an asset.

- Insurance – representing insurance products covering all common insurance risk, expect for life insurance: aircrafts, car, loan repayments, constructions, medical, property damage, compulsory insurance of civil liability of motor vehicles and compulsory insurance of civil liability of employer.

28 Segment Analysis (Continued)

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

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level. Management, applied the core principle of IFRS 8 "Operating Segments", in determining which of the financial information sets should form the basis of operating segments.

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

The CODM reviews financial information prepared based on International Financial Reporting Standards. The CODM evaluates performance of each segment based on profit before tax.

28 Segment Analysis (Continued)

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

Segment information for the reportable segments for the year ended 31 December 2014 is set out below:

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Eliminations	As reported under IFRS
Cash and cash equivalents	96,519,252	644,170	8,102,248	(6,811,756)	98,453,914
Due from other banks	90,306,991	-	9,557,657	(1,411,200)	98,453,448
Loans and advances to customers	247,188,787	7,588,818	384,791	(2,212,983)	252,949,413
Investment securities available for sale	13,871,859	-	4,512,034	(13,186,485)	5,197,408
Current income tax prepayments	616,590	-	293,383	-	909,973
Deferred income tax assets	864,911	-	-	-	864,911
Premises, equipment and intangible assets	58,514,187	3,839,172	5,229,408	-	67,582,767
Reinsurers' share of reserves for insurance contracts	-	-	2,526,047	-	2,526,047
Other assets	8,799,624	1,921,360	104,533	-	10,825,517
Total reportable segment assets	**516,682,201**	**13,993,520**	**30,710,101**	**(23,622,424)**	**537,763,398**
Due to other banks	113,680,638	5,563,725	-	(2,212,983)	117,031,380
Customer accounts	315,229,399	-	-	(8,222,956)	307,006,443
Debt securities in issue	25,032,516	-	-	-	25,032,516
Advances from lessees	-	494,994	-	-	494,994
Reserves for insurance contracts	-	-	14,620,827	-	14,620,827
Other liabilities	1,938,995	155,482	2,256,698	-	4,351,175
Total reportable segment liability	**455,881,548**	**6,214,201**	**16,877,525**	**(10,435,939)**	**468,537,335**
Capital expenditure	**10,471,599**	**-**	**-**	**-**	**10,471,599**

Capital expenditure represents additions to non-current assets other than financial instruments.

28 Segment Analysis (Continued)

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Eliminations	As reported under IFRS
Interest income	33,778,651	3,119,557	877,993	(1,014,024)	36,762,177
Fee and commission income	24,326,375	-	-	(34,709)	24,291,666
Insurance operations income	-	-	14,182,692	-	14,182,692
Foreign exchange translation gains less losses	2,108,980	68,384	526,944	-	2,704,308
Dividend income	2,763,976	-	115,692	(2,763,976)	115,692
Other operating income	1,861,295	986,268	257,984	-	3,105,547
Total revenues	**64,839,277**	**4,174,209**	**15,961,305**	**(3,812,709)**	**81,162,082**
Interest expense	(22,831,516)	(993,499)	-	1,014,024	(22,810,991)
Provision for loan impairment	(288,780)	38,923	-	-	(249,857)
Fee and commission expense	(3,591,841)	-	-	-	(3,591,841)
Insurance operations expense	-	-	(7,893,669)	-	(7,893,669)
Provision for impairment losses on other operations	(186,508)	(70,071)	-	-	(256,579)
Administrative and other operating expenses	(28,875,702)	(1,718,417)	(5,595,964)	34,709	(36,155,374)
Segment result	**9,064,930**	**1,431,145**	**2,471,672**	**(2,763,976)**	**10,203,771**

28 Segment Analysis (Continued)

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

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Other	Eliminations	As reported under IFRS
Cash and cash equivalents	121,137,152	438,980	10,289,446	131,469	(7,596,665)	124,400,382
Due from other banks	66,615,987	-	6,423,337	-	(2,409,055)	70,630,269
Loans and advances to customers	196,878,879	10,526,462	340,000	-	(5,213,583)	202,531,758
Investment securities available for sale	30,430,072	-	3,327,409	-	(30,390,073)	3,367,408
Deferred income tax assets	349,735	-	-	-	-	349,735
Premises, equipment and intangible assets	50,974,581	1,799,575	3,048,727	14,556,549	-	70,379,432
Reinsurers' share of reserves for insurance contracts	-	-	6,385,682	-	-	6,385,682
Other assets	4,992,125	1,157,714	2,184,200	5,597,335	-	13,931,374
Total reportable segment assets	**471,378,531**	**13,922,731**	**31,998,801**	**20,285,353**	**(45,609,376)**	**491,976,040**
Due to other banks	70,830,368	7,277,730	-	-	(5,213,583)	72,894,515
Customer accounts	337,058,729	-	-	-	(10,005,720)	327,053,009
Debt securities in issue	13,880,414	-	-	-	-	13,880,414
Advances from lessees	-	227,792	-	-	-	227,792
Reserves for insurance contracts	-	-	15,426,633	-	-	15,426,633
Other liabilities	1,423,235	69,038	5,610,271	40,907	-	7,143,451
Total reportable segment liability	**423,192,746**	**7,574,560**	**21,036,904**	**40,907**	**(15,219,303)**	**436,625,814**
Capital expenditure	**13,008,266**	**-**	**-**	**-**	**-**	**13,008,266**

28 Segment Analysis (Continued)

In thousands of Uzbekistan Soums	Banking	Leasing	Insurance	Other	Eliminations	As reported under IFRS
Interest income	24,266,527	3,456,970	525,635	179	(1,118,559)	27,130,752
Fee and commission income	21,581,275	-	-	-	(55,902)	21,525,373
Insurance operations income	-	-	9,944,763	-	-	9,944,763
Foreign exchange translation gains less losses	1,178,144	155,926	425,605	99,997	-	1,859,672
Dividend income	3,911,208	-	138,097	-	(3,911,208)	138,097
Other operating income	3,959,586	2,200,044	85,587	130,526	-	6,375,743
Total revenues	**54,896,740**	**5,812,940**	**11,119,687**	**230,702**	**(5,085,669)**	**66,974,400**
Interest expense	(16,616,440)	(1,416,904)	-	-	1,118,559	(16,914,785)
Provision for loan impairment	(809,502)	(55,252)	-	-	-	(864,754)
Fee and commission expense	(2,961,639)	-	-	-	-	(2,961,639)
Insurance operations expense	-	-	(4,999,491)	-	-	(4,999,491)
Provision for impairment losses on other operations	(1,147,763)	(105,449)	-	-	-	(1,253,212)
Administrative and other operating expenses	(21,837,211)	(1,320,266)	(3,780,066)	(152,319)	55,902	(27,033,960)
Segment result	**11,524,185**	**2,915,069**	**2,340,130**	**78,383**	**(3,911,208)**	**12,946,559**

28 Segment Analysis (Continued)

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 20 (interest income), Note 21 (fee and commission income), Note 22 (insurance operations income and expense) and in Note 23 (other operating income).

(f) Geographical information

The Group conducts its operations in Uzbekistan and operations of the Group with their foreign counterparts are disclosed in Note 29. All revenue of the Group is generated within Uzbekistan, since most of financial assets outside Uzbekistan are noninterest bearing.

(g) Major customers

The Group does not have customers with the revenues exceeding 10% of the total revenue of the Group.

29 Financial Risk Management

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

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

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

Group's internal credit rating system:

Good	1	Timely repayment of "good" 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 assessing 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 secured with a reliable source of secondary payment (guarantee or collateral). As a whole, the financial position of a borrower is stable, but some unfavourable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. "Good" loans with insufficient information in the credit file or missing information on collateral could be also classified as "standard" loans.
Sub-standard	3	"Sub-standard" loans have obvious shortcomings, which make doubtful the repayment of the loan under the terms, envisaged by the initial agreement. For loans classified as "sub-standard", the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, such as the sale of collateral.
Doubtful	4	"Doubtful" are loans which, in addition to having the characteristics of "substandard" loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. The probability of incurring loss in respect of such loans is high, however, due to the presence of certain positive factors, their classification as 'hopeless' is deferred until further clarification is obtained.

29 Financial Risk Management (Continued)

Hopeless	5	Loans classified as "hopeless" are considered uncollectible and have such a little value that their continuance as assets of the Bank is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Bank should cease recognising such loans and make efforts to get rid of such debt through selling collateral or make every effort to collect the outstanding loan.

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(a) Collateral. The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these are the acceptance of collateral, prior to loan issuance, which is common practice. The Group implements Credit policy guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- premises and building
- equipment and motor vehicles used in borrower's business
- inventory
- loan insurance, and
- letter of surety

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

- The Supervisory Board credit committee reviews and approves limits above 20% of Bank's tier-one capital and meets monthly. It is also responsible for issuing guidance to lower level credit committees;
- The Management Board credit committee reviews and approves credit limits between 10% and 20% of tier-one capital and meets weekly;
- The Head office credit committee reviews and approves credit limits up to 10% of tier-one capital and meets weekly; and
- The Branches credit committee review and approve credit limits set by Head office and meet daily.

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

(c) Concentration of risks of financial assets with credit risk exposure. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

29 Financial Risk Management (Continued)

In order to avoid excessive concentrations of risks, the Group's Credit policy and procedures include specific CBU guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group's management focuses on concentration risk as follows:

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

(d) Monitoring of loan portfolio quality and reporting. In accordance with the credit policy of the Group, Loan portfolio monitoring unit is responsible for monitoring of:

- purposeful use of borrowed funds
- financial performance and position of borrowers
- marketability collateral, and
- quality of loan portfolio.

Internal Audit is responsible for controlling adequacy of loan portfolio with requirements and regulations of the Central Bank of Uzbekistan and internal policies of the Group. Credit risk management processes throughout the Group are audited annually by the Internal Audit that examines the adequacy of the procedures and proper loan classification. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Group Council.

Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Group's management receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the credit risks of the Group.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 31.

The Group's credit department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes.

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

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

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

In thousands of Uzbekistan Soums	31 December 2014			31 December 2013		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
US Dollar	110,501,249	(115,412,875)	(4,911,626)	115,780,339	(116,822,412)	(1,042,073)
Euro	5,019,033	(344,684)	4,674,349	7,436	(1,425,253)	(1,417,817)
Other	22,945	(19,163)	3,782	730,983	(728,047)	2,936
Total	**115,543,227**	**(115,776,722)**	**(233,495)**	**116,518,758**	**(118,975,712)**	**(2,456,954)**

29 Financial Risk Management (Continued)

As described in Note 31, the Group has entered into swap transactions on its net USD currency position for the amount of UZS 13,913,359 thousand (2013: UZS 4,306,917 thousand), which eliminates negative net balance sheet position on this currency.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
US Dollars strengthening by 10.0% (2013: 10.0%)	(491,163)	(104,207)
US Dollars weakening by 10.0% (2013: 10.0%)	491,163	104,207
Euro strengthening by 10% (2013: 10%)	467,435	(141,782)
Euro weakening by 10% (2013: 10%)	(467,435)	141,782

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

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

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

In thousands of Uzbekistan Soums	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Non-monetary	Total
At 31 December 2014						
Total financial assets	151,739,923	47,138,403	30,944,074	226,281,734	4,572,034	460,676,168
Total financial liabilities	207,602,719	137,952,823	86,030,591	21,159,834	-	452,745,967
Net interest sensitivity gap at 31 December 2014	**(55,862,796)**	**(90,814,420)**	**(55,086,517)**	**205,121,900**	**4,572,034**	**7,930,201**
At 31 December 2013						
Total financial assets	157,414,781	41,567,492	78,361,965	125,759,734	3,317,408	406,421,380
Total financial liabilities	240,240,141	45,164,979	81,108,895	53,956,600	-	420,470,615
Net interest sensitivity gap at 31 December 2013	**(82,825,360)**	**(3,597,487)**	**(2,746,930)**	**71,803,134**	**3,317,408**	**(14,049,235)**

At 31 December 2014, if interest rates at that date had been 200 basis points lower (2013: 200 basis points lower) with all other variables held constant, profit for the year would have been UZS 279,024 thousand (2013: UZS 204,319 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities.

29 Financial Risk Management (Continued)

If interest rates had been 200 basis points higher (2013: 200 basis points higher), with all other variables held constant, profit would have been UZS 279,024 thousand (2013: UZS 204,319 thousand) lower, mainly as a result of higher interest expense on variable interest liabilities.

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

	2014			2013		
In % p.a.	UZS	USD	EUR	UZS	USD	EUR
Assets						
Cash and cash equivalents	0.02-12	5.27	4.97	0.02-12	5.27	4.97
Due from other banks	5-11	0.01-3	-	6.5-12.5	0.01-3	-
Loans and advances to customers	5-24	-	-	6-27	-	-
Investment securities available for sale	10	-	-	11	-	-
Liabilities						
Due to other banks	10-12	0.1-8	-	10-12	0.5-8.5	-
Customer accounts	5-24	6-12	-	5-24	5-12	-
Debt securities in issue	10-13.5	-	-	11.7-13.5	-	-

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

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

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

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2014 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	89,598,819	6,402,045	2,453,050	98,453,914
Due from other banks	63,030,621	35,240,726	182,101	98,453,448
Loans and advances to customers	252,949,413	-	-	252,949,413
Investment securities available for sale	5,197,408	-	-	5,197,408
Other financial assets	5,621,985	-	-	5,621,985
Total financial assets	**416,398,246**	**41,642,771**	**2,635,151**	**460,676,168**
Financial liabilities				
Due to other banks	117,031,380	-	-	117,031,380
Customer accounts	307,006,443	-	-	307,006,443
Debt securities in issue	25,032,516	-	-	25,032,516
Other financial liabilities	3,181,348	-	494,280	3,675,628
Total financial liabilities	**452,251,687**	**-**	**494,280**	**452,745,967**
Net position in on-balance sheet financial instruments	**(35,853,441)**	**41,642,771**	**2,140,871**	**7,930,201**
Credit related commitments	**136,017,028**	**-**	**-**	**136,017,028**

29 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located.

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

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	124,400,382	-	-	124,400,382
Due from other banks	34,087,891	34,058,284	2,484,094	70,630,269
Loans and advances to customers	202,531,758	-	-	202,531,758
Investment securities available for sale	3,367,408	-	-	3,367,408
Other financial assets	5,491,563	-	-	5,491,563
Total financial assets	**369,879,002**	**34,058,284**	**2,484,094**	**406,421,380**
Financial liabilities				
Due to other banks	72,894,515	-	-	72,894,515
Customer accounts	327,053,009	-	-	327,053,009
Debt securities in issue	13,880,414	-	-	13,880,414
Other financial liabilities	6,642,677	-	-	6,642,677
Total financial liabilities	**420,470,615**	**-**	**-**	**420,470,615**
Net position in on-balance sheet financial instruments	**(50,591,613)**	**34,058,284**	**2,484,094**	**(14,049,235)**
Credit related commitments	**84,313,045**	**-**	**-**	**84,313,045**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers, refer to Note 9.

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

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

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratio is:

- Current liquidity ratio (not to be less than 30%), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 73% at 31 December 2014 (2013: 65%).

29 Financial Risk Management (Continued)

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

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

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

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

The undiscounted maturity analysis of financial instruments at 31 December 2014 is as follows:

In thousands of Uzbekistan Soums	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Due to other banks	1,568,217	89,654,732	19,069,459	12,960,861	123,253,269
Customer accounts	205,700,235	48,896,985	55,519,396	5,934,656	316,051,271
Debt securities in issue	335,841	5,302,500	16,324,000	4,760,000	26,722,341
Other financial liabilities	2,287,616	865,911	522,101	-	3,675,628
Guarantees issued	203,482	13,079,207	796,970	14,074,683	28,154,342
Undrawn credit lines	15,428,089	-	-	-	15,428,089
Gross settled swaps:					
- inflows	*(3,463,274)*	*(14,763,141)*	-	-	*(18,226,415)*
- outflows	*3,294,973*	*14,275,491*	-	-	*17,570,464*
Net settled swaps	(168,301)	(487,650)	-	-	(655,951)
Total potential future payments for financial obligations	**225,355,178**	**157,311,685**	**92,231,926**	**37,730,200**	**512,628,989**

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

29 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Due to other banks	7,424,074	39,650,911	26,300,702	-	73,375,687
Customer accounts	224,827,275	5,308,899	48,247,052	49,481,080	327,864,306
Debt securities in issue	1,540,516	503,300	7,096,537	4,831,685	13,972,038
Other financial liabilities	6,642,677	-	-	-	6,642,677
Guarantees issued	166,065	10,674,129	650,419	11,486,552	22,977,164
Undrawn credit lines	5,174,002	-	-	-	5,174,002
Gross settled swaps:					
- inflows	*(1,628,073)*	*(6,940,102)*	-	-	*(8,568,175)*
- outflows	*1,548,955*	*6,710,859*	-	-	*8,259,815*
Net settled swaps	(79,118)	(229,243)	-	-	(308,360)
Total potential future payments for financial obligations	**245,695,491**	**55,907,997**	**82,294,710**	**65,799,317**	**449,697,514**

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

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

In thousands of Uzbekistan Soums	Demand and less than one month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
At 31 December 2014					
Financial assets	151,739,923	47,138,403	30,944,074	230,853,768	460,676,168
Financial liabilities	207,602,719	137,952,823	86,030,591	21,159,834	452,745,967
Net liquidity gap based on expected maturities	**(55,862,796)**	**(90,814,420)**	**(55,086,517)**	**209,693,934**	**7,930,201**
At 31 December 2013					
Financial assets	157,414,781	41,567,492	78,361,965	129,077,142	406,421,380
Financial liabilities	240,240,141	45,164,979	81,108,895	53,956,600	420,470,615
Net liquidity gap based on expected maturities	**(82,825,360)**	**(3,597,487)**	**(2,746,930)**	**75,120,542**	**(14,049,235)**

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

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

30 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBU and (ii) to safeguard the Group's ability to continue as a going concern. The Group considers total capital under management to be equity as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2014 was UZS 66,002,006 thousand (2013: UZS 51,850,576 thousand). Compliance with capital adequacy ratios set by the CBU is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chairman and Chief Accountant.

Under the current capital requirements set by the CBU, banks have to maintain ratios of:
- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 10% (31 December 2014: 12.2%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 5% (31 December 2014: 15%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2014: 12.1%).

The Group and the Bank have complied with capital ratios set above throughout 2014 and 2013.

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Tier 1 capital		
Share capital	60,000,000	44,131,357
Share premium	1,273,780	1,273,780
Retained earnings	2,296,603	1,675,812
Less: Intangible assets	(227,052)	(312,029)
Total Tier 1 capital	**63,343,331**	**46,768,920**
Tier 2 capital		
Current year net profit	1,975,989	1,835,733
Total Tier 2 capital	**65,319,320**	**48,604,653**
Less: Investments in non-consolidated entities	(13,856,485)	(10,482,509)
Total regulatory capital	**51,462,835**	**38,122,144**

31 Contingencies and Commitments

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

Tax contingencies. Uzbekistan tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

31 Contingencies and Commitments (Continued)

As Uzbekistan tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

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

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

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
Letters of credits, non post-financing	30,625,751	11,755,243
Financial guarantees issued	28,154,342	22,977,164
Undrawn credit lines	15,428,089	5,174,002
SWAP (commitment to buy USD and sell UZS)	16,069,887	6,437,546
SWAP (commitment to buy UZS and sell USD)	2,156,528	2,130,629
Total credit related commitments, gross	**92,434,597**	**48,474,584**
Less: Commitment collaterised by cash deposits	(48,852,166)	(12,636,123)
Total credit related commitments, net of cash covered exposures	**136,017,028**	**84,313,045**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was UZS 12,651,876 thousand at 31 December 2014 (2013: UZS 8,303,883 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Uzbekistan Soums	31 December 2014	31 December 2013
USD	57,998,079	37,679,978
UZS	27,595,427	9,569,707
EUR	6,841,091	1,224,899
Total credit related commitments	**92,434,597**	**48,474,584**

32 Non-Controlling Interest

The following table provides information about subsidiary that has non-controlling interest that is material to the Group:

In thousands of Uzbekistan Soums	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
LLC "Asia Insurance"						
Year ended 31 December 2014	Uzbekistan	37.8%	37.8%	812,732	3,924,824	1,427,571
Year ended 31 December 2013	Uzbekistan	37.8%	37.8%	637,910	3,112,092	715,284

The summarised financial information of these subsidiaries was as follows:

In thousands of Uzbekistan Soums	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income
LLC "Asia Insurance"							
Y/e 2014	18,442,612	12,267,489	2,256,698	14,620,827	14,182,692	2,150,086	-
Y/e 2013	19,236,983	12,761,818	5,610,271	15,426,633	9,944,763	1,687,593	-

33 Fair Value Disclosures

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

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

33 Fair Value Disclosures (Continued)

The level in the fair value hierarchy into which the recurring fair value measurements are categorised at 31 December 2014, were as follows:

In thousands of Uzbekistan Soums	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
- Cash on hand	17,427,663	-	-	17,427,663
- Cash balances with CBU (other than mandatory reserve deposit)	40,360,760	-	-	40,360,760
- Correspondent accounts and overnight deposits with other banks	-	20,306,518	-	20,306,518
- Placements with other banks with original maturities of less than three months	-	-	20,358,973	20,358,973
Due from other banks				
- Mandatory deposits with CBU	-	41,184,163	-	41,184,163
- Restricted cash	-	-	26,787,931	26,787,931
- Placements with other banks with original maturities of more than three months	-	-	30,481,354	30,481,354
Loans and advances to customers				
- Loans to legal entities	-	-	230,174,185	230,174,185
- Net investment in finance lease	-	-	16,712,422	16,712,422
- Loans to individuals	-	-	6,062,806	6,062,806
Investment securities available for sale				
- Equity securities	-	-	4,572,034	4,572,034
- Debt securities	-	-	625,374	625,374
Other financial assets				
- Receivable from insurance policy holders	-	-	710,987	710,987
- Receivable from insurance agents	-	-	422,341	422,341
- Other receivables from customers	-	-	4,488,657	4,488,657
TOTAL	**57,788,423**	**61,490,681**	**341,397,064**	**460,676,168**

In thousands of Uzbekistan Soums	Level 1	Level 3	Total
Due to other banks			
- Liabilities under letters of credit	-	58,851,609	58,851,609
- Short-term placements of other banks	-	47,789,243	47,789,243
- Long-term placements of other banks	-	10,390,528	10,390,528
Customer accounts			
- Current/settlement accounts of state and public organisations	13,779,242	-	13,779,242
- Term deposits of state and public organisations	-	7,685,539	7,685,539
- Current/settlement accounts of other legal entities	145,085,371	-	145,085,371
- Term deposits of other legal entities	-	58,432,277	58,432,277
- Current/demand accounts of individuals	9,003,503	-	9,003,503
- Term deposits of individuals	-	73,020,511	73,020,511
Debt securities in issue			
- Deposit certificates	-	25,032,516	25,032,516
Other financial liabilities			
- Premium payable on reinsurance	-	949,897	949,897
- Accounts payable for co-insurance		682,358	682,358
- Other payables to suppliers	-	2,043,373	2,043,373
TOTAL	**167,868,116**	**284,877,851**	**452,745,967**

33 Fair Value Disclosures (Continued)

The level in the fair value hierarchy into which the recurring fair value measurements are categorised at 31 December 2013, were as follows:

In thousands of Uzbekistan Soums	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
- Cash on hand	6,004,304	-	-	6,004,304
- Cash balances with CBU (other than mandatory reserve deposit)	88,189,506	-	-	88,189,506
- Correspondent accounts and overnight deposits with other banks	-	27,306,572	-	27,306,572
- Placements with other banks with original maturities of less than three months	-	-	2,900,000	2,900,000
Due from other banks				
- Mandatory deposits with CBU	-	37,435,950	-	37,435,950
- Restricted cash	-	-	27,770,844	27,770,844
- Placements with other banks with original maturities of more than three months	-	-	5,423,475	5,423,475
Loans and advances to customers				
- Loans to legal entities	-	-	181,287,451	181,287,451
- Net investment in finance lease	-	-	18,850,053	18,850,053
- Loans to individuals	-	-	2,394,254	2,394,254
Investment securities available for sale				
- Equity securities	-	-	3,317,408	3,317,408
- Debt securities	-	-	50,000	50,000
Other financial assets				
- Receivable from insurance policy holders	-	-	789,268	789,268
- Receivable from insurance agents	-	-	252,185	252,185
- Other receivables from customers	-	-	4,450,110	4,450,110
TOTAL	**94,193,810**	**64,742,522**	**247,485,048**	**406,421,380**

In thousands of Uzbekistan Soums	Level 1	Level 3	Total
Due to other banks			
- Liabilities under letters of credit	-	51,783,487	51,783,487
- Short-term placements of other banks	-	21,111,028	21,111,028
Customer accounts			
- Current/settlement accounts of state and public organisations	5,487,504	-	5,487,504
- Term deposits of state and public organisations	-	969,964	969,964
- Current/settlement accounts of other legal entities	194,293,974	-	194,293,974
- Term deposits of other legal entities	-	53,511,702	53,511,702
- Current/demand accounts of individuals	27,029,972	-	27,029,972
- Term deposits of individuals	-	45,759,893	45,759,893
Debt securities in issue			
- Deposit certificates	-	13,880,414	13,880,414
Other financial liabilities			
- Premium payable on reinsurance	-	4,563,373	4,563,373
- Accounts payable for co-insurance	-	529,020	529,020
- Other payables to suppliers	-	1,550,284	1,550,284
TOTAL	**226,811,450**	**193,659,165**	**420,470,615**

34 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2014:

In thousands of Uzbekistan Soums	Loans and receivables	Available for sale assets	Total
FINANCIAL ASSETS			
Cash and cash equivalents	98,453,914	-	98,453,914
Due from other banks	98,453,448	-	98,453,448
Loans and advances to customers	252,949,413	-	252,949,413
Investment securities available for sale	625,374	4,572,034	5,197,408
Other financial assets	5,621,985	-	5,621,985
Total financial assets	**456,104,134**	**4,572,034**	**460,676,168**
Total non-financial assets			**77,087,230**
Total assets			**537,763,398**

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2013:

In thousands of Uzbekistan Soums	Loans and receivables	Available for sale assets	Total
FINANCIAL ASSETS			
Cash and cash equivalents	124,400,382	-	124,400,382
Due from other banks	70,630,269	-	70,630,269
Loans and advances to customers	202,531,758	-	202,531,758
Investment securities available for sale	50,000	3,317,408	3,367,408
Other financial assets	5,491,563	-	5,491,563
Total financial assets	**403,103,972**	**3,317,408**	**406,421,380**
Total non-financial assets			**85,554,660**
Total assets			**491,976,040**

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

35 Related Party Transactions

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

35 Related Party Transactions (Continued)

At 31 December 2014, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Loans and advances to customers (contractual interest rate: 12-16%)	26,822	25,897,239	96,188,322	122,112,383
Investment securities available for sale	-	-	3,055,429	3,055,429
Customer accounts (contractual interest rate: 0-24%)	59,842	1,507,348	55,319,063	56,886,253
Debt securities in issue (contractual interest rate: 10-13.5%)	-	-	22,350,000	22,350,000

Gross amount of loans and advances to customers at 31 December 2014 includes receivable from LLC "Ekopen Imalat Dis Ticaret Tekstil Ve Makine Urunleri Insaat Ticaret Limited Sirketi" in the amount of UZS 20,429,750 thousand related to disposal of subsidiary company LLC "Tashkent Trans Avto" made in June 2014. The repayment schedule includes annual interest rate of 9% and maturity in June 2024.

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

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Amounts lent to related parties during the year	8,455	16,528,879	39,839,858	56,377,192
Amounts repaid by related parties during the year	7,780	7,670,100	14,035,767	21,713,647

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

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Interest income	4,419	4,025,526	14,034,793	18,064,738
Interest expense	11,087	-	161,945	173,032
Commission income	2	441,360	4,037,085	4,478,447
Other operating expense	434,044	1,008,986	-	1,443,030
Foreign exchange translation gains less losses	-	-	1,401,282	1,401,282

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

In thousands of Uzbekistan Soums	Key Management Personnel	Immediate parent company	Other related parties	Total
Letters of credit	-	1,444,041	53,961,509	55,405,550
Guarantees issued	-	600,000	10,576,732	11,176,732
SWAP (commitment to buy USD and sell UZS)	-	-	489,423	489,423
SWAP (commitment to buy UZS and sell USD)	-	-	11,858,619	11,858,619

35 Related Party Transactions (Continued)

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

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Loans and advances to customers (contractual interest rate: 12-16%)	26,147	17,038,460	70,384,231	87,448,838
Investment securities available for sale	-	-	2,655,426	2,655,426
Customer accounts (contractual interest rate: 0-24%)	38,423	29,927	63,337,874	63,406,224
Debt securities in issue (contractual interest rate: 10-13.5%)	-	-	7,400,000	7,400,000

Aggregate amounts lent to and repaid by related parties during 2013 were:

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Amounts lent to related parties during the year	-	11,446,130	71,278,084	82,724,214
Amounts repaid by related parties during the year	13,388	1,611,042	13,231,186	14,855,616

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

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Interest income	5,850	2,088,220	6,589,475	8,683,545
Interest expense	1,725	-	-	1,725
Commission income	7	17,962	2,599,607	2,617,576
Other operating expense	366,065	1,101,030	-	1,467,095
Foreign exchange translation gains less losses	-	-	489,744	489,744

At 31 December 2013, other rights and obligations with related parties were as follows:

In thousands of Uzbekistan Soums	Key management personnel	Immediate parent company	Other related parties	Total
Letters of credit	-	-	51,239,385	51,239,385
Guarantees issued	-	600,000	17,551,912	18,151,912
Undrawn credit lines	-	2,737,843	-	2,737,843
SWAP (commitment to buy UZS and sell USD)	-	-	4,286,624	4,286,624

Key management compensation is presented below:

In thousands of Uzbekistan Soums	2014	2013
Short-term benefits:		
- Salaries and bonuses	347,235	292,852
- Unified social payment	86,809	73,213
Total	**434,044**	**366,065**