OPEN JOINT STOCK COMMERCIAL BANK
"KAPITALBANK"

Consolidated financial statements for the year
ended December 31, 2013 and
Independent Auditor's Report

Contents

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Independent Auditor's Report

To the Shareholders and Management of OJSCB "Kapitalbank"

We have audited the accompanying consolidated financial statements of Open Joint Stock Commercial Bank "Kapitalbank" (the "Bank") and its subsidiaries (hereinafter jointly referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OJSCB "Kapitalbank" and its subsidiaries as at December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLC

April 21, 2014
Tashkent, Uzbekistan

Consolidated statement of financial position

In Thousand UZS	Notes	December 31, 2013	December 31, 2012
Assets			
Cash and cash equivalents	6	261,494,864	167,684,653
Due from other banks	7	86,269,054	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	8	64,594,770	47,100,546
Loans and advances to customers	9,30	392,957,865	260,266,400
Investments available for sale	10	2,904,828	3,193,490
Investments in associated companies	11	1,599,456	1,599,456
Property, equipment and intangible assets	12	47,729,700	49,787,200
Other assets	13	38,586,458	52,685,299
Non-working assets intended for sale	14	38,708,388	57,544,884
Total assets		**934,845,383**	**688,685,260**
Liabilities			
Due to other banks	15	13,723,673	39,927,990
Customer accounts	16,30	826,568,787	595,033,998
Issued debt securities	17,30	23,724,603	10,139,694
Other attracted funds	18,30	1,559,102	2,135,207
Deferred tax liabilities	27	2,409,922	1,929,388
Other liabilities	19	8,691,635	3,616,872
Liabilities related to non-working assets intended for sale	14	2,278,247	1,455,460
Total liabilities		**878,955,969**	**654,238,609**
Equity			
Share capital	20	41,631,797	33,917,190
Additional paid-in capital	21	350,000	227,483
Accumulated comprehensive income and funds	22	13,907,557	301,595
Total capital related to shareholders of parent Bank		**55,889,354**	**34,446,268**
Non-controlling interest		60	383
Total equity		**55,889,414**	**34,446,651**
Total liabilities and equity		**934,845,383**	**688,685,260**

Signed and approved on behalf of Management of the Group:

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHRI AKSIYADORLIK-TIJORAT "KAPITALBANK" BANKI

K.A. Olimov
Chairman of the Board

E.E. Skuybida
Chief Accountant

April 21, 2014

Consolidated income statement

In Thousand UZS	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Interest income	23,30	57,039,694	36,182,048
Interest expense	23,30	(35,463,002)	(26,120,727)
Net interest income		**21,576,692**	**10,061,321**
Creation of provision for impairment of assets on which interest is accrued	9,30	(7,464,213)	(5,867,090)
Net interest income after creation of provision for impairment of assets on which interest is accrued		**14,112,479**	**4,194,231**
Commission income	24,30	70,853,424	50,420,486
Commission expense	24	(12,973,654)	(10,139,475)
Net gain on foreign exchange operations	25	3,592,753	1,287,689
Loss from investments available for sale	10	(76,173)	(85,035)
Provision for impairment of other assets	13	(1,869,520)	(1,725,847)
Other income		5,896,091	8,947,198
Other expense		(127,457)	(3,904)
Net non-interest income		**65,295,464**	**48,701,112**
Operating income		79,407,943	52,895,343
Operating expense	26	(63,101,787)	(46,901,485)
Income before income tax		**16,306,156**	**5,993,858**
Income tax expense	27	(4,045,040)	(1,037,803)
Income from continuing activities		**12,261,116**	**4,956,055**
Discontinued activities			
Income from discontinued activities		1,383,085	(1,117,119)
Net profit for the period		**13,644,201**	**3,838,936**
Net profit attributable to:			
Shareholders' share		13,644,524	3,839,003
Non-controlling interest		(323)	(67)
		13,644,201	**3,838,936**

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHRI "KAPITALBANK" OCHIQ AKSIYADORLIK-TIJORAT BANKI

K.A. Olimov
Chairman of the Board

E.E. Skuybida
Chief Accountant

Consolidated statement of comprehensive income

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Net profit for the period	**13,644,201**	**3,838,936**
Other comprehensive income		
Change in fair value of investments in associated companies	-	(25,455)
Change in fair value of investments available for sale	(38,562)	(72,540)
Other comprehensive income after taxation	**(38,562)**	**(97,995)**
Total comprehensive income for the period	**13,605,639**	**3,740,941**
Total comprehensive income attributable to:		
Shareholders' share	13,605,962	3,741,008
Non-controlling interest	(323)	(67)
	13,605,639	**3,740,941**

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHRI AKSIYADORLIK-TIJORAT BANKI "KAPITALBANK"

K.A. Olimov
Chairman of the Board

E.E. Skuybida
Chief Accountant

Consolidated statement of changes in equity

In Thousand UZS	Share capital	Additional paid-in capital	Accumulated comprehensive income and funds	Total capital related to shareholders of parent Bank	Non-controlling interest	Total equity
Balance on January 1, 2012	**31,631,797**	**150,000**	**(3,439,413)**	**28,342,384**	**-**	**28,342,384**
Increase in Share Capital	2,285,393	-	-	2,285,393	-	2,285,393
Additional paid-in capital	-	77,483	-	77,483	-	77,483
Acquisition of daughter company	-	-	-	-	450	450
Total comprehensive income for the year	-	-	3,741,008	3,741,008	(67)	3,740,941
Balance on December 31, 2012	**33,917,190**	**227,483**	**301,595**	**34,446,268**	**383**	**34,446,651**
Increase in Share Capital	7,714,607	-	-	7,714,607	-	7,714,607
Additional paid-in capital	-	122,517	-	122,517	-	122,517
Total comprehensive income for the year	-	-	13,605,962	13,605,962	(323)	13,605,639
Balance on December 31, 2013	**41,631,797**	**350,000**	**13,907,557**	**55,889,354**	**60**	**55,889,414**

K.A. Olimov
Chairman of the Board

E.E. Skuybida
Chief Accountant

…n pages 8 to 66 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows from operating activities		
Income/(loss) from continuing activities before taxation	16,306,156	5,993,858
Adjustments:		
(Restoration)/creation of provision for impairment of assets on which interest is accrued	7,464,213	5,867,090
Loss from investments in associated companies	-	25,455
Loss from investments available for sale	76,173	157,575
Creation of provision for impairment of assets under other operations	1,869,520	1,725,847
Amortization and depreciation expenses	6,070,155	4,746,785
Net gain on foreign exchange operations	(3,592,753)	(1,287,689)
Changes in accrued interest, net	827,063	(321,133)
(Income)/loss from discontinued activities	(1,383,085)	1,117,119
Cash flows from operating activities before changes in operating assets and liabilities	**27,637,442**	**18,024,907**
Net (increase)/decrease in operating assets		
Due from other banks	(37,445,722)	(4,842,419)
Mandatory reserves in the Central Bank of Uzbekistan	(17,494,224)	(6,270,557)
Loans and advances to customers	(140,014,999)	(77,418,002)
Other assets	14,098,841	(2,493,396)
Net increase/(decrease) in operating liabilities		
Due to other banks	(26,204,317)	26,044,008
Customer accounts	231,534,789	152,608,546
Other attracted funds	(576,105)	65,759
Other liabilities	5,074,763	(1,333,801)
(Outflow)/inflow of cash and cash equivalents from operating activities before taxation	56,610,468	104,385,045
Income tax paid	(3,388,283)	(1,720,425)
Net cash flow from operating activities	**53,222,185**	**102,664,620**

Consolidated cash flow statement (continued)

	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows from investing activities		
Acquisition of fixed and intangible assets	(4,317,877)	(15,674,939)
Proceeds from sale of fixed assets	1,505,104	10,343,090
Acquisitions/(disposals) of daughter companies less cash in daughter companies	-	450
Sale/(acquisition) of investments in associated companies	-	3,267,032
Proceeds from (acquisition)/sale of assets intended for sale	18,836,496	(13,610,564)
Proceeds from (acquisition)/sale of investments available for sale	288,662	(2,669,916)
Net cash flow from investing activities	**16,312,385**	**(18,344,847)**
Cash flows from financing activities		
Proceeds from increase in Share Capital	7,714,607	2,285,393
Proceeds from issued debt securities	13,584,909	2,200,000
Redemption of debt securities	(878,000)	(824,694)
Net cash flow from financing activities	**20,421,516**	**3,660,699**
Effect of changes in exchange rates on cash and cash equivalents	3,854,125	4,341,611
Net change in cash and cash equivalents	**93,810,211**	**92,322,083**
Cash and cash equivalents at the beginning of the reporting period	167,684,653	75,362,570
Cash and cash equivalents at the end of the reporting period	**261,494,864**	**167,684,653**

K.A. Olimov
Chairman of the Board

E.E. Skuybida
Chief Accountant

Notes to the consolidated financial statements

1 Principal activity of the Group

Open Joint Stock Commercial Bank "Kapitalbank" (hereinafter – the "Bank") was founded in Tashkent city, Republic of Uzbekistan on May 15, 2000 in form of Private Open Joint-Stock Commercial Bank in accordance with the legislation of Republic of Uzbekistan. Activity of the Bank is regulated by Central bank of Republic of Uzbekistan (hereinafter – "Central Bank") and is performed in accordance with license #69 for banking activities, which was issued on April 7, 2001. On December 21, 2004 on general meeting of shareholders of Private Open Joint-Stock Commercial Bank "Kapitalbank" and Joint Stock Commercial Bank "Avia Bank" shareholders of both banks decided to exchange 100% of shares of JSCB "Avia Bank" for 171 100 shares of POJSCB "Kapitalbank". Central Bank of Republic of Uzbekistan on December 24, 2004 has registered changed Charter of "Kapitalbank" in form of joint stock commercial bank. Thus, on December 21, 2004 JSCB "Kapitalbank" has actually received control over JSCB "Avia Bank" and has completed acquisition.

Under decision of the Bank's shareholders on November 27, 2008 legal form of the Bank was changed from Joint Stock Commercial bank to Open Joint Stock Commercial bank, and License and Charter were re-registered in accordance with requirements of Central Bank. Currently the bank's activities are regulated by Central Bank.

The bank operates under bank license #69 issued by Central Bank on December 27, 2008. Bank license #69 was renewed on September 21, 2013 due to changes in legal address and Charter of the Bank.

Besides, the Bank holds the General license #41 issued by Central Bank on December 27, 2008 for performing operations with foreign currencies. General license #58 was renewed on September 21, 2013 due to changes in legal address and Charter of the Bank.

The principal activities of the Bank comprise commercial bank operations, operations with securities, foreign currency, issuance of loans and guarantees. The Bank takes retail deposits and issues loans, effectuates payments both on the territory of Republic of Uzbekistan and outside it, as well as renders other banking services to legal entities and physical persons.

As of December 31, 2013 the Bank conducts bank activities through head office and has 13 branches, as well as 53 mini banks on the territory of Republic of Uzbekistan (2012: 13 branches and 71 mini banks).

The legal and actual address of the Bank's Head Office: 100047, Republic of Uzbekistan, Tashkent, Sayilgoh Street, bld. 7.

The Bank is a member of:

- Association of banks of Republic of Uzbekistan;
- Insurance Fund for retail deposits in banks of Republic of Uzbekistan;
- International payment system VISA International (associate membership);
- Western Union – system of fast money transfers (agency);
- Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.).

Total number of employees in the Bank equals to 1,273 employees on December 31, 2013 (1,325 employees in 2012).

The information about principal shareholders of the Bank is presented below:

Title	December 31, 2013 Share (%)	December 31, 2012 Share (%)
Legal entities:		
OJSC "Kapital Sug'urta"	16.48	9.46
"Artum Leasing Group" LLC	14.00	14.84
"Expert Leasing Group" LLC	9.76	8.11
"Express-Leasing" LLC	8.17	12.62
"Bauraum Group" LLC	4.84	3.30
"Arhat Media Art" LLC	4.48	5.35
"Optima Invest" LLC	2.92	3.30
"Optima Leasing" LLC	2.67	6.87
"Premier Leasing" LLC	2.57	3.56
"Alternative Finance" LLC	2.20	0.28
Other 7 shareholders - legal entities (2012 - 4 shareholders)	2.13	3.62
Total legal entities	**70.22**	**71.31**
Physical persons:		
Omanov Haltura Jovlievich	11.04	13.20
Gafurov Ahmadjon Anvarovich	6.33	7.57
Ikramdjanov (Rahimov) Batir Ikramdjanovich	5.58	5.94
Gubaydulin Aleksey Faritovich	3.04	0.00
Kamilov Sardor	1.90	0.00
Other 33 shareholders - physical persons (2012 - 32 shareholders)	1.89	1.98
Total physical persons:	**29.78**	**28.69**
Total shareholders	**100.00**	**100.00**

As of December 31, 2013 total number of shareholders of the Group was equal to 55 shareholders; out of them 17 shareholders are legal entities and 38 shareholders are physical persons, whose share equals to 3,034,900 and 1,265,100 shares correspondingly.

1.1 Consolidated companies

The Bank is a parent company of the bank group (hereinafter – the "Group"), which comprises the following companies consolidated for the purposes of financial statements:

Title	Country of activity	Participation share / percentage of voting shares (%)		Typy of activity
		December 31, 2013	December 31, 2012	
"Delta Leasing" LLC	Republic of Uzbekistan	100.00	100.00	Financial leasing
"Intensive Capital Mikrokredit Tashkiloti" LLC	Republic of Uzbekistan	99.98	99.98	Micro crediting

"Delta Leasing" LLC was founded in 2007 in form of Limited Liability Company in accordance with the legislation of Republic of Uzbekistan. The principal activity is leasing services. "Delta Leasing" LLC was registered on May 30, 2007 in Tashkent city. As of December 31, 2013 and 2012 Charter Capital of "Delta Leasing" LLC equals to 3,100,000 thousands UZS and 4,000,000 thousands UZS, respectively.

"Delta Leasing" LLC does not have branches.

The legal and actual address of "Delta Leasing" LLC: Republic of Uzbekistan, Tashkent, Chilanzar district, Bunyodkor Street, bld. 52a.

Number of employees in "Delta Leasing" LLC equals to 13 employees on December 31, 2013 (2012: 17 employees).

"Intensive Capital Mikrokredit Tashkiloti" LLC was founded in 2009 in form of Limited Liability Company in accordance with the legislation of Republic of Uzbekistan. It operates under license #31 for micro crediting operations issued by Central Bank of Republic of Uzbekistan on September 5, 2009. The principal activity is micro crediting of legal entities and physical persons. As of December 31, 2013 and 2012 Charter Capital of "Intensive Capital Mikrokredit Tashkiloti" LLC equals to 2,000,450 thousands UZS.

"Intensive Capital Mikrokredit Tashkiloti" LLC does not have branches.

The legal address of "Intensive Capital Mikrokredit Tashkiloti" LLC: 111700, Republic of Uzbekistan, Tashkent region, Zangiota district, Choshtepa village, Yoshlar Street, bld. 1.

The actual address of "Intensive Capital Mikrokredit Tashkiloti" LLC: Republic of Uzbekistan, Tashkent, Chilanzar district, Furkat Street, bld. 15/2.

Number of employees in "Intensive Capital Mikrokredit Tashkiloti" LLC equals to 14 employees on December 31, 2013 (2012: 16 employees).

2 Economic environment in which the Group operates

2.1 General overview

The economy of Republic of Uzbekistan still demonstrates some features of developing market. The Government develops regulatory, tax and legal bases required under conditions of market economy, as well as it initiates significant economic and social changes. Further stability of economy of Republic of Uzbekistan depends to a large extent on reforms and reorganizations, as well as on effectiveness of economic activities, financial and monetary policy initiated by the Government.

Due to the fact that reformation process was not accomplished yet, transactions made in Uzbekistan are still subject to risks that are not typical to the economies of developed countries. Among them, in particular, non-convertibility of Uzbeks sum in majority of the countries outside Republic of Uzbekistan, low level of liquidity on money and capital markets, as well as continuing inflation.

In 2013 the Government has undertaken measures for further improvement of liquidity and stability of the country's financial system. As a result, aggregate capital of commercial banks increased by 24.3% during 2012, and on January 1, 2014 was equal to 6.5 trillions UZS.

Since 2002 in Republic of Uzbekistan the system of guaranteeing payment of compensation for people's deposits in banks is operating. According to the law on guaranteeing security of people's deposits in banks, the Fund of guaranteeing people's deposits in banks guarantees payment of complete compensation for people's deposits in commercial banks regardless of their size.

During 2013 and 2012 the refinancing rate was equal to 12%.

Further economic development of Republic of Uzbekistan depends to a large extent on effectiveness of economic activities, financial mechanisms and monetary policy undertaken by the Government, as well as development of tax, regulatory and political systems.

The economy of Republic of Uzbekistan is described by relatively average inflation rates. According to data of State Statistics Committee of Republic of Uzbekistan during 2013 inflation did not exceed 6.8 percent (in 2012: no more than 7 percent).

Uzbekistan has assured growth dynamics and macroeconomic stability. Uzbekistan's GDP growth in 2013 equaled to 8 percent (2012: 8.2 percent).

2.2 Foreign exchange transactions

Foreign currencies, in particular USD and Euro, play significant role in determining economic characteristics of many business transactions performed in Republic of Uzbekistan. The table below presents the foreign exchange rates in UZS that were established by Central Bank of Uzbekistan:

Date	USD	Euro
December 31, 2013	2,202.20	3,031.90
December 31, 2012	1,984.00	2,620.31

3 Financial reporting principles

3.1 Applicable standards

The attached consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) approved by International Financial Reporting Standards Committee and Interpretations issued by International Financial Reporting Standards Interpretation Committee.

The Group maintains accounting records in accordance with the requirements of existing legislation of Republic of Uzbekistan. These financial statements are prepared on the basis of these records with required adjustments to comply in all material aspects with IFRS.

3.2 Functional and presentation currency

The national currency of Republic of Uzbekistan is "Uzbek Sum" (hereinafter – UZS). Uzbek Sum was chosen as functional currency, as well as presentation currency for these financial statements.

All figures in financial statements were rounded to nearest thousand.

3.3 Accounting under inflation

According to the IAS 29 "Financial Reporting in Hyperinflationary Economies" Uzbekistan's economy was considered to be subject to hyperinflation till December 31, 2005. According to this standard, figures in financial statements should be presented in units of measurement effective on reporting date. Correspondingly, figures in the Bank's reporting before January 1, 2006 were recalculated with regard to changes in general purchasing power of UZS using price indices effective on reporting date. Abovementioned indices were calculated with regard to inflation rates published by State Statistics Committee of Republic of Uzbekistan ("Uzstat").

Starting from January 1, 2006 the economy of Republic of Uzbekistan is no longer considered as hyperinflationary. Correspondingly, starting from January 1, 2006 book value of assets, liabilities and equity in the Bank's financial statements was not recalculated with regard to changes in general purchasing power of UZS.

4 Key assumptions and estimates

Accounting is maintained by the Group in accordance with the legislation of Republic of Uzbekistan. The attached consolidated financial statements prepared under local accounting records were correspondingly adjusted to make them complying with IFRS.

Preparation of financial statements in accordance with IFRS require application of assumptions and estimates that influence application of accounting policy and recording amounts of assets and liabilities, revenues and expenses in financial statements. Estimates and related assumptions are based on historical experience and other applicable factors required for determining book value of assets and liabilities. Despite the fact that estimates are based on the management's most comprehensive knowledge of current situation, actual results may significantly differ from accepted estimates.

Information about significant issues related to assessing uncertainty and about the most important judgments made by management in applying IFRS that significantly influence these financial statements are presented in the following Notes:

- Note 5 "Main accounting principles" ("Impairment") and Note 9 "Loans to clients" in relation to estimated reserve for impairment of loans;
- Note 22 "Accumulated comprehensive income";
- Note 29 "Contingent financial liabilities" ("Contingent tax liabilities") in relation to contingent tax liabilities.

4.1 Going concern

These financial statements reflect the current estimate by the Group's management of those effects on the activities and financial position of the Group that result from economic situation in Republic of Uzbekistan. Future development of the economy of Republic of Uzbekistan depends to a large extent on effectiveness of arrangements undertaken by the Government of Republic of Uzbekistan and other factors, including legal and political events, which are out of the Group's control. The Group's management is not able to forecast the impact on financial position of the Group in future. The attached consolidated financial statements do not contain any adjustments related to this risk.

Consolidated financial statements were prepared under going concern assumption that the Group will continue its operations in foreseeable future.

For operating control of the Group's liquidity risk the regular monitoring of external factors, which may influence the Group's level of liquidity, is performed and payment flows forecasts are prepared. For medium and long-term liquidity risk management in the Group the gap between maturity periods of assets and liabilities is analyzed. In order to limit risk the Group establishes the liquidity gap limits. The established maximum limits are periodically adjusted because of changing conditions of both internal and external environment. See Note 33.

In order to maintain the required liquidity level the Group has an opportunity to attract additional funds from Central Bank and in the interbank lending market. Diversification of liquidity sources allows to minimize the Group's dependence on any source and to ensure complete fulfillment of obligations. The current liquidity reserves accumulated by the Group and existing sources for attracting additional funds allow ensuring continuity of the Group's activities in long-term perspective.

4.2 Important estimates and professional judgments

The Group makes estimates and assumptions that influence amounts of assets and liabilities recorded in reporting in the following financial year. Estimates and assumptions are continuously analyzed on basis of management experience and other factors, including expectations with regard to future events, which in management opinion are reasonable in light of current liabilities. In the process of applying accounting policy management also uses professional judgments and estimates. Professional judgments that have the most significant impact on amounts recorded in consolidated financial statements and estimates that may result in significant adjustments of book value of assets and liabilities during the following financial year include:

Losses from impairment of loans and advances

The Bank analyzes its credit portfolio for impairment on regular basis. In determining whether it is necessary to record loss from impairment in income or loss for the year, the Bank uses professional judgments about availability of obvious indicators signaling measurable decrease in calculated future cash flows from loan portfolio, before a decrease by a single loan in this portfolio may be detected. Such indicator may include measurable data about negative changes in payment status of borrowers in a group or national or local economic conditions related to failure to perform obligations on assets in group. Management applies estimates based on data about losses of previous years in relation to assets with characteristics of credit risk and objective impairment evidence similar to assets in portfolio that were used for forecasting future cash flows. Methodology and assumptions used for estimates of amounts and periods of future cash flows are regularly analyzed to decrease any deviation between budgeted and actual losses.

Reserves for impairment of financial assets in consolidated financial statements were determined based on existing economic and political conditions. The Group is not able to forecast which changes in conditions will take place in the country and which influence these changes may have on adequacy of reserves for impairment of financial assets in future periods.

Recognition of deferred tax asset

Recognized deferred tax asset represents the amount of income tax that may be taken into account against future income taxes, and is recorded in statement of financial position. Deferred tax asset is recognized only to the extent to which use of corresponding tax benefit is probable. Determination of future taxable income and the amount of tax benefits probable to arise in the future is based on medium-term business-plan prepared by management, which is based on moderately optimistic scenario of development of Uzbek economy, including government measures directed at ensuring macroeconomic balance, stable national currency, consecutive decrease in inflation, restoration of investment and consumer demand.

Tax legislation

Tax, currency and customs legislation of Republic of Uzbekistan allow possibility of different interpretations. See Note 29.

5 Main accounting principles

5.1 5.1 Changes in accounting

The Bank applied the following revised IFRS during the year:

IFRS 10 "Consolidated financial statements", IAS 27 "Separate financial statements"

IFRS 10 provides the single control model applied to all entities including special purpose entities. IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" which contains requirements to consolidated financial statements. The standard also contains directive on matters not considered in Interpretations SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of "control" so that an investor controls an investment entity if it has the right for variable returns from investment or is exposed to the risk related with its change, and can influence this return due to his authorities in the investment entity. According to the definition of control in IFRS 10 an investor controls the investment entity only if the following criteria are met: (a) an investor has authorities in the investment entity; (b) an investor has the right for variable returns from investment or is exposed to the risk related with its change; (c) an investment has the possibilities to exercise his authorities in the investment entity to influence variable returns from investment. The Bank does not consolidate any entity, and consequently IFRS 10 does not affect the financial statements.

IFRS 13 "Fair value measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted by other IFRS standards. Applying IFRS 13 did not have a material effect on fair value measurement determined by the Bank.

IFRS 13 also provides requirements in relation to disclosing certain information on fair value, which replaces existing requirement in relation to information disclosure contained in other IFRS, including IFRS 7 "Financial Instruments: Disclosures". The Bank disclosed such information in Note 31.

Amendments to IAS 19 "Employee benefits"

IASB published amendments to IAS 19 "Employee Benefits" that will be effective for annual periods beginning on or after January 1, 2013. The amendments make significant changes to accounting of employee benefits, in particular, eliminate the possibility of a deferred recognition of changes in assets and liabilities of pension plans. In addition, the amendments limit the changes of net pension assets (liabilities) recognized in profit or loss as net interest income (expense) and services cost. The amendments did not affect the financial position of the Bank.

IFRS 12 "Disclosure of interests in other entities"

IFRS 12 contains the requirements to disclose information that relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 requirements are more complex than the requirements applied earlier in relation to subsidiaries. As an example, the situation when the subsidiary is controlled in the presence of less majority of voting rights. The Bank has neither subsidiaries with substantial uncontrolled participation stakes, nor unconsolidated structured subsidiaries.

Amendments to IAS 1 "Changes to the presentation of other comprehensive income"

The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Bank's financial position or performance.

Amendment to IFRS 1 "Clarification of requirements in relation to comparative information"

The amendment clarifies the difference between a voluntary disclosure of additional comparative information and a minimum required comparative information. An entity must include comparative information to relevant notes of the financial statements when it voluntarily presents comparative information in addition to the minimum for one comparative period. The amendment clarifies than presenting such additional comparative information in notes to introductory statement on financial position, presented as a result of retrospective recalculation or reclassification of items of the financial statements, is not mandatory. The amendment affects presentation only and has no impact on the Bank's financial position or performance.

Amendments to IFRS 7 "Disclosures – offsetting financial assets and financial liabilities"

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 "Financial Instruments: Presentation". The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. The amendments did not impact the Banks' financial position or performance.

5.2 Fair value measurement

The Bank measures financial instruments held for trading and recognized at fair value through profit and loss, financial assets available for sale, derivative financial instruments, investment fixed assets at fair value for each reporting period. Fair value measurement of financial instruments booked at amortized cost is disclosed in Note 31.

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. Fair value measurement assumes conducting a transaction to sell an asset or transfer a liability:

- Either in a market, which is primary for this asset or liability; or
- Either in a most appropriate market for this asset or liability in case of the absence of a primary market.

Fair value of an asset or liability is measured with assumptions that were used by market participants in determining the price of an asset or liability, assuming market participants act on their best interests. Fair value measurement of a non-financial asset allows for a possibility of a market participant to generate economic gain from utilizing the asset in the best and most effective way or to sell it to another market participant who would utilize this asset in the best and most effective way.

The Bank uses such measurement methods that are acceptable in the current circumstances and for which sufficient inputs are available for fair value measurement, and in this mostly using appropriate observable initial inputs and at least using unobservable initial inputs.

All assets and liabilities, measured at fair value or disclosed in the financial statements, are categorized by the below described hierarchy of fair value sources based on initial data of the lowest level, which are significant to the fair value measurement in its entirety:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs, other than quoted prices included within Level 1, that are observable either directly (e.g. quoted prices) or indirectly (e.g. derived from quoted prices). This category includes instruments measured by: market quoted prices in active markets for identical instruments, market quoted prices for identical instruments in markets not considered active, or other measurement methods, inputs of which are directly or indirectly based on observable inputs.
- Level 3: unobservable inputs. This category includes instruments measured by information not based on observable inputs, whereas such unobservable inputs materially affect the

measurement of an instrument. This category includes instruments measured by quoted prices for identical instruments, for which material unobservable quoted prices or assumptions are required to reflect the difference between instruments.

In case of assets and liabilities periodically recognized in the financial statements, the Bank determines the fact of transfer between levels of hierarchy of sources by analyzing the categorisation for the end of each reporting period (based on initial inputs of the lowes level, which are significant to the fair value measurement in its entirety).

5.3 Consolidation principles

The consolidated financial statements include financial statements of the Bank and companies (including special-purpose companies) controlled by the Bank (daughter companies). A company is considered to be controlled when the Bank's management has a possibility to determined financial and operating policy of the company with the aim of receiving profit from its activities.

Revenues and expenses of daughter companies acquired or sold during a year are included in consolidated statement of comprehensive income starting from the moment of their actual acquisition or until their actual sale. Aggregate comprehensive income of daughter companies is related to the Bank's shareholders and non-controlling interest, even if it results in negative balance on non-controlling interest.

If necessary, financial statements of daughter companies are adjusted to align their accounting policy principles with the Group's accounting policy principles.

All transactions between the Group's companies, corresponding balances in calculations and unrealized incomes and losses from operations within Group are excluded at consolidation.

5.4 Non-controlling interest

Non-controlling interest represents incomes and losses, as well as net assets of daughter companies not belonging, directly or indirectly, to the Bank.

Non-controlling interest is presented in consolidated statement of comprehensive income separately, in consolidated statement of financial position among owners' capital, separately from share capital of parent company.

5.5 Cash and cash equivalent

Cash and cash equivalents represent assets that may be converted into cash within ninety days and include cash, balances on correspondent and current accounts of the Group. Funds, in relation to which any restrictions in use exist, are excluded from cash and cash equivalents.

Cash and cash equivalents do not include required reserves in Central Bank.

5.6 Mandatory reserves in the Central Bank of Uzbekistan

Mandatory reserves on accounts in Central Bank represent funds deposited in Central Bank and not intended for financing current operations of the Group. Mandatory reserves on accounts in Central Bank are not included in cash and cash equivalents for the purposes of cash flow statement preparation.

5.7 Initial recognition of financial instruments

Financial assets and financial liabilities are recorded in the consolidated statement of financial position, when the Group becomes a party to contract in relation to corresponding financial instrument. The Group records acquisition and sale of financial assets and liabilities on standard terms on settlement date.

All financial assets are evaluated initially at fair value. The costs, which are directly related to acquisition or issuance, except for financial assets revalued at fair value through profit or loss, are added to the initial cost.

5.8 Fair value of financial instruments

Fair value of financial instruments, which are traded at the end of reporting period in active market, is determined based on market quotes or dealers' quotes without deduction of transaction costs.

If fair value of financial assets and financial liabilities shown in consolidated statement of financial position cannot be determined based on active market prices, it is determined based on market prices on similar financial instruments or using various models of estimates, including mathematical models. Source data for such models are determined based on observed market or judgments.

The judgment is made with regard to such factors as time value of money, level of credit risk, instrument volatility, level of market risk and other applicable factors.

5.9 Amortized cost of financial instruments

Amortized cost of a financial asset or a financial liability is a cost at which such financial asset or financial liability is valued at initial recognition, less payments of principal, plus or minus accumulated depreciation, using effective interest rate method, difference between initial cost and cost at the moment of extinction, less partial write-off (effectuated either directly or through reserve account) due to impairment or bad debt.

Effective interest rate method is a method of calculating amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and allocating interest revenues and interest expenses to the corresponding period. Effective interest rate is a discount rate that provides exact discounting of estimated future cash payments or receipts during expected duration period of a financial instrument down to the initial cost of a financial asset or financial liability. In the process of calculating effective interest rate the organization is required to estimate the cash flows with regard to all contractual conditions in relation to a financial instrument (e.g., prepayments, call option and similar options), but does not consider future losses from loans. Such calculation includes all commissions and collections, which are paid and received by parties to the contract and which constitute inseparable part of an effective interest rate, transaction costs, as well as all other premiums or discounts. It is assumed that cash flows and maturity of a group of similar financial instruments may be reliably estimated. However, in rare cases when it is impossible to estimate cash flows or expected maturity of financial instrument (or a group of financial instruments), an organization is required to use cash flows assumed by a contract during the contractual period of a financial instrument (or a group of financial instruments).

5.10 Derecognition of financial instruments

Derecognition of a financial asset (or, if applicable, part of financial asset or part of group of homogeneous financial assets) occurs in the following situations:

- Expiration of rights for obtaining monetary receipts from such asset;
- The transfer by the Group of its right for obtaining monetary receipts from such asset, or reservation by the Group of right for obtaining monetary receipts from such asset with simultaneous incurrence of liability to repay them completely to a third party without significant delays; and
- If the Group has either transferred all risks and benefits connected with such asset, or not transferred and not reserved almost all the risks and benefits connected with the asset, but transferred the control over the asset. The control is reserved if a partner does not have a practical possibility to sell the whole asset to a completely unrelated party without additional restrictions.

If the Group transferred its rights for obtaining monetary receipts from an asset, or not transferred and not reserved almost all risks and benefits connected with it, as well as did not transfer control over the asset, such asset is recognized further in the amount of the Group's continuing participation in this asset. Continuation of participation in the asset, which takes form of guarantee on the transferred asset, is evaluated at lower of the two following amounts: initial net book value of the asset and maximum amount of compensation that may be claimed from the Group.

In case if continuation of participation takes form of sold and/or acquired option (including options, for which settlements are made at net amount, or similar contracts) in relation to transferred asset, then the degree of the Group's continuing participation is determined based on the value of transferred asset, which may be repurchased by the Group. This provision is not applied in cases when sold put option (including options, for which settlements are made at net amount, or similar contracts) on an asset is evaluated at fair value. In this case the degree of continuing participation of the Group is determined as lower of two amounts: fair value of transferred asset and option exercise price.

5.11 Reclassification of financial assets

The Group is not able to reclassify derivative financial instruments in the retention or issuance period, as well as financial instruments classified at initial recognition as evaluated at fair value through profit or loss, from financial assets evaluated at fair value through profit or loss.

Non-derivative trading financial assets evaluated at fair value through profit or loss in an exceptional case arising because of an event of irregular and atypical nature may be reclassified from financial assets evaluated at fair value through profit or loss, if these assets are no more held for the purposes of sale or repurchase in short-term perspective.

Non-derivative trading financial assets evaluated at fair value through profit or loss may be reclassified into borrowings and accounts receivable or investments held-to-maturity depending on the objectives, for which these financial instruments are held, if the Group has intention and ability to hold these financial assets in foreseeable future or until maturity.

Financial assets available for sale may be reclassified into borrowings and accounts receivable if an organization has an intention and ability to hold these financial assets in foreseeable future or until maturity.

In case of reclassification of financial assets into borrowings and accounts receivable or investments held to maturity fair value on reclassification date will become the new cost of these financial assets. Subsequent valuation is made at amortized cost based on effective interest rate method.

If as a result of change in intentions or abilities of the Group the classification of investments as held-to-maturity is no more appropriate, it should be mandatory reclassified into financial assets available for sale and revalued at fair value. Unrealized gains and losses, which arise in result of change in fair value of financial assets available for sale, are recorded in the statement of changes in owners' capital.

The Group is not able to reclassify any financial assets as investments held-to-maturity if during current or two preceding financial years the volume of investments held-to-maturity, which were sold or reclassified by the Group before maturity date, is represented by more than insignificant amount in comparison to the overall portfolio of investments held-to-maturity, except for sales and reclassifications, which:

- Were initiated so close to maturity date or call date of a financial asset (for example, less than three months before maturity) that changes in market interest rate would not significantly influence the fair value of the financial asset;
- Took place after the organization has received almost all initial principal of a financial asset through regular payments or prepayments;
- Took place in result of a special event that has occurred for reasons beyond the organizations control and that was of extraordinary nature and could not be reasonably foreseen by the organization.

If sales or reclassifications of more than insignificant amount of investments held-to-maturity do not meet any of the requirements, all other investments held-to-maturity should be reclassified into financial assets available for sale.

5.12 Financial assets evaluated at fair value through profit or loss

Financial assets evaluated at fair value through profit or loss include financial assets recorded at fair value through profit or loss.

Trading securities are either securities that are purchased with the purpose of generating profit due to short-term price or trade margin fluctuations, or securities being a part of portfolio actually used by the Group to receive short-term profit. The Group classifies securities as trading securities if it has an intention to sell them within a short period of time from the moment of acquisition. Trading securities can not be assigned to another category, except for rare cases arising from single event, which is extraordinary in nature, and it is unlikely that it will be repeated in near future.

Trading securities are recorded at fair cost. Interest revenues from trading securities are recorded in the statement of comprehensive income as a part of interest revenues. Dividends are recognized as dividend revenue as a part of other operating revenues at the moment of arising right of the Group to receive corresponding payments and under dividend probable receipt condition. All other components of changes in fair value, as well as revenues or expenses from derecognition are recorded in the statement of comprehensive income as revenues less expenses from transactions with financial assets evaluated at fair value through profit or loss in the period they have arisen in.

Derivative financial instruments, including currency contracts, interest futures, forward interest rate agreements, currency and interest swaps, currency and interest options, as well as other derivative financial instruments with positive fair value and not being derivative instruments determined as effective hedging instruments, are initially recognized in the statement of financial position at acquisition cost (including transaction costs), and later they are revalued at fair value. Fair value is calculated based on quoted market prices, cash flows discounting models, models for determining price based on option of spot rates at the year end depending on transaction type.

Changes in fair value of derivative financial instruments are recorded as revenues less expenses from operations with foreign currency and revenues less expenses from operations with trading securities depending on transaction type.

Financial assets recorded at fair value through profit or loss include securities, which at initial recognition were assigned to this category when one of the following conditions is satisfied:

- such classification eliminates or significantly decreases inconsistencies in accounting, which otherwise would arise in result of assessing assets or recognizing corresponding revenues and expenses using other methods;
- management of a group of financial assets, financial liabilities or both, as well as assessment of their effectiveness is performed on the basis of fair value in accordance with established risk management or investment strategies, and the information about such basis is regularly disclosed and revised by the Group's management.

Recognition and assessment of financial assets of this category corresponds to accounting policy described above in relation to trading securities.

5.13 Due from other banks

In the course of its ordinary activities the Group deposits the funds in other banks with different terms. Due from other banks are not intended for an immediate resale or resale in near future and are accounted for at amortized cost based on effective interest rate method, if they were established fixed maturity periods. Funds, for which fixed maturity periods were not established, are accounted for at amortized cost based on expected periods of such assets realization. Due from other banks are recorded after deduction of impairment reserves.

Cover under letter of credit represents the transferred by the issuing bank amount of letter of credit (cover) at the expense of payer or loan extended to him at the disposal of designated bank for the whole period of the issuing bank's outstanding liability.

5.14 Loans and advances to customers

Loans and advances to customers include non-derivative financial assets with established or identifiable payments, unlisted in active market, except for those:

- In relation to which the intention exists to sell them immediately or in near future and which should be classified as trading instruments evaluated at fair value through profit or loss;
- Which after initial recognition are determined as available for sale;
- Under which an owner is not able to cover the total material amount of its initial investment for reasons different from decrease in solvency and which should be classified as available for sale.

Initially loans and advances to customers are recorded at initial cost, which represents fair value of granted funds. Thereafter, loans and advances to customers are accounted for at amortized cost using effective interest rate method after deduction of impairment reserve for loans to clients.

Loans and advances to customers are recorded from the moment of distributing monetary funds to borrowers.

Loans and advances to customers extended at interest rates different from market interest rates are evaluated on the issuance date at fair value, which represents future interest payments and loan principal, discounted with regard to market interest rates for similar credits. The difference between fair value and nominal value of a credit is recorded in the statement of comprehensive income as income/expense from extending loans to clients at rates above/below market rates. Afterwards, net book value of these credits is adjusted with regard to amortization of income/expense under extended credit, and corresponding income/expense is recorded in the statement of comprehensive income using effective interest rate method.

The Group acquires credits from third parties at nominal cost. Initially, acquired credits are recorded at fair value, which represents fair value of acquired credits. Thereafter, acquired credits are accounted for in the order described above.

5.15 Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets, which are not included in any of the three abovementioned categories.

Initially, financial assets available for sale are recorded at fair value plus transaction costs directly related to acquisition or issue of a financial asset. After initial valuation financial assets available for sale are accounted for at fair value based on ask price. Certain financial assets available for sale, for which there are no quotes available from external independent sources, are evaluated by the Group's management at fair value, which is based on results of recent sale of similar financial assets to unrelated third parties or which is determined based on indicating bid/ask prices for each type of securities that are published information agencies or presented by professional participants of securities market. In case of absent active market and inability to determine fair value of an equity financial asset using reliable methods, it is possible to account for investments at acquisition cost.

Unrealized revenues and expenses arising from changes in fair value of financial assets available for sale are recorded in the statement of changes in owners' capital. At disposal of financial assets available for sale corresponding accumulated unrealized revenues and expenses, which were previously recorded as a part of capital, are reclassified into revenue or loss as "revenues less expenses from operations with financial assets available for sale" item. Disposal of financial assets available for sale is recorded using FIFO method.

Interest revenues from debt securities available for sale are calculated using effective interest rate method and recorded in the statement of comprehensive income as interest revenues. Dividends received from equity instruments available for sale are recorded in the statement of comprehensive income as a part of other operating revenues at the moment of arising right of the Bank to receive corresponding payments and under dividend probable receipt condition.

The Group does not revaluate investments in share investment funds and limited liability companies classified at initial recognition as financial assets available for sale. Such investments at initial recognition are recorded at acquisition cost plus transaction costs directly related to acquisition or issue of a financial asset. After initial valuation investments in share investment funds are recorded at acquisition costs and are not revaluated.

5.16 Borrowings and accounts receivable

Trade accounts receivable, issued borrowings and other accounts receivable with fixed or identifiable payments that are not circulated on organized market are classified as "borrowings and accounts receivable". Borrowings and accounts receivable are accounted for at amortized cost using effective interest arte method less impairment. Interest revenue is recognized using effective interest rate method, except for short-term accounts receivable, which have insignificant interest revenue.

5.17 Financial assets impairment

At the end of reporting period the Group assesses the presence of objective evidence of impairment of a financial asset or group of financial assets. Losses from impairment are recorded in the statement of comprehensive income in proportion to their emergence in result of one or more events ("loss event"), which occur after initial recognition of financial asset and influence the amount or moment of future cash flows formation, which are connected with the financial asset or group of financial assets that may be assessed with sufficient degree of reliability. In case if the Group lacks objective evidence of impairment for an individually evaluated financial asset, this asset is included in group of financial assets with similar credit risk characteristics and assessed for impairment in aggregate with them.

(1) Impairment of due from other banks and loans and advances to customers

In relation to due from other banks and loans and advances to customers, which are accounted for at amortized cost, the Group assesses on individual basis the presence of objective evidence of impairment for separate significant financial assets and in aggregate for financial assets that are not separately significant.

The main criteria are listed below. Based on these criteria the presence of objective evidence of impairment of due from other banks and loans and advances to clients is determined for separately significant financial assets:

- Delay of any regular payment;
- Considerable financial difficulties of a borrower, which are confirmed by financial information at disposal of the Group;
- Threat of bankruptcy or another financial reorganization of a borrower;
- Negative change in national or local economic conditions influencing a borrower;
- Violation of a contract, for example, refusal or evasion from payment of interest or loan principal;
- Allocation by a creditor of preferential terms for economic or legal reasons connected with financial difficulties of a borrower, which would not be provided by a creditor in any other circumstances.

Assets, which are assessed for impairment on individual basis and in relation to which the impairment losses are recognized, should not be assessed for impairment on aggregate basis.

If the Group decides that a financial asset, which is assessed on individual basis, does not have an objective evidence of impairment, then this asset is included in the group of financial assets with similar credit risk characteristics and they are assessed for impairment in aggregate.

For the purposes of aggregate assessment for impairment financial assets are grouped by similar credit risk characteristics, such as type of assets, sector, geographical location, type of collateral, timeliness of payments and other factors. These characteristics are related to estimate of future cash flows for groups of such assets and indicate the ability of borrowers to discharge all owing sums in accordance with contract conditions in relation to assessed assets.

The main criterion, which serves as a basis for determining presence of objective evidence of loss from impairment of funds in other banks and loans to clients assessed in aggregate, is presence of accessible information that indicates an identifiable decrease in expected future cash flows from a group of financial assets starting from the moment of their initial recognition, with the assumption that such decrease can not be attributed to separate financial assets within the group. Such information may include unfavorable changes in payment status of borrowers in the group (for example, increase in the number of overdue payments or number of credit cards owners, which have reached their credit limits and make only minimal monthly payments), as well as national or local economic conditions related to default on obligations under assets within the group (for example, increase in unemployment in geographical region of borrowers, decrease in real estate prices in respect to mortgage loans in corresponding region, decrease in oil prices in respect to obtainment of borrowed assets by oil producers, and unfavorable changes in industry economic conditions resulting in certain consequences for borrowers within a group).

In case if objective evidence of loss from impairment is present, the loss amount represents the difference between net book value of an asset and present value of estimated future cash flows. Net book value of an asset is decreased at the expense of reserve account, and the amount of loss is recognized in the statement of comprehensive income.

Present value of expected future cash flows is discounted at initial effective interest rate on an asset. If a loan is extended at floating interest rate, then discount rate for assessment of losses from impairment will be current effective interest rate. Calculation of present value of expected future cash flows from financial assets with collateral reflects the monetary funds that may be received in case of foreclosure, after deduction of expenses for receipt and sale of collateral.

Future cash flows in group of loans, which are assessed for impairment in aggregate, are identified based on historical information about past losses from loans with similar characteristics in the group, as well as about successfulness of overdue debts compensation. Historical information about losses is adjusted based on current observed data to reflect current conditions, which were not present in the periods of past losses, and to exclude the influence of those conditions, which do not exist anymore. Assessment of changes in future cash flows should reflect and directly correlate with corresponding data by periods (for example, such as changes in unemployment rates, prices for real estate and exchange commodities, payment status or other factors indicating losses incurred in the group and their amount). Methodology and assumptions used for assessment of future cash flows are regularly revised in order to decrease divergence between loss estimates and actual figures.

If in a subsequent period the amount of loss from impairment decreases and this decrease may be objectively related to an event, which took place after recognition of impairment, such as, for example, increase in debtor's credit rating, the previously recorded loss from impairment is restored in the statement of comprehensive income through adjustment of the created reserve.

Assets, for which reimbursement is impossible, all required procedures were completed to achieve full or complete reimbursement and the final amount of loss was determined, are written off at the expense of created impairment reserve. The cost of impaired financial assets does not directly decrease.

In accordance with the legislation of Republic of Uzbekistan, when writing off uncollectible loan and corresponding interest the Group is obliged to undertake required and sufficient measures to collect the loan, which are possible according to the legislation, usual business practice or a contract.

(2) Impairment of financial assets available for sale

At the end of reporting period the Group assesses the availability of objective evidence of impairment of a financial investment or group of investments available for sale.

In relation to investments in equity instruments classified as available for sale the main criterion, which serves as a basis for determining presence of objective evidence of loss from impairment, is a significant or continuous decrease in fair value of an equity instrument below its acquisition cost. In order to determine what decrease is a significant and/or continuous it is necessary to use judgment. The Group considers a decrease as significant in case if fair value decreases more than by 10% comparing to the acquisition cost and as continuous if value decreases during more than six months. The Bank also evaluates other factors, such as volatility of stock price. Accumulated impairment loss that is determined as difference between acquisition cost and current fair value less loss from impairment of such asset, which was initially recognized on profit and loss accounts, is reclassified from other comprehensive income on the profit and loss accounts.

Losses from impairment of equity instruments are not restored through profit and loss account; increase in fair value after impairment is recognized directly in other comprehensive income.

In relation to debt instruments classified as available for sale the assessment for presence of impairment evidence is performed on the same principles as for financial assets accounted for at amortized cost. Interest revenues are accrued on the basis of reduced net book value using interest rate applied to discount future cash flows for impairment loss assessment purposes. Interest revenues are recorded in the statement of comprehensive income as interest revenues item.

If in a subsequent year fair value of a debt instrument increases and this increase is objectively connected with the event, which has occurred after recognition of losses from impairment in the statement of comprehensive income, then losses from impairment are restored with proper recognition of revenue in the statement of comprehensive income.

It should be considered that loss estimate comprises subjective factor. The Group's management considers the amount of recorded impairment to be sufficient to cover losses incurred under assets subject to risk on reporting date, although there us a chance that in revised periods the Group may incur losses larger relative to recorded impairment.

5.18 Loans with revised conditions

As far as possible, the Group tries to restructure loans without recovery of collateral. Such restructuring includes extension of repayment periods and agreeing on new conditions for loans. After revision of conditions impairment is estimated using initial effective interest rate calculated before changes in conditions, while loan is not considered to be overdue anymore. Management continuously controls loans with revised conditions for failure to perform on all these conditions and for presence of high possibility of receiving future payments on them. Loans continue to be tested for impairment separately or jointly using initial effective interest rate for the loans.

5.19 Write-off of loans and funds

In case of inability to recover loans and funds extended to clients and banks, including recovery of collateral, they are written-off at the expense of impairment reserve. Write-off of extended loans and funds takes place after the Group's management decides on recovery of amounts due to the Group, as well as after sale by the Group of available collateral. Subsequent restoration of previously written-off amounts is recorded as decrease of expenses from impairment of financial assets in statement of comprehensive income during period of compensation.

5.20 Collateral received in possession for defaulted payments

Collateral received in possession for defaulted payments represent financial and non-financial assets received by the Bank on settlement of overdue loans. Accepted non-financial assets are initially recognized at fair value and depending on their nature, as well as the Bank's intentions with regard to use of these assets are classified as fixed assets, long-term assets available for sale, investment property or inventories among other assets. Then, accepted financial and non-financial assets are revaluated and recorded in accordance with accounting policy for these categories of assets.

5.21 Financial lilabilities

Financial liabilities are classified either as financial liabilities evaluated at fair value through profit or loss, or as financial liabilities accounted for at amortized cost.

During the initial recognition of a financial liability the Group is required to evaluate it at fair value plus, in case of financial liability that is not evaluated at fair value through profit or loss, transaction costs directly related to acquisition or issue of the financial liability.

Derecognition of a financial liability takes place in case of execution, termination or expiration of corresponding liability.

If an existing financial liability is changed by another financial liability to the same creditor with significantly different conditions or in case of introducing significant changes into existing liability conditions, then the initial liability is derecognized and the new liability is accounted for after the difference in value of liabilities is recognized in the statement of comprehensive income.

5.22 Financial liabilities accounted for at amortized cost

Financial liabilities accounted for at recognized cost include due to other banks, customer accounts, issued debt securities and other borrowed funds.

Due to other banks. Due to other banks are recorded starting from the moment of allotment of monetary funds or other assets to the Bank by partner banks.

Customer accounts. Customer accounts represent non-derivative financial liabilities to physical persons, state and corporate clients on settlement accounts and deposits.

Issued debt securities. Issued debt securities include notes, bonds and certificates of deposit issued by the Bank. If the Bank acquires own issued debt securities they are excluded from the statement of financial position, and the difference between book value of a liability and paid amount is included in other operating revenues as revenue from settling indebtedness.

At issue of convertible bonds liability component is determined through estimate of fair value of equivalent non-convertible bond. Capital component is determined at residual cost after deduction of amount required for liability component from the total fair value of convertible bonds. Liability to make future repayments of principal and interest to bondholders is recorded at amortized cost before execution at the moment of bond conversion or redemption.

Other borrowed funds. Other borrowed funds include subordinated deposits received by the Group and they are recorded from the moment of cash receipt by the Group.

5.23 Offsetting financial instruments

Financial assets and liabilities are offset against each other and the net amount is reported in the statement of financial position only in cases when legislation permits offsetting recorded amounts, as well as the intention exists either to offset or to simultaneously sell an asset and to settle a liability.

5.24 Financial rent

Financial rent is a rent under which all risks and benefits related to possession of asset are transferred to a lessee. Right of possession may either be transferred or not. Classification of rent as financial or operational is made depending on subject of operation and does not depend on form of contract. Rent is classified as financial, if:

- right of possession is transferred to lessee at the end of rent period;
- lessee has an opportunity to acquire the asset at price which is significantly lower than fair value on the date of realization of this opportunity; besides, there should be an objective certainty that this opportunity will be realized;
- rent period covers the major part of asset's useful life, although possession right is not transferred;
- at the beginning of rent period, present value of minimal rent payment equals to, at least, almost all fair value of rented asset; and
- rented assets are of special nature, so that only lessee can use them without substantial modifications.

Being a lessor the Group records assets in financial rent as advanced credits in the amount of net investments in financial rent. Financial revenue is then recognized by the Group under method showing permanent internal rate of return on the Group's net investments in financial rent.

Before the rent fixed assets acquired with intention to transfer them in financial rent are recorded in consolidated statement of financial position at acquisition cost among fixed assets acquired with the purpose of being transferred under financial rent contracts.

5.25 Fixed and intangible assets

Fixed assets are recorded either at acquisition cost or at revalued cost, as described below, after deduction of accumulated depreciation and impairment reserve.

Fixed and intangible assets acquired after January 1, 2006 are accounted for at historical cost after deduction of accumulated depreciation (amortization) and accumulated losses from impairment (if exist). Fixed and intangible assets acquired before January 1, 2006 are accounted for at historical cost, taking into account inflation, after deduction of accumulated depreciation and accumulated losses from impairment (if exist).

As of December 31, 2011 the Group has adopted accounting valuation methods for "Buildings and constructions" classes. Frequency of revaluation depends on changes in fair value of revaluated items of fixed assets. After initial recognition at historical cost buildings and land are recorded at revaluated cost representing fair value on revaluation date less accumulated depreciation and accumulated impairment losses. Revaluation is performed regularly to avoid significant deviations of fair value of revaluated assets from their book value.

At revaluation of buildings accumulated depreciation on revaluation date changes proportionally to change in revaluated asset value thus that after revaluation book value of an asset equals to it revaluated value.

Increase in value from revaluation is recorded in statement of comprehensive income as other comprehensive income, except for cases of restoration of previously decreased value of an asset previously recorded through profit or loss. Decrease in value from revaluation is recorded among profit or loss in statement of comprehensive income, except for direct offsetting of such decrease against previous increase in value for the same asset directly recorded among other comprehensive income as influence from fixed assets revaluation.

Fixed assets revaluation fund is related directly to retained earnings after realization of revaluated amount at asset disposal or write-off.

Gains and losses arising at disposal of fixed assets are determined based on their net book value and recorded as part of operating expenses in the statement of comprehensive income.

Repair and maintenance expenses are recorded in the statement of comprehensive income at the moment of their incurrence.

Construction in progress is accounted for at historical cost less impairment reserve.

After completion of construction assets are transferred to the fixed assets and are recorded at net book value at the time of transfer. Construction in progress is not subject to depreciation until putting the asset into operation.

5.26 Depreciation

Depreciation of a fixed asset starts from the moment of putting it into operation. Depreciation is charged using straight line depreciation method with the following useful economic life of the assets:

- Buildings – 20 years;
- Office and computer equipment – from 5 to 12 years;
- Vehicles – 5 years;
- Other fixed assets – from 5 to 8 years;
- Intangible assets – 5 years.

Land has indefinite life and is not subject to depreciation.

At the end of exploitation period net book value of an asset represents the estimated residual value that the Group may receive at the moment of immediate sale of the asset after deduction of estimated cost of disposal, if condition and age of the asset correspond to the condition and age that this asset would have at the end of useful life. Net book value and estimated useful life of assets are revised and adjusted, if necessary, at the end of reporting period.

5.27 Investments in affiliated companies

A company is affiliated if the Group may exercise significant influence on its financial and operating activities, and that is neither a daughter company, nor participating in joint activities. Significant influence is the ability to participate in decision making on financial and operating policy of an invested company, but not a control or joint control over such policy.

Results of activities, assets and liabilities of affiliated companies are included in these financial statements using equity method.

Investments in affiliated companies are recorded in consolidated statement at acquisition cost adjusted to changes in the Group's share in net assets of affiliated company after acquisition, less investments impairment. Losses of affiliated companies in the part exceeding the Group's share in such affiliated companies are not recognized.

Difference by which acquisition cost of identifiable assets, liabilities and contingent liabilities of affiliated companies exceeds the Group's share in their fair value on acquisition date represent goodwill. Goodwill is included in cost of investments and revised for impairment as a part of investment. Difference by which fair value of the Group's share in identifiable assets, liabilities and contingent liabilities of affiliated companies exceeds acquisition cost, i.e. discount at acquisition, is recorded in consolidated statement of profit and loss during acquisition period.

When the Group's company undertakes operations with the Group's affiliated company, profits and losses are excluded in the amount of the share owning by the Group in capital of the affiliated company. Losses may indicate about impairment of transferred asset that results in creation of corresponding impairment reserve.

5.28 Non-working assets intended for sale

Long-term assets and groups of disposing assets are classified as intended for sale if their book value will be reimbursed mainly not from use in operating activities, but from sale. This requirement is considered to be met if an asset (or a group of disposing assets) may be sold in its current condition and the probability of sale is high. Management should accomplish sale of the asset within one year from the moment of its classification as intended for sale.

Long-term assets (and group of disposing assets) classified for sale are measured at lower of two: book value at the moment of such classification and fair value less sale expenditures. If fair value less expenditures for sale of non-working asset intended for sale is less than its book value, impairment should be recorded in consolidated statement of profit and loss as loss from non-working assets intended for sale. Any subsequent increase in fair value of the asset less sale expenditures is recorded with regard to accumulated loss from impairment that was previously recognized for this asset.

5.29 Due to other banks

Due to other banks are recorded starting from the moment of allotment of monetary funds or other assets to the Group by partner banks. These non-derivative financial liabilities are recorded at amortized cost.

5.30 Customer accounts

Customer accounts represent non-derivative financial liabilities to physical persons, state and corporate clients on settlement accounts and deposits.

5.31 Issued debt securities

Issued debt securities include notes, bonds and certificates of deposit issued by the Bank. If the Bank acquires own issued debt securities they are excluded from the statement of financial position, and the difference between book value of a liability and paid amount is included in other operating revenues as revenue from settling indebtedness.

5.32 Charter capital

Common stock and non-cumulative, non redeemable preferred shares constitute Charter Capital. Charter Capital contributed until January 1, 2006 is recorded at cost adjusted with regard to inflation. Charter Capital contributed after the specified date is recorded at historical cost. Costs incurred to pay for third parties' services directly related to the issue of new shares, except for mergers of companies, are recorded as a part of capital as decreasing the amount received from such issue. Preferred shares subject to obligatory redemption are classified as liabilities. Dividends on such preferred shares are recorded in the statement of comprehensive income as interest expenses based on amortized cost using effective interest rate method. The Group does not have preferred shares.

Charter Capital contributed until January 1, 2006 is recorded at cost adjusted with regard to inflation. Charter Capital contributed after the specified date is recorded at historical cost. Additional paid-in capital represents excess of contributions to Charter Capital over par value of issued shares.

5.33 Additional paid-in capital

Additional paid-in capital represents excess of contributions to Charter Capital over par value of issued shares.

5.34 Dividends

Dividends are recognized as liabilities and deducted from the capital at the end of reporting period only if they were declared before the end of reporting period inclusive. Information about dividends is disclosed in the notes about events after the end of reporting period if they were declared after the end of reporting period. Payments of dividends and other distributions of profits are made on the basis of net profit of a current year under accounting reporting prepared in accordance with the legislation of Republic of Uzbekistan.

After approval of dividends by general shareholders meeting they are recorded in financial statements as distribution of profit.

5.35 Earnings per share

Earnings per share are calculated by dividing income or loss belonging to the Bank's shareholders by weighted average number of common participation shares circulating during reporting year.

5.36 Contingent assets and liabilities

Contingent assets are not recorded in the consolidated statement of financial position, but information about them is disclosed in consolidated financial statements when inflow of economic benefits related to the assets is possible.

Contingent liabilities are not recorded in the consolidated statement of financial position, but the information about them is disclosed in consolidated financial statements, except for cases when disposal of resources related to the discharge of the liabilities is unlikely.

5.37 Credit related commitments

The Group assumes credit related commitments, including guarantees, letters of credit and loan extension commitments. Guarantees, which represent irrevocable commitments of the Group to make payments in case of clients' failure to perform their liabilities to third parties, bear the same level of credit risks as credits do. Documentary letters of credit, which are written commitments of the Group to make payments on behalf of clients in the limits of agreed amounts after fulfillment of specified conditions, are collateralized by corresponding shipments of goods or monetary deposits and, correspondingly, bear lower level of risk than direct crediting. Loan extension commitments represent outstanding portion of approved for issue loans, guarantees or letters of credits. In relation to loan extension commitments the Group is potentially subject to risk of arising losses in the amount equal to the total amount of outstanding commitments. Nevertheless, probable amount of losses is less than total amount of outstanding commitments, because the major portion of loan extensions commitments is stipulated by observance by clients of specific creditworthiness criteria.

Credit related commitments are initially recorded at fair value. Then, they are analyzed at the end of reporting period and adjusted to reflect the best current estimate. The best estimate of costs required for execution of existing commitment is the amount, which the Group would pay to discharge a commitment at the end of reporting period or would transfer to a third party on this date.

5.38 Reserves

Reserves are recognized if the Group because of certain event in the past has legal or voluntarily accepted liabilities, for settlement of which the outflow of resources is highly probable. These resources constitute future economic benefits and may be evaluated with high degree of reliability.

Amount of reserve for future expenses recorded in accounting system represents the best estimate of the amount required to settle liability determined on reporting date with regard to risks and uncertainties specific for such liabilities. If the amount of reserve for future expenses is calculated based on forecasted cash flows on liability settlement, then reserve for future expenses is determined as discounted value of such cash flows (if influence of change in time value of money is material).

If it is expected that payments required to settle liabilities will be partially or completely reimbursed by a third party, corresponding accounts receivable is recorded as an asset if full confidence exists in receipt of such reimbursement and if a possibility exists to reliably evaluate the amount of this accounts receivable.

5.39 Taxation

Income tax expenses/compensations include current and deferred taxes and are recorded in the statement of comprehensive income. Taxation expenses are recorded in the financial statements in accordance with the requirements of existing legislation of Republic of Uzbekistan. Current tax payments are calculated on the basis of taxable income for a year with the use of income tax rates effective during the reporting period.

Current tax amounts represent funds payable to budget or receivable from budget in relation to taxable incomes or losses of current or preceding reporting periods. In case of approval for issue of financial statements before submission of corresponding tax returns, the taxation figures shown in the financial statements are based on estimated data.

Deferred income tax is calculated using the method of balance sheet assets and liabilities in relation to all tax losses to be transferred and temporary differences between the taxable base of assets and liabilities and their net book value for the purposes of financial statements.

Deferred tax amounts are evaluated at taxation rates, which actually become effective at the end of reporting period or which, as expected, will be applied during the period of temporary differences restoration or utilization of tax losses transferred from the previous periods. Deferred tax assets and liabilities are offset against each other, if a legally fixed right to offset current tax assets and liabilities exist. Deferred tax assets in relation to deductible temporary differences and tax losses are recorded to the extent the probability exists to receive sufficient taxable income, against which the specified deductions may be used. In order to determine the amount of deferred tax assets, which may be recognized in financial statements based on probable terms and amount of future taxable income, as well as future strategies of tax planning, the management judgment is required.

Moreover, different operating expenses applicable to the Bank also exist in Republic of Uzbekistan. These taxes are recorded in the statement of comprehensive income as a part of operating expenses.

5.40 Recognition of revenues and expenses

Interest revenues and expenses are recorded in the statement of comprehensive income in relation to all debt instruments on the accrual basis and calculated using effective interest rate method. Effective interest rate method is a method of calculating amortized cost of a financial asset or a financial liability and allocating interest revenues and interest expenses to the corresponding period. Effective interest rate is a discount rate for estimated future cash payments or receipts during expected duration period of a financial instrument down to the initial cost of a financial asset or financial liability. In the process of calculating effective interest rate the Bank estimates the cash flows with regard to all contractual conditions in relation to a financial instrument, but does not consider future losses from loans. Such calculation includes all commissions and collections, which are paid and received by parties to the contract and which constitute inseparable part of an effective interest rate, transaction costs, as well as all other premiums or discounts.

Interest revenues include coupon revenues received from financial assets with fixed income, accumulated discounts and premiums on notes and other discount instruments. In case of arising doubt in timely discharge of extended loans, the yare revalued down to reimbursable value with subsequent recognition of interest revenue based on interest rate, which was used for discounting future cash flows for the purpose of evaluating reimbursable value.

Commissions and other revenues and expenses are recorded on the accrual basis after delivery of services. Commission revenues for extension of loans, which are not extended yet, but the extension of which is probable, are recorded as part of other assets and are later accounted for during calculation of effective interest rate for a loan. Commission revenues from organization of transactions for third parties, for example, acquisition of loans, shares and other securities or acquisition and sale of companies, are recorded in the statement of comprehensive income at transaction completion. Commission revenues from management of investment portfolios and other consulting services are recorded in accordance with conditions o service contracts. Commission revenues from management of assets of investment funds are recorded proportionally to the volume of rendered services during the period of delivering such services. The same principle is applied in relation to the services connected with property management, financial planning, and depositary services, which are delivered on continuing basis during a long period of time.

5.41 Remunerations to employees and contributions to Social Insurance Fund

On the territory of Republic of Uzbekistan the Group makes contributions under unified social tax. These contributions are also recorded on the accrual basis. Unified social tax includes contributions to Pension Fund. The Group does not have any own pension scheme. Wages and salaries expenses, contributions to state pension fund and social insurance fund, paid annual leaves and sick-leaves, bonuses and non-monetary benefits are accrued in proportion to delivery of corresponding services by the Group's employees.

5.42 Information by segments

Operating segments are separated based on internal reports on the Group's components regularly inspected by a chief authority responsible for operating decision making with the purpose of allocating resources to segments and evaluating performance results.

The Group evaluates information about reporting segments in accordance with IFRS. Reporting operating segment is separated if it satisfies one of the following quantitative requirements:

- Its revenue from sales to external clients and from transactions with other segments equals to no less than 10% of aggregate revenue – internal and external – of all operating segments; or
- Absolute income or loss ratio equals to no less than 10% of the largest of (i) aggregate income of all operating segments not incurring losses; and (ii) aggregate loss of all operating segments incurring losses; or
- Its assets equal to not less than 10% of aggregate assets of all operating segments; or
- Its assets and liabilities equal to not less than 10% of total capital.

In case if aggregate revenue from external sales shown by operating segments equals to less than 75% of organization's revenue, additional operating segments are separated as reporting segments (even if they do not meet quantitative requirements specified above) until segments presented in reporting do not cover at least 75% of the Group's revenue.

5.43 Foreign currency and precious metals

Foreign currency transactions are initially recalculated into the functional currency at exchange rate of Central Bank effective on transaction date. Gains and losses arising during recalculation of foreign currency operations are recorded in the statement of comprehensive income as revenues after deduction of foreign currency revaluation expenses. Non-monetary items recorded at actual cost in foreign currencies are recalculated at exchange rate of Central Bank effective on transaction date. Non-monetary items recorded at fair value in foreign currencies are recalculated at exchange rate effective on the date of fair value identification.

On financial reporting date assets and liabilities of the Group, functional currency of which is different from presentation currency of the Group's reporting, are recalculated into Uzbek sums at exchange rate on reporting date, and their profit and loss statements are recalculated at weighted average annual rate. Foreign exchange differences arising during such recalculation are recorded as a part of other comprehensive income. At disposal of daughter or associated company, functional currency of which is different from presentation currency of the Group's reporting, the total amount shown as a part of other comprehensive income, which relates to such company, is reclassified from other comprehensive income into profit or loss of reporting period.

Gold, silver and other precious metals are accounted for in accordance with exchange rates that are officially established by Central Bank. Changes in exchange rates of Central Bank are accounted for as exchange differences as a part of revenues minus expenses from revaluation of foreign currency in the statement of comprehensive income.

5.44 Future changes in accounting policy

Standards and interpretations issued but not yet effective

IFRS 9 "Financial instruments"

IFRS 9, issued by the results of two of three phases of the IASB's work on the replacement of IAS 39, applies to classification and measurement of financial assets and financial liabilities as well as hedge accounting. Standard does not set the mandatory effective date and may be applied voluntarily. Applying IFRS 9 will affect the classification and measurement of financial assets of the Bank, but will not affect the classification and measurement of financial liabilities of the Bank. The Bank will quantify the effect after publication of remaining parts of the standard which will have requirements on maintaining financial assets.

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities"

These amendments become effective for annual periods beginning on or after January 1, 2014, and provides exception from requirements in relation to consolidation for entities that meet the definition of an investment entity according to IFRS 10. According to exception from requirements in relation to consolidation investment entities must account subsidiaries at fair value through profit or loss. The amendments are not expected to have an effect on the Bank since none of the Bank's entities meet the definition of an investment entity according to IFRS 10.

Amendments to IAS 32 "Offsetting financial assets and financial liabilities"

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after January 1, 2014. The amendments are not expected to have an effect on the Bank.

Interpretation IFRIC 21 "Levies"

Interpretation clarifies that an entity the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is breached, and not before. Interpretation IFRIC 21 become effective for annual periods beginning on or after January 1, 2014. The Bank considers that Interpretation IFRIC 21 will not materially affect the financial statements.

Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"

The amendments introduce a narrow scope exception that would allow the continuation of hedge accounting when a derivative is novated, subject to the certain criteria. The amendments become effective for annual periods beginning on or after January 1, 2014. The Bank did not have novation of derivative financial instruments in the current reporting period. However, these amendments will be accounted for in case of a novation in future.

6 Cash and cash equivalents

In Thousand UZS	December 31, 2013	December 31, 2012
Cash	39,238,877	31,429,640
Balances on current accounts in Central Bank	62,760,792	1,470,990
"Overnight" deposits on accounts in Central Bank	74,703,578	57,228,540
Correspondent accounts in other banks	20,398,884	44,924,481
Time deposits in other banks with maturity up to 90 days	64,392,733	32,631,002
Total cash and cash equivalents	**261,494,864**	**167,684,653**

As of December 31, 2013 the Group has balances of funds on accounts and deposits in 9 banks, where balances of cash exceed 10 percent of the Group's capital. Total amount of these funds equals to 150,254,047 thousands UZS or 87.8 percent from total amount of correspondent funds and deposits in other banks.

As of December 31, 2012 the Group has balances of funds on accounts and deposits in 7 banks, where balances of cash exceed 10 percent of the Group's capital. Total amount of these funds equals to 109,162,082 thousands UZS or 86.4 percent from total amount of correspondent funds and deposits in other banks.

"Overnight" deposits in UZS are deposited in Central Bank at fixed interest rate 0.02%.

7 Due from other banks

In Thousand UZS	December 31, 2013	December 31, 2012
Due from other banks	-	28,624,842
Funds, which are subject to any restrictions in use: cover under letter of credit	86,269,054	20,198,490
Total due fromo other banks	**86,269,054**	**48,823,332**

In 2013 and 2012 the Group did not create reserves for impairment of due from other banks.

Balances of due from other banks, exceeding 10 percent of capital of the Bank as of December 31, 2013 and 2012, are reflected in aggregate in Note 6.

8 Mandatory reserves in the Central bank of Uzbekistan

As of December 31, 2013 and 2012 the balance of Mandatory reserves in the CBU amounts to 64,594,770 thousands UZS and 47,100,546 thousands UZS, respectively. According to the legislation of Republic of Uzbekistan, the Bank is required to deposit mandatory reserves in the CBU on the regular basis. On these amounts interest is not accrued and they represent portion of the Bank's liabilities with limited use opportunities.

9 Loans and advances to customers

In Thousand UZS	December 31, 2013	December 31, 2012
Loans and advances to customers	391,491,088	262,121,192
Net investments in financial rent	17,038,421	8,559,538
Less impairment reserve	(15,571,644)	(10,414,330)
Total loans and advances to customers	**392,957,865**	**260,266,400**

As of December 31, 2013 and 2012 the receivable accrued interest revenues on loans equal to 5,079,016 thousands UZS and 4,394,932 thousands UZS, respectively.

The table below presents the analysis of changes in the impairment reserve on loans and advances to customers during 2013 and 2012:

In Thousand UZS	December 31, 2013	December 31, 2012
Reserve for impairment of loans and advances to customers as of 1 January	10,414,330	9,971,465
Contributions to impairment reserve during the year	7,464,213	5,867,090
Restoration of previously written-off loans	(2,306,899)	(5,424,225)
Reserve for impairment of loans and advances to customers	**15,571,644**	**10,414,330**

The structure of the Group's credit portfolio by sectors of economy is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Financial services	75,951,156	88,922,211
Manufacturing	88,136,193	51,820,506
Trade	91,030,558	39,937,936
Physical persons	41,225,696	34,902,855
Transport and communications	11,926,861	19,045,491
Printing industry	14,286,336	8,962,440
Construction	17,854,000	4,866,617
Agriculture	20,686,333	7,730,629
Medical services	7,539,524	449,387
Other sectors	39,892,852	14,042,658
Less impairment reserve	(15,571,644)	(10,414,330)
Total loans and advances to customers	**392,957,865**	**260,266,400**

Information on loans issued to physical persons is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Mortgage loans	26,379,721	22,747,659
Consumer loans	11,826,167	8,805,826
Other	3,019,808	3,349,370
Total loans to physical persons	**41,225,696**	**34,902,855**

As of December 31, 2013 and 2012 all loans were extended to companies operating in Republic of Uzbekistan. This represents considerable geographic concentration in one region.

The information about hypothecation value of collateral is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Real estate	230,111,993	152,806,749
Transport	74,798,838	42,719,354
Insurance policy	5,383,192	6,772,597
Equipment	52,680,824	30,900,643
Warranties and guarantees of third parties	21,680,911	17,105,310
Cash deposits	6,183,914	6,644,072
Other collateral	1,151,170	12,462,544
Unsecured	16,538,667	1,269,461
Less impairment reserve	(15,571,644)	(10,414,330)
Total loans and advances to customers	**392,957,865**	**260,266,400**

Hypothecation value of collateral may differ from fair value of collateral.

As of December 31, 2013, balances of loans extended to 11 customers that exceed 10 percent of the Group's capital equal to 146,374,376 thousand UZS or 35.8 percent from total loans and advances to customers.

As of December 31, 2012, balances of loans extended to 13 customers that exceed 10 percent of the Group's capital equal to 95,440,158 thousand UZS or 35.3 percent from total loans and advances to customers.

Net investments in financial lease are presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Gross investments in financial lease	27,885,364	13,373,403
Less: un-earned income from financial lease	(10,846,943)	(4,813,865)
Net investments in financial lease	**17,038,421**	**8,559,538**

Financial lease interest rate is fixed on the date of contract signing for the whole lease period.

The table below presents information about maturity periods of gross and net investments in financial lease as of December 31, 2013:

In Thousand UZS	Up to 1 year	1 to 5 years	Total
Gross investments in financial lease	6,294,010	28,229,648	27,885,364
Less: un-earned income from financial lease	(4,208,649)	(6,638,294)	(10,846,943)
Net investments in financial lease	**2,085,361**	**21,591,354**	**17,038,421**

The table below presents information about maturity periods of gross and net investments in financial lease as of December 31, 2012:

In Thousand UZS	Up to 1 year	1 to 5 years	Total
Gross investments in financial lease	3,953,910	9,419,493	13,373,403
Less: un-earned income from financial lease	(1,579,373)	(3,234,492)	(4,813,865)
Net investments in financial lease	**2,374,537**	**6,185,001**	**8,559,538**

10 Investments available for sale

Investments available for sale are the following:

In Thousand UZS	December 31, 2013	December 31, 2012
Equity securities	3,382,600	3,595,089
Less impairment reserve	(477,772)	(401,599)
Net financial assets available for sale	**2,904,828**	**3,193,490**

As of December 31, 2013 and 2012 debt securities do not exist.

Equity investments available for sale are the following:

In Thousand UZS	Share	December 31, 2013	Share	December 31, 2012
OJSC "Agro Invest Sug'urta"	13%	1,640,092	13%	1,678,650
JV FC "Pakhtakor"	8%	730,159	8%	730,159
OJSC "Qoqon yog-moy"	12%	594,492	12%	473,219
OJSC IC "Alskom"	3%	212,622	3%	212,622
"Qushrobod Agrotex Servis" LLC	15%	45,000	15%	45,000
"Banklararo Savdo Tizimi" LLC	6%	42,406	6%	42,406
"Banklararo Kredit Byurosi" LLC	3%	40,000	3%	40,000
OJSC "Neft va gaz ishlab chiqarishni tamirlash"	5%	28,275	-	-
"Bozor, pul va kredit" LLC	6%	18,132	6%	18,132
OJSC "Jizzaxpaxtasanoat"	1%	14,271	-	-
OJSC "Galla-Alteg"	0.4%	6,190	-	-
CU "Kapital Union"	unidentified	5,311	unidentified	265,311
"Ezevon Agroteh Servis" LLC	15%	4,500	15%	4,500
Association of banks of Republic of Uzbekistan	1%	1,150	1%	1,150
"Tosh Avto Ijara" LLC	-	-	10%	63,280
"Kapital Brok" LLC	-	-	10%	20,660
Equity financial assets available for sale		**3,382,600**		**3,595,089**
Less impairment reserve		(477,772)		(401,599)
Net financial assets available for sale		**2,904,828**		**3,193,490**

Analysis of changes in reserve for impairment of investments available for sale during the year is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Reserve for impairment of other assets as of 1 January	**401,599**	**631,564**
Contributions to impairment reserve	76,173	85,035
Restoration of reserve for impairment during the year	-	(315,000)
Reserve for impairment of other assets	**477,772**	**401,599**

11 Investments in affiliated companies

Investments in affiliated companies under equity method are presented below:

In Thousand UZS	Share	December 31, 2013	Share	December 31, 2012
OJSC "Baloq'chi"	26%	820,806	26%	820,806
OJSC "Surxonoziqovqatsanoati"	20%	778,650	20%	778,650
Investments in affiliated companies		**1,599,456**		**1,599,456**

Changes of investments in affiliated companies:

In Thousand UZS	December 31, 2013	December 31, 2012
On 1 January	**1,599,456**	**4,866,488**
Acquisition cost	-	1,624,911
Sale of investments	-	(4,866,488)
Changes in classification	-	-
Changes in fair value	-	(25,455)
On 31 December	**1,599,456**	**1,599,456**

As of December 31, 2013 and 2012 assets, liabilities and net income of affiliated companies for the years ended on abovementioned dates were equal to:

In Thousand UZS	December 31, 2013	December 31, 2012
Total assets	37,373,302	33,327,938
Total liabilities	(7,305,523)	(8,504,218)
Net assets	30,067,779	24,823,720
The Group's share in net assets in affiliated companies	**6,901,377**	**5,734,279**
Total revenue	60,504,938	49,210,023
Net income	7,904,989	7,310,155
The Group's share in net income in affiliated companies	**1,725,025**	**1,688,646**

12 Fixed and intangible assets

The flow of fixed and intangible assets as of December 31, 2013 is presented below:

In Thousand UZS	Buildings and other constructions	Furniture and equipment	Vehicles	Intangible assets	Other	Total
Net book value on December 31, 2012	**34,960,182**	**10,742,645**	**1,892,213**	**1,069,984**	**1,122,176**	**49,787,200**
Original cost						
Balance on January 1, 2013	39,419,985	17,606,467	3,460,176	2,345,383	1,163,809	63,995,820
Acquisitions	324,188	2,782,600	1,127,214	83,875	-	4,317,877
Disposals	(405,692)	(236,898)	(215,421)	-	(47,152)	(905,163)
Balance on December 31, 2013	**39,338,481**	**20,152,169**	**4,371,969**	**2,429,258**	**1,116,657**	**67,408,534**
Accumulated depreciation						
Balance on January 1, 2013	4,459,803	6,863,822	1,567,963	1,275,399	41,633	14,208,620
Depreciation charges	2,058,767	3,008,828	582,879	419,634	47	6,070,155
Disposals	(165,939)	(236,898)	(197,104)	-	-	(599,941)
Balance on December 31, 2013	**6,352,631**	**9,635,752**	**1,953,738**	**1,695,033**	**41,680**	**19,678,834**
Net book value on December 31, 2013	**32,985,850**	**10,516,417**	**2,418,231**	**734,225**	**1,074,977**	**47,729,700**

The flow of fixed and intangible assets as of December 31, 2012 is presented below:

In Thousand UZS	Buildings and other constructions	Furniture and equipment	Vehicles	Intangible assets	Other	Total
Net book value on December 13, 2011	**37,370,975**	**5,167,839**	**727,444**	**1,027,671**	**4,382,299**	**48,676,228**
Original cost						
Balance on January 1, 2012	40,410,499	9,927,503	1,951,257	1,911,563	4,463,149	58,663,971
Acquisitions	5,799,532	7,824,132	1,617,455	433,820	-	15,674,939
Disposals	(6,790,046)	(145,168)	(108,536)	-	(3,299,340)	(10,343,090)
Balance on December 31, 2012	**39,419,985**	**17,606,467**	**3,460,176**	**2,345,383**	**1,163,809**	**63,995,820**
Accumulated depreciation						
Balance on January 1, 2012	3,039,524	4,759,664	1,223,813	883,892	80,850	9,987,743
Depreciation charges	1,637,991	2,321,930	395,357	391,507	-	4,746,785
Disposals	(217,712)	(217,772)	(51,207)	-	(39,217)	(525,908)
Balance on December 31, 2012	**4,459,803**	**6,863,822**	**1,567,963**	**1,275,399**	**41,633**	**14,208,620**
Net book value on December 31, 2012	**34,960,182**	**10,742,645**	**1,892,213**	**1,069,984**	**1,122,176**	**49,787,200**

From fixed assets, "Buildings and constructions" of the Group were evaluated by an independent valuator as of December 31, 2011. Valuation was performed by an independent firm "INTIL" LLC and fair value was determined. The independent valuator applied different adjusting coefficients and market prices of objects comparable to buildings and constructions of the Group to receive market value of valuated objects. Changes in abovementioned estimates may influence value of buildings.

Book value of buildings include 15,505,902 thousands UZS representing positive revaluation of the Group's buildings.

13 Other assets

In Thousand UZS	December 31, 2013	December 31, 2012
Other financial assets		
Accrued interest and other income receivable	3,341,419	1,776,856
International payment systems settlements	679,580	27,096,624
Unrealised gain from revaluation of swaps	8,520,733	815,057
Other	9,547,182	1,263,883
Total other financial assets	**22,088,914**	**30,952,420**
Other non-financial assets		
Prepayment for equipment and goods	8,800,904	16,587,820
Other prepaid taxes	2,123,980	2,780,737
Other properties	290,446	290,446
Prepayment for services	227,821	216,046
Settlement with bank employees	16,847	66,691
Low-value and quick-wearing assets in warehouse	517,902	394,891
Other	5,323,063	1,712,902
Total other non-financial assets	**17,300,963**	**22,049,533**
Less reserve for impairment	(803,419)	(316,654)
Total other assets	**38,586,458**	**52,685,299**

The table below shows the fair value of foreign currency swaps, recorded as assets, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference foreign exchange rate and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and do not represent credit risk.

Foreign currency swaps as of December 31, 2013 are presented below:

		Fair value	
In Thousand UZS	Notional amount	Assets	Liabilities
Foreign currency swap contracts	169,209,035	8,520,733	-
Total derivative financial instruments	**169,209,035**	**8,520,733**	**-**

As of December 31, 2013 balances of swap contracts with customer CJSC "General Motors Uzbekistan", which exceed 10 percent of the Group's capital, equal to 149,749,600 thousand UZS. Sale to the customer with repurchasing terms – 68,000 thousand USD.

Foreign currency swaps as of December 31, 2012 are presented below:

		Fair value	
In Thousand UZS	Notional amount	Assets	Liabilities
Foreign currency swap contracts	43,817,579	815,057	-
Total derivative financial instruments	**43,817,579**	**815,057**	**-**

As of December 31, 2012 balances of swap contracts with customers CJSC "General Motors Uzbekistan" and SE "Polifleks", which exceed 10 percent of the Group's capital, equal to 25,792,000 thousand UZS. Sale to the customer with repurchasing terms – 10,000 thousand USD and 3,000 thousand USD, respectively.

Analysis of changes in reserve for impairment of other assets during 2013 and 2012 is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Reserve for impairment of other assets as of 1 January	**316,654**	**-**
Contributions to impairment reserve	1,869,520	1,725,847
Written-off assets	(1,382,755)	(1,409,193)
Reserve for impairment of other assets	**803,419**	**316,654**

14 Non-working assets intended for sale

Non-working assets intended for sale are the following:

In Thousand UZS	December 31, 2013	December 31, 2012
Assets		
"Kapsanteks" UE	24,273,132	16,116,669
Properties available for sale	14,435,256	10,041,647
"Kapteks" LLC	-	31,386,568
Non-working assets intended for sale	**38,708,388**	**57,544,884**
Liabilities		
"Kapsanteks" UE	2,278,247	105,719
"Kapteks" LLC	-	1,349,741
Liabilities related to non-working assets intended for sale	**2,278,247**	**1,455,460**

In October 2009 the Group has acquired 100% of shares in capital of "Kapteks" LLC operating in textile industry. The Company was acquired by the Bank under Decree of President of Republic of Uzbekistan #УП-4053 from November 18, 2008 "On measures for further improvement of financial stability of entities in real sector of economy", Decree of President of Republic of Uzbekistan #П-4010 from November 19, 2009 "On approval of procedure for realization by commercial banks of economically unsound entities". Investment to charter capital of "Kapteks" LLC was equal to 33,398,046 thousand UZS and was realized to "Rus Invest Textile" LLC for the amount of 36,000,000 thousand UZS with deferred payment of 7 years, accruing and repaying of interest on actual balance of debt by the existing refinancing rate of CBU RUz. This asset was reclassified to loan.

UE "Kapsanteks" was founded in 2011 in form of a Unitary Enterprise of the Bank in accordance with the legislation of Republic of Uzbekistan. UE "Kapsanteks" is a legal successor of Open Joint Stock Company "Kulol" that was accepted to balance sheet at zero cost under Decree of President of Republic of Uzbekistan #УП-4053 from November 18, 2008 "On measures for further improvement of financial stability of entities in real sector of economy", Decree of President of Republic of Uzbekistan #П-4010 from November 19, 2009 "On approval of procedure for realization by commercial banks of economically unsound entities" and decision of State Commission on realization of economically unsound entities to commercial banks #1 from January 14, 2011. The principal activity is manufacturing of sanitary ware from ceramics. The Group should invest in UE "Kapsanteks" no less than 9.5 million USD. UE "Kapsanteks" was registered on April 1, 2011 in Angren town. The Bank's investment to charter capital of UE "Kapsanteks" as of December 31, 2013 equals to 17,398,042 thousands UZS.

As of December 31, 2013 the total amount of assets and liabilities of "Kapsanteks" UE was equal to 24,273,132 thousands UZS and 2,278,247 thousands UZS, respectively. There is no income or loss from discontinued operations of "Kapsanteks" UE.

As of December 31, 2012 the total amount of assets and liabilities of "Kapsanteks" UE was equal to 16,116,669 thousands UZS and 105,719 thousands UZS, respectively. There is no income or loss from discontinued operations of "Kapsanteks" UE.

As of December 31, 2013 and 2012 property available for sale was equal to 14,435,256 thousand UZS and 10,041,647 thousand UZS, respectively. The Group must sell the property received against redemption of the loan within than one-year period.

15 Due to other banks

In Thousand UZS	December 31, 2013	December 31, 2012
Due to other banks	13,213,200	39,666,000
Correspondent accounts of other banks	387,673	96,454
Loans received from Central Bank	121,020	124,048
Accrued interest payable	1,780	41,488
Total due to other banks	**13,723,673**	**39,927,990**

As of December 31, 2013 the Group has funds of 2 banks, balances of which exceed the Group's 10 percent capital. Aggregate amount of these funds equal to 13,254,143 thousand UZS or 96.6 percent of total due to other banks.

As of December 31, 2012 the Group has funds of 2 banks, balances of which exceed the Group's 10 percent capital. Aggregate amount of these funds equal to 36,667,407 thousand UZS or 91.8 percent of total due to other banks.

16 Customer accounts

In Thousand UZS	December 31, 2013	December 31, 2012
Legal entities		
Demand deposits	394,216,652	298,568,314
Time deposits	70,121,699	54,912,752
Physical persons		
Demand deposits	74,979,970	37,392,801
Time deposits	284,007,545	200,828,140
Accrued interest payable	3,242,921	3,331,991
Total customer accounts	**826,568,787**	**595,033,998**

As of December 31, 2013 the Group has eight customers, whose balance exceed the Group's 10 percent capital. Aggregate amount of these funds equal to 82,148,212 thousand UZS or 9.9 percent of total customer accounts.

As of December 31, 2012 the Group has twelve customers, whose balance exceed the Group's 10 percent capital. Aggregate amount of these funds equal to 76,897,421 thousand UZS or 12.9 percent of total customer accounts.

As of December 31, 2013 and 2012 customer accounts in the amount of 98,293,621 thousands UZS and 47,431,519 thousands UZS were used as collateral against letters of credit issued by the Group, as well as other operations related to contingent liabilities.

Analysis of funds of clients by sectors of economy is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Physical persons	351,272,359	238,220,941
Manufacturing	123,211,526	64,380,214
Transport and communications	44,059,421	40,130,658
Trade	161,637,524	90,145,965
Other services	57,917,697	50,511,134
Education and research	5,615,935	26,358,709
Construction	34,507,822	15,173,835
Culture and art	846,564	12,051,209
Industry	23,389,817	12,738,521
Social funds	1,145,434	3,508,092
Insurance	10,418,600	3,435,627
Agriculture	5,287,893	6,890,757
Investments in financial sector	5,216,123	1,975,973
Other	2,042,072	29,512,363
Total customer accounts	**826,568,787**	**595,033,998**

17 Issued debt securities

Issued debt securities are the following:

In Thousand UZS	Repayment date (month/year)	Annual coupon rate	December 31, 2013	December 31, 2012
Subordinated bonds:	November 2019	12.0%	5,151,233	5,151,233
	May 2017	14.0%	2,032,219	2,539,315
	August 2014	14.0%	4,141,151	2,070,575
Certificates of deposits, including:	June 2014	9.5%	10,000,000	-
	December 2014	10.0%	1,100,000	-
	April 2014	10.0%	500,000	-
	October 2014	12.0%	300,000	-
	October 2014	10.0%	300,000	-
	September 2014	12.0%	200,000	-
	July 2013	11.0%	-	200,000
	February 2013	12.0%	-	100,000
	December 2013	12.5%	-	50,000
Savings certificate	January 2013	24.0%	-	28,571
Total issued debt securities			**23,724,603**	**10,139,694**

The Group is not obliged to follow any financial ratios in relation to issued debt securities specified above.

As of December 31, 2013 the Group has balances on debt securities of one client, which exceed the Group's 10 percent capital. The amount equals to 12,870,575 thousand UZS or 54.2 percent of total issued debt securities.

As of December 31, 2012 the Group had no balances on debt securities, which exceed the Group's 10 percent capital.

18 Other attracted funds

Other attracted funds are the following:

In Thousand UZS	December 31, 2013	December 31, 2012
Financing extended by local financial institutions	1,559,102	2,135,207
Other attracted funds	**1,559,102**	**2,135,207**

The Group does not have any obligations to follow any financial ratios in relation to other attracted funds specified above. Other attracted funds are valued at amortized cost.

19 Other liabilities

In Thousand UZS	December 31, 2013	December 31, 2012
Other financial liabilities		
Deferrred income	4,987,835	1,156,296
Dividends payable	1,288	1,568
Other deferred income	202,516	1,733,850
Total other financial liabilities	**5,191,639**	**2,891,714**
Other non-financial liabilities		
Payable for services	2,305,634	76,793
Other taxes payable	650,918	502,777
Other	543,444	145,588
Total other non-financial liabilities	**3,499,996**	**725,158**
Total other liabilities	**8,691,635**	**3,616,872**

20 Charter capital

Declared, issued and fully paid-in capital includes the following components:

In Thousand UZS	Declared charter capital	Issued charter capital	Paid-in charter capital	Total, with regard to inflation
Balance on December 31, 2011	**33,000,000**	**33,000,000**	**33,000,000**	**31,631,797**
Increase	20,000,000	10,000,000	2,285,393	2,285,393
Balance on December 31, 2012	**53,000,000**	**43,000,000**	**35,285,393**	**33,917,190**
Increase	-	-	7,714,607	7,714,607
Balance on December 31, 2013	**53,000,000**	**43,000,000**	**43,000,000**	**41,631,797**

All common shares have par value of 10 000 UZS per share. Each share grants one voting right.

As of December 31, 2013 and 2012 the Group does not have preferred shares.

Changes in quantity of shares in circulation for the years are presented below:

	Declared charter capital	Issued charter capital	Paid-in charter capital
Balance on December 31, 2011	**3,300,000**	**3,300,000**	**3,300,000**
Issue of common shares	2,000,000	1,000,000	228,539
Balance on December 31, 2012	**5,300,000**	**4,300,000**	**3,528,539**
Issue of common shares	-	-	771,461
Balance on December 31, 2013	**5,300,000**	**4,300,000**	**4,300,000**

21 Additional paid-in capital

Additional paid-in capital equals to the amount by which contributions to capital exceed par value of issued shares. As of December 31, 2013 and 2012 additional paid-in capital equals to 350,000 thousands UZS and 227,483 thousands UZS, respectively.

22 Accumulated comprehensive income

According to the legislation of Republic of Uzbekistan the Group may distribute in form of dividends only accumulated retained earnings under the Group's financial statements, prepared in accordance with the legislation of Republic of Uzbekistan. According to the legislation the Group should create reserve fund in the amount no less than 15 percent of Charter Capital.

In 2013 and 2012 no dividends were paid.

The flow of retained earnings of the Group for the years, according to IFRS, is presented below:

In Thousand UZS	Revaluation fund	Retained earnings / (accumulated loss)	Accumulated comprehensive income / (loss)
Balance on December 31, 2011	**13,396,762**	**(16,836,175)**	**(3,439,413)**
Increase, profit for 2012	-	3,741,008	3,741,008
Balance on December 31, 2012	**13,396,762**	**(13,095,167)**	**301,595**
Disposal of fixed assets	(237,722)	237,722	-
Increase, profit for 2013	-	13,605,962	13,605,962
Balance on December 31, 2013	**13,159,040**	**748,517**	**13,907,557**

23 Net interest income

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Interest income		
Loans and advances to customers	53,219,492	35,274,806
Due from other banks	3,155,590	548,791
Other interest income	664,612	358,451
Total interest income	**57,039,694**	**36,182,048**
Interest expense		
Customer accounts	31,798,841	22,452,817
Funds under issued debt securities	1,740,650	1,793,555
Due to other banks	418,917	1,166,905
Other interest expense	1,504,594	707,450
Total interest expense	**35,463,002**	**26,120,727**
Net interest income	**21,576,692**	**10,061,321**

24 Commission income and expense

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Commission income		
Commissions for foreign exchange transactions	26,614,877	19,815,823
Commissions for settlement operations	25,113,096	14,233,890
Commissions for guarantees and letters of credit	10,159,543	7,550,442
Transactions with plastic cards	6,357,509	4,847,923
Commissions for encashment	1,403,194	1,157,455
Registration of import and export contracts	315,365	222,665
Other	889,840	2,592,288
Total commission income	**70,853,424**	**50,420,486**
Commission expense		
Settlement operations	3,270,676	2,811,287
Commissions to other banks	3,185,033	3,232,408
Commissions for encashment	2,468,267	1,366,205
Commissions for plastic cards	1,399,326	1,111,450
Commissions for foreign exchange transactions	673,522	540,708
Software support	579,399	365,981
Transactions with securities	65,457	100,512
Other	1,331,974	610,924
Total commission expense	**12,973,654**	**10,139,475**
Net commission income	**57,879,770**	**40,281,011**

25 Net gain on foreign exchange operations

Net gain on foreign exchange operations are the following:

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Trade operations, net	(5,333,296)	51,822
Exchange differences, net	8,926,049	1,235,867
Net gain on foreign exchange operations	**3,592,753**	**1,287,689**

26 Operating expenses

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Salaries and bonuses	19,467,214	13,410,062
Other taxes, except for income tax	8,214,789	5,066,040
Depreciation and amortization	6,070,155	4,746,785
Single social tax	4,876,647	3,522,540
Financial aid to employees	2,058,475	3,951,473
Security	4,225,780	4,176,815
Membership fees	6,018,721	3,210,466
Rent	1,544,151	1,363,955
Communication	1,710,879	1,405,226
Office supplies	1,580,843	1,282,205
Repair	1,147,931	1,049,183
Advertising	730,118	798,740
Charity and sponsorship	2,633,632	440,513
Traveling expenses	888,060	342,321
Professional services	303,378	361,549
Other employee expenses	367,998	538,490
Vehicles maintenance expenses	447,446	416,411
Representation expenses	90,520	129,628
Insurance	93,671	112,794
Subscription expenses	54,374	47,868
Other	577,005	528,421
Total operating expenses	**63,101,787**	**46,901,485**

27 Income tax

The Bank prepares tax calculations for current period based on data of tax accounting effectuated in accordance with the requirements of tax legislation of Republic of Uzbekistan that may differ from IFRS.

The differences between the IFRS and tax legislation of Republic of Uzbekistan result in emergence of certain temporary differences between the net book values of some assets and liabilities for the purposes of preparing financial statements and for the purposes of calculating the Bank's income tax.

The income (profit) tax is accrued by the Bank in accordance with the Tax Code of Republic of Uzbekistan. The effective income (profit) tax rate for the banks in 2013 and 2012 was 15 percent applied to taxable income.

In accordance with the tax legislation of Republic of Uzbekistan the Bank also pays other taxes and contributions related to its operating activities.

Deferred taxes represent net tax effect from temporary differences among accounting cost of assets and liabilities for the purposes of financial statements and the amount determined for taxation purposes. Temporary differences on December 31, 2013 and 2012 are mainly related to different methods for accounting for revenues and expenses, as well as with accounting cost of certain assets.

Tax effect from temporary differences as of December 31, 2013 and 2012 is the following:

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Deductible temporary differences:		
Reserve for assets	120,513	1,120,042
Other	153,402	183,030
Total deductible temporary differences	**273,915**	**1,303,072**
Taxable temporary differences:		
Recovery of provisions on assets	686,535	-
Fixed and intangible assets	50,839	724,997
Other	17,075	-
Total taxable temporary differences	**754,449**	**724,997**
Net deferred tax liability	**(480,534)**	**578,075**

The relationship between tax expenses and accounting income for the years ended December 31, 2013 and 2012 is the following:

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Income before income tax	16,306,156	5,993,858
Tax at established rate (15%)	2,445,923	899,079
Infrastructure development tax	(1,108,819)	(206,805)
Non-deductible expenses	2,827,062	111,316
Revenues received	(113,835)	(327,702)
Income tax expenses	**4,050,332**	**475,888**
Current income tax expenses	3,564,506	762,314
Expenses/(revenues) from deferred income tax	480,534	(21,876)
Income tax expenses	**4,045,040**	**740,438**
Deferred tax assets		
Beginning of the year	(1,929,388)	(2,016,099)
Change in deferred income tax recorded as income	(480,534)	86,711
End of the year	**(2,409,922)**	**(1,929,388)**

28 Earnings per share

Basic earnings per share are calculated by dividing net profit, attributable to common stock, by weighted average number of outstanding ordinary shares during the year less average number of ordinary shares repurchased by the Bank from shareholders.

The Bank does not have ordinary shares potentially diluting earnings per share. Thereby, diluted earnings per share equal to basic earnings per share.

	Year ended December 31, 2013	Year ended December 31, 2012
Net profit distributable to shareholders (thousand UZS)	13,605,962	3,741,008
Weighted average quantity of outstanding ordinary shares (number)	3,779,944	3,312,281
Basic and diluted Earnings per Share (UZS)	**3,600**	**1,129**

In 2013 and 2012 the Bank did not pay any dividends.

29 Contingent financial liabilities

29.1 Insurance

The Group has not fully implemented insurance of fixed assets, insurance against discontinuation of activities, or insurance against liability of third parties in relation to property or ecological damages arising from defective equipment or from principal activity of the Group. Unless the Group obtains adequate insurance coverage there is a risk that loss or damage of its assets may negatively influence the activities and financial position of the Group.

29.2 Legal issues

In the course of ordinary activities the Group is an object of legal actions and claims. In the opinion of the management, probable liabilities (if exist) arising in result of such actions or claims will not materially influence the financial position or performance of the Group in future.

29.3 Tax legislation

Currently legislation of Republic of Uzbekistan comprises several normative acts that regulate system of taxes paid to the budget of Republic of Uzbekistan and local state budgets. These taxes comprise value added tax, income tax, some other taxes and social taxes. Tax legislation of Republic of Uzbekistan allows different interpretations and is subject to frequent changes. Often there are different opinions concerning interpretation of regulatory documents both among different departments and within one department (i.e. State Tax Committee and its inspectorates). This creates uncertainty and grounds for many arguments. Tax returns and other legal commitments (e.g., issues of customs and foreign exchange regulations) are subject to revisions and inspections by different bodies that have legal power to implement significant disciplinary actions (e.g., fines and penalties) and that may follow more strict position in interpretation of legislation and inspection of tax reports. As a result, tax authorities may question those transactions and accounting principles that were not questioned earlier. Such situation creates higher probability that tax risks will arise in Republic of Uzbekistan, compared to countries with more developed taxation systems. Tax inspections may cover three calendar years of activities that directly forego the year of inspection. Under certain conditions earlier periods may also be inspected.

As at December 31, 2013 the management considers that it applies adequate interpretation of the existing legislation and the Group's position in relation to tax, currency and customs issues will be supported by controlling authorities.

29.4 Credit related commitments

The main objective of these instruments is assurance of extending funds to customers as need arises. The total amount of liabilities under guarantees, letter of credits and outstanding credit lines does not necessarily represents future cash claims, because the expiration or termination of the specified liabilities without extending funds to the borrower is also possible. Nevertheless, potential risk exists, that's why the statement of financial position among other liabilities under guarantees includes reserve for credit related commitments in relation to issued guarantees depending on the financial position of a client. In relation to the liabilities under extension of credits and outstanding credit lines the Bank is in less extent subject to risk of emergence of losses, because in case of impairing extended loans the Bank will not distribute remaining amounts. That is why reserve for these contingent credit related commitments is equal to zero.

The Group's credit related commitments are the following:

In Thousand UZS	Year ended December 31, 2013	Year ended December 31, 2012
Letters of credit and other contingent liabilities related to settlement operations	77,239,565	47,421,632
Issued guarantees and similar commitments	24,258,282	17,188,521
Loan extension commitments	2,441,528	4,150,764
Total credit related commitments	**103,939,375**	**68,760,917**

30 Related parties transactions

For the purpose of these financial statements preparation the parties are regarded as affiliates if one of them has a possibility to either control another or significantly influence its process of financial and operating decision-making, as stated in IAS 24 "Related party disclosures". When considering all possible interrelations with related parties, one considers the economic substance of such interrelations, but not their legal form only.

In the course of ordinary activities the Group performs transactions with its principal shareholders, directors, as well as other parties. These transactions comprise effectuation of payments, issue of loans, mobilization of deposits, issue of guarantees, financing trade and foreign exchange operations. According to the Group's policy, all transactions with related parties are performed on the same conditions as with independent parties.

Balances at the year end and volumes of performed transactions with related parties for 2013 are presented below:

In Thousand UZS	Transactions with related parties	Total by category in accordance with items of financial statements
Assets		
Loans and advances to customers	**29,657,086**	**408,529,509**
- Parent company	25,632,039	
- Parties with joint control or significant influence on the Group	4,025,047	
Provision on impairment of loans and advances to customers	**1,999,848**	**15,571,644**
- Parent company	794,434	
- Parties with joint control or significant influence on the Group	1,205,414	
Liabilities		
Customer accounts	**29,062,781**	**826,568,787**
- Parent company	25,632,040	
- Parties with joint control or significant influence on the Group	3,430,741	
Issued debt securities	**1,015,123**	**23,724,603**
- Parent company	206,049	
- Parties with joint control or significant influence on the Group	809,074	
Other attracted funds	**1,559,102**	**1,559,102**
- Parent company	1,559,102	
Income and expense		
Interest income	**4,354,145**	**57,039,694**
- Parent company	3,700,491	
- Parties with joint control or significant influence on the Group	653,654	
Interest expense	**516,886**	**35,463,002**
- Parent company	508,318	
- Parties with joint control or significant influence on the Group	8,568	
Commission income	**537,193**	**70,853,424**
- Parent company	324,403	
- Parties with joint control or significant influence on the Group	212,790	
Extended guarantees and similar liabilities	**7,357,906**	**103,939,375**
- Parent company	7,188,160	
- Parties with joint control or significant influence on the Group	169,746	
Renumeration to key management personnel	**1,945,974**	**19,467,214**

Balances at the year end and volumes of performed transactions with related parties for 2012 are presented below:

In Thousand UZS	Transactions with related parties	Total by category in accordance with items of financial statements
Assets		
Loans and advances to customers	**15,050,983**	**270,680,730**
- Parent company	659,700	
- Parties with joint control or significant influence on the Group	14,391,283	
Provision on impairment of loans and advances to customers	**287,826**	**10,414,330**
- Parties with joint control or significant influence on the Group	287,826	
Liabilities		
Customer accounts	**4,241,686**	**595,033,998**
- Parent company	3,553,003	
- Parties with joint control or significant influence on the Group	688,683	
Issued debt securities	**200,000**	**10,139,694**
- Parent company	200,000	
Other attracted funds	**2,135,207**	**2,135,207**
- Parent company	2,135,207	
Income and expense		
Interest income	**1,875,248**	**36,182,048**
- Parent company	11,414	
- Parties with joint control or significant influence on the Group	1,863,834	
Interest expense	**50,744**	**26,120,727**
- Parent company	40,226	
- Parties with joint control or significant influence on the Group	10,518	
Commission income	**251,472**	**50,420,486**
- Parent company	106,907	
- Parties with joint control or significant influence on the Group	144,565	
Extended guarantees and similar liabilities	**6,087,060**	**17,188,521**
- Parent company	6,087,060	
Renumeration to key management personnel	**1,987,437**	**13,410,062**

31 Fair value

Fair value is determined as a price, at which an instrument may be exchanged in a current transaction among interested parties willing to make a deal on market conditions, other than forced or liquidation sale. The best confirmation of fair value is a financial instrument quote on active market. As far as there is no liquid market for the major part of the Bank's financial instruments, their fair value should be estimated based on current state of the market and specific risks related to the particular instrument. The estimates presented below may not correspond to the amounts the Bank may receive from the market sale of existing portfolio of the particular instrument.

The estimates of fair value of the Bank's financial instruments as of December 31, 2013 are presented below:

In Thousand UZS	Level 1	Level 2	Level 3	Total fair value	Total book value
Financial assets					
Cash and cash equivalents	-	261,494,864	-	261,494,864	261,494,864
Due from other banks	-	86,269,054	-	86,269,054	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	-	64,594,770	-	64,594,770	64,594,770
Loans and advances to customers	-	-	392,957,865	392,957,865	392,957,865
Investments available for sale	2,904,828	-	-	2,904,828	2,904,828
Investments in associate companies	3,193,490	-	-	3,193,490	3,193,490
Other financial assets	-	-	22,088,914	22,088,914	22,088,914
Financial liabilities					
Due to other banks	-	13,723,673	-	13,723,673	13,723,673
Customer accounts	-	-	826,568,787	826,568,787	826,568,787
Issued debt securities	23,724,603	-	-	23,724,603	23,724,603
Other attracted funds	-	-	1,559,102	1,559,102	1,559,102
Other financial liabilities	-	-	5,191,639	5,191,639	5,191,639

The estimates of fair value of the Bank's financial instruments as of December 31, 2012 are presented below:

In Thousand UZS	Level 1	Level 2	Level 3	Total fair value	Total book value
Financial assets					
Cash and cash equivalents	-	167,684,653	-	167,684,653	167,684,653
Due from other banks	-	48,823,332	-	48,823,332	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	-	47,100,546	-	47,100,546	47,100,546
Loans and advances to customers	-	-	260,266,400	260,266,400	260,266,400
Investments available for sale	3,193,490	-	-	3,193,490	3,193,490
Investments in associate companies	1,599,456	-	-	1,599,456	1,599,456
Other financial assets	-	-	30,952,420	30,952,420	30,952,420
Financial liabilities					
Due to other banks	-	39,927,990	-	39,927,990	39,927,990
Customer accounts	-	595,033,998	-	-	-
Issued debt securities	10,139,694	-	-	10,139,694	10,139,694
Other attracted funds	-	-	2,135,207	2,135,207	2,135,207
Other financial liabilities	-	-	2,891,714	2,891,714	2,891,714

The Bank applies the following methods and assumptions to estimate the fair value of the abovementioned financial instruments:

Financial instruments recorded at fair value

Cash and cash equivalents, financial assets and liabilities valuated at fair value through profit or loss and financial assets available for sale are recorded in the statement of financial position at fair value. For certain financial assets available for sale there are no external independent market quotes. Fair value of these assets was estimated by the Bank based on results of recent sale of shares in organizations – investment objects – to unrelated third parties, analysis of other information, such as discounted cash flows and financial information about organizations – investment objects, as well as based on other valuation methods applied.

Due from other banks

Fair value of funds deposited at floating interest rate is equal to their book value. The estimated fair value of funds deposited at fixed interest rate is based on the estimate of discounted cash flows using interest rate on money market for instruments with similar level of credit risk and maturity period. In the opinion of management, fair value of loans to banks as of December 31, 2013 and 2012 does not differ significantly from their book value. This is explained by short-term nature of deposits and existing practice of adjusting interest rates aimed at reflecting current market conditions. As a result, interest on the majority of balances is accrued at rates that are approximately equal to market interest rates.

Loans and advances to customers

The loans to clients are recorded after deduction of impairment reserve. The estimated fair value of loans to clients represents discounted amount of expected future cash flows. In order to determine the fair value the expected cash flows are discounted at current market rates.

Investments available for sale

Fair value is determined based on purchase quotes. Certain investments available for sale, for which quotes from external independent sources do not exist, are evaluated by the Group's management at fair value, which is based on results of recent sales of similar financial assets to unrelated third parties or is determined on the basis of indicative bid/ask quotes of each type of securities that are published by information agencies or presented by professional participants of securities market.

Investment in associate companies

Investments in non-consolidated associate companies are evaluated by the Group's management at fair value, which is based on recent sales of similar financial assets to unrelated third parties or is determined on the basis of indicative bid/ask quotes of each type of securities that are published by information agencies or presented by professional participants of securities market.

Due to other banks

The fair value of Due to other banks with maturity period of less than one month is approximately equal to book value because of relatively short maturity period. For the Due to other banks with maturity period of more than one month fair value represents current amount of expected future cash flows discounted at corresponding market rates at the year end. In the opinion of the Bank, the fair value of Due to other banks as of December 31, 2013 and 2012 does not differ significantly from their book value. This is explained by relatively short maturity periods of these obligations.

Customer accounts

The estimated fair value of liabilities with uncertain maturity period represents an amount payable on creditor's demand. The estimated fair value of funds borrowed at fixed interest rate and other obtained funds without market quote is based on the estimate of discounted cash flows using interest rates for debt instruments with similar maturity period. In the opinion of the Bank, the fair value of customer accountss as of December 31, 2013 and 2012 does not differ significantly from their book value. This is explained by existing practice of adjusting interest rates aimed at reflecting current market conditions. As a result, interest on the majority of balances is accrued at rates that are approximately equal to market interest rates.

Issued debt securities

Estimated fair value of issued debt securities at fixed interest rate is calculated based on discounted cash flows using existing in the money market interest rates for debt instruments with similar characteristics of credit risk and maturity periods. In case of issued debt securities that are quoted on exchange fair value is based on declared market prices.

Other attracted funds

Fair value of other attracted funds at fixed interest rate without market quote is based on discounted cash flows using interest rates for debt instruments with similar maturity periods. Estimated fair value of other attracted funds of the Group is approximately equal to book value, because these instruments do not have market quotes, similar instruments and were attracted under special conditions.

32 Capital management

The Group's capital management has the following objectives: observance of capital requirements established by Central Bank of Republic of Uzbekistan, and, in particular, requirements of deposits insurance system; assurance of the Group's ability to function under going concern assumption, and maintenance of capital base on the level required to provide for capital adequacy ratio according to the requirements of Central Bank of Republic of Uzbekistan. Control over capital adequacy required by Central Bank of Republic of Uzbekistan is performed on a monthly basis by forecasted and actual data, which contain corresponding calculations that are verified and approved by Management of the Group.

Capital structure is considered on a quarterly basis by the Group's Board and Council. In the course of this consideration the Board, in particular, analyses cost of capital and risks related to each class of capital. Based on the Board's recommendations the Group adjusts capital structure by paying dividends, issuing additional shares, attracting additional borrowed funds or paying on existing borrowings.

The Group's capital management is effectuated through development of policies, acceptance of strategic and tactical decision by the Group's Council, its Credit Committee, Committee of Supervision of Bank Risks, Investment Committee, Assets and Liabilities Management Committee, and Finance Committee.

Aiming to reduce risks related to capital management the Group has developed and implemented capital management system. Formation principles and methods used in this system are clearly specified in Policy on Management of Assets and Liabilities, Policy on Managing Bank Risks and Credit Policy of the Group approved by the Group's Council.

In accordance with the established quantitative ratios the Group must meet the requirements related to the minimum amounts and normatives ratios of total capital (8%) and Tier I capital (4%) to total risk weighted assets.

Requirement is calculated in accordance with rules established by Basel Agreement using the following risk assessments for assets and off-balance sheet liabilities less reserve for impairment:

Assessment	*Position description*
0%	Cash and cash equivalents
0%	Balances at Central Bank
0%	State debt securities
20%	Loans to customers and due from other banks for the period of up to 1 year
100%	Loans to customers
100%	Issued guarantees
50%	Commitments under unused loans with initial maturity more than 1 year
50%	Letters of credit not secured with cash
100%	Other assets

The table below presents normative capital based on the Bank's reports prepared for the purposes of determining capital adequacy:

In Thousand UZS	December 31, 2013	December 31, 2012
Changes in Tier-1 capital		
As of January 1	34,446,651	28,342,384
Issue of ordinary shares	7,714,607	2,285,393
Additional paid-in capital	122,517	77,483
Income	13,605,962	3,741,008
Other	(323)	383
As of December 31	**55,889,414**	**34,446,651**
Regulatory capital composition:		
Tier-1 Capital		
Share capital and additional paid-in capital	55,889,354	34,446,268
Disclosed reserves	60	383
Total Tier-1 capital	**55,889,414**	**34,446,651**
Subordinated debt	7,000,000	9,500,000
Total regulatory capital	**62,889,414**	**43,946,651**
Capital adequacy ratios:		
Tier-1 capital	9.96%	7.09%
Total capital	11.21%	9.04%

33 Risk management

The Group's risk management is effectuated in relation to financial risks (credit, market, geographical, foreign exchange risks, liquidity risk and interest rate risk), as well as operating and legal risks. The main task of financial risks management is identification of risk limits and further observance of these established limits. The assessment of accepted risk also serves as a basis for optimal distribution of capital with regard to risks, pricing of operations and assessment of performance results. Operating and legal risks management should provide for proper observance of internal regulations and procedures to minimize the operating and legal risks.

33.1 Credit risk

The Group assumes the credit risk, i.e. risk that a partner will not be able to discharge completely the debts in a specified time period. The Group controls credit risk by establishing both the limits for individual borrowers or for a group of related borrowers, and the limits by industrial segment. The Group runs regular monitoring of such risks. The limits are revised at least annually. The limits of credit risk for borrowers are approved by the Council and Board of the Group.

The risk on a single borrower, including banks and brokerage firms, is additionally limited by the limits covering balance and off-balance sheet risks, as well as by daily limits of delivery risk in relation to trade instruments, such as forward currency contracts. Actual observance of the limits in relation to the level of accepted risk is controlled on daily basis.

Credit risk management is effectuated by regular analysis of ability of existing and potential borrowers to discharge interest payments and loan principal, as well as by revising credit limits, if necessary. Besides, in order to reduce risk the collateral is accepted in form of pledged property, warrantees of companies and physical persons.

The maximum level of credit risk of the Group is usually reflected in the net book value of financial assets in the statement of financial position. The possibility to offset assets and liabilities do not have essential value for decreasing potential credit risk. For guarantees and credit related commitments, the maximum level of credit risk is equal to the amount of obligations identified in Note 29.

Credit risk on off-balance sheet financial instruments is defined as probability of losses because of inability of another participant of a transaction with this financial instrument to fulfill the terms of the contract. The Group applies the same credit policy in relation to contingent liabilities as in relation to balance sheet financial instruments, which is based on the transactions approval procedure, application of constraining risk limits and monitoring.

The Group performs the analysis of credits by maturity periods and subsequent control of overdue balances. That is why management provides data about overdue payments and other information related to credit risk.

The Group is subject to advance repayment risk because of issuing loans with fixed or floating interest rates, including mortgage loans, which allow a borrower advance repayment of loans. Financial performance and equity of the Group for current year and at the end of reporting period would not significantly depend on changes in rates under advance repayment, because such loans are recorded at amortized cost and advance repayment amount corresponds or almost corresponds to the amortized cost of loans to clients.

The table below presents analysis of financial assets, by credit quality according to Fitch/Moody/S&P rating as of December 31, 2013. The maximum possible rating is AAA. Investment level of financial assets corresponds to ratings from AAA to BBB. Financial assets with rating lower than BBB are considered as speculative.

In Thousand UZS	AA	A	BBB	<BBB	Unrated	December 31, 2013
Cash and cash equivalents	-	6,344,843	7,498,844	70,947,930	176,703,247	261,494,864
Due from other banks	-	82,168,946	1,597,658	2,502,450	-	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	-	-	-	-	64,594,770	64,594,770
Loans and advances to customers	-	-	-	-	392,957,865	392,957,865
Investments available for sale	-	-	-	-	2,904,828	2,904,828
Investments in associated companies	-	-	-	-	1,599,456	1,599,456
Other financial assets	-	-	-	-	22,088,914	22,088,914

The table below presents analysis of financial assets, by credit quality as of December 31, 2012.

In Thousand UZS	AA	A	BBB	<BBB	Unrated	December 31, 2012
Cash and cash equivalents	-	25,678,253	6,024,733	45,852,497	90,129,170	167,684,653
Due from other banks	-	36,867,203	1,256,978	10,699,151	-	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	-	-	-	-	47,100,546	47,100,546
Loans and advances to customers	-	-	-	-	260,266,400	260,266,400
Investments available for sale	-	-	-	-	3,193,490	3,193,490
Investments in associated companies	-	-	-	-	1,599,456	1,599,456
Other financial assets	-	-	-	-	30,952,420	30,952,420

Organizations of banking sector are generally subject to risk arising in relation to financial instruments and contingent liabilities. Credit risk of the Group is concentrated in Republic of Uzbekistan. The level of credit risk is subject to continuous monitoring with the purpose of providing for observance of limits on loans and creditworthiness in accordance with the policy for risk management approved by the Group.

As long as not all counterparties of the Group possess ratings of international rating agencies, the Group has developed own instruments for determining ratings of counterparties comparable to ratings of international rating agencies. Such instrument is a rating model. Client rating is formed based on analysis of its financial indicators, analysis of industry and market of client operations. Rating model also considers qualitative parameters, such as management quality and company market share.

Use of internal rating model helps to standardize approach to client analysis and ensures quantitative assessment of borrowers' creditworthiness that do not possess rating of international rating agencies. Model also allows considering peculiarities of local markets.

The quality of internal rating model is verified continuously through evaluation of its effectiveness and validity. In case of any deficiencies revealed, the Group modifies the model.

The next table presents book value of overdue assets and assets that are not impaired, but that are also classified by time of becoming overdue:

In Thousand UZS	Current not impaired assets	Less than 3 months	3 to 6 months	6 to 12 months	Impaired financial assets	**December 31, 2013**
Cash and cash equivalents	261,494,864	-	-	-	-	261,494,864
Due from other banks	86,269,054	-	-	-	-	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	64,594,770	-	-	-	-	64,594,770
Loans and advances to customers	377,386,221	7,785,822	5,190,548	2,595,274	15,571,644	408,529,509
Investments available for sale	2,904,828	-	-	-	477,772	3,382,600
Investments in associated companies	1,599,456	-	-	-	-	1,599,456
Other financial assets	22,088,914	-	-	-	803,419	22,892,333

In Thousand UZS	Current not impaired assets	Less than 3 months	3 to 6 months	6 to 12 months	Impaired financial assets	**December 31, 2012**
Cash and cash equivalents	167,684,653	-	-	-	-	167,684,653
Due from other banks	48,823,332	-	-	-	-	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	47,100,546	-	-	-	-	47,100,546
Loans and advances to customers	243,623,692	6,764,153	4,509,577	2,254,789	13,528,519	270,680,730
Investments available for sale	955,526	-	-	-	2,639,563	3,595,089
Investments in associated companies	1,599,456	-	-	-	-	1,599,456
Other financial assets	30,952,420	-	-	-	316,654	31,269,074

33.2 Market risk

The Group assumes market risk connected with open positions on interest, currency and equity instruments, which are subject to risk of general and specific changes in the market. The Group establishes limits in relation to the level of accepted risk and controls their observance on daily basis. However, application of this approach do not allow preventing emergence of losses, which exceed established limits, in case of more significant changes in the market.

Assets and Liabilities Management Committee manages interest rate and market risks by managing the Group's position in interest rates, ensuring positive interest rate margin. Financial Committee monitors current results of the Group's financial activities, estimates the Group's vulnerability in relation to changes in interest rates and influence on the Group's profit.

Majority of the Group's loan agreements and other financial assets and liabilities on which interest accrues have floating interest rate, or agreement conditions assume possibility of changing interest rate to creditors. The Group's management monitors the Group's interest rate margin and believes that the Group does not bear significant risk of changes in interest rate and corresponding risk in relation to cash flows.

33.3 Geographical risk

The geographical analysis of the Group's assets and liabilities as of December 31, 2013 is presented below:

In Thousand UZS	Uzbekistan	OECD countries	Other contries	Total
Financial assets				
Cash and cash equivalents	249,250,352	9,682,751	2,561,761	261,494,864
Due from other banks	184,007	83,608,101	2,476,946	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	64,594,770	-	-	64,594,770
Loans and advances to customers	392,957,865	-	-	392,957,865
Investments available for sale	2,904,828	-	-	2,904,828
Investments in associated companies	1,599,456	-	-	1,599,456
Other financial assets	18,957,090	2,562,863	568,961	22,088,914
Total financial assets	**730,448,368**	**95,853,715**	**5,607,668**	**831,909,751**
Financial liabilities				
Due to other banks	13,723,673	-	-	13,723,673
Customer accounts	825,879,208	645,469	44,110	826,568,787
Issued debt securities	23,724,603	-	-	23,724,603
Other attracted funds	1,559,102	-	-	1,559,102
Other financial liabilities	2,891,714	-	-	2,891,714
Total financial liabilities	**867,778,300**	**645,469**	**44,110**	**868,467,879**
Net position	**(137,329,932)**	**95,208,246**	**5,563,558**	**(36,558,128)**

The geographical analysis of the Group's assets and liabilities as of December 31, 2012 is presented below:

In Thousand UZS	Uzbekistan	OECD countries	Other contries	Total
Financial assets				
Cash and cash equivalents	134,771,407	26,886,703	6,026,543	167,684,653
Due from other banks	1,291,406	36,867,203	10,664,723	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	47,100,546	-	-	47,100,546
Loans and advances to customers	260,266,400	-	-	260,266,400
Investments available for sale	3,193,490	-	-	3,193,490
Investments in associated companies	1,599,456	-	-	1,599,456
Other financial assets	30,952,420	-	-	30,952,420
Total financial assets	**479,175,125**	**63,753,906**	**16,691,266**	**559,620,297**
Financial liabilities				
Due to other banks	39,926,623	-	1,367	39,927,990
Customer accounts	592,946,283	453,819	1,633,896	595,033,998
Issued debt securities	10,139,694	-	-	10,139,694
Other attracted funds	2,135,207	-	-	2,135,207
Other financial liabilities	2,891,714	-	-	2,891,714
Total financial liabilities	**648,039,521**	**453,819**	**1,635,263**	**650,128,603**
Net position	**(168,864,396)**	**63,300,087**	**15,056,003**	**(90,508,306)**

33.4 Exchange risk

The Group assumes risk connected with the influence of fluctuations in exchange rates on its financial position and cash flows. The Assets and Liabilities Management Committee establishes the limits in relation to the level of accepted risk with a breakdown into currencies and in general, both at the end of each day and within one day, and controls their observance on daily basis.

The table below presents the analysis of the Group's exchange risk as at December 31, 2013. The Group's assets and liabilities are shown in the table at net book value with a breakdown into main currencies.

In Thousand UZS	UZS	USD	Euro	Other currencies	Total
Financial assets					
Cash and cash equivalents	81,086,225	168,406,121	11,462,560	539,958	261,494,864
Due from other banks	-	83,048,723	3,220,331	-	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	64,594,770	-	-	-	64,594,770
Loans and advances to customers	384,683,810	8,274,055	-	-	392,957,865
Investments available for sale	2,904,828	-	-	-	2,904,828
Investments in associated companies	1,599,456	-	-	-	1,599,456
Other financial assets	3,958,861	18,101,254	28,293	506	22,088,914
Total financial assets	**538,827,950**	**277,830,153**	**14,711,184**	**540,464**	**831,909,751**
Financial liabilities					
Due to other banks	-	13,707,339	16,334	-	13,723,673
Customer accounts	453,896,674	356,720,678	14,802,342	1,149,093	826,568,787
Issued debt securities	23,724,603	-	-	-	23,724,603
Other attracted funds	1,559,102	-	-	-	1,559,102
Other financial liabilities	2,782,253	105,175	4,286	-	2,891,714
Total financial liabilities	**481,962,632**	**370,533,192**	**14,822,962**	**1,149,093**	**868,467,879**
Net position	**56,865,318**	**(92,703,039)**	**(111,778)**	**(608,629)**	**(36,558,128)**

The Group's position in relation to currencies as at December 31, 2012 is the following:

In Thousand UZS	UZS	USD	Euro	Other currencies	Total
Financial assets					
Cash and cash equivalents	59,166,022	99,084,060	8,774,202	660,369	167,684,653
Due from other banks	-	46,691,042	2,132,290	-	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	3,619,577	43,480,969	-	-	47,100,546
Loans and advances to customers	254,174,180	6,092,220	-	-	260,266,400
Investments available for sale	3,193,490	-	-	-	3,193,490
Investments in associated companies	1,599,456	-	-	-	1,599,456
Other financial assets	3,855,796	27,096,624	-	-	30,952,420
Total financial assets	**325,608,521**	**222,444,915**	**10,906,492**	**660,369**	**559,620,297**
Financial liabilities					
Due to other banks	39,707,488	220,502	-	-	39,927,990
Customer accounts	332,062,147	251,528,632	10,954,116	489,103	595,033,998
Issued debt securities	10,139,694	-	-	-	10,139,694
Other attracted funds	2,135,207	-	-	-	2,135,207
Other financial liabilities	2,864,994	26,720	-	-	2,891,714
Total financial liabilities	**386,909,530**	**251,775,854**	**10,954,116**	**489,103**	**550,128,603**
Net position	**(61,301,009)**	**(29,330,939)**	**(47,624)**	**171,266**	**(90,508,306)**

The Group has advanced loans in foreign currency. Depending on cash flows received by a borrower, increasing foreign exchange rates in relation to UZS may negatively influence ability of borrowers to discharge loans. This increases the probability of incurring losses from loans.

The Group practices with customers buying and selling swaps indicated in Note 13.

The table below presents the change in financial performance and comprehensive income as a result of possible changes in exchange rates used at the end of reporting period, all other conditions being equal. The reasonable and possible change in each exchange rate was determined based on limits of exchange rate fluctuations based on 10% difference from existing rates.

The influence on net income and capital based on nominal value of an asset is presented below:

In Thousand UZS	December 31, 2013	December 31, 2012
Appreciation of USD by 10%	(9,270,304)	(2,933,094)
Depreciation of USD by 10%	9,270,304	2,933,094
Appreciation of Euro by 10%	(11,178)	(4,762)
Depreciation of Euro by 10%	11,178	4,762

The risk was calculated only for monetary balances in foreign currency that is different from the functional currency of the Group.

33.5 Price risk

Price risk is risk of changes in cost of financial instrument as a result of changes in market prices irrespective of whether these changes are caused by factors specific for a separate security or its issuer, or by factors influencing all securities circulating in the market. The Group is subject to price risk due to influence of general or specific changes in market on its products.

For price risk management the Group uses periodic assessment of potential losses that may be incurred due to negative changes in market conjuncture and establishes adequate limits on the amount of acceptable losses, as well as requirements in relation to income and collateral norms. In relation to obligations on unused loans the Group may incur losses in the amount of total amount of such obligations. However, probable amount of loss is lower than the total amount of such liabilities, because in majority of cases origination of obligations depends on certain conditions specified in loan agreements.

33.6 Liquidity risk

Liquidity risk arises when there is no match between maturities of operations with assets and operations with liabilities. The Group is subject to the risk because of everyday necessity to use existing monetary funds for settlements of clients' accounts, payments on deposits' maturity dates, issues of loans, payments under guarantees and derivative financial instruments. The Group does not accumulate monetary funds for simultaneous discharge of liabilities under all abovementioned claims, because based on existing practice it is possible to make rather accurate and precise forecast of required level of monetary funds to discharge these liabilities. The liquidity risk is managed by the Group's Financial Committee.

The Group tries to maintain stable financing base, which consists mainly of funds of other banks, deposits of legal entities and physical persons, as well as to invest funds in diversified portfolios of liquid assets in order to have a possibility to quickly and easily discharge unexpected liquidity claims.

The Group's Financial Committee requires analysis of the liquid assets level required to discharge liabilities on their maturity dates; availability of appropriate plans in cases of problems with financing; control over compliance of balance sheet liquidity ratios with the legal requirements. The Group calculates the liquidity norms on daily basis in accordance with the requirements of Central Bank.

The information about financial assets and liabilities is received by the Financial Committee. Financial Committee provides for availability of adequate portfolio of short-term liquid assets, deposits in banks and other interbank instruments, as well as regulates established limits on short-term investments in credits (up to 30 days) to maintain sufficient liquidity level in the Group in general.

Financial Committee of the Group controls everyday liquidity position and regularly initiates liquidity stress-testing with different scenarios, which cover both standard and more unfavorable market conditions.

In cases when the amounts payable are not fixed, the amounts in the table are determined based on conditions existing on reporting date. Payments in foreign currencies are recalculated using spot exchange rate at the end of reporting period.

The table below presents the analysis of financial assets and liabilities by maturity periods as at December 31, 2013:

In Thousand UZS	On-demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Uncertain term	Total
Financial assets							
Cash and cash equivalents	45,475,203	18,917,530	-	-	-	-	64,392,733
Loans and advances to customers	28,249,095	37,583,608	135,690,403	163,815,501	27,619,258	-	392,957,865
Total financial assets, on which interest is accrued	**73,724,298**	**56,501,138**	**135,690,403**	**163,815,501**	**27,619,258**	**-**	**457,350,598**
Cash and cash equivalents	197,102,131	-	-	-	-	-	197,102,131
Due from other banks	-	21,543,045	64,726,009	-	-	-	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	64,594,770	-	-	-	-	-	64,594,770
Investments available for sale	-	-	-	-	-	2,904,828	2,904,828
Investments in associated companies	-	-	-	-	-	1,599,456	1,599,456
Other financial assets	540	22,085,519	2,855	-	-	-	22,088,914
Total financial assets	**335,421,739**	**100,129,702**	**200,419,267**	**163,815,501**	**27,619,258**	**4,504,284**	**831,909,751**
Financial liabilities							
Due to other banks	6,608,380	6,606,600	-	121,020	-	-	13,336,000
Customer accounts	90,533,734	175,254,410	88,341,100	10,721,321	279,546	-	354,129,244
Issued debt securities	-	324,603	15,900,000	2,500,000	5,000,000	-	23,724,603
Other attracted funds	-	120,366	538,736	900,000	-	-	1,559,102
Total financial liabilities, on which interest is accrued	**97,142,114**	**182,305,979**	**104,779,836**	**14,242,341**	**5,279,546**	**-**	**392,748,949**
Due to other banks	387,673	-	-	-	-	-	387,673
Customer accounts	472,439,543	-	-	-	-	-	472,439,543
Other financial liabilities	2,891,714	-	-	-	-	-	2,891,714
Total financial liabilities	**572,861,044**	**182,305,979**	**104,779,836**	**14,242,341**	**5,279,546**	**-**	**868,467,879**
Difference between financial assets and liabilities	(237,439,305)	(82,176,277)	95,639,431	149,573,160	22,339,712	4,504,284	(36,558,128)
Difference between financial assets and liabilities, cumulative total	(23,417,816)	(125,804,841)	30,910,567	149,573,160	22,339,712	-	64,601,649
Difference between financial assets and liabilities, on which interest is accrued, cumulative total	(23,417,816)	(149,222,657)	(118,312,090)	31,261,070	53,600,782	53,600,782	
Difference between financial assets and liabilities, on which interest is accrued, as percentage to total assets, cumulative total	-3%	-18%	-14%	4%	6%	6%	

The table below presents the analysis of financial assets and liabilities by maturity periods as at December 31, 2012:

In Thousand UZS	On-demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Uncertain term	Total
Financial assets							
Cash and cash equivalents	23,814,641	8,816,361	-	-	-	-	32,631,002
Due from other banks	-	-	28,624,842	-	-	-	28,624,842
Loans and advances to customers	39,663,140	29,769,757	87,108,426	93,525,077	10,200,000	-	260,266,400
Total financial assets, on which interest is accrued	**63,477,781**	**38,586,118**	**115,733,268**	**93,525,077**	**10,200,000**	**-**	**321,522,244**
Cash and cash equivalents	135,053,651	-	-	-	-	-	135,053,651
Due from other banks	-	-	20,198,490	-	-	-	20,198,490
Mandatory reserves in the Central Bank of Uzbekistan	-	-	-	-	-	47,100,546	47,100,546
Investments available for sale	-	-	-	-	-	3,193,490	3,193,490
Investments in associated companies	-	-	-	-	-	1,599,456	1,599,456
Other financial assets	30,952,420	-	-	-	-	-	30,952,420
Total financial assets	**229,483,852**	**38,586,118**	**135,931,758**	**93,525,077**	**10,200,000**	**51,893,492**	**559,620,297**
Financial liabilities							
Due to other banks	18,866,000	-	20,800,000	-	-	-	39,666,000
Customer accounts	67,128,638	47,006,681	128,588,807	14,664,797	-	-	257,388,923
Issued debt securities	389,694	100,000	250,000	4,500,000	5,000,000	-	10,239,694
Other attracted funds	-	-	365,708	1,769,499	-	-	2,135,207
Total financial liabilities, on which interest is accrued	**86,384,332**	**47,106,681**	**150,004,515**	**20,934,296**	**5,000,000**	**-**	**309,429,824**
Due to other banks	261,990	-	-	-	-	-	261,990
Customer accounts	337,645,075	-	-	-	-	-	337,645,075
Other financial liabilities	2,891,714	-	-	-	-	-	2,891,714
Total financial liabilities	**427,183,111**	**47,106,681**	**150,004,515**	**20,934,296**	**5,000,000**	**-**	**650,228,603**
Difference between financial assets and liabilities	(197,699,259)	(8,520,563)	(14,072,757)	72,590,781	5,200,000	51,893,492	(90,608,306)
Difference between financial assets and liabilities, cumulative total	(22,906,551)	(8,520,563)	(34,271,247)	72,590,781	5,200,000	-	12,092,420
Difference between financial assets and liabilities, on which interest is accrued, cumulative total	(22,906,551)	(31,427,114)	(65,698,361)	6,892,420	12,092,420	12,092,420	
Difference between financial assets and liabilities, on which interest is accrued, as percentage to total assets, cumulative total	-4%	-6%	-12%	1%	2%	2%	

Funds of clients are shown in the table above by periods remaining to maturity, subject to risk in part of deposits with fixed interest rate, including deposits of legal entities and physical persons, which give client the right to withdraw deposits from the accounts before maturity date without losing the right for accrued interests for the duration of placement.

In the opinion of the Group's management, coincidence and/or controlled non-coincidence of placement and maturity dates and interest rates on assets and liabilities is the principal factor for the successful management of the Group. Usually, in banks there is no complete coincidence of the abovementioned items, because the transactions usually have indefinite maturity periods and different nature. Non-coincidence of these items potentially increases the profitability of activities, but on the other hand the risk of emergence of losses also increases. Maturity periods of assets and liabilities and a possibility to substitute interest liabilities at acceptable cost, when their maturity dates approach, are the important factors for assessing the Bank's liquidity and its risks in case of changes in interest and exchange rates.

The Group's management considers that, despite significant proportion of "on-demand" funds of clients, diversification of such funds by the number and type of depositors, as well as experience gained by the Group during the previous periods indicate that these funds constitute long-term and stable source for financing the Group's activities.

Liquidity requirements in relation to guarantees and letter of credits are considerably lower than the amount of corresponding liabilities, because the Group normally does not expect that funds under these liabilities will be demanded by third parties. The total amount of contractual obligations under credit arrangements does not necessarily represent the amount of monetary funds, which should be repaid in the future, because many of these liabilities may become unclaimed or terminated before their maturity date.

33.7 Interest rate risk

The Group assumes risk connected with the influence of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margin, however in the case of unexpected change in interest rates the interest margin may also decrease or result in losses.

The Group is subject to interest rate risk primarily because of its activities on extension of credits at fixed interest rates in the amounts and on terms, which differ from the amounts and terms of funds obtained at fixed interest rates. In practice, interest rates are usually established for short terms. Besides, interest rates, which are fixed in the conditions of contracts both for assets and liabilities, are often revised by mutual agreement in accordance with current market situation.

The Group's Financial Committee establishes limits in relation to the accepted level of divergence in periods of changes in interest rates and controls their observance on regular basis. In case of absence of hedging instruments the Group usually strives for coincidence of interest rates positions.

The table below presents the general analysis of the Group's interest rate risk as at December 31, 2013. It also indicates the total amounts of financial assets and liabilities of the Group at net book value with a breakdown into interest rates revision dates in accordance with contracts or maturity periods, whichever is earlier.

In Thousand UZS	On-demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Uncertain term	Total
Financial liabilities							
Due to other banks	6,611,189	6,615,023	-	122,872	-	-	13,349,084
Customer accounts	91,263,285	179,491,185	96,883,684	13,831,576	414,706	-	381,884,437
Issued debt securities	-	333,757	17,693,520	3,346,000	7,820,000	-	29,193,277
Other attracted funds	-	122,530	577,471	1,094,130	-	-	1,794,131
Total financial liabilities, on which interest is accrued	**97,874,474**	**186,562,495**	**115,154,675**	**18,394,578**	**8,234,706**	**-**	**426,220,929**
Due to other banks	387,673	-	-	-	-	-	387,673
Customer accounts	472,439,543	-	-	-	-	-	472,439,543
Other financial liabilities	2,891,714	-	-	-	-	-	2,891,714
Total financial liabilities	**573,593,404**	**186,562,495**	**115,154,675**	**18,394,578**	**8,234,706**	**-**	**901,939,859**

The table below presents the general analysis of the Group's interest rate risk as at December 31, 2012.

In Thousand UZS	On-demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Uncertain term	Total
Financial liabilities							
Due to other banks	18,935,175	-	21,715,200	-	-	-	40,650,375
Customer accounts	67,699,231	48,205,351	129,818,043	17,656,416	-	-	263,379,041
Issued debt securities	389,694	103,225	282,250	5,661,000	8,225,000	-	14,661,169
Other attracted funds	-	-	401,913	1,944,679	-	-	2,346,592
Total financial liabilities, on which interest is accrued	**87,024,100**	**48,308,576**	**152,217,406**	**25,262,095**	**8,225,000**	**-**	**321,037,177**
Due to other banks	261,990	-	-	-	-	-	261,990
Customer accounts	337,645,075	-	-	-	-	-	337,645,075
Other financial liabilities	2,891,714	-	-	-	-	-	2,891,714
Total financial liabilities	**427,822,879**	**48,308,576**	**152,217,406**	**25,262,095**	**8,225,000**	**-**	**661,835,956**

As of December 31, 2013 and 2012 changes in interest rates would not have significantly affected the profit, since all above reflected liabilities and financial instruments have fixed interest rate.

The Group monitors interest rates on financial instruments. The table below presents interest rates on the basis of reports that were analyzed by key managers of the Group as of December 31, 2013:

	UZS	USD	Euro	Weighted average effective interest rate
Financial assets				
Funds in Central Bank	0.02%	-	-	0.02%
Due from other banks	7.5-13%	до 6%	до 0.1%	5.87%
Loans and advances to customers	6-40%	14-26%	-	17.36%
Financial liabilities				
Customer accounts	до 26%	0.2-15%	7-15%	9.67%
Due to other banks	-	0.5-1.23%	-	0.51%
Issued debt securities	9.5-14%	-	-	11.28%
Other attracted funds	4.3-10.7%	-	-	7.19%

The table below presents interest rates on the basis of reports that were analyzed by key managers of the Group as of December 31, 2012:

	UZS	USD	Euro	Weighted average effective interest rate
Financial assets				
Funds in Central Bank	0.02%	-	-	0.02%
Due from other banks	-	до 4%	до 0.1%	1.02%
Loans and advances to customers	6-40%	10-20%	-	16.9%
Financial liabilities				
Customer accounts	0.1-24%	0.1-13%	8-11%	10.2%
Due to other banks	1-12.5%	3.5-9%	-	4,4%
Issued debt securities	12-24%	-	-	12.9%
Other attracted funds	19-21%	-	-	19,9%

34 Information by segments

The main format of presentation of information on segments of the Group's activities is presentation of information by operating segments, supplementary – by geographic segments.

34.1 Operating segments

The Group undertakes activities in two main operating segments:

- Work with private clients – delivery of bank services to private clients, administration of current accounts of private clients, reception of savings deposits, servicing debit cards, advancement of consumer loans and mortgage loans.
- Servicing corporate clients – administration of settlement accounts, attraction of deposits, advancement of borrowings and other lending services, non-acceptance charge-off of funds, transactions with foreign currency and derivate financial instruments.

Transactions between operating segments are effectuated on commercial conditions. Funds are reallocated among segments that result in reallocation of financing expenditures considered at calculation of operating income. Interest accrued on these funds is calculated based on cost of capital of the Group. Other substantial revenues or expenses from operations between operating segments do not exist. Assets and liabilities of segments represent assets and liabilities constituting the major part of balance sheet, except for such items as taxation of borrowed funds. Internal expenses and adjustments of transfer pricing are accounted for in results of corresponding segments. For reliable reallocation of incomes generated from external clients agreements on distribution of incomes exist among segments.

Information on operating segments as of December 31, 2013 is presented below:

In Thousand UZS	Servicing physical persons	Servicing corporate clients	Total
Interest income	6,856,957	50,182,737	57,039,694
Interest expense	(26,297,812)	(9,165,190)	(35,463,002)
Creation of provision for impairment of assets on which interest is accrued		(7,464,213)	(7,464,213)
Commission income	932,745	69,920,679	70,853,424
Commission expense	(105,132)	(12,868,522)	(12,973,654)
Net gain on foreign exchange operations	-	3,592,753	3,592,753
Loss from investments available for sale	-	(76,173)	(76,173)
Provision for impairment of other assets	-	(1,869,520)	(1,869,520)
Other income	1,166,743	4,729,348	5,896,091
Other expense	-	(127,457)	(127,457)
Total operating income	**(17,446,499)**	**96,854,442**	**79,407,943**
Operating expense	13,863,919	(76,965,706)	(63,101,787)
Income before income tax	(3,582,580)	19,888,736	16,306,156
Income tax expense	888,725	(4,933,765)	(4,045,040)
Income from discontinued activities	-	1.383,085	1,383,085
Net profit for the period	**(2,693,856)**	**16,338,057**	**13,644,201**

The table below presents information about segment concentration of assets and liabilities as of December 31, 2013:

In Thousand UZS	Physical persons	Corporate clients	Inseparable	Total
Assets				
Cash and cash equivalents	-	-	261,494,864	261,494,864
Due from other banks	-	-	86,269,054	86,269,054
Mandatory reserves in the Central Bank of Uzbekistan	-	-	64,594,770	64,594,770
Loans and advances to customers	41,225,696	351,732,169	-	392,957,865
Investments available for sale	-	2,904,828	-	2,904,828
Investments in associated companies	-	1,599,456	-	1,599,456
Property, equipment and intangible assets	-	-	47,729,700	47,729,700
Other assets	5,556,065	24,409,241	8,621,152	38,586,458
Non-working assets intended for sale	-	-	38,708,388	38,708,388
Total assets	**46,781,761**	**380,645,694**	**507,417,928**	**934,845,383**
Liabilities				
Due to other banks	-	-	13,723,673	13,723,673
Customer accounts	358,987,515	467,581,272	-	826,568,787
Issued debt securities	-	23,724,603	-	23,724,603
Other attracted funds	-	1,559,102	-	1,559,102
Deferred tax liabilities	-	-	2,409,922	2,409,922
Other liabilities	-	2,829,502	5,862,133	8,691,635
Liabilities related to non-working assets intended for sale	-	-	2,278,247	2,278,247
Total liabilities	**358,987,515**	**495,694,479**	**24,273,975**	**878,955,969**
Cumulative gap				**55,889,414**

Information on operating segments as of December 31, 2012 is presented below:

In Thousand UZS	Servicing physical persons	Servicing corporate clients	Total
Interest income	5,855,573	30,326,475	36,182,048
Interest expense	(17,468,232)	(8,652,495)	(26,120,727)
Creation of provision for impairment of assets on which interest is accrued	(1,061,674)	(4,805,416)	(5,867,090)
Commission income	29,847,062	20,573,424	50,420,486
Commission expense	(81,942)	(10,057,533)	(10,139,475)
Net gain on foreign exchange operations	(12,782)	1,300,471	1,287,689
Loss from investments available for sale	-	(85,035)	(85,035)
Provision for impairment of other assets	-	(1,725,847)	(1,725,847)
Other income	1,688,265	7,258,933	8,947,198
Other expense	-	(3,904)	(3,904)
Total operating income	**18,766,270**	**34,129,073**	**52,895,343**
Operating expense	(16,639,762)	(30,261,723)	(46,901,485)
Income before income tax	2,126,508	3,867,350	5,993,858
Income tax expense	(368,193)	(669,610)	(1,037,803)
Income from discontinued activities	-	(1,117,119)	(1,117,119)
Net profit for the period	**1,758,315**	**2,080,621**	**3,838,936**

The table below presents information about segment concentration of assets and liabilities as of December 31, 2012:

In Thousand UZS	Physical persons	Corporate clients	Inseparable	Total
Assets				
Cash and cash equivalents	-	-	167,684,653	167,684,653
Due from other banks	-	-	48,823,332	48,823,332
Mandatory reserves in the Central Bank of Uzbekistan	-	-	47,100,546	47,100,546
Loans and advances to customers	34,861,432	225,404,968	-	260,266,400
Investments available for sale	-	3,193,490	-	3,193,490
Investments in associated companies	-	1,599,456	-	1,599,456
Property, equipment and intangible assets	-	-	49,787,200	49,787,200
Other assets	3,271,406	35,444,130	13,969,763	52,685,299
Non-working assets intended for sale	-	-	57,544,884	57,544,884
Total assets	**38,132,838**	**265,642,044**	**384,910,378**	**688,685,260**
Liabilities				
Due to other banks	-	-	39,927,990	39,927,990
Customer accounts	225,320,726	369,713,272	-	595,033,998
Issued debt securities	-	10,139,694	-	10,139,694
Other attracted funds	-	2,135,207	-	2,135,207
Deferred tax liabilities	-	-	1,929,388	1,929,388
Other liabilities	-	2,891,714	725,158	3,616,872
Liabilities related to non-working assets intended for sale	-	-	1,455,460	1,455,460
Total liabilities	**225,320,726**	**384,879,887**	**44,037,996**	**654,238,609**
Cumulative gap				**34,446,651**

34.2 Geographic segments

As of December 31, 2013 and 2012 all operations took place in Republic of Uzbekistan.

35 Subsequent event

According to the extraordinary meeting of shareholders of "Intensive Capital Mikrokredit Tashkiloti" LLC dated January 10, 2014 it was decided to voluntarily liquidate consolidated subsidiary company "Intensive Capital Mikrokredit Tashkiloti" LLC as per order established by the legislation of the Republic of Uzbekistan.