“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” OPEN JOINT-STOCK COMMERCIAL BANK OJSCB “UZPROMSTROYBANK”

International Financial Reporting Standards Financial Statements and Independent Auditor’s Report

31 December 2009

CONTENTS

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and Council of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank OJSCB "UZPROMSTROYBANK":

1 We have audited the accompanying financial statements of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank OJSCB "UZPROMSTROYBANK" (the "Bank"), which comprise the statement of financial position as at 31 December 2009 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pricewaterhouse Coopers Audit Subsidiary Company

PricewaterhouseCoopers Audit Subsidiary Company

16 April 2010
Tashkent, Uzbekistan

In thousands of Uzbekistan Soums	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	211,661,596	317,709,088
Due from other banks	8	29,530,252	30,260,922
Loans and advances to customers, including Finance Lease Receivables	9	1,261,347,876	1,009,498,435
Investment securities available for sale	10	15,788,246	16,949,853
Investment in associates	11	3,901,004	-
Deferred income tax asset	25	2,974,375	2,735,081
Premises and equipment	12	32,375,291	30,818,654
Intangible assets	12	1,633,508	2,367,058
Investment property	13	903,138	-
Other assets	14	9,794,863	5,835,049
Non current assets held for sale	15	7,113,122	3,108,614
TOTAL ASSETS		**1,577,023,271**	**1,419,282,754**
LIABILITIES			
Due to other banks	16	138,173,954	113,573,739
Customer accounts	17	779,962,416	739,774,631
Borrowings from government, state and international financial organisations	18	499,152,125	409,766,298
Other liabilities	19	3,733,319	4,245,550
TOTAL LIABILITIES		**1,421,021,814**	**1,267,360,218**
EQUITY			
Share capital	20	123,222,616	112,709,618
Unrealised gains on available-for-sale securities		1,033,649	721,641
Retained earnings		31,745,192	38,491,277
TOTAL EQUITY		**156,001,457**	**151,922,536**
TOTAL LIABILITIES AND EQUITY		**1,577,023,271**	**1,419,282,754**

Approved for issue and signed on behalf of the Board of Management on 16 April 2010.

Ulugbek M. Mustafoev
Chairman of the Board

Saidkamol S. Khodjaev
Chief Accountant

In thousands of Uzbekistan Soums	Note	2009	2008
Interest income	21	102,254,918	84,582,052
Interest expense	21	(62,847,550)	(44,613,027)
Net interest income		**39,407,368**	**39,969,025**
Provision for impairment of loans and advances to customers and amounts due from other banks	8,9	(19,493,917)	(13,422,663)
Net interest income after provision for loan impairment and amounts due from other banks		**19,913,451**	**26,546,362**
Fee and commission income	22	57,641,505	52,915,772
Fee and commission expense	22	(9,124,891)	(7,689,805)
Gains less losses from trading in foreign currencies		6,291,732	3,493,222
(Losses less gains)/ gains less losses from foreign exchange translation		(942,975)	1,997,881
Losses on initial recognition of assets at rates below market	9	(1,681,199)	(2,019,717)
Gain on disposal of investment securities available for sale	10	-	915,298
Other operating income	23	1,515,685	9,211,504
Dividend income		98,506	139,932
Administrative and other operating expenses	24	(67,121,555)	(67,892,474)
Share of profit in associates	11	474,170	-
Profit before tax		**7,064,429**	**17,617,975**
Income tax expense	25	(1,085,805)	(2,511,132)
PROFIT FOR THE YEAR		**5,978,624**	**15,106,843**
Other comprehensive income:			
Available for sale investments:			
-Gains less losses arising during the year		312,008	283,212
Other comprehensive income for the year		**312,008**	**283,212**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,290,632**	**15,390,055**
Earnings per share for profit attributable to the Bank's equity holders, basic and diluted (expressed in UZS per share)	26	114	652

In thousands of Uzbekistan Soums	Note	Share capital	Unrealised gains on available-for-sale securities	Retained earnings	Total equity
Balance at 1 January 2008		**47,822,616**	**438,429**	**28,017,896**	**76,278,941**
Total comprehensive income for 2008		-	283,212	15,106,843	**15,390,055**
Shares issued and paid	20	64,887,002	-	-	**64,887,002**
Dividends declared	27	-	-	(4,633,462)	**(4,633,462)**
Balance at 31 December 2008		**112,709,618**	**721,641**	**38,491,277**	**151,922,536**
Total comprehensive income for 2009		-	312,008	5,978,624	**6,290,632**
Shares issued and paid	20	512,998	-	-	**512,998**
Capitalisation of shares	20	10,000,000	-	(10,000,000)	**-**
Dividends declared	27	-	-	(3,400,000)	**(3,400,000)**
Branches transferred to another state bank	3	-	-	675,291	**675,291**
Balance at 31 December 2009		**123,222,616**	**1,033,649**	**31,745,192**	**156,001,457**

In thousands of Uzbekistan Soums	Note	2009	2008
Cash flows from operating activities			
Interest received		97,443,190	83,325,674
Interest paid		(62,116,509)	(44,898,621)
Fee and commission received		57,563,593	52,751,777
Fee and commission paid		(8,866,547)	(7,681,648)
Income received from trading in foreign currencies		6,291,732	3,493,222
Other operating income received		1,086,947	3,414,331
Staff costs paid		(35,539,876)	(37,580,031)
Administrative and other operating expenses paid		(23,861,001)	(24,211,938)
Income tax paid		(2,907,498)	(3,286,163)
Cash flows from operating activity before changes in operating assets and liabilities		**29,094,031**	**25,326,603**
Net increase in due from other banks		(4,367,229)	(536,877)
Net increase in loans and advances to customers		(301,076,539)	(410,598,148)
Net (increase) / decrease in other assets		(1,632,649)	9,693,939
Net increase in due to other banks		38,478,439	50,794,161
Net increase in customer accounts		58,701,463	127,899,672
Net decrease in other liabilities		(1,774,332)	(873,046)
Net cash used in operating activities		**(182,576,816)**	**(198,293,696)**
Cash flows from investing activities			
Acquisition of investment securities available for sale	10	(9,419,640)	(5,053,794)
Proceeds from disposal of investment securities available for sale	10	7,346,545	3,542,731
Acquisition of premises, equipment and intangibile assets	12	(8,249,511)	(7,163,893)
Proceeds from disposal of premises, equipment and intangible assets		234,012	2,850,170
Dividends received		270,936	139,932
Cash and cash equivalents of transferred branches	3	(386,015)	-
Net cash used in investing activities		**(10,203,673)**	**(5,684,854)**
Cash flows from financing activities			
Issue of ordiniary shares	20	512,998	64,887,002
Dividends paid	27	(3,854,453)	(4,633,462)
Proceeds from borrowings from government, state and international financial organisations		145,610,209	246,984,606
Repayment of from borrowings from government, state and international financial organisations		(55,817,009)	(44,339,213)
Net cash from financing activities		**86,451,745**	**262,898,933**
Effect of exchange rate changes on cash and cash equivalents		**281,252**	**609,844**
Net (decrease)/increase in cash and cash equivalents		**(106,047,492)**	**59,530,227**
Cash and cash equivalents at the beginning of the year	7	317,709,088	258,178,861
Cash and cash equivalents at the end of the year	7	**211,661,596**	**317,709,088**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2009 for “Uzbek Industrial and Construction Bank “Open Joint-Stock Commercial Bank OJSCB “Uzpromstroybank” (the “Bank”).

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. The Bank is an open joint stock company limited by shares and was set up in accordance with Uzbek regulations.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Uzbekistan, as well as foreign exchange dealing on international foreign currency markets. The Bank was granted its new banking licence #17 issued by the Central Bank of Uzbekistan (“CBU”) on 25 January 2003 and license for foreign currency operations # 1 on 29 January 2005.

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

A significant portion of the Bank’s activities are related to its role as a government agent in allocating centralised resources of the government to the strategic industries of economy as oil and gas, power industry, chemicals, manufacturing and mining. These activities represent a significant part of the Bank’s assets, funding sources and income generation.

The Bank operates through its Head Office, registered and located in Tashkent, Republic of Uzbekistan, and 43 branches within Uzbekistan (31 December 2008: 49 branches). The number of the Bank’s employees as at 31 December 2009 was 4,204 (31 December 2008: 4,463).

As described in Note 3, OJSCB “Uzpromstroybank” transferred 6 out of its 49 branches to OJSCB “Qishloq Qurilish Bank” for zero compensation in May 2009 in accordance with Resolution of the President of the Republic of Uzbekistan dated 30 March 2009 “On establishment of Joint-Stock Commercial Bank “Qishloq Qurilish Bank”.

As of 31 December 2009, the following shareholders owned more than 1% of the outstanding shares.

	2009 %	**2008 %**
Ministry of Finance of Uzbekistan	35.0%	35.2%
Uzbekistan Fund for Reconstruction and Development	26.0%	26.1%
NHC "Uzbekneftegaz"	8.1%	7.0%
British Glass Group MChJ	6.0%	6.0%
Absolute Investments Trust MChJ	5.0%	5.0%
Shuhrat-Dang'ara MChJ	1.6%	1.7%
Asset Management Trust MChJ	1.6%	1.6%
Mirobid-Dang'ara MChJ	1.6%	1.6%
Addison Ventures (UK) Ltd.	1.4%	1.4%
Brentwood and Co (UK) Ltd.	1.4%	1.4%
SSC "Uzbekenergo"	1.4%	1.4%
Fortis Securities (ND) Ltd.	1.2%	1.2%
Navoi Mining Company	1.0%	1.0%
Other	8.7%	9.4%
Total	**100.0%**	**100.0%**

Total number of shareholders as at 31 December 2009 was 34,802 which include 3,625 legal entities and 31,177 individuals, respectively (31 December 2008: 35,064 which include 3,562 legal entities and 31,502 individuals).

Registered address. The Bank’s registered address is: 3, Shahrisabz Str, Tashkent, 100000 Uzbekistan.

Presentation currency. These financial statements are presented in thousands of Uzbekistan Soums ("UZS thousands").

2 Operating Environment of the Bank

Republic of Uzbekistan. Whilst there have been improvements in recent years in the economic situation in the Republic of Uzbekistan, the economy of the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the Republic of Uzbekistan and a low level of liquidity in debt and equity markets. Additionally, the banking sector in the Republic of Uzbekistan is particularly impacted by political, legislative, fiscal and regulatory developments in the Republic of Uzbekistan. The largest Uzbekistan banks, being state-owned, act as the Government agents in developing the country's economy. Banks play a significant role in the distribution of funds of the country's budget, which flow through the banks to different governmental agencies and state and privately owned and controlled entities.

The prospects for future economic stability in the Republic of Uzbekistan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, regulatory and political developments, which are beyond the Bank's control.

The Bank's financial position and operating results will continue to be affected by future political and economic developments in the Republic of Uzbekistan including the application of existing and future legislation and tax regulations which significantly impact Uzbek financial markets and the economy overall. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Bank.

In addition, economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for securities, which would be determined in an efficient, active market involving willing buyers and willing sellers. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values where considered necessary.

Uzbekistan observed the following key economic indicators in 2009:

- Inflation for 2009: 7.4% compared to prior year: 7.8%;
- Official exchange rates: 31 December 2009: USD 1 = UZS 1,511.40 (31 December 2008: 1 USD = 1,393.00).

Recent volatility in global and Uzbekistan financial markets. The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere.

While not significantly impacted last year, Uzbekistan is now feeling the impact of the global financial crisis. The influence of the global financial crisis has manifested as follows:

- Reduced export of semi-finished and finished commodities;
- Reduced money remittances from Uzbeks working abroad;
- Impact on collection of receivables within the economy;
- Impact on value of residential and non-residential property;
- Impact on financial services sector, particularly on liquidity of the banking sector.

Moreover, the volume of international wholesale financing has significantly reduced since August 2007, which may affect the ability of the Bank to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Borrowers/debtors of the Bank may also be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for borrowers/customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Uzbekistan for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

2 Operating Environment of the Bank (Continued)

The Uzbekistan Government has introduced a range of anti-crisis measures aimed at providing liquidity and supporting the largest Uzbekistan banks and companies. The Government has been taking steps to increase banks’ capital to ensure stability in the financial system. The Ministry of Finance of the Republic of Uzbekistan and other state agencies have increased their stake in the capital of a number of largest Uzbekistan banks as a supportive measure against the financial crisis. The Government instructed certain banks to issue long-term bonds for the total amount of UZS 110 billion to attract additional liquidity into the banking sector. It also encouraged all banks to issue more long-term loans by introducing tax incentive in terms of reduced corporate income tax rate depending on the level of the long-term loans in loan portfolios of the banks. Outside of the financial services sector, the Uzbekistan Government adopted a special program aimed at promoting export-oriented entities. In particular, the banks were required to extend such entities working capital loans at preferential rates and restructure overdue and current loans as well as waive late payment penalties. Moreover, the banks were required to take over the ownership of the certain financially insolvent entities.

Due to above measures undertaken by the Government there has been no significant overall deterioration in the credit quality of the loan portfolio of the Bank. A detailed review has been undertaken and appropriate provisions have been made in relation to specific cases. As a result the overall provision level has moved as described in Note 9.

However, the full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against. Management is unable to reliably determine the effects on the Bank's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of available-for-sale financial assets.

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Uzbek Soums in accordance with Uzbekistan Accounting Legislation and related instruction (“UAL”). These financial statements are based on the Bank’s UAL books and records, adjusted and reclassified in order to comply with IFRS.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial asset. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; and recognised in equity for assets classified as available for sale.

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

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

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

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

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

Associates. Associates are entities over which the Bank has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Bank's share of the post-acquisition profits or losses of associates is recorded in the profit or loss for the year (as share of profits of associates), and its share of post-acquisition movements in reserves is recognised in reserves. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3 Summary of Significant Accounting Policies (Continued)

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Investment property. Investment property is property held by the Bank to earn rental income or for capital appreciation, or both and which is not occupied by the Bank.

Investment properties are stated at cost, less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Bank estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Bank and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soums at 31 December 2005 for assets acquired prior to 1 January 2006, less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

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

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

3 Summary of Significant Accounting Policies (Continued)

Buildings and premises	5% per annum;
Furniture and equipment	15-20% per annum;
Investment property	5% per annum;

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

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable.

Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 years.

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

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

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

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

Non-current assets classified as held for sale. Non-current assets are classified in the balance sheet as ‘Non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Both financial and non-financial assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's balance sheet are not reclassified or re-presented in the comparative balance sheet to reflect the classification at the end of the current period.

Held for sale premises and equipment as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

3 Summary of Significant Accounting Policies (Continued)

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

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

Borrowings from government, state and international financial organisations. Borrowings from government, state and international financial organisations include borrowings from international financial institutions, government and non-government funds and state organisations. The borrowings from government, state and international financial organisations are carried at amortised cost.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the current year net profit and retained earnings.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Bank's presentation currency is the national currency of the Republic of Uzbekistan, Uzbekistan Soums ("UZS").

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the CBU at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 1,511.40 (2008: USD 1 = UZS 1,393.00). Exchange restrictions and controls exist relating to converting UZS into other currencies. At present, the UZS is not a convertible currency outside of the Republic of Uzbekistan.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Earnings per share. Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting year.

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

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2006. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2005 are the basis for the carrying amounts in these financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Staff costs and related contributions. Wages, salaries, contributions to the Republic of Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

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

3 Summary of Significant Accounting Policies (Continued)

Branches transferred to another state bank. As mentioned in Note 1, the Bank transferred 6 out of its 49 branches to OJSCB “Qishloq Qurilish Bank” for free in May 2009 in accordance with Resolution of the President of the Republic of Uzbekistan dated 30 March 2009 “On establishment of Joint-Stock Commercial Bank “Qishloq Qurilish Bank”.

The Bank transferred the following assets and liabilities on the day of the transaction which occurred on 8 May 2009:

In thousands of Uzbekistan Soums	**8 May 2009**
ASSETS	
Cash and cash equivalents	386,015
Due from other banks	3,062,556
Loans and advances to customers, including finance lease receivables	30,251,530
Premises and equipment	1,465,477
Intangible assets	11,671
Other assets	1,077,001
TOTAL ASSETS	**36,254,250**
LIABILITIES	
Due to other banks	14,825,965
Customer accounts	19,310,473
Borrowings from government, state and financial organisations	2,680,876
Other liabilities	112,228
TOTAL LIABILITIES	**36,929,541**
EQUITY	
Retained earnings	(675,291)
TOTAL EQUITY	**(675,291)**
TOTAL LIABILITIES AND EQUITY	**36,254,250**

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Borrowings from government, state and international financial organisations. The Bank obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Bank could source the funds from local lenders. As a result of such financing, the Bank is able to advance funds to specific customers at advantageous rates. Management have considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management’s judgement is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgement management also considered that these instruments are a separate market segment.

Impairment of available-for-sale investment securities. The Bank determines that available-for-sale investments securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in security price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Impairment losses on loans and advances and due from other banks. The Bank regularly reviews its loan and interbank deposit portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolios before the decrease can be identified with an individual asset in the portfolios.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that there would be a one month delay in collecting the top 5% of the loans and advances to customers, the provision would be approximately UZS 593,857 thousand (31 December 2008: UZS 270,715 thousand) higher. The top 5% of loans includes impaired loans. If such impaired loans were collected one month earlier than currently assumed, the provision would be UZS 391,910 thousand (31 December 2008: UZS 265,484 thousand) lower.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 31.

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

- increase of loan portfolio;
- increase of customer deposits; and
- increase of bank branches.

Investments in bankrupted companies. The Bank owns 100% of OOO "Hazorasp Bakery" and OOO "Quqon Lux Textile" ("the Entities"). The entities were set up based on assets repossessed from the Bank's defaulted and bankrupted borrowers. The financial statements of these entities were not consolidated in view of the immateriality of their balances relative to the financial statements of the Bank since the aggregate assets of the entities are UZS 2,530,342 thousand or equal to 0.16% of total assets of the Bank (31 December 2008: Nil). Investments in the entities was carried out at cost and disclosed within other assets. Refer to Note 14.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Bank from 1 January 2009:

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has no impact on the recognition and measurement of items in the Bank's financial statements.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The change did not have an impact on the Bank.

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Bank has elected to present a single statement of comprehensive income.

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

The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Bank's financial statements but had no impact on the recognition or measurement of specific transactions and balances had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the Bank.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on these financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on these financial statements.

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have an impact on these financial statements.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment did not have any material impact on these financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment. The amendment did not have an impact on these financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

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

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The Bank is not eligible to apply the IFRS for SMEs due to the public accountability of its banking business.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Bank’s financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank’s accounting periods beginning on or after 1 January 2010 or later periods and which the Bank has not early adopted:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 is not relevant to the Bank’s operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Bank’s financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity settles its debt by issuing its own equity instruments. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Bank does not expect the amendments to have any material effect on its financial statements.

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment is not expected to have any impact on the Bank’s financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.

6 New Accounting Pronouncements (Continued)

It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The revised IAS 27 will not have any impact on the Bank's financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Bank is currently assessing the impact of the amended standard on its financial statements.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Bank's financial statements as the Bank does not apply hedge accounting.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Bank concluded that the revised standard does not have any effect on its financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Bank does not expect the amendments to have any material effect on its financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Bank's financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent;

6 New Accounting Pronouncements (Continued)

clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Bank does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Cash on hand	26,521,998	31,083,402
Cash balances with the Cental Bank of Uzbekistan ("CBU") (other than mandatory reserve deposits)	59,407,701	124,442,131
Mandatory cash balances with CBU	86,869,499	83,307,639
Correspondent accounts and overnight placements with other banks:		
- Uzbekistan	305,456	1,830,880
- Other countries	38,556,942	77,045,036
Total cash and cash equivalents	**211,661,596**	**317,709,088**

As of 31 December 2009 cash balances with the CBU include an overnight deposit of UZS 40,230,000 thousand (31 December 2008: UZS 49,350,000 thousand) bearing a fixed interest rate of 0.5% per annum (2008: 0.5% per annum).

Interest rate analysis of cash and cash equivalents is disclosed in Note 29.

7 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances other than cash on hand may be summarised based on Fitch/Moody ratings as follows at 31 December 2009:

In thousands of Uzbekistan Soums	Cash balances with the CBU, including mandatory reserves	Correspon-dent accounts and overnight placements	Total
Neither past due nor impaired			
- Central Bank of Uzbekistan	146,277,200	-	146,277,200
- AA- to AA+ rated	-	7,046,071	7,046,071
- A- to A+ rated	-	22,480,956	22,480,956
- Lower than A- rated	-	3,363,464	3,363,464
- Unrated banks	-	5,971,907	5,971,907
Total cash and cash equivalents excluding cash on hand	**146,277,200**	**38,862,398**	**185,139,598**

The credit quality of cash and cash equivalents balances other than cash on hand may be summarised based on Fitch/Moody ratings as follows at 31 December 2008:

In thousands of Uzbekistan Soums	Cash balances with the CBU, including mandatory reserves	Correspon-dent accounts and overnight placements	Total
Neither past due nor impaired			
- Central Bank of Uzbekistan	207,749,770	-	207,749,770
- AA- to AA+ rated	-	31,359,277	31,359,277
- A- to A+ rated	-	42,370,376	42,370,376
- Lower than A- rated	-	4,109,754	4,109,754
- Unrated: Uzbek banks	-	1,036,509	1,036,509
Total cash and cash equivalents excluding cash on hand	**207,749,770**	**78,875,916**	**286,625,686**

8 Due from Other Banks

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Restricted cash	24,434,508	19,564,364
Short term placements with other banks with original maturities of more than three months	8,349,556	11,855,373
Less: Provision for impairment	(3,253,812)	(1,158,815)
Total due from other banks	**29,530,252**	**30,260,922**

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Bank in respect of Letters of Credit for UZS 23,678,808 thousand as of 31 December 2009 (31 December 2008: UZS 18,867,864 thousand). The Bank has received restricted deposits from these customers in the same amounts which are recorded in customer accounts. The balance of UZS 755,700 thousand as of 31 December 2009 (31 December 2008: UZS 696,500 thousand) represents collateral for the Letter of Guarantee issued by National Bank of Uzbekistan (“NBU”) under borrowings from international financial institutions (Note 18). The Bank does not have the right to use these funds for the purposes of funding its own activities.

Amounts due from other banks are not collateralised.

8 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks based on Fitch/Moody ratings outstanding at 31 December 2009 is as follows:

In thousands of Uzbekistan Soums	Restricted cash	Short term placements with other banks	Total
Neither past due nor impaired			
- AA- to AA+ rated	8,333,540	-	8,333,540
- A- to A+ rated	14,276,573	1,685,210	15,961,783
- Lower than A- rated	1,565,564	2,545,113	4,110,677
- Unrated	258,831	-	258,831
Total neither past due nor impaired	**24,434,508**	**4,230,323**	**28,664,831**
Balances individually determined to be impaired (gross)			
- over 360 days overdue	-	4,119,233	4,119,233
Total individually impaired (gross)	**-**	**4,119,233**	**4,119,233**
Less provision for impairment	**-**	**(3,253,812)**	**(3,253,812)**
Total due from other banks	**24,434,508**	**5,095,744**	**29,530,252**

Analysis by credit quality of amounts due from other banks outstanding based on Fitch/Moody ratings at 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	Restricted cash	Short term placements with other banks	Total
Neither past due nor impaired			
- AA- to AA+ rated	4,049,050	-	4,049,050
- A- to A+ rated	13,986,054	1,553,195	15,539,249
- Lower than A- rated	1,529,260	137,638	1,666,898
- Unrated: Uzbek banks	-	6,045,307	6,045,307
Total neither past due nor impaired	**19,564,364**	**7,736,140**	**27,300,504**
Balances individually determined to be impaired (gross)			
- 90 to 180 days overdue	-	4,119,233	4,119,233
Total individually impaired (gross)	**-**	**4,119,233**	**4,119,233**
Less provision for impairment	**-**	**(1,158,815)**	**(1,158,815)**
Total due from other banks	**19,564,364**	**10,696,558**	**30,260,922**

The primary factor that the Bank considers in determining whether a deposit is impaired is its overdue status. As a result, the Bank presents above an ageing analysis of deposits that are individually determined to be impaired.

Movements in the provision for impairment of short-term placement with other banks are as follows:

In thousands of Uzbekistan Soum	2009	2008
Provision for impairment at 1 January	**1,158,815**	**-**
Provision for impairment during the year	2,094,997	1,158,815
Provision for impairment at 31 December	**3,253,812**	**1,158,815**

Refer to Note 32 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 34.

9 Loans and Advances to Customers, including Finance Lease Receivables

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
State and municipal organisations	740,714,355	519,355,933
Corporate loans, including finance lease receivables	505,468,164	454,939,505
Loans to individuals - consumer loans	67,699,926	72,405,921
Loans to individuals - entrepreneurs	8,603,764	8,225,362
Less: Provision for loan impairment	(61,138,333)	(45,428,286)
Total loans and advances to customers, including finance lease receivables	**1,261,347,876**	**1,009,498,435**

As at 31 December 2009, corporate loans, including finance lease receivables class of loans and advances to customers include finance lease receivable of UZS 25,591,971 thousand (31 December 2008: UZS 24,071,219 thousand).

As at 31 December 2009 loans issued at interest rates below market through a fund for concessionary lending to small and medium size businesses ("SME") established by the Bank from its internal resources in accordance with the Government decree on support of SME amounted to UZS 35,100,747 thousand (31 December 2008: UZS 28,077,415 thousand). During 2009 a loss on initial recognition of loans below market in amount of UZS 1,681,200 (2008: UZS 798,933 thousand) has been recorded in the profit or loss for the year.

As at 31 December 2009 loans and advances to customers include loans of UZS 499,152,125 thousand (31 December 2008: UZS 409,766,298 thousand) funded by borrowings from international and domestic financial institutions as stated in Note 18. As at 31 December 2009 loans and advances to customers include interest of UZS 32,071,980 thousand (31 December 2008: UZS 32,787,194 thousand) which is accrued using effective interest rate but not due as at the balance sheet date on project finance loans issued in accordance with the governmental decrees. These project finance loans provide a grace period on interest payments in instalments up to the year 2014.

Movements in the provision for loan impairment during 2009 are as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Provision for loan impairment at 1 January 2009	**14,718,106**	**28,668,058**	**1,790,187**	**251,935**	**45,428,286**
Release of provision for impairment of loans transferred to another state bank during the year (Note 3)	(186,452)	(953,682)	(316,257)	(63,509)	**(1,519,900)**
Transfer to non-current assets held for sale (Note 15)	-	(168,973)	-	-	**(168,973)**
Provision for loan impairment during the year	1,147,314	16,594,327	(295,446)	(47,275)	**17,398,920**
Provision for loan impairment at 31 December 2009	**15,678,968**	**44,139,730**	**1,178,484**	**141,151**	**61,138,333**

9 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Movements in the provision for loan impairment during 2008 are as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Provision for loan impairment at 1 January 2008	**10,401,338**	**21,533,760**	**1,108,675**	**120,665**	**33,164,438**
Provision for loan impairment during the year	4,316,768	7,134,298	681,512	131,270	**12,263,848**
Provision for loan impairment at 31 December 2008	**14,718,106**	**28,668,058**	**1,790,187**	**251,935**	**45,428,286**

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

In thousands of Uzbekistan Soums	31 December 2009 amount	%	31 December 2008 amount	%
Machinery and other manufacturing	819,065,869	62	543,741,184	52
Transport	145,297,301	11	105,462,250	10
Trading and food companies	102,174,017	8	97,218,542	9
Construction and construction materials	100,807,472	8	168,998,006	16
Individuals	79,735,328	6	72,405,921	7
Agriculture	32,585,295	2	31,199,287	2
Utilities	14,526,571	1	18,637,519	2
Financial services	11,520,159	1	-	-
Other	16,774,197	1	17,264,012	2
Total loans and advances to customers, including finance lease receivables before impairment	**1,322,486,209**	**100**	**1,054,926,721**	**100**

At 31 December 2009 the Bank had fifteen borrowers (31 December 2008: fourteen borrowers) with aggregate loan amounts above UZS 10,000,000 thousand. The total aggregate amount of these loans was UZS 640,570,950 thousand (31 December 2008: UZS 494,166,167 thousand) or 51% of the gross loan portfolio (31 December 2008: 47%).

Information about collateral at 31 December 2009 is as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Unsecured loans	**-**	**225,492**	**-**	**-**	**225,492**
Loans collateralised by:					
- letter of surety	468,254,351	222,647,455	24,776,303	2,499,360	**718,177,469**
- building	143,467,827	171,547,603	38,380,421	2,293,600	**355,689,451**
- equipment	58,158,177	62,434,174	-	19,527	**120,611,878**
- shares	51,412,278	7,241,008	-	-	**58,653,286**
- vehicle	916,766	27,777,648	1,603,220	3,139,365	**33,436,999**
- insurance policy	30,003	6,820,558	842,343	256,383	**7,949,287**
- cash deposit	105,045	1,108,914	705,076	71,618	**1,990,653**
- others	18,369,908	5,665,312	1,392,563	323,911	**25,751,694**
Sub-total	**740,714,355**	**505,242,672**	**67,699,926**	**8,603,764**	**1,322,260,717**
Total loans and advances to customers before impairment provision	**740,714,355**	**505,468,164**	**67,699,926**	**8,603,764**	**1,322,486,209**

9 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Information about collateral at 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Unsecured loans	**300,000**	**576,420**	**1,400**	**-**	**877,820**
Loans collateralised by:					
- letter of surety	368,963,615	226,251,935	31,666,355	1,886,251	**628,768,156**
- building	48,323,338	154,685,469	32,335,954	1,702,014	**237,046,775**
- equipment	68,485,553	14,216,072	-	372,422	**83,074,047**
- vehicle	1,256,213	28,984,831	6,364,218	4,010,745	**40,616,007**
- securities	-	5,369,253	-	-	**5,369,253**
- cash deposit	50,000	3,494,130	574,621	18,156	**4,136,907**
- shares	-	7,274,672	-	-	**7,274,672**
- others	31,977,214	14,086,723	1,463,373	235,774	**47,763,084**
Sub-total	**519,055,933**	**454,363,085**	**72,404,521**	**8,225,362**	**1,054,048,901**
Total loans and advances to customers before impairment provision	**519,355,933**	**454,939,505**	**72,405,921**	**8,225,362**	**1,054,926,721**

Analysis by credit quality of loans outstanding at 31 December 2009 is as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Neither past due nor impaired					
- good	708,253,984	332,245,017	67,699,926	8,414,850	**1,116,613,777**
- standard	17,458,995	29,267,382	-	183,914	**46,910,291**
- substandard	643,352	8,074,777	-	5,000	**8,723,129**
Total neither past due nor impaired	**726,356,331**	**369,587,176**	**67,699,926**	**8,603,764**	**1,172,247,197**
Past due but not impaired					
- less than 30 days overdue	557,216	1,020,412	-	-	**1,577,628**
- 30 to 90 days overdue	927,766	20,469,734	-	-	**21,397,500**
- 91 to 180 days overdue	11,070,149	751,000	-	-	**11,821,149**
Total past due but not impaired	**12,555,131**	**22,241,146**	**-**	**-**	**34,796,277**
Loans individually determined to be impaired (gross)					
- 91 to 180 days overdue	-	10,674,126	-	-	**10,674,126**
- 181 to 365 days overdue	-	6,182,757	-	-	**6,182,757**
- more than 365 days	1,802,893	96,782,959	-	-	**98,585,852**
Total individually impaired loans (gross)	**1,802,893**	**113,639,842**	**-**	**-**	**115,442,735**
- Impairment provisions for individually impaired loans	(749,810)	(35,276,769)	-	-	(36,026,579)
- Impairment provisions for loans on collective basis	(14,929,157)	(8,863,363)	(1,178,484)	(140,750)	(25,111,754)
Total loans and advances to customers	**725,035,388**	**461,328,032**	**66,521,442**	**8,463,014**	**1,261,347,876**

9 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Analysis by credit quality of loans outstanding at 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Neither past due nor impaired					
- good	462,487,493	350,133,111	72,404,036	7,744,032	**892,768,672**
- standard	44,980,293	3,346,858	1,885	456,818	**48,785,854**
- substandard	144,698	1,957,185	-	24,512	**2,126,395**
Total neither past due nor impaired	**507,612,484**	**355,437,154**	**72,405,921**	**8,225,362**	**943,680,921**
Past due but not impaired					
- less than 30 days overdue	710,002	1,452,515	-	-	**2,162,517**
- 30 to 90 days overdue	9,843,447	470,535	-	-	**10,313,982**
- Over 360 days overdue	-	63,540,639	-	-	**63,540,639**
Total past due but not impaired	**10,553,449**	**65,463,689**	**-**	**-**	**76,017,138**
Loans individually determined to be impaired (gross)					
- 180 – 360 days overdue	1,190,000	34,038,662	-	-	**35,228,662**
Total individually impaired loans (gross)	**1,190,000**	**34,038,662**	**-**	**-**	**35,228,662**
- Impairment provisions for individually impaired loans	(200,073)	(7,584,080)	-	-	(7,784,153)
- Impairment provisions for loans on collective basis	(14,518,033)	(21,083,978)	(1,790,187)	(251,935)	(37,644,133)
Total loans and advances to customers	**504,637,827**	**426,271,447**	**70,615,734**	**7,973,427**	**1,009,498,435**

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the balance sheet date. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology. The credit quality of the portfolio of loans and advances that were current not impaired can be assessed by reference to the internal rating system adopted by the Bank. Refer to Note 29.

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

9 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2009 was as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Total
Fair value of collateral - loan past due but not impaired			
- letter of surety	11,489,766	8,271,266	**19,761,032**
- building	1,028,020	8,254,488	**9,282,508**
- equipment	-	6,043,758	**6,043,758**
- vehicle	303,978	-	**303,978**
Total fair value of collateral - loans past due but not impaired	**12,821,764**	**22,569,512**	**35,391,276**
Fair value of collateral - individually impaired loans			
- letter of surety	1,053,083	75,941,200	**76,994,283**
- building	-	13,276,939	**13,276,939**
- equipment	-	11,872,951	**11,872,951**
Total fair value of collateral - individually impaired loans	**1,053,083**	**101,091,090**	**102,144,173**
Total	**13,874,847**	**123,660,602**	**137,535,449**

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2008 was as follows:

In thousands of Uzbekistan Soums	State and municipal organisations	Corporate loans	Total
Fair value of collateral - loan past due but not impaired			
- building	-	677,319	**677,319**
- letter of surety	10,895,296	63,540,639	**74,435,935**
- equipment	8,750,000	1,062,500	**9,812,500**
Total fair value of collateral - loans past due but not impaired	**19,645,296**	**65,280,458**	**84,925,754**
Fair value of collateral - individually impaired loans			
- building	-	8,403,953	**8,403,953**
- letter of surety	989,927	8,983,990	**9,973,917**
- equipment	-	9,066,639	**9,066,639**
Total fair value of collateral - individually impaired loans	**989,927**	**26,454,582**	**27,444,509**
Total	**20,635,223**	**91,735,040**	**112,370,263**

9 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

Refer to Note 32 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 29. Information on related party balances is disclosed in Note 34.

As at 31 December 2009 there are 60 (31 December 2008: 74) finance lease contracts, which expire over the next 2-7 years. The normal contractual lease arrangements of the Bank include the following main terms and conditions:

- Lease term (2-7 years);
- Stated annual lease interest (10% - 20%), payable monthly from commencement of the lease term;
- Finance income computed using flat per annum method;
- Lessee insures risks related to the leased assets such as damage caused by various reasons, theft and other with an insurer approved by the Bank and keeps it insured throughout the term of the lease. Insurance fees are paid by the Lessee;
- The Bank is entitled to possession of the equipment if certain terms of the agreement are not fulfilled;
- Initial direct costs are initially borne by the Bank and are capitalised into leased objects; and
- Lessee is entitled for the option to be the first to purchase leased equipment upon expiry of the lease period.

Management periodically assesses the financial performance of the lessees by monitoring debts outstanding and analysing their financial reports. The Bank holds title to the leased assets during the lease term.

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

In thousands of Uzbek Soums	Due within 1 year	Due between 1 and 5 years	Over 5 years	Total
Finance lease payments receivable at 31 December 2009	**10,332,656**	**20,509,792**	**4,130,977**	**34,973,425**
Unearned finance income	(2,740,340)	(5,026,241)	(902,898)	(8,669,479)
Impairment loss provision	(205,503)	(419,097)	(87,375)	(711,975)
Present value of lease payments receivable at 31 December 2009	**7,386,813**	**15,064,454**	**3,140,704**	**25,591,971**
Finance lease payments receivable at 31 December 2008	**10,135,463**	**20,111,467**	**2,866,786**	**33,113,716**
Unearned finance income	(2,705,958)	(4,864,727)	(707,992)	(8,278,677)
Impairment loss provision	(228,500)	(468,925)	(66,395)	(763,820)
Present value of lease payments receivable at 31 December 2008	**7,201,005**	**14,777,815**	**2,092,399**	**24,071,219**

All finance lease receivables relate to leases of equipment.

Refer to Note 32 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 29. Information on related party balances is disclosed in Note 34.

10 Investment Securities Available for Sale

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Uzbek government treasury bills	11,271,782	11,005,168
Corporate bonds	-	339
Total debt securities	11,271,782	11,005,507
Corporate shares	4,516,464	5,944,346
Total investment securities available for sale	**15,788,246**	**16,949,853**

Analysis by credit quality of debt securities outstanding at 31 December 2009 is as follows:

In thousands of Uzbekistan Soums	31 December 2009
Neither past due nor impaired	
- Treasury bills of Ministry of Finance	**11,271,782**
Total debt securities available for sale	**11,271,782**

Analysis by credit quality of debt securities outstanding at 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	31 December 2008
Neither past due nor impaired	
- Treasury bills of Ministry of Finance	**11,005,168**
- Bond of companies	**339**
Total debt securities available for sale	**11,005,507**

The primary factor that the Bank considers whether a debt security is impaired is its overdue status. As a result, the Bank presents above an ageing analysis of debt securities based on their credit quality.

The debt securities are not collateralised.

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

In thousands of Uzbekistan Soums	2009	2008
Carrying amount at 1 January	**16,949,853**	**14,287,992**
Interest income accrued	591,218	623,420
Interest income received	(585,239)	(648,016)
Purchases of debt securities	7,606,841	2,487,672
Disposals of debt securities	(7,346,545)	(1,858,325)
Purchases of corporate shares	1,812,799	2,566,122
Fair value gains less losses	367,068	333,191
Reclassification to investment in associates	(3,607,749)	-
Disposal of corporate shares	-	(842,203)
Carrying amount at 31 December	**15,788,246**	**16,949,853**

10 Investment Securities Available for Sale (Continued)

Interest rate analysis of investment securities available for sale is disclosed in Note 29. Information on related party debt investment securities available for sale is disclosed in Note 34.

At 31 December 2009 the principal equity investment securities available for sale are:

Name	Nature of business	Country of registration	Fair value 2009	Fair value 2008
Microcredit Bank	Banking	Uzbekistan	2,300,000	2,300,000
Visa International	Financing	USA	754,396	357,271
UzCEx	Currency Exchange	Uzbekistan	495,970	495,970
Chilonzor Buyum Bozori	Market	Uzbekistan	385,714	408,433
UzMED-Lizing	Leasing	Uzbekistan	255,452	250,000
Commodity exchange	Exchange	Uzbekistan	168,021	150,445
Others	Others	Uzbekistan	156,911	156,348
Qurilish Leasing	Leasing	Uzbekistan	-	1,260,001
Ishonch	Insurance	Uzbekistan	-	565,878
Total corporate shares			**4,516,464**	**5,944,346**

As at 31 December 2009 investment securities available for sale include equity securities with a carrying value of UZS 1,462,068 thousand (31 December 2008: UZS 3,287,075 thousand) which are not publicly traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. For these investments, fair value is estimated by reference to the investee's net asset value or the stream of dividend earnings received from the investee. For the other investments traded in active markets, fair value is determined by reference to the current market value at the close of business on 31 December.

11 Investment in Associates

In thousands of Uzbekistan Soums	31 December 2009
Investment in associates	**3,901,004**

The table below summarises the movements in the carrying amount of the Bank's investment in associates.

In thousands of Uzbekistan Soums	2009
Carrying amount at 1 January	-
Carrying value of net assets of associates	3,526,874
Goodwill arising on acquisition of associates	72,390
Share of profit of associates	474,170
Dividends from associates	(172,430)
Carrying amount at 31 December	**3,901,004**

At 31 December 2009, the Bank's interests in its principal associates and their summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total assets	Total liabilities	Revenue	Profit	% interest held	Country of incorporation
Qurilish Leasing	10,005,983	3,326,271	2,392,381	1,100,000	37.4%	Uzbekistan
Ishonch	4,969,496	1,216,880	1,516,571	235,289	26.5%	Uzbekistan
Tashkent stock exchange	1,721,918	54,819	778,543	104,507	20.0%	Uzbekistan
Total	**16,697,397**	**4,597,970**	**4,687,495**	**1,439,796**		

12 Premises, Equipment and Intangible Assets

In thousands of Uzbekistan Soums	Building and premises	Furniture and Equipment	Construction in progress	Total premises and equipment	Intangible Assets	Total premises, equipment and intangible assets
Cost at 1 January 2008	20,390,609	23,910,696	4,732,382	49,033,687	4,158,469	53,192,156
Accumulated depreciation/ amortisation	(3,107,585)	(14,668,176)	-	(17,775,761)	(1,700,463)	(19,476,224)
Carrying amount at 1 January 2008	**17,283,024**	**9,242,520**	**4,732,382**	**31,257,926**	**2,458,006**	**33,715,932**
Additions	686,698	877,707	4,779,337	6,343,742	820,151	7,163,893
Disposals	(1,480,208)	(297,762)	(226,137)	(2,004,107)	-	(2,004,107)
Net transfers	1,859,103	2,048,294	(3,907,397)	-	-	-
Depreciation/ amortisation charge (Note 24)	(1,038,303)	(3,740,604)	-	(4,778,907)	(911,099)	(5,690,006)
Carrying amount at 31 December 2008	**17,310,314**	**8,130,155**	**5,378,185**	**30,818,654**	**2,367,058**	**33,185,712**
Cost at 31 December 2008	21,160,678	25,935,103	5,378,185	52,473,966	4,979,354	57,453,320
Accumulated depreciation/ amortisation	(3,850,364)	(17,804,948)	-	(21,655,312)	(2,612,296)	(24,267,608)
Carrying amount at 31 December 2008	**17,310,314**	**8,130,155**	**5,378,185**	**30,818,654**	**2,367,058**	**33,185,712**
Additions	1,352,416	632,684	6,144,769	8,129,869	119,642	8,249,511
Disposals	(1,083,982)	(550,502)	(197,323)	(1,831,807)	(12,897)	(1,844,704)
Net transfers	1,490,394	2,864,441	(4,360,262)	(5,427)	5,427	-
Reclassification to investment property (Note 13)	-	-	(914,570)	(914,570)	-	(914,570)
Depreciation/ amortisation charge (Note 24)	(1,095,279)	(2,726,149)	-	(3,821,428)	(845,722)	(4,667,150)
Carrying amount at 31 December 2009	**17,973,863**	**8,350,629**	**6,050,799**	**32,375,291**	**1,633,508**	**34,008,799**
Cost at 31 December 2009	22,650,478	27,726,965	6,050,799	56,428,242	5,082,762	61,511,004
Accumulated depreciation/ amortisation	(4,676,615)	(19,376,336)	-	(24,052,951)	(3,449,254)	(27,502,205)
Carrying amount at 31 December 2009	**17,973,863**	**8,350,629**	**6,050,799**	**32,375,291**	**1,633,508**	**34,008,799**

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

13 Investment Property

In thousands of Uzbekistan Soums	2009
Carrying amount at 1 January	-
Reclassification from premises, equipment and intangible assets (Note 12)	914,570
Depreciation charge (Note 24)	(11,432)
Carrying amount at 31 December	**903,138**
Cost at 31 December	914,570
Accumulated depreciation	(11,432)
Carrying amount at 31 December	**903,138**

Investment Property represents trading shops within organised marketplace in Andijon Province of Uzbekistan, namely “Honabod Savdo Majmuasi” trading complex. This marketplace construction completed in 2009 was fully financed by the Bank pursuant to the Resolution of the Uzbek Government. Accordingly the Bank overtook ownership of the trading complex with the view to earn rentals from its operating lease.

14 Other Assets

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Investment to bankrupted companies	2,530,729	-
Commission receivable from customers	580,684	505,562
Less: Provision for other financial assets	(45,581)	(99,818)
Total other financial assets	**3,065,832**	**405,744**
Prepaid expenses and advances	2,681,721	2,482,788
Current income tax prepayment	1,978,371	451,031
Prepayments for equipment to be loaned to customers	1,338,077	2,111,250
Other	730,862	384,236
Total other non financial assets	**6,729,031**	**5,429,305**
Total other assets	**9,794,863**	**5,835,049**

As disclosed in Note 4, investment in bankrupted companies represents financial investments made by the Bank to two bankrupted companies. The Bank is expected to invest in the bankrupted companies in an amount sufficient to maintain their operations and employment levels.

Prepaid expenses and advances mostly represent advances made to a construction company for a new building of one of the Bank’s branches, settlements with Bank employees and tuition fees paid to Tashkent State Finance Institute for educating existing and future Bank employees under short-term and long-term study programs.

Movements in the provision for impairment of other financial assets during 2009 and 2008 are as follows

In thousands of Uzbekistan Soums	Note	2009	2008
Provision for impairment at 1 January		**99,818**	**104,767**
Recovery of impairment during the year	23	(54,237)	(4,949)
Provision for impairment at 31 December		**45,581**	**99,818**

14 Other assets (Continued)

Analysis by credit quality of commission receivable from customers outstanding at 31 December 2009 and 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	2009	2008
Past due but not impaired		
- less than 30 days overdue	518,341	336,184
Total past due but not impaired	**518,341**	**336,184**
Impaired		
- 30 to 180 days overdue	15,062	34,122
- 180 to 360 days overdue	3,400	70,878
- over 360 days overdue	43,881	64,378
Total impaired	**62,343**	**169,378**
Less impairment provision	(45,581)	(99,818)
Total other financial assets	**535,103**	**405,744**

The primary factor that the Bank considers whether a receivable is impaired is its overdue status. As a result, the Bank presents above an ageing analysis of receivables. Refer to Note 32 for the disclosure of the fair value of each class of other financial assets.

15 Non-Current Assets Classified as Held for Sale

Major classes of non-current assets classified as held for sale are as follows:

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Equipment	5,757,659	2,605,561
Building	1,355,463	503,053
Total non-current assets held for sale	**7,113,122**	**3,108,614**

The movement in non-current assets held for sale:

In thousands of Uzbekistan Soums	2009	2008
Total non-current assets held for sale at 1 January	**3,108,614**	**8,547,087**
Transfer from loans and advances to customers - repossession of collateral	4,318,819	12,300
Transfer of provisions from loans and advances to customers (Note 9)	(168,973)	-
Disposal of non-current assets held for sale	(145,338)	(5,450,773)
Total non-current assets held for sale 31 December	**7,113,122**	**3,108,614**

The assets repossessed in 2009 were repossessed in respect of loans to customers. Management approved a plan to sell these assets by 2010, as these assets are not related to the Bank's primary activities. The Bank actively markets these assets and expects the sale to complete within one year.

16 Due to Other Banks

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Current term placements of other banks	136,619,066	112,200,472
Correspondent accounts and overnight placements of other banks	1,554,888	1,373,267
Total due to other banks	**138,173,954**	**113,573,739**

16 Due to Other Banks (Continued)

At 31 December 2009 the Bank had current term placements of other banks - two domestic banks UZS 68,300,000 thousand (31 December 2008: UZS 48,600,000 thousand) or 49% (31 December 2008: 44%) of total due to other bank accounts.

Refer to Note 32 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 29. Information on related party balances is disclosed in Note 34.

17 Customer Accounts

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
State and public organisations		
- Current/settlement accounts	297,765,342	352,980,603
- Term deposits	65,810,447	84,885,533
Other legal entities		
- Current/settlement accounts	204,090,428	139,141,641
- Term deposits	11,722,473	10,440,788
Individuals		
- Current/settlement accounts	83,313,142	68,765,076
- Term deposits	117,260,584	83,560,990
Total customer accounts	**779,962,416**	**739,774,631**

State and public organisations include government owned profit oriented businesses. At 31 December 2009 the Bank had sixteen customers (31 December 2008: eleven customers) with balances above UZS 10,000,000 thousand. The aggregate balance of these customers was UZS 347,135,369 thousand (2008: UZS 296,960,470 thousand) or 45% (31 December 2008: 40%) of total customer accounts.

Management believes that this level of funding will remain with the Bank for the foreseeable future and that in the event of withdrawal of funds, the Bank would be given sufficient notice so as to liquidate its cash equivalents and inter-bank assets to enable repayment. In order to meet the immediate requirements of clients, the Bank keeps permanent balances on cash and cash equivalents accounts.

At 31 December 2009 included in customer accounts are deposits of UZS 84,737,227 thousand (31 December 2008: UZS 139,397,697 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 31.

Customer accounts economic sector concentrations within customer accounts are as follows:

In thousands of Uzbekistan Soums	2009	%	2008	%
Manufacturing	246,289,270	32	290,929,632	39
Individuals	200,573,726	25	152,326,066	21
Utilities	111,372,420	14	102,574,157	14
Trade and catering	98,264,614	13	50,634,456	7
Logistics	42,318,615	6	46,655,508	6
Communication and transportation	34,324,980	4	15,738,426	2
Construction	25,206,204	3	44,213,137	6
Cities and municipalities	7,037,901	1	14,055,439	2
Agriculture	2,268,359	-	1,649,357	-
Other	12,306,327	2	20,998,452	3
Total customer accounts	**779,962,416**	**100**	**739,774,631**	**100**

Refer to Note 32 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 29. Information on related party balances is disclosed in Note 34.

18 Borrowings from government, state and international financial organisations

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Term borrowings from international financial institutions:		
- China Export-Import Bank	57,668,693	50,298,096
- Landes Bank Berliner AG	44,772,297	47,847,454
- Industrial and commercial Bank of China ("ICBC")	29,980,728	34,352,658
- China Development Bank ("CDB")	12,079,833	11,133,523
- Commerzbank AG	7,257,786	9,541,951
- Hypo und Vereinsbank ("HVB")	5,503,936	1,415,333
- Dresdner Bank AG	3,071,629	3,694,980
- Kreditanstalt fur Wiederaufbau ("KfW")	974,050	1,100,389
- Banca Nazionale del Lavoro ("BNL")	709,979	920,609
- European Bank for Reconstruction and Development ("EBRD")	-	601,907
Borrowings from Uzbekistan Fund for Reconstruction and Development ("UFRD")	307,141,174	209,917,150
Borrowings from Central Bank of Uzbekistan ("CBU")	24,481,750	32,626,637
Borrowings from the Ministry of Finance of Republic of Uzbekistan	3,077,659	4,005,848
Term borrowings from non-budgetary funds	2,432,611	2,309,763
Borrowings from government, state and international financial organisations	**499,152,125**	**409,766,298**

As at 31 December 2009, borrowings from China Export-Import Bank constitute a USD denominated loan totalling USD 38,156 thousand, currency equivalent of UZS 57,668,693 thousand (31 December 2008: UZS 50,298,096 thousand), which was advanced to the Bank to finance construction of a potash fertilizers producing plant. The rate of interest on this borrowing is 2% per annum. There is a five-year grace period for repayment of the principal. Repayment of the principal is to be made semi-annually effective from 2013 until the final maturity of the loan facility scheduled for Aug 2028. There is no grace period for interest payment and the payment is to be made semi-annually. The obligations of the Bank under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan.

As at 31 December 2009, borrowings from Landes Bank Berliner AG (former Bankgesellschaft Berliner Bank) constitute a EURO denominated loan facility totalling EURO 20,225 thousand, currency equivalent of UZS 44,772,297 thousand (31 December 2008: UZS 47,847,454 thousand). The rate of interest on this loan facility is EURIBOR+1.125% per annum. The Bank accepted this borrowing in accordance with an inter-governmental cooperation agreement between Uzbekistan and Germany to finance construction of a fiber-glass production plant. Repayment of the principal and payment of interest are to be made semi-annually, with the final maturity of the loan facility scheduled for July 2016. The obligations of the Bank under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan.

As at 31 December 2009, borrowings from ICBC constitute a USD denominated loan totalling USD 19,836 thousand, currency equivalent of UZS 29,980,728 thousand (31 December 2008: UZS 34,352,658 thousand), which was advanced to the Bank to finance construction of a soda producing plant. The rate of interest on this loan is LIBOR+0.875% per annum. Repayment of the principal and payment of interest are to be made semi-annually, with the final maturity of the loan facility scheduled for March 2014. The obligations of the Bank under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan.

As at 31 December 2009, borrowings from CDB constitute a USD denominated loan totalling USD 7,992 thousand, currency equivalent of UZS 12,079,833 thousand (31 December 2008: UZS 11,133,523 thousand), which was advanced to the Bank to finance construction of an ammonium producing plant. The rate of interest on this loan is LIBOR+1.5% per annum. There is a two-year grace period for repayment of the principal. Repayment of the principal is to be made semi-annually effective from 2011 until the final maturity of the loan facility scheduled for Aug 2019. There is no grace period for interest payment and the payment is to be made semi-annually. The obligations of the Bank under this loan, including full and punctual repayment of principal is guaranteed by the National Bank of Uzbekistan. In accordance with contractual terms of the agreement between the Bank and CDB, the Bank is required to maintain certain financial covenants set by the CBU, particularly with regards to its capital adequacy and lending exposures. As at 31 December 2008, the Bank was not in technical breach of these restrictions.

18 Borrowings from government, state and international financial organisations (Continued)

As at 31 December 2009, borrowings from Commerzbank AG constitute a EURO denominated loan totalling EURO 3,279 thousand, currency equivalent of UZS 7,257,786 thousand (31 December 2008: UZS 9,541,951 thousand), which was advanced by the Bank to various manufacturing customers. The rate of interest on this loan is EURIBOR+0.95%- EURIBOR+1.125% per annum. Repayment of the principal and payment of interest are made semi-annually and is linked with repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

As at 31 December 2009, borrowings from Dresdner Bank AG constitute a USD denominated loan totalling USD 647 thousand, currency equivalent of UZS 977,955 thousand (31 December 2008: UZS 1,201,793 thousand) and EURO denominated loan totalling EURO 946 thousand, currency equivalent of UZS 2,093,673 thousand (31 December 2008: UZS 2,493,187 thousand), which was advanced by the Bank to various manufacturing customers. The rate of interest on this loan is LIBOR+0.95% and EURIBOR+0.9% per annum respectively. Repayment of the principal and payment of interest is made semi-annually and linked to repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

As at 31 December 2009, borrowings from HVB constitute a EURO denominated loan totalling EURO 2,486 thousand, currency equivalent of UZS 5,503,936 thousand (31 December 2008: UZS 1,415,333 thousand), which was advanced to the Bank to finance manufacturing consumer products. The rate of interest on this loan is EURIBOR+1.25% per annum. Repayment of the principal and payment of interest is made semi-annually and linked to repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

As at 31 December 2009, borrowings from KfW constitute a EURO denominated loan totalling EURO 440 thousand, currency equivalent of UZS 974,050 thousand (31 December 2008: UZS 1,100,389 thousand), which was, in turn, advanced by the Bank to various manufacturing customers. The rate of interest on this loan is 3% per annum. Repayment of the principal and payment of interest is made semi-annually and is linked with repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

As at 31 December 2009, borrowings from BNL constitute a EURO denominated loan totalling EURO 321 thousand, currency equivalent of UZS 709,979 thousand (31 December 2008: UZS 920,609 thousand), which was, in turn, advanced by the Bank to various manufacturing customers. The rate of interest on this loan is EURIBOR+1.5% per annum. Repayment of the principal and payment of interest is made semi-annually and linked to repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

Borrowing from EBRD was fully repaid in 2009.

Borrowings from the UFRD are used for project finance loans issued by the Bank to its customers in accordance with the governmental directives. The Bank earns a net interest margin of 0.5% - 1% on these borrowings. Maturity of the borrowings is linked with maturities of the individual loans made by the Bank.

Borrowings from the CBU are used for project finance loans issued by the Bank to its customers in accordance with the governmental directives. The Bank earns a net interest margin of 0.5% - 1% on these borrowings. Maturity of the borrowings is linked with maturities of the individual loans made by the Bank.

Borrowings from the Ministry of Finance of the Republic of Uzbekistan are used for project finance loans issued by the Bank to its customers in accordance with the governmental directives. The Bank earns a net interest margin of 0.5% - 1% on these borrowings. Maturity of the borrowings is linked with maturities of the individual loans made by the Bank.

As at 31 December 2009, term borrowings from non-budgetary funds constitute UZS 2,432,611 thousand (31 December 2008: UZS 2,309,763 thousand) of loans made by non-budgetary funds at concessionary rates (up to 42% of the CBU refinance rate), which are advanced by the Bank to small and medium size enterprises (SMEs) at Bank's fair interest margin. Such lending is made in accordance with the Government decree on lending to SMEs through the non-budgetary funds.

Refer to Note 32 for disclosure of the fair value of each class of borrowings from government, state and international financial organisations. Interest rate analysis of borrowings from government, state and international financial organisations is disclosed in Note 29. Information on related party balances is disclosed in Note 34.

19 Other Liabilities

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Settlements with customers	1,372,305	534,099
Total other financial liabilities	**1,372,305**	**534,099**
Taxes other than income tax payable	1,295,897	1,355,000
Accrued employee benefit costs	566,716	1,815,719
Deferred revenue	363,145	95,112
Other	135,256	445,620
Total other non financial liabilities	**2,361,014**	**3,711,451**
Total other liabilities	**3,733,319**	**4,245,550**

Refer to Note 32 for disclosure of the fair value of other financial liabilities.

20 Share Capital

In thousands of Uzbekistan Soums except for number of shares	Number of outstanding shares	Ordinary shares	Preference shares	Share premium	Total
At 1 January 2008	**17,300,000**	**43,126,495**	**4,000,000**	**696,121**	**47,822,616**
New shares issued	32,443,501	64,887,002	-	-	64,887,002
At 31 December 2008	**49,743,501**	**108,013,497**	**4,000,000**	**696,121**	**112,709,618**
New shares issued	256,499	512,998	-	-	512,998
Capitalisation of shares out of retained earnings	-	9,600,000	400,000	-	10,000,000
At 31 December 2009	**50,000,000**	**118,126,495**	**4,400,000**	**696,121**	**123,222,616**

The nominal registered amount of the Bank’s issued share capital prior to restatement of capital contributions made before 1 January 2006 to the purchasing power of the Uzbekistan Soums at 31 December 2009 is UZS 110,696,121 thousand (31 December 2008: UZS 100,183,123 thousand), including nominal value of ordinary shares of UZS 106,696,121 thousand (31 December 2008: UZS 96,183,123 thousand) and nominal value of preference shares of UZS 4,400,000 thousand (31 December 2008: UZS 4,000,000 thousand).

In 2009, the par value of both the ordinary and preference shares issued and paid in until April 2009 was increased from UZS 2,000 to UZS 2,200 per share as per the approval of the Shareholder’s Meeting held in April 2009, by capitalisation from retained earnings of 50,000 thousand shares amounting to UZS 10,000,000 thousand.

The nominal registered amount of the Bank’s issued share capital corresponds to the amount reported in these financial statements as at 31 December 2009.

In thousands of Uzbekistan Soums	Nominal registered amount	Effect of hyperinflation adjustment	Inflation adjustmented amount
Share Capital	110,696,121	12,526,495	123,222,616

20 Share Capital (Continued)

The nominal registered amount of the Bank’s issued share capital corresponds to the amount reported in these financial statements as at 31 December 2008.

In thousands of Uzbekistan Soums	Nominal registered amount	Effect of hyperinflation adjustment	Inflation adjustmented amount
Share Capital	100,183,123	12,526,495	112,709,618

At 31 December 2009 the total authorised number of preference shares is 2,000,000 shares (31 December 2008: 2,000,000 shares) with a par value of UZS 2,200 per shares (31 December 2008: UZS 2,000 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank above ordinary shares in the event of the Bank’s liquidation. Preference shares carry no voting rights. Preference share dividends are set at 24% p.a. (2008: 24% p.a.) and rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

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

21 Interest Income and Expense

In thousands of Uzbekistan Soums	2009	2008
Interest income		
Loan and advances to customers, including finance lease receivables	99,837,695	80,754,733
Due from other banks	1,342,082	2,357,290
Correspondent accounts with other banks	483,923	849,017
Debt investment securities available for sale	591,218	621,012
Total interest income	**102,254,918**	**84,582,052**
Interest expenses		
Term deposits of individuals	23,686,197	16,528,562
Borrowings from government, state and international financial organisations	14,592,875	12,807,744
Term placements of other banks	8,075,181	5,895,761
Current/settlement accounts	7,710,629	4,703,739
Term deposits of legal entities	8,782,668	4,677,221
Total interest expense	**62,847,550**	**44,613,027**
Net interest income	**39,407,368**	**39,969,025**

22 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	2009	2008
Fee and commission income from:		
- Settlement transactions	43,904,307	38,869,917
- Foreign currency conversion services	9,421,464	6,253,694
- International money transfers	2,870,727	6,135,388
- Letters of credit acceptances	1,432,529	1,317,774
- Other	12,478	338,999
Total fee and commission income	**57,641,505**	**52,915,772**
Fee and commission expense		
- Cash collection services	7,349,192	5,309,654
- Settlement transactions	721,674	1,748,742
- Plastic card transactions	992,449	548,048
- Other	61,576	83,361
Total fee and commission expense	**9,124,891**	**7,689,805**
Net fee and commission income	**48,516,614**	**45,225,967**

23 Other Operating Income

In thousands of Uzbekistan Soums	2009	2008
Recovery of assets previously written off as uncollectible	385,522	6,756,462
Gain on disposal of premises and equipment	353,995	1,176,871
Fines and penalties	341,380	162,807
Income from rental of plastic card terminals	150,410	53,103
Release of provision for commission receivable from customers (Note 14)	54,237	4,949
Other	230,141	293,428
Corporate shares received for no consideration	-	763,884
Total other operating income	**1,515,685**	**9,211,504**

24 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	2009	2008
Staff costs	36,197,166	38,119,276
Taxes other than income tax	9,343,674	9,721,743
Depreciation and amortisation (Note 12 & 13)	4,678,582	5,690,006
Security services	3,850,622	3,083,567
Stationery and Supplies	3,749,120	3,270,075
State Deposit Insurance Fund membership fees	2,381,183	2,202,873
Rent and maintenance	1,790,474	1,514,359
Charity	1,754,509	1,418,681
Postage, Telephone and Fax	1,085,913	974,562
Business trip and travel expenses	498,886	423,191
Loss on disposal of fixed assets	487,539	330,808
Professional services	387,361	247,911
Membership fees to Banks Association	214,089	317,796
Provision for assets held for sale (Note 15)	168,973	-
Other operating expenses	533,464	577,626
Total administrative and other operating expenses	**67,121,555**	**67,892,474**

Included in staff costs are statutory pension contributions (unified social tax) of UZS 6,526,217 thousand (2008: UZS 6,461,648 thousand).

25 Income Taxes

Income tax expense comprises the following:

In thousands of Uzbekistan Soums	2009	2008
Current tax charge	1,380,159	3,093,875
Deferred tax	(294,354)	(582,743)
Income tax expense for the year	**1,085,805**	**2,511,132**

The income tax rate applicable to the Bank’s income is 15% (2008: 15%). Reconciliation between the expected and the actual taxation charge is provided as follows.

In thousands of Uzbekistan Soums	2009	2008
Profit before tax	**7,064,429**	**17,617,975**
Theoretical tax charge at statutory rate (2009: 15%; 2008: 15%)	1,059,664	2,642,696
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income tax privileges from increase of term deposits of individuals	(2,604,014)	(2,449,179)
- Dividend income taxed at source	-	(8,577)
- Non deductible expenses	2,630,155	1,611,847
- Over provision of current tax in prior years	-	714,345
Income tax expense for the year	**1,085,805**	**2,511,132**

In accordance with current tax regulation the Bank receives certain tax privileges for the amount of increase in term deposits of individuals in arriving at the Bank's taxable profit. The amount of such incentive should not be in excess of current year taxable profit.

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 15% (2008: 15%).

In thousands of Uzbekistan Soums	31 December 2008	Charged/(Credited) to profit or loss	Credited directly to equity	31 December 2009
Tax effect of deductible temporary differences				
Loan impairment provision	5,514,481	88,272	-	5,602,753
Accrued interest expense	2,095,351	(311,227)	-	1,784,124
Accrued expenses	843,038	(197,634)	-	645,404
Recognised deferred tax asset	**8,452,870**	**(420,589)**	**-**	**8,032,281**
Tax effect of taxable temporary differences				
Premises and equipment: inflation effect	19,272	(286)	-	18,986
Accrued interest income	4,918,549	(107,893)	-	4,810,656
Fair value adjustment of investments available for sale	127,349	-	55,060	182,409
Income accruals	652,619	(606,764)	-	45,855
Recognised deferred tax liability	**5,717,789**	**(714,943)**	**55,060**	**5,057,906**
Total net deferred tax asset	**2,735,081**	**294,354**	**(55,060)**	**2,974,375**

25 Income Taxes (Continued)

In thousands of Uzbekistan Soums	31 December 2007	Charged/(Credited) to profit or loss	Credited directly to equity	31 December 2008
Tax effect of deductible temporary differences				
Loan impairment provision	4,084,937	1,429,544	-	5,514,481
Accrued interest expense	2,759,027	(663,676)	-	2,095,351
Accrued expenses	989,721	(146,683)	-	843,038
Recognised deferred tax asset	**7,833,685**	**619,185**	**-**	**8,452,870**
Tax effect of taxable temporary differences				
Premises and equipment: inflation effect	240,048	(220,776)	-	19,272
Accrued interest income	5,070,429	(151,880)	-	4,918,549
Fair value adjustment of investments available for sale	77,370	-	49,979	127,349
Income accruals	243,521	409,098	-	652,619
Recognised deferred tax liability	**5,631,368**	**36,442**	**49,979**	**5,717,789**
Total net deferred tax asset	**2,202,317**	**582,743**	**(49,979)**	**2,735,081**

26 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares held during the year.

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

In thousands of Uzbekistan Soums	2009	2008
Profit for the year	5,978,624	15,106,843
Less dividends on preference shares	(520,000)	(961,462)
Net profit attributable to ordinary shareholders	5,458,624	14,145,381
Weighted average number of ordinary shares in issue	47,959,334	21,692,542
Basic earnings per ordinary share (expressed in UZS per share)	**114**	**652**

27 Dividends

In thousands of Uzbekistan Soums	2009		2008	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	**-**	**481,462**	**-**	**240,000**
Dividends declared during the year	2,880,000	520,000	3,672,000	961,462
Dividends paid during the year	(2,880,000)	(974,453)	(3,672,000)	(720,000)
Dividends payable at 31 December	**-**	**27,009**	**-**	**481,462**
Dividends per share declared during the year in UZS per share	**60**	**260**	**240**	**480**

In accordance with Uzbek legislation, the Bank distributes profits as dividends on the basis of financial statements prepared in accordance with Uzbek Accounting Rules. The Bank's profit under Uzbek Accounting Rules at 31 December 2009 is UZS 10,200,179 thousand (2008: UZS 23,062,257 thousand).

All dividends on ordinary and preference shares are declared and paid in Uzbek Soums.

28 Segment Analysis

Starting from 1 January 2009, the Bank prepares its segment analysis in accordance with IFRS 8, *Operating segments*, which replaced IAS 14, *Segment reporting*.

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

(a) Basis of accounting for transactions between reportable segments

Transaction between reportable segments are as follows:

Interbranch receivables – Interbranch receivables are recorded when one segment advances money to another segment to finance loan and advances to customers which represents unquoted non-derivatives receivable from another segment due on fixed or determinable dates and amounts with no intention of trading. Interbranch receivables are carried at amortised cost.

Interbranch payables. Interbranch payables are recorded when money or other assets are advanced to the segment by another segment. They represent non-derivative liability which is carried at amortised cost.

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

The Bank is organised on the basis of two segments, as follows:

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

The Bank has 43 branches, of which only one, Head office, meets the criteria of 10% as described in IFRS 8.

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

The CODM reviews financial information prepared based on UAL adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

(i) Restatement of non-monetary assets, liabilities and equity formed prior to 1 January 2006;
(ii) Deferred taxes are not calculated and accounted;
(iii) Available for sale securities that are reported at cost rather than at fair value:
(iv) Assets and liabilities are carried out at amortised cost but not being fair valued at initial recognition,

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

28 Segment Analysis (Continued)

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

Segment information for the reportable business segments of the Bank for the year ended 31 December 2009 is set out below:

In thousands of Uzbekistan Soums	Head office	Branches	Eliminations	Total amount for reportable segment
Cash and cash equivalents	186,316,403	28,051,668	-	214,368,071
Due from other banks	28,784,064	-	-	28,784,064
Loans and advances to customers, including finance lease receivables	625,660,804	619,797,574	-	1,245,458,378
Investment securities available for sale	17,711,580	2,417,259	-	20,128,839
Premises and equipment	7,145,286	25,429,753	-	32,575,039
Intangible assets	1,499,394	102,045	-	1,601,439
Other assets	23,254,098	67,269,800	-	90,523,898
Non current assets held for sale	-	17,927,310	-	17,927,310
Interbranch receivable	403,544,375	122,456,177	(526,000,552)	-
Total reportable segment assets	**1,293,916,004**	**883,451,586**	**(526,000,552)**	**1,651,367,038**
Due to other banks	137,861,962	65,015	-	137,926,977
Customer accounts	250,873,231	459,302,226	-	710,175,457
Borrowings from government, state and international financial organisations	469,478,163	22,030,737	-	491,508,900
Other liabilities	129,459,068	9,826,147	-	139,285,215
Interbranch payable	165,586,123	360,414,429	(526,000,552)	-
Total reportable segment liability	**1,153,258,547**	**851,638,554**	**(526,000,552)**	**1,478,896,549**
Capital expenditure	**1,809,517**	**6,439,994**	**-**	**8,249,511**

Segment information for the reportable business segments of the Bank for the year ended 31 December 2009 is set out below:

In thousands of Uzbekistan Soums	Head office	Branches	Eliminations	Total amount for reportable segment
Interest income	49,574,620	68,212,611	(17,590,788)	100,196,443
Fee commission income	8,986,883	48,839,289	(1,127,109)	56,699,063
Net foreign exchange gain/loss	4,948,749	(111,154)	-	4,837,595
Other operating income	530,373	1,830,157	-	2,360,530
Dividend income	44,031	54,475	-	98,506
Gain on disposal of investment securities available for sale	169,829	936	-	170,765
Total revenues	**64,254,485**	**118,826,314**	**(18,717,897)**	**164,362,902**
Interest expense	(34,620,985)	(47,592,918)	17,590,788	(64,623,115)
Provision for Probable Losses - loans and due from other banks	(9,373,129)	(3,966,331)	-	(13,339,460)
Fee commission expense	(4,394,325)	(5,696,247)	1,127,109	(8,963,463)
General, administrative and other operating expenses	(15,820,184)	(48,743,958)	-	(64,564,142)
Provision for income taxes	-	(2,672,543)	-	(2,672,543)
Segment result	**45,862**	**10,154,317**	**18,717,897**	**10,200,179**

28 Segment Analysis (Continued)

Segment information for the reportable business segments of the Bank for the year ended 31 December 2008 is set out below:

In thousands of Uzbekistan Soums	Head office	Branches	Eliminations	Total amount for reportable segment
Cash and cash equivalents	284,555,467	30,812,416	-	315,367,883
Due from other banks	31,014,693	30,100	-	31,044,793
Loans and advances to customers, including finance lease receivables	461,988,380	483,729,813	-	945,718,193
Investment securities available for sale	15,633,614	187,464	-	15,821,078
Premises and equipment	5,668,501	25,193,046	-	30,861,547
Intangible assets	2,131,243	111,849	-	2,243,092
Other assets	28,454,358	76,910,517	-	105,364,875
Non current assets held for sale	-	13,335,261	-	13,335,261
Interbranch receivable	343,110,477	251,169,615	(594,280,092)	-
Total reportable segment assets	**1,172,556,733**	**881,480,081**	**(594,280,092)**	**1,459,756,722**
Due to other banks	110,572,942	156,555	-	110,729,497
Customer accounts	310,608,118	431,050,300	-	741,658,418
Borrowings from government, state and international financial organisations	328,841,295	28,999,255	-	357,840,550
Other liabilities	76,680,850	5,778,940	-	82,459,790
Interbranch payable	221,532,761	372,747,331	(594,280,092)	-
Total reportable segment liability	**1,048,235,966**	**838,732,381**	**(594,280,092)**	**1,292,688,255**
Capital expenditure	**1,315,830**	**5,848,063**	-	**7,163,893**

In thousands of Uzbekistan Soums	Head office	Branches	Eliminations	Total amount for reportable segment
Interest income	38,034,064	62,222,733	(15,059,487)	85,197,310
Fee commission income	8,848,893	44,862,829	(1,204,983)	52,506,739
Net foreign exchange gain/loss	2,824,783	629,822	-	3,454,605
Other operating income	1,421,192	7,348,449	-	8,769,641
Dividend income	81,061	58,871	-	139,932
Gain on disposal of investment securities available for sale	4,618	68,477	-	73,095
Total revenues	**51,214,611**	**115,191,181**	**(16,264,470)**	**150,141,322**
Interest expense	(25,448,721)	(38,744,797)	15,059,487	(49,134,031)
Provision for Probable Losses - loans and due from other banks	(6,310,765)	(1,002,569)	-	(7,313,334)
Fee commission expense	(3,050,314)	(5,311,404)	1,204,983	(7,156,735)
General, administrative and other operating expenses	(14,591,206)	(43,511,670)	-	(58,102,876)
Provision for income taxes	(430,627)	(4,941,462)	-	(5,372,089)
Segment result	**1,382,978**	**21,679,279**	**-**	**23,062,257**

28 Segment Analysis (Continued)

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

Reconciliation of income and expense for the year ended 31 December 2009 is as follows:

In thousands of Uzbekistan Soums	Total amount for reportable segment	Adjust-ment 1	Adjust-ment 2	Adjust-ment 3	Adjust-ment 4	Adjust-ment 5	Adjust-ment 6	Adjust-ment 7	Adjust-ment 8	Adjust-ment 9	Adjust-ment 10	Adjust-ment 11	Adjust-ment (others)	Reclassi-fications	As reported under IFRS
Interest income	100,196,443	-	-	(883,294)	-		-	-	-	-	-	1,728,400	-	1,213,369	102,254,918
Fee and commission income	56,699,063	-	-	-	-	-	-	-	-	-	-	838,065	-	104,377	57,641,505
Net foreign exchange gain/loss	4,837,595	-	1,028,341	-	-	-	-	-	-	-	-	3,115	2,718	(523,012)	5,348,757
Other operating income	2,360,530	-	(1,287,314)	-	-	-	-	-	344,880	-	-	8,577	1,242	87,770	1,515,685
Dividend income	98,506	-	-	-	-	-	-	-	-	-	-	-	-	-	98,506
Gain on disposal of investment securities available for sale	170,765	-	-	-	-	-	(172,430)	-	-	-	-	-	-	1,665	-
Share of profit in associates	-	-	-	-	-	-	474,170	-	-	-	-	-	-	-	474,170
Total revenues	**164,362,902**	**-**	**(258,973)**	**(883,294)**	**-**	**-**	**301,740**	**-**	**344,880**	**-**	**-**	**2,578,157**	**3,960**	**884,168**	**167,333,541**
Interest expense	(64,623,115)	-	-	-	2,872,752	-	-	-	-	-	-	(1,097,174)	-	(13)	(62,847,550)
Provision for impairment of loans and advances to customers and amounts due from other banks	(13,339,460)	-	(6,118,020)	-	-	-	-	-	-	-	-	(6,753)	-	(29,684)	(19,493,917)
Fee and commission expense	(8,963,463)	-	-	-	-			-	-	-	-	(158,294)	(260,072)	256,938	(9,124,891)
Losses on initial recognition of assets at rates below market	-	-	-	(1,681,199)	-	-	-	-	-	-	-	-	-	-	(1,681,199)
Administrative and other operating expenses	(64,564,142)	-	-	-	-	-	(8,485)	-	(552,527)	493,929	-	(1,290,961)	88,490	(1,287,859)	(67,121,555)
Income tax expense	(2,672,543)	-	-	-	-	-	-	-	-	-	294,354	(55,603)	-	1,347,987	(1,085,805)
Segment result	**10,200,179**	**-**	**(6,376,993)**	**(2,564,493)**	**2,872,752**	**-**	**293,255**	**-**	**(207,647)**	**493,929**	**294,354**	**(30,628)**	**(167,622)**	**1,171,538**	**5,978,624**

28 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2009 and capital expenditure is as follows:

	Total amount for reportable segment	Adjust-ment 1	Adjust-ment 2	Adjust-ment 3	Adjust-ment 4	Adjust-ment 5	Adjust-ment 6	Adjust-ment 7	Adjust-ment 8	Adjust-ment 9	Adjust-ment 10	Adjust-ment 11	Adjust-ment (others)	Reclassi-fications	As reported under IFRS
ASSETS															
Cash and cash equivalents	214,368,071	-	-	-	-	-	-	-	-	-	-	-	(2,706,475)	-	211,661,596
Due from other banks	28,784,064	-	-	-	-	746,188	-	-	-	-	-	-	-	-	29,530,252
Loans and advances to customers, including finance lease receivables	1,245,458,378	-	(36,192,873)	5,206,597	32,071,035	-	-	-	-	1,143,240	-	-	-	13,661,499	1,261,347,876
Investment securities available for sale	20,128,839	-	-	-	-	-	1,495,843	-	-	-	-	-	-	(5,836,436)	15,788,246
Investment in associates	-	-	-	-	-	-	293,255	-	-	-	-		-	3,607,749	3,901,004
Deferred income tax asset	-	-	-	-	-	-	-	-	-	-	2,974,375	-	-	-	2,974,375
Premises and equipment	32,575,039	-	-	-	-	-	-	-	(199,748)	-	-	-	-	-	32,375,291
Intangible assets	1,601,439	-	-	-	-	-	-	-	32,069	-	-	-	-	-	1,633,508
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	(11,432)	914,570	903,138
Other assets	90,523,898	(63,180,157)	-	-	-	(1,905,000)		-	-	-	359,122	-	(3,683,777)	(12,319,223)	9,794,863
Non current assets held for sale	17,927,310	-	-	-	-	-	-	(372,834)	-	-		-	-	(10,441,354)	7,113,122
TOTAL ASSETS	**1,651,367,038**	**(63,180,157)**	**(36,192,873)**	**5,206,597**	**32,071,035**	**(1,158,812)**	**1,789,098**	**(372,834)**	**(167,679)**	**1,143,240**	**3,333,497**	**-**	**(6,401,684)**	**(10,413,195)**	**1,577,023,271**
LIABILITIES															
Due to other banks	137,926,977	-	-	-	-	-	-	-	-	-	-	-	59,402	187,575	138,173,954
Customer accounts	710,175,457	63,180,157	-	-	-	-	-	-	-	-	-	-	(2,792,507)	9,399,309	779,962,416
Borrowings from government, state and international financial organisations	491,508,900	-	-	-	-	-	-	-	-	1,143,240	-	-	-	6,499,985	499,152,125
Other liabilities	139,285,215	-	-	-	-	-	-	-	-	657,290	-	-	207,727	(136,416,913)	3,733,319
TOTAL LIABILITIES	**1,478,896,549**	**63,180,157**	**-**	**-**		**-**	**-**	**-**	**-**	**1,800,530**	**-**	**-**	**(2,525,378)**	**(120,330,044)**	**1,421,021,814**
Capital expenditure	**8,249,511**	**-**	**-**	**-**		**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**8,249,511**

28 Segment Analysis (Continued)

Reconciliation of income and expense for the year ended 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	Total amount for reportable segment	Adjust-ment 1	Adjust-ment 5	Adjust-ment 6	Adjust-ment 3	Adjust-ment 2	Adjust-ment 4	Adjust-ment 7	Adjust-ment 8	Adjust-ment 9	Adjust-ment (others)	Reclassi-fications	As reported under IFRS
Interest income	85,197,310	-	-	400,413	(1,015,671)	-	-	-	-	-	-	-	84,582,052
Fee and commission income	52,506,739	-	-	-	-	-	-	-	-	-	-	409,033	52,915,772
Net foreign exchange gain/loss	3,454,605	-	2,445,531	-	-	-	-	-		-	-	(409,033)	5,491,103
Other operating income	8,769,641	-	(5,866,490)	-	-	-	(6,263)	-	213,791	6,756,465	186,563	(842,203)	9,211,504
Dividend income	139,932	-	-	-	-	-	-	-	-	-	-	-	139,932
Gain on disposal of investment securities available for sale	73,095	-	-	-	-	-	-	-	-	-	-	842,203	915,298
Total revenues	**150,141,322**	**-**	**(3,420,959)**	**400,413**	**(1,015,671)**	**-**	**(6,263)**	**-**	**213,791**	**6,756,465**	**186,563**	**-**	**153,255,661**
Interest expense	(49,134,031)	-	-	-	3,824,800	-	-	-	-	-	160,000	536,204	(44,613,027)
Provision for impairment of loans and advances to customers and amounts due from other banks	(7,313,334)	-	(4,950,517)	-	-	(1,158,812)	-	-	-	-	-	-	(13,422,663)
Fee and commission expense	(7,156,735)	-	-	-	-	-	-	-	-	-	3,134	(536,204)	(7,689,805)
Losses on initial recognition of assets at rates below market	-	-	-	(2,019,717)	-	-	-	-	-	-	-	-	(2,019,717)
Administrative and other operating expenses	(58,102,876)	-	-	-	-	-	-	-	(1,662,498)	(5,475,847)	(482,132)	(2,169,121)	(67,892,474)
Income tax expense	(5,372,089)	-	-	-	-	-	-	-	-	-	691,836	2,169,121	(2,511,132)
Segment result	**23,062,257**	**-**	**(8,371,476)**	**(1,619,304)**	**2,809,129**	**(1,158,812)**	**(6,263)**	**-**	**(1,448,707)**	**1,280,618**	**559,401**	**-**	**15,106,843**

28 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2008 and capital expenditure is as follows:

	Total amount for reportable segment	Adjust-ment 1	Adjust-ment 5	Adjust-ment 6	Adjust-ment 3	Adjust-ment 2	Adjust-ment 4	Adjust-ment 7	Adjust-ment 8	Adjust-ment 9	Adjust-ment (others)	Reclassi-fications	As reported under IFRS
ASSETS													
Cash and cash equivalents	315,367,883	-	-	-	-	-	-	-	-	-	2,341,205	-	317,709,088
Due from other banks	31,044,793	-	-	-	-	(783,871)	-	-	-	-	-	-	30,260,922
Loans and advances to customers, including finance lease receivables	945,718,193	-	(31,335,780)	(4,408,691)	32,787,194	-	-	10,022,784	-	45,598,159	-	11,116,576	1,009,498,435
Investment securities available for sale	15,821,078	-	-	-	-	-	1,128,775	-	-	-	-	-	16,949,853
Deferred income tax asset	-	-	-	-	-	-	-	-	-	-	2,735,081	-	2,735,081
Premises and equipment	30,861,547	-	-	-	-	-	-	-	81,073	-	-	(123,966)	30,818,654
Intangible assets	2,243,092	-	-	-	-	-	-	-		-	-	123,966	2,367,058
Other assets	105,364,875	(83,415,236)	-	-	-	-	-		-	-	(4,998,014)	(11,116,576)	5,835,049
Non current assets held for sale	13,335,261	-	-	-	(4,268,613)	-	-	(5,958,034)		-	-	-	3,108,614
TOTAL ASSETS	**1,459,756,722**	**(83,415,236)**	**(31,335,780)**	**(4,408,691)**	**28,518,581**	**(783,871)**	**1,128,775**	**4,064,750**	**81,073**	**45,598,159**	**78,272**	**-**	**1,419,282,754**
LIABILITIES													
Due to other banks	110,729,497	-	-	-	-	-	-	-	-	-	38,437	2,805,805	113,573,739
Customer accounts	741,658,418	(82,988,318)	-	-	-		-	-	-	-	990,552	80,113,979	739,774,631
Borrowings from government, state and international financial organisations	357,840,550	(426,918)	-	-	9,560,312	-	-	-	-	45,598,159	-	(2,805,805)	409,766,298
Other liabilities	82,459,790	-	-	-	-	-	-			-	1,899,739	(80,113,979)	4,245,550
TOTAL LIABILITIES	**1,292,688,255**	**(83,415,236)**	**-**	**-**	**9,560,312**	**-**	**-**	**-**	**-**	**45,598,159**	**2,928,728**	**-**	**1,267,360,218**
Capital expenditure	**7,163,893**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,163,893**

28 Segment Analysis (Continued)

The reconciling items are attributable to the following:

1. This adjustment relates to net off of assets with related with liabilities.
2. This adjustment relates to recognition of additional impairment provision for loans and advances to customers under IFRS. In management accounts, the management recognises provisions based on overdue status with predetermined rates, such as provision for loans with overdue 90 days has a predetermined provision rate of 10%;
3. This adjustment relates to fair value adjustment of loans and advances issued at below market rate.
4. This adjustment relates to interest accruals during the grace period for loans and borrowings issued under the centralised loans scheme.
5. This adjustment relates to recognition of impairment provision for due from other banks.
6. This adjustment related to securities available for sale recognised at fair value and to investment in associates. The management accounts do not account for increase in fair value of available for sale financial assets, which has not been recognised in other comprehensive income. In addition, the management does not account for provision for impairment of investment securities available for sale. The management accounts do not reflect IAS 27 for the investments in associates over which the Bank has significant influence, and does not account for those investments using the equity method.
7. This adjustment relates to assets held for sale.
8. This adjustment relates to restatement of non-monetary assets, liabilities and equity formed prior to 1 January 2006 under IAS 29. The management accounts do not account for IAS 29 related adjustments;
9. This adjustment relates to loans, other borrowed funds and equity for cut-off.
10. This adjustment relates to recognition of deferred tax and/or liabilities under IFRS. Deferred income taxes are not accounted for in management accounts.
11. This adjustment relates to transfer of Bank’s six branches to the another state bank.
12. This adjustment relates to other adjustments, individually immaterial, under IFRS.

(f) Analysis of revenues by products and services

The Bank’s revenues are analysed by products and services in Note 21 (interest income), Note 22 (fee and commission income) and in Note 23 (other operating income).

(g) Geographical information

The Bank conducts its operations in Uzbekistan and operations of the Bank with their foreign counterparts are disclosed in Note 29. All revenue of the Bank is generated within Uzbekistan.

(h) Major customers

The Bank has no revenues from customers which represent 10% or more of total revenues.

29 Financial Risk Management

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

29 Financial Risk Management (Continued)

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

Credit risk measurement:

(a) *Loans and advances*. In measuring credit risk of loan and advances to customers at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses.

(i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally based on CBU regulations and combine with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale:

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

29 Financial Risk Management (Continued)

(ii) Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Bank’s expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills. For debt securities and other bills, an external rating such as Akhbor Rating’s rating or their equivalents are used by the Bank Treasury for managing credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

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

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

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

Some other specific control and mitigation measures are outlined below.

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

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

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

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

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

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

29 Financial Risk Management (Continued)

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

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

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

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

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

The Bank reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Notes 8, 9, and 10.

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

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

Currency risk. The Bank takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank measures its currency risk by:

Net position on each currency should not exceed 10 % of Bank's total equity;

Total net position on all currencies should not exceed 20 % of Bank's total equity.

The Bank also measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses the effect of 8-10 % appreciation/depreciation of that currency against Uzbekistan Soums to the profit and loss of the Bank.

29 Financial Risk Management (Continued)

The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the statement of financial position date:

In thousands of Uzbekistan Soums	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
2009			
UZS	843,024,799	(750,805,569)	92,219,230
US Dollars	571,454,802	(583,857,262)	(12,402,460)
Euros	85,071,329	(79,124,361)	5,946,968
Other *	6,054,626	(4,873,608)	1,181,018
Total	**1,505,605,556**	**(1,418,660,800)**	**86,944,756**
2008			
UZS	746,828,614	(635,622,446)	111,206,168
US Dollars	463,203,405	(483,080,630)	(19,877,225)
Euros	142,515,456	(141,096,553)	1,418,903
Other *	5,326,714	(3,849,138)	1,477,576
Total	**1,357,874,189**	**(1,263,648,767)**	**94,225,422**

*Other includes Russian rouble, Japanese yen, and Pound sterling.

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	2009	**2008**
In thousands of Uzbekistan Soums	**Impact on profit or loss**	**Impact on profit or loss**
US Dollar strengthening by 8%	(992,197)	(1,590,178)
US Dollar weakening by 8%	992,197	1,590,178
Euro strengthening by 10%	594,697	141,890
Euro weakening by 10%	(594,697)	(141,890)
Other currencies strengthening by 10%	118,102	147,758
Other currencies weakening by 10%	(118,102)	(147,758)

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

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

29 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2009						
Total financial assets	369,709,444	209,351,069	285,075,750	641,469,293	19,689,250	**1,525,294,806**
Total financial liabilities	(599,926,277)	(250,089,743)	(50,805,995)	(517,838,785)	-	**(1,418,660,800)**
Net interest sensitivity	**(230,216,833)**	**(40,738,674)**	**234,269,755**	**123,630,508**	**19,689,250**	**106,634,006**
31 December 2008						
Total financial assets	394,629,138	164,960,027	173,595,630	624,689,394	16,949,853	**1,374,824,042**
Total financial liabilities	(500,496,685)	(217,761,351)	(115,044,795)	(430,345,936)	-	**(1,263,648,767)**
Net interest sensitivity	**(105,867,547)**	**(52,801,324)**	**58,550,835**	**194,343,458**	**16,949,853**	**111,175,275**

At 31 December 2009, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit before tax for the year would have been lower by UZS 394,074 thousand (31 December 2008: UZS 399,960 thousand), mainly as a result of lower interest income on variable interest assets.

If interest rates had been 100 basis points higher, with all other variables held constant, profit before tax would have been higher by UZS 394,074 thousand (31 December 2008: UZS 399,960 thousand), mainly as a result of higher interest income on variable interest assets. The Bank monitors interest rates for its financial instruments.

The table below summarises interest rates based on reports reviewed by key management personnel as at 31 December 2009 and 31 December 2008:

	2009			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0.5%	-	-	-
Due from other banks	7.8%	1.0%	-	-
Loans and advances to customers	13.4%	4.9%	2.2%	-
Investment securities available for sale	6.0%	-	-	-
Liabilities				
Due to other banks	9.5%	-	-	-
Customer accounts	12.8%	2.0%	1.9%	-
Borrowings from government, state and international financial organisations	7.2%	2.3%	3.6%	-

29 Financial Risk Management (Continued)

	2008			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0.5%	-	-	-
Due from other banks	10.5%	1.2%	2.4%	1.9%
Loans and advances to customers	14.4%	6.0%	7.4%	-
Investment securities available for sale	6.0%	-	-	-
Liabilities				
Due to other banks	8.9%	4.5%	-	-
Customer accounts	13.7%	2.4%	2.3%	-
Borrowings from government, state and international financial organisations	7.4%	3.2%	5.8%	-

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

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

Geographical risk. The geographical concentration of the Bank's assets and liabilities at 31 December 2009 is set out below:

In thousands of Uzbekistan Soums	**Uzbekistan**	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and cash equivalents	173,224,281	38,437,315	-	211,661,596
Due from other banks	4,166,233	24,295,324	1,068,695	29,530,252
Loans and advances to customers	1,261,347,876	-	-	1,261,347,876
Investment securities available for sale	15,033,850	754,396	-	15,788,246
Investment in associates	3,901,004	-	-	3,901,004
Other financial assets	3,065,832	-	-	3,065,832
Total financial assets	**1,460,739,076**	**63,487,035**	**1,068,695**	**1,525,294,806**
Liabilities				
Due to other banks	137,383,983	417,890	372,081	138,173,954
Customer accounts	779,962,416	-	-	779,962,416
Borrowings from government, state and international financial organisations	337,133,195	62,289,677	99,729,253	499,152,125
Other financial liabilities	1,372,305	-	-	1,372,305
Total financial liabilities	**1,255,851,899**	**62,707,567**	**100,101,334**	**1,418,660,800**
Net balance sheet position as 31 December 2009	**204,887,177**	**779,468**	**(99,032,639)**	**106,634,006**
Credit related commitments (Note 31)	**165,100,084**	**84,827,260**	**-**	**249,927,344**

29 Financial Risk Management (Continued)

The geographical concentration of the Bank's assets and liabilities at 31 December 2008 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	240,664,052	73,737,368	3,307,668	317,709,088
Due from other banks	9,839,863	19,762,134	658,925	30,260,922
Loans and advances to customers	1,009,498,435	-	-	1,009,498,435
Investment securities available for sale	16,592,582	357,271	-	16,949,853
Other financial assets	405,744	-	-	405,744
Total financial assets	**1,277,000,676**	**93,856,773**	**3,966,593**	**1,374,824,042**
Liabilities				
Due to other banks	109,589,534	3,709,197	275,008	113,573,739
Customer accounts	739,774,631	-	-	739,774,631
Borrowings from government, state and international financial organisations	248,859,398	65,122,622	95,784,278	409,766,298
Other financial liabilities	534,099	-	-	534,099
Total financial liabilities	**1,098,757,662**	**68,831,819**	**96,059,286**	**1,263,648,767**
Net balance sheet position as 31 December 2008	**178,243,014**	**25,024,954**	**(92,092,693)**	**111,175,275**
Credit related commitments (Note 31)	**153,573,342**	**139,397,697**	**-**	**292,971,039**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held. Other includes Asian countries (Note 18).

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets.

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

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

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

- Current liquidity ratio (H4), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 52% at 31 December 2009 (31 December 2008: 71%).

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

29 Financial Risk Management (Continued)

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

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

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

The maturity analysis of financial liabilities at 31 December 2009 is as follows:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Due to other banks	19,640,704	78,637,493	23,851,987	18,036,939	140,167,123
Customer accounts	573,114,658	174,118,184	23,899,774	16,248,099	787,380,715
Borrowings from government, state and international financial organisations	8,720,420	8,459,105	12,295,473	612,235,984	641,710,982
Other financial liabilities	411,692	960,614	-	-	1,372,305
Guarantees issued	-	13,203,420	137,559,756	-	150,763,176
Letters of credit	29,885,124	46,433,263	-	8,508,873	84,827,260
Undrawn credit lines	14,336,908	-	-	-	14,336,908
Total potential future payments for financial obligations	**646,109,506**	**321,812,079**	**197,606,990**	**655,029,895**	**1,820,558,469**

The maturity analysis of financial liabilities at 31 December 2008 is as follows:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Due to other banks	34,361,579	56,443,127	19,615,345	5,014,447	115,434,498
Customer accounts	468,003,825	162,973,644	97,423,840	24,217,458	752,618,767
Borrowings from government, state and international financial organisations	2,291,240	11,709,842	9,413,990	536,073,965	559,489,037
Other financial liabilities	160,230	373,869	-	-	534,099
Guarantees issued	4,362,488	15,924,653	21,680,704	-	41,967,845
Letters of credit	15,858,484	54,599,692	56,518,120	12,421,401	139,397,697
Undrawn credit lines	111,605,497	-	-	-	111,605,497
Total potential future payments for financial obligations	**636,643,343**	**302,024,827**	**204,651,999**	**577,727,271**	**1,721,047,440**

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

29 Financial Risk Management (Continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors remaining contractual maturities, which may be summarised as follows at 31 December 2009:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	211,661,596	-	-	-	211,661,596
Due from other banks	5,376,271	16,938,318	6,171,030	1,044,633	29,530,252
Loans and advances to customers	149,605,745	192,412,751	278,904,720	640,424,660	1,261,347,876
Investment securities available for sale	4,933,788	1,308,184	1,939,434	7,606,840	15,788,246
Investment in associates	3,901,004	-	-	-	3,901,004
Other financial assets	3,065,832	-	-	-	3,065,832
Total financial assets	**378,544,236**	**210,659,253**	**287,015,184**	**649,076,133**	**1,525,294,806**
Liabilities					
Due to other banks	19,357,146	77,457,652	23,359,156	18,000,000	138,173,954
Customer accounts	570,743,520	170,897,110	23,191,785	15,130,001	779,962,416
Borrowings from government, state and international financial organisations	8,453,306	1,734,981	4,255,054	484,708,784	499,152,125
Other financial liabilities	1,372,305	-	-	-	1,372,305
Total financial liabilities	**599,926,277**	**250,089,743**	**50,805,995**	**517,838,785**	**1,418,660,800**
Net liquidity gap	**(221,382,041)**	**(39,430,490)**	**236,209,189**	**131,237,348**	**106,634,006**
Cumulative liquidity gap at 31 December 2009	**(221,382,041)**	**(260,812,531)**	**(24,603,342)**	**106,634,006**	

The analysis by the remaining contractual maturities may be summarised as follows at 31 December 2008:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	317,709,088	-	-	-	317,709,088
Due from other banks	5,432,167	19,002,197	5,826,558	-	30,260,922
Loans and advances to customers	64,980,430	144,540,709	161,843,910	638,133,386	1,009,498,435
Investment securities available	6,101,709	1,417,121	5,925,162	3,505,861	16,949,853
Other financial assets	405,744	-	-	-	405,744
Total financial assets	**394,629,138**	**164,960,027**	**173,595,630**	**641,639,247**	**1,374,824,042**
Liabilities					
Due to other banks	34,033,430	55,331,112	19,209,197	5,000,000	113,573,739
Customer accounts	465,092,075	157,742,277	94,751,267	22,189,012	739,774,631
Borrowings from government, state and international financial organisations	837,081	4,687,962	1,084,331	403,156,924	409,766,298
Other financial liabilities	534,099	-	-	-	534,099
Total financial liabilities	**500,496,685**	**217,761,351**	**115,044,795**	**430,345,936**	**1,263,648,767**
Net liquidity gap	**(105,867,547)**	**(52,801,324)**	**58,550,835**	**211,293,311**	**111,175,275**
Cumulative liquidity gap at 31 December 2008	**(105,867,547)**	**(158,668,871)**	**(100,118,036)**	**111,175,275**	

29 Financial Risk Management (Continued)

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

Management believes that in spite of the fact that a substantial portion of customer accounts is on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. Thus, the management believes that significant maturity mismatch between assets and liabilities with maturity up to 12 months does not represent significant risk to the Bank's liquidity, as very low proportion of demand deposits and short-term deposits is expected to be withdrawn based on the Bank's past years' and current year experience, which is consistent with the general banking practices in the banking sector of the Republic of Uzbekistan. In addition, the banks' liquidity position is supported by the Government's measures for supporting liquidity of the banking sector.

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

30 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the CBU, and (ii) to safeguard the Bank's ability to continue as a going concern. In compliance with CBU requirements, compliance with capital adequacy ratios set by the CBU is prepared for the Bank and monitored monthly with reports outlining their calculation reviewed and signed by the Chairman and Chief Accountant. Under the current capital requirements set by the CBU, banks have to maintain ratios of:

Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 10 percent (2008: 10 percent);

Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 5 percent (2008: 5 percent); and

Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6 percent (2008: 6 percent).

CBU capital adequacy ratio.

Tier 1 capital is based on the Bank's reports prepared under Uzbek accounting standards and comprises:

In thousands of Uzbekistan Soums	**31 December 2009**	**31 December 2008**
Tier 1 capital	148,677,176	151,200,895
Tier 2 capital	6,290,632	15,390,055
Less: deductions from capital	(4,516,464)	(5,944,346)
Total regulatory capital	**150,451,344**	**160,646,604**

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, excluding current year profit, less intangible assets and investment securities available for sale. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

30 Management of Capital (Continued)

CBU capital adequacy ratio under Basel Capital Accord of 1998.

The Bank’s capital adequacy ratio, computed in accordance with the Basil Capital Accord of 1998, with subsequent amendments including amendment to incorporate market risks, as of 31 December 2009 and 31 December 2008, comprised:

In thousands of Uzbekistan Soums	31 December 2009	31 December 2008
Tier 1 capital		
Share capital	123,222,616	112,709,618
Retained earnings	31,745,192	38,491,277
Total tier 1 capital	**154,967,808**	**151,200,895**
Tier 2 capital		
Revaluation reserves	1,033,649	721,641
Total tier 2 capital	**1,033,649**	**721,641**
Total capital	**156,001,457**	**151,922,536**

31 Contingencies and Commitments

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

Tax legislation. Uzbekistan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Uzbekistan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Bank’s tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2009 no provision for potential tax liabilities had been recorded (31 December 2008: no provision). The Bank estimates that it has no potential obligations from exposure to other than remote tax risks (31 December 2008: no obligations).

Compliance with covenants. The Bank is subject to certain covenants related primarily to its borrowings. The Bank has financial covenants with foreign financial institutions.

The Bank engaged in loan agreements dated 23rd June 2008 with China Development Bank (“CDB”). In accordance with the agreement with CDB, the Bank is obligated to comply with relevant financial covenants based on the financial statements prepared in accordance with Statutory Reporting Standards.

The Bank agreed to maintain following financial covenants as contained in the loan agreement with CDB:

Financial covenants as per Loan agreement dated 23 June 2008 with CDB

- Risk Weighted Capital Adequacy Ratio not less than 10%
- A single client exposure of not more than 20% of the Bank’s Tier I Capital
- A single client group exposure of not more than 25% of the Bank’s Tier I Capital
- A related party exposure of not more than 25% of the Bank’s Tier I Capital

31 Contingencies and Commitments (Continued)

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

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

Outstanding credit related commitments are as follows:

In thousands of Uzbekistan Soums	Note	2009	2008
Undrawn credit lines		14,336,908	111,605,497
Import letter of credit	23	84,827,260	139,397,697
Guarantees		150,763,176	41,967,845
Total credit related commitments		**249,927,344**	**292,971,039**

The total outstanding contractual amount of undrawn credit lines, import letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. As at 31 December 2009 the estimated fair value of credit related commitments was UZS 5,782,050 thousand (31 December 2008: UZS 6,142,934 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Uzbekistan Soums	2009	2008
Uzbekistan Soums	11,691,662	33,759,472
US Dollars	222,962,092	182,813,889
Euros	11,512,123	72,394,033
Other	3,761,467	4,003,645
Total credit related commitments	**249,927,344**	**292,971,039**

As at 31 December 2009, the Bank does not consider it necessary to have any provision against these commitments (31 December 2008: nil).

Assets pledged and restricted. At 31 December 2009 the Bank had restricted cash of UZS 755,700 thousand pledged with NBU as collateral related to borrowings from government, state and international financial organizations (31 December 2008: the Bank had restricted cash of UZS 696,500 thousand pledged with NBU as collateral related to borrowings from government, state and international financial organizations).

32 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

In thousands of Uzbekistan Soums	2009		2008	
	Total fair value	**Carrying value**	**Total fair value**	**Carrying value**
FINANCIAL ASSETS				
Cash and cash equivalents				
- Cash on hand	26,521,998	26,521,998	31,083,402	31,083,402
- Cash balances with the CBU (other than mandatory reserve deposits)	59,407,701	59,407,701	124,442,131	124,442,131
- Mandatory cash balances with CBU	86,869,499	86,869,499	83,307,639	83,307,639
- Correspondent accounts and overnight placements with other banks	38,862,398	38,862,398	78,875,916	78,875,916
Due from other banks				
- Restricted cash	24,434,508	24,434,508	19,564,364	19,564,364
- Short term placements with other banks with original maturities of more than three months	5,095,744	5,095,744	10,696,558	10,696,558
Loans and advances to customers				
- State and municipal organisations	713,436,324	724,970,965	495,372,525	504,637,827
- Corporate loans	454,051,872	461,392,857	418,444,975	426,271,447
- Loans to individuals - consumer loans	65,463,054	66,521,442	69,319,208	70,615,734
- Loans to individuals - entrepreneurs	8,327,968	8,462,612	7,827,032	7,973,427
Other financial assets				
- Commission receivable from ordinary customers	535,103	535,103	405,744	405,744
TOTAL FINANCIAL ASSETS CARRIED OUT AT AMORTISED COST	**1,483,006,169**	**1,503,074,827**	**1,339,339,495**	**1,357,874,189**

32 Fair Value of Financial Instruments (Continued)

	2009		2008	
In thousands of Uzbekistan Soums	**Total fair value**	**Carrying value**	**Total fair value**	**Carrying value**
FINANCIAL LIABLITIES				
Due to other banks				
- Current term placements of other banks	136,619,066	136,619,066	112,200,472	112,200,472
- Correspondent accounts and overnight placements of other banks	1,554,888	1,554,888	1,373,267	1,373,267
Customer accounts				
- Current/settlement accounts of state and local governments	286,795,040	297,765,342	339,976,054	352,980,603
- Term deposits of state and local gove	65,810,447	65,810,447	84,885,533	84,885,533
- Current/settlement accounts of other legal entities	196,571,307	204,090,428	134,015,370	139,141,641
- Term deposits of other legal entities	11,722,473	11,722,473	10,440,788	10,440,788
- Current/settlement accounts of individuals	80,243,710	83,313,142	66,231,626	68,765,076
- Term deposits of individuals	117,260,584	117,260,584	83,560,990	83,560,990
Borrowings from government, state and international financial organisations				
- China Export-Import Bank	57,668,693	57,668,693	50,298,096	50,298,096
- Landes Bank Berliner AG	44,772,297	44,772,297	47,847,454	47,847,454
- Industrial and commercial Bank of China ("ICBC")	29,980,728	29,980,728	34,352,658	34,352,658
- China Development Bank ("CDB")	12,079,833	12,079,833	11,133,523	11,133,523
- Commerzbank AG	7,257,786	7,257,786	9,541,951	9,541,951
- Dresdner Bank AG	3,071,629	3,071,629	3,694,980	3,694,980
- Hypo und Vereinsbank ("HVB")	5,503,936	5,503,936	1,415,333	1,415,333
- Kreditanstalt fur Wiederaufbau ("KfW")	974,050	974,050	1,100,389	1,100,389
- Banca Nazionale del Lavoro ("BNL")	709,979	709,979	920,609	920,609
- European Bank for Reconstruction and Development ("EBRD")	-	-	601,907	601,907
Borrowings from Uzbekistan Fund for Reconstruction and Development ("UFRD")	307,141,174	307,141,174	209,917,150	209,917,150
Borrowings from Central Bank of Uzbekistan ("CBU")	24,481,750	24,481,750	32,626,637	32,626,637
Borrowings from the Ministry of Finance of Republic of Uzbekistan	3,077,659	3,077,659	4,005,848	4,005,848
Term borrowings from non-budgetary funds	2,432,611	2,432,611	2,309,763	2,309,763
Other liabilities				
- Settlements with customers	1,372,305	1,372,305	534,099	534,099
TOTAL FINANCIAL LIABILITIES CARRIED OUT AT AMORTISED COST	**1,397,101,945**	**1,418,660,800**	**1,242,984,497**	**1,263,648,767**

32 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments carried out at fair value.

In thousands of Uzbekistan Soums	2009 Quoted price in an active market (Level 1)	2009 Valuation technique with significant non-observable inputs (Level 3)	2008 Quoted price in an active market (Level 1)	2008 Valuation technique with significant non-observable inputs (Level 3)
FINANCIAL ASSETS				
Investment securities available for sale				
- Uzbek government treasury bills	11,271,782	-	11,005,168	-
- Corporate bonds	-	-	-	339
- Corporate shares	3,054,396	1,462,068	2,657,271	3,287,075
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**14,326,178**	**1,462,068**	**13,662,439**	**3,287,414**

There have not been any movements between levels throughout the year of 2009 (2008: no movements).

(c) The methods and assumptions applied in determining fair values.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used valuation techniques. Changing any such used assumptions to a reasonably possible alternative would not result in significantly different equity (unrealised gains on available for sale securities).

As disclosed in Note 10, the fair value of securities available for sale was estimated by reference to the investee’s net asset value or the stream of dividend earnings received from the investee.

32 Fair Value of Financial Instruments (Continued)

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

In %	2009	2008
Cash and cash equivalents		
- Cash balances with the CBU (other than mandatory reserve deposits)	0.5%	0.5%
Due from other banks		
- Restricted cash	0.5% to 2% p.a.	1% to 3.8% p.a.
- Short term placements with other banks with original maturities of more than three months	7% to 12% p.a.	7% to 16% p.a.
Loans and advances to customers		
- Corporate loans	3% to 30% p.a.	1% to 30% p.a.
- State and municipal organisations	2.3% to 30% p.a.	2% to 36% p.a.
- Loans to individuals - consumer loans	3% to 35% p.a.	4% to 35% p.a.
- Loans to individuals - entrepreneurs	3.5% to 22% p.a.	3% to 24% p.a.
Investment securities available for sale		
- Uzbek government treasury bills	6.0%	6.0%
- Corporate bonds	20% to 24% p.a.	20% to 24% p.a.
Due to other banks		
- Current term placements of other banks	7% to 12.5% p.a.	6% to 12% p.a.
- Correspondent accounts and overnight placements of other banks	-	-
Customer accounts		
- Current/settlement accounts of state and local governments	0% to 1% p.a.	0% to 1% p.a.
- Term deposits of state and local governments	1% to 8% p.a.	2% to 10% p.a.
- Current/settlement accounts of other legal entities	0% p.a.	0% to 2% p.a.
- Term deposits of other legal entities	0% to 10.5% p.a.	1% to 7% p.a.
- Current/settlement accounts of individuals	0% to 6% p.a.	2% to 16% p.a.
- Term deposits of individuals	2% to 30% p.a.	2% to 30% p.a.
Borrowings from government, state and international financial organisations		
- China Export-Import Bank	2%	2%
- Landes Bank Berliner AG	EURIBOR+1.5%	EURIBOR+1.5%
- Industrial and commercial Bank of China ("ICBC")	LIBOR+0.875%	LIBOR+0.875%
- China Development Bank ("CDB")	Libor + 1,5%	Libor + 1,5%
- Commerzbank AG	EURIBOR+0.95%	EURIBOR+0.95%
- Dresdner Bank AG	EURIBOR+0.9% to 5%	EURIBOR+0.9% to 5%
- Hypo und Vereinsbank ("HVB")	LIBOR+1.25%	LIBOR+1.25%
- Kreditanstalt fur Wiederaufbau ("KfW")	5%	5%
- Banca Nazionale del Lavoro ("BNL")	EURIBOR+0.95%	EURIBOR+0.95%
- European Bank for Reconstruction and Development ("EBRD")	LIBOR+2%	LIBOR+2%
Borrowings from Uzbekistan Fund for Reconstruction and Development ("UFRD")	1% to 6% p.a.	2% to 7% p.a.
Borrowings from Central Bank of Uzbekistan ("CBU")	5.5% to 16.8% p.a.	7% to 8% p.a.
Borrowings from the Ministry of Finance of Republic of Uzbekistan	3% to 8% p.a.	7% to 8% p.a.
Term borrowings from non-budgetary funds	3% p.a.	3% to 6% p.a.

33 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition of Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2009.

In thousands of Uzbekistan Soums	Loans and receivables	Available-for-sale assets	Other	Total
Assets				
Cash and cash equivalents	211,661,596	-	-	**211,661,596**
Due from other banks				
- Restricted cash	24,434,508	-	-	**24,434,508**
- Short term placements with other banks with original maturities of more than three months	8,349,556	-	-	**8,349,556**
Loans and advances to customers				
- State and municipal organisations	724,970,965	-	-	**724,970,965**
- Corporate loans	461,392,857	-	-	**461,392,857**
- Loans to individuals - consumer loans	66,521,442	-	-	**66,521,442**
- Loans to individuals - entrepreneurs	8,462,612	-	-	**8,462,612**
Investment securities available for sale	-	15,788,246	-	**15,788,246**
Investment in associates	-	-	3,901,004	**3,901,004**
Other financial assets	3,065,832	-	-	**3,065,832**
TOTAL FINANCIAL ASSETS	1,508,859,368	15,788,246	3,901,004	**1,528,548,618**
NON FINANCIAL ASSETS	-	-	48,474,653	**48,474,653**
TOTAL ASSETS	**1,508,859,368**	**15,788,246**	**52,375,657**	**1,577,023,271**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2008.

In thousands of Uzbekistan Soums	Loans and receivables	Available-for-sale assets	Other	Total
Assets				
Cash and cash equivalents	317,709,088	-	-	**317,709,088**
Due from other banks				
- Restricted cash	19,564,364	-	-	**19,564,364**
- Short term placements with other banks with original maturities of more than three months	11,855,373	-	-	**11,855,373**
Loans and advances to customers				
- State and municipal organisations	504,637,827	-	-	**504,637,827**
- Corporate loans	426,271,447	-	-	**426,271,447**
- Loans to individuals - consumer loans	70,615,734	-	-	**70,615,734**
- Loans to individuals - entrepreneurs	7,973,427	-	-	**7,973,427**
Investment securities available for sale	-	16,949,853	-	**16,949,853**
Other financial assets	405,744	-	-	**405,744**
TOTAL FINANCIAL ASSETS	1,359,033,004	16,949,853	-	**1,375,982,857**
NON FINANCIAL ASSETS	-	-	43,299,897	**43,299,897**
TOTAL ASSETS	**1,359,033,004**	**16,949,853**	**43,299,897**	**1,419,282,754**

All of the Bank's financial liabilities are carried at amortised cost.

34 Related Party Transactions

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

At 31 December 2009, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Associates	Entities under common control
Cash and cash equivalent	-	-	149,550,627
Due from other banks (contractual interest rate: 0% - 7 %)	-	-	1,800,333
Gross loans and advances to customers (contractual interest rate: 2% - 36%)	81,742,691	-	639,355,583
Impairment provisions for loans and advances to customers at 31 December	2,422,132	-	17,319,987
Investment securities available for sale			
- Treasury bills (contractual interest rate: 5.7% - 6.5 %)	11,271,782	-	-
- Shares of Microcreditbank (1.5% holding)	-	-	2,300,000
- Shares of UzCEx (11.1% holding)	-	-	495,970
Investment in associates	-	3,901,004	-
Due to other banks (contractual interest rate: 1% - 12.5 %)	-	-	84,080,311
Customer accounts (contractual interest rate: 7% - 8%)	34,044,739	52,499	329,531,050
Borrowings from government, state and international financial organisations (contractual interest rate: 2% - 12%)	310,218,833	-	26,914,362

The income and expense items with related parties for 2009 were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Associates	Entities under common control
Interest income	8,680,106	-	32,309,570
Interest expenses	(7,147,415)	-	(6,651,205)
Release of/(provision for) loan impairment	620,199	-	(4,050,755)
Fee and commission income	2,516,005	3,880	24,274,141
Fee and commission expense	(398,294)	(614)	(3,842,697)

At 31 December 2009, other rights and obligations with related parties were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control
Guarantees issued by the Bank at the year end	128,469,000	-
Guarantees received by the Bank at the year end	172,208,190	244,459,060

34 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2009 were as follow:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control
Amount lent to related parties during the period	-	286,904,117
Amount repaid to related parties during the period	(18,054,100)	(70,471,126)

At 31 December 2008, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control
Cash and cash equivalent	-	209,496,667
Due from other banks (contractual interest rate: 0% - 2.3 %)	-	846,274
Gross loans and advances to customers (contractual interest rate: 2% - 36%)	99,796,791	422,922,592
Impairment provisions for loans and advances to customers at 31 December	3,042,332	11,675,774
Investment securities available for sale		
- Treasury bills (contractual interest rate: 5.7% - 6.5 %)	11,005,168	-
- Shares of Microcreditbank (1.3% holding)	-	2,300,000
- Shares of UzCEx (11.4% holding)	-	495,970
Due to other banks (contractual interest rate: 1% - 12.5 %)	-	50,610,011
Customer accounts (contractual interest rate: 7% - 8%)	25,366,445	412,499,691
Borrowings from government, state and international financial organisations (contractual interest rate: 2% - 12%)	213,922,998	34,936,400

The income and expense items with related parties for 2008 were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control
Interest income	5,238,825	25,159,444
Interest expenses	(5,807,253)	(4,210,983)
Release of provision/(provision) for loan impairment	2,088,060	(3,352,291)
Fee and commission income	1,837,954	29,613,584
Fee and commission expense	(209,558)	(4,303,494)

At 31 December 2008, other rights and obligations with related parties were as follows:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control
Guarantees issued by the Bank at the year end	-	7,561,297
Guarantees received by the Bank at the year end	178,660,163	257,733,255

34 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2008 were as follow:

In thousands of Uzbekistan Soums	Significant shareholders	Entities under common control
Amount lent to related parties during the period	61,013,400	294,665,530
Amount repaid to related parties during the period	(49,674,115)	(42,506,489)

Key management compensation is presented below:

In thousands of Uzbekistan Soums	2009	2008
Short-term benefit:		
- Salaries	65,482	57,495
- Bonuses	53,198	71,647

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

35 Subsequent events

On 28 December 2009, the Shareholder’s Meeting approved an increase of the Bank’s charter capital for UZS 8,000,000 thousand by increasing the nominal value of shares from the current level of UZS 2,200 to the new level of UZS 2,360 per share of 50,000 thousand shares by capitalising retained earnings subject to approval of the capital increase by the relevant state authority upon the issue of these financial statements.