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

Consolidated Financial Statements
For the Year Ended December 31, 2011

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

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank OJSCB "UZPROMSTROYBANK" (the "Bank") and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at December 31, 2011, the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements for the year ended December 31, 2011 were authorized for issue by the Management Board of the Group on March 30, 2012.

On behalf of the Management Board:

Abdurasul N. Abdullaev **Chairman of the Board**	**Saidkamol S. Khodjaev** **Chief Accountant**
March 30, 2012 Tashkent, Uzbekistan	March 30, 2012 Tashkent, Uzbekistan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank OJSCB "UZPROMSTROYBANK" (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

March 30, 2012
Tashkent, Uzbekistan

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
(in thousands of Uzbek Soums, except for earnings per share which are in Uzbek Soums)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Continuing operations			
Interest income	6,29	137,096,541	107,397,094
Interest expense	6,29	(52,947,801)	(62,450,920)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		84,148,740	44,946,174
Provision for impairment losses on interest bearing assets	7,29	(51,276,622)	(16,019,209)
NET INTEREST INCOME		32,872,118	28,926,965
Net gain on foreign exchange operations	8	6,289,126	4,376,180
Fee and commission income	9, 29	88,180,566	67,421,143
Fee and commission expense	9	(13,005,958)	(13,578,479)
Losses on initial recognition of assets at rates below market	16	(3,396,678)	(772,870)
Share of results from associates		309,603	329,205
Provision for impairment losses on other operations	7	(1,666,655)	(1,495,714)
Dividend income		2,208,124	2,226,276
Other income, net	10	2,862,472	998,327
NET NON-INTEREST INCOME		81,780,600	59,504,068
OPERATING INCOME		114,652,718	88,431,033
OPERATING EXPENSES	11	(93,128,604)	(73,206,496)
PROFIT BEFORE INCOME TAX		21,524,114	15,224,537
Income tax expense	12	(5,369,860)	(2,531,656)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		16,154,254	12,692,881
Discontinued operations			
Profit for the period from discontinued operations		45,741	-
NET PROFIT FOR THE PERIOD		16,199,995	12,692,881
Earnings per share, basic (expressed in UZS per share)	13	261	245

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

March 30, 2012
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

March 30, 2012
Tashkent, Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands of Uzbek Soums)

	Year ended December 31, 2011	Year ended December 31, 2010
NET PROFIT FOR THE PERIOD	16,199,995	12,692,881
Other comprehensive income		
Unrealized gain/(loss) on investments available-for-sale	389,512	(81,595)
Income tax relating to components of other comprehensive income	(58,427)	12,241
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	331,085	(69,354)
TOTAL COMPREHENSIVE INCOME	16,531,080	12,623,527

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

March 30, 2012
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

March 30, 2012
Tashkent, Uzbekistan

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011
(in thousands of Uzbek Soums)

	Notes	December 31, 2011	December 31, 2010
ASSETS:			
Cash and Balances with the Central Bank of the Republic of Uzbekistan	14,29	323,770,703	248,970,393
Due from banks	15,29	670,392,376	153,454,290
Loans to customers	16,29	2,271,309,690	1,405,194,520
Investments available-for-sale	17,29	21,466,299	24,184,618
Investments in associates	18,29	4,360,133	4,052,268
Property, equipment and intangible assets	19	89,887,948	40,297,466
Investment property	20	-	857,410
Deferred income tax assets	12	3,503,194	3,000,726
Assets classified held for sale	22	34,179,672	18,002,895
Other assets	21	10,125,238	6,063,433
TOTAL ASSETS		3,428,995,253	1,904,078,019
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	23,29	112,656,546	100,982,901
Customer accounts	24,29	1,713,485,621	1,027,029,767
Other borrowed funds	25,29	1,390,817,903	620,015,493
Liabilities directly associated with assets classified as held for sale	22	266,722	-
Other liabilities	26	17,133,842	3,646,228
Total liabilities		3,234,360,634	1,751,674,389
EQUITY:			
Share capital	27	161,227,616	136,972,616
Treasury shares		(6,602,344)	(12,445,354)
Investments available-for-sale fair value reserve		1,295,380	964,295
Retained earnings		38,713,967	26,912,073
Total equity		194,634,619	152,403,630
TOTAL LIABILITIES AND EQUITY		3,428,995,253	1,904,078,019

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

March 30, 2012
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

March 30, 2012
Tashkent, Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(in thousands of Uzbek Soums)

	Notes	Share capital	Treasury shares	Investments available-for-sale fair value reserve	Retained earnings	Total equity
January 1, 2010		**123,222,616**	**-**	**1,033,649**	**31,745,192**	**156,001,457**
Capitalisation of dividends		13,750,000	-	-	(13,750,000)	-
Total comprehensive income		-	-	(69,354)	12,692,881	12,623,527
Dividends declared		-	-	-	(3,776,000)	(3,776,000)
Purchase of treasury shares		-	(12,445,354)	-	-	(12,445,354)
December 31, 2010		**136,972,616**	**(12,445,354)**	**964,295**	**26,912,073**	**152,403,630**
Shares issued and paid		24,255,000	-	-	-	24,255,000
Total comprehensive income		-	-	331,085	16,199,995	16,531,080
Dividends declared		-	-	-	(4,398,101)	(4,398,101)
Sale of Treasury shares, net		-	5,843,010	-	-	5,843,010
December 31, 2011		**161,227,616**	**(6,602,344)**	**1,295,380**	**38,713,967**	**194,634,619**

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

March 30, 2012
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

March 30, 2012
Tashkent,Uzbekistan

The notes on pages 10-67 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands of Uzbek Soums)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		142,086,096	101,293,979
Interest paid		(54,743,038)	(63,921,533)
Fee and commission received		88,481,806	66,771,369
Fee and commission paid		(13,005,958)	(13,578,479)
Other operating income received		2,360,004	998,327
Staff costs paid		(47,162,103)	(38,561,254)
Administrative and other operating expenses paid		(37,705,136)	(30,215,520)
Income tax paid		(3,376,131)	(2,500,039)
Cash flows from operating activities before changes in operating assets and liabilities		76,935,540	20,286,850
Changes in operating assets and liabilities:			
Increase in minimum reserve deposits with the Central Bank of the Republic of Uzbekistan		(12,671,885)	(39,532,303)
Net (increase)/decrease in due from other banks		(67,248,694)	186,950
Net increase in loans and advances to customers		(944,559,669)	(163,816,275)
Net increase in other assets		(5,656,093)	(8,259,174)
Net increase/(decrease) in due to other banks		21,848,707	(40,151,676)
Net increase in customer accounts		702,409,591	266,301,417
Net increase/(decrease) in other liabilities		5,378,836	(93,757)
Net cash (outflow)/inflow from operating activities		(223,563,667)	34,922,032
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(2,269,672)	(8,048,362)
Proceeds from sale and redemption of investments available-for-sale		5,273,298	(1,694,392)
Purchase of property, equipment and intangible assets		(57,664,826)	(13,984,618)
Proceeds on sale of property, plant and equipment		2,228,400	2,756,855
Dividend income received		2,209,862	2,226,276
Net cash outflow from investing activities		(50,222,938)	(18,744,241)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands of Uzbek Soums)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of share capital		24,255,000	-
Dividends paid		(4,389,865)	(3,785,550)
Proceeds from other borrowed funds		816,461,014	149,244,556
Repayment of other borrowed funds		(45,222,478)	(27,096,161)
Treasury shares sold		5,843,010	-
Treasury shares purchased		-	(12,445,354)
Net cash inflow from financing activities		796,946,681	105,917,491
Effect of changes in foreign exchange rate on cash and cash equivalents		424,834	525,097
NET INCREASE IN CASH AND CASH EQUIVALENTS		523,584,910	122,620,379
CASH AND CASH EQUIVALENTS, beginning of year	14	247,412,476	124,792,097
CASH AND CASH EQUIVALENTS, end of year	14	770,997,386	247,412,476

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

March 30, 2012
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

March 30, 2012
Tashkent, Uzbekistan

(in thousands of Uzbek Soums, unless otherwise indicated)

1. ORGANISATION

"Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank OJSCB "UZPROMSTROYBANK" (the "Bank") is an open joint-stock commercial bank incorporated in the Republic of Uzbekistan in 1991. 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 Central Bank of the Republic 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 Law of the Republic of Uzbekistan #360-II "Insurance of Individual Bank Deposit" dated April 5, 2002. On November 28, 2008, the President of the Republic of Uzbekistan issued the Decree #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 such 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 the Republic of Uzbekistan (December 31, 2010: 43 branches). The number of the Bank's employees as at December 31, 2011 was 3,973 (December 31, 2010: 3,763).

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

Name	Country of operation	The Bank ownership interest/voting rights, % 2011	2010	Type of operation
Asset Invest Trust, LLC	The Republic of Uzbekistan	100	100	Consulting
Elite Stars Textile, LLC	The Republic of Uzbekistan	100	100	Manufacturing
PSB Industrial Investments, LLC	The Republic of Uzbekistan	100	100	Asset management
Capital Invest Finance, LLC	The Republic of Uzbekistan	-	100	Consulting
Quqon Lyuks tekstil, LLC	The Republic of Uzbekistan	100	-	Manufacturing
Samarkand Aqua line, LLC	The Republic of Uzbekistan	100	-	Manufacturing

Asset Invest Trust LLC was formed as a limited liability company under the laws of the Republic of Uzbekistan on September 30, 2010. The company's principal activity is consulting services.

Elit Stars Textile was formed as limited liability company under the laws of the Republic of Uzbekistan on March 22, 2011 on the basis of protocol of Cabinet of Ministries of the Republic of Uzbekistan # 02-1-97 dated November 12, 2010. As at December 31, 2011, the investment in new established company was in the amount of UZS 19,700,079 thousand (December 31, 2010: nil). The company's principal activity will be production of textile goods.

PSB Industrial Investments LLC was formed as limited liability company under the law of the Republic of Uzbekistan on February 10, 2009. As at December 31, 2011, the investment in this subsidiary is in the amount of UZS 8,200,000 thousand (December 31, 2010: UZS 612,343 thousand). The company's principal activity is the management of the investments of the Group.

Capital Invest Finance LLC, a limited liability company in accordance with the legislation of the Republic of Uzbekistan, was disposed of during 2011. The company's principal activity was consulting services. As at December 31, 2010, the investment in this subsidiary was in the amount of UZS 1,675,753 thousand.

"Quqon Lyuks Textile" (textile business) LLC and "Samarkand Aqua line" LLC (soft drink production business) are 100% owned by the Group and the Group is seeking to dispose of these business units and anticipates that the disposal will be completed during 2012. For disclosure on respective assets and liabilities held for sale on these companies, please refer to Note 22.

As at December 31, 2011 and 2010 the following shareholders owned the issued shares of the Group:

SHAREHOLDERS:	**December 31, 2011, %**	**December 31, 2010, %**
The Ministry of Finance of the Republic of Uzbekistan	29.26	35.00
The Fund of Reconstruction and Development of the Republic of Uzbekistan	21.74	26.00
NHC "Uzbekneftgaz"	13.11	7.99
Pharmed Private Company	9.21	0.00
Absolute Investments Trust LLC	4.18	5.00
Uzbekenergo State company	1.70	1.39
British Glass Group LLC	1.34	-
Addison Ventures (UK) Ltd.	1.21	1.44
Brentwood and Co. (UK) Ltd.	1.15	1.38
Fortis Securities (ND) Ltd.	0.97	1.16
Navoi Mining Company	0.81	0.97
Treasury shares	4.34	10.06
Other legal entities (individually hold less than 1%)	7.84	5.97
Other shareholders (individually hold less than 1%)	3.14	3.64
Total	**100.00**	**100.00**

These consolidated financial statements were authorized for issue by the Management Board of the Group on March 30, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Republic of Uzbekistan both in corporate and retail segments.

For the year ended December 31, 2011, the Group had net cash outflows from operations of UZS 223,563,667 thousand, has a cumulative liquidity shortfall for up to 3 months of UZS 199,232,447 thousand and was not able to meet certain conditions of its loan agreements, which are discussed in Notes 25 and 28.

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

- it has sufficient capital adequacy ratio which has been further strengthened with the subsequent increase of share capital for the amount of UZS 6,279,000 thousand, illustrating the commitment of shareholders to support the Group;

- continued ongoing support from its international lenders, based on a recent informal oral communication between Management and representatives of the lenders. Furthermore, during March 2012, there were additional funds received from China Development Bank (CDB) in accordance with agreement concluded with CDB dated October 26, 2011 on financing NHC "Uzbekneftegaz" project, where the Group acts as a guarantor;

- as discussed in Note 32, short-term obligations of the Group are concentrated primarily on its shareholders and entities under common control, where the Management believes that on the basis of past experience these liabilities will be refinanced in the normal course of business and shareholders will support the Group in meeting liabilities, if required;

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

These consolidated financial statements are presented in thousands of Uzbek Soums ("UZS"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention.

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

The Bank maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Council of the Bank. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non—current) is presented in Note 32.

Functional currency

Items included in the consolidated financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group (the "functional currency"). The functional currency of these financial statements is UZS.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including special purpose entities) controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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

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

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

Recognition of fee and commission income and expense

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

Recognition of dividend income

Dividend income is recognized on the ex-dividend date (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

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

Available-for-sale financial assets

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

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

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

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

Due from banks

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

Loans and receivables

Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

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

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

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

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

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

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

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

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

If an available-for-sale asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statements is transferred from equity to the consolidated income statement.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Renegotiated loans

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

Write-off of loans and advances

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

Derecognition of financial assets and liabilities

Financial assets

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

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

On derecogntion of a financial asset other than it is entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the pat no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the CBU with original maturity within 90 days, advances to banks in Uzbekistan and other countries. For the purposes of determining cash flows, the minimum reserve deposit required by the CBU is not included as a cash equivalent due to restrictions on its availability (Note 14).

Leases

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

The Group as lessor

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

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

Property, equipment and intangible assets

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

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

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

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

Leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, an impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

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

Taxation

Income tax expense represents the sum of the current income tax expense and deferred income tax expense.

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

Operating taxes

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

Provisions

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

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

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

Contingencies

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

Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in UZS using exchange rates prevailing at the end of each reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Rates of exchange

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

	December 31, 2011	December 31, 2010
UZS / 1 USD	1,795.00	1,640.00
UZS / 1 EUR	2,341.97	2,165.13
UZS / 1 GBP	2,803.61	2,554.46
UZS / 1 RUR	57.43	53.63

Share capital and share premium

Contributions to share capital made before 1 January 2006 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2006 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

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

Equity reserves

The reserves recorded in equity on the Group's statement of financial position include:

Investments available-for-sale fair value reserve which comprises changes in fair value of available-for-sale investments;

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

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

Details of the Group's investments in associates, including summarized financial information of the associates, as at and for the years ended December 31, 2011 and 2010 are presented below:

As at and for the year ended December 31, 2011:

Name of associated company	Ownership interest	Carrying value of investments in associates (UZS thousand)	Total assets of associated company (UZS thousand)	Total liabilities of associated company (UZS thousand)	Net profit (UZS thousand)
"Qurilish Lizing" OJSC	46.77%	2,915,664	9,218,199	2,631,859	554,821
"Ishonch" LLC	26.52%	1,004,319	5,914,921	2,136,658	31,948
Tashkent stock exchange	20.14%	440,150	1,890,778	50,901	206,869

As at and for the year ended December 31, 2010:

Name of associated Company	Ownership interest	Carrying value of investments in associates (UZS thousand)	Total assets of associated company (UZS thousand)	Total liabilities of associated company (UZS thousand)	Net profit (UZS thousand)
"Qurilish Lizing" OJSC	46.80%	2,656,189	14,568,183	8,287,332	692,598
"Ishonch" LLC	26.50%	995,848	5,365,370	1,598,892	5,298
Tashkent stock exchange	20.00%	400,231	1,714,656	79,100	19,327

Non-current assets held for sale

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

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

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

Retirement and other benefit obligations

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

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

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

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

As at December 31, 2011 and 2010 the gross loans and receivables totaled UZS 2,372,861,468 thousand and UZS 1,476,775,268 thousand, respectively, and allowance for impairment losses amounted to UZS 101,551,778 thousand and UZS 71,580,748 thousand, respectively.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the statement of comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its statement of financial position as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net income.

Deferred tax assets

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more than likely that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to UZS 3,503,194 thousand and UZS 3,000,726 thousand as at December 31, 2011 and 2010, respectively.

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

The Group has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Group's annual consolidated financial statement for the year ended December 31, 2011:

IFRS 3(2008) "Business Combinations" / IAS 27 "Consolidated and Separate Financial Statements" — amendments resulting from May 2010 Annual Improvements to IFRSs: 1) transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; 2) clarification on measurement of non-controlling interests;

IFRS 7 "Financial Instruments: Disclosures" — amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures and release of requirement for disclosure regarding restructured loans;

IAS 24 "Related Party Disclosures" — (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government-related entities.

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Group, and all have been retrospectively applied in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", unless otherwise noted below.

Amendments to IAS 24 – The Group does not apply exemptions introduced in IAS 24 (as revised in 2010).

New and revised IFRSs in issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

IFRS 7 "Financial Instruments: Disclosures" — amendments enhancing disclosures about transfers of financial assets [1];
IFRS 9 "Financial Instruments" [2];
IFRS 13 "Fair Value Measurement" [2];
IAS 1 "Presentation of Financial Statements" — amendments to revise the way other comprehensive income is presented [4];
IAS 12 "Income Taxes" — Limited scope amendment (recovery of underlying assets) [5];
IAS 27 - reissued as IAS 27 "Separate Financial Statements" (as amended in May 2011) [3];
IAS 28 - reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011) [3].

[1] Effective for annual periods beginning on or after July 1, 2011, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.
[3] Each of the standards becomes effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).
[4] Effective for annual periods beginning on or after July 1, 2012, with early adoption permitted.
[5] Effective for annual periods beginning on or after January 1, 2012, with earlier application permitted.

***Amendments to IFRS** 7* – The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Retrospective application is required in accordance with IAS 8 with the exception that in the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before July 1, 2011.

IFRS 9 – was issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The management anticipates that IFRS 9 that will be adopted in the Group's financial statements for the annual period beginning January 1, 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IAS 27 (2011) Separate Financial Statements – includes the provisions on separate financial statements that are left almost unchanged after the control provisions of IAS 27 have been replaced with the new IFRS 10.

IAS 28 (2011) Investments in Associates and Joint Ventures – now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 13 Fair Value Measurement – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:
defines fair value;
sets out in a single IFRS a framework for measuring fair value;
requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for share-based payment transactions within the scope of IFRS 2 "Share-based Payment", leasing transactions within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".
The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

4. SEGMENT REPORTING

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Business segments

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

- Individuals – representing private banking services, private customer current accounts, savings, deposits, custody, credit and debit cards, consumer loans and mortgages.
- Legal entities – representing direct debit facilities, current accounts, deposits, overdraft, loan and other credit facilities and foreign currency products.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. Additoinally, deposits from individuals are directed to finance lending operations for small and medium size enterprises, which in combination represents retail business of the Group. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Individuals	Legal entities	Unallocated	Year ended December 31, 2011
Interest income	10,318,385	126,778,156	-	137,096,541
Interest expense	(25,844,249)	(27,103,552)	-	(52,947,801)
Provision for impairment losses on interest bearing assets	(4,668,401)	(46,608,221)	-	(51,276,622)
Net gain on foreign exchange operations	512,065	5,777,061	-	6,289,126
Fee and commission income	7,179,727	81,000,839	-	88,180,566
Fee and commission expense	(1,058,955)	(11,947,003)	-	(13,005,958)
Losses on initial recognition of assets at rates below market	(276,560)	(3,120,118)	-	(3,396,678)
Dividend income	-	2,208,124	-	2,208,124
Other income	233,065	2,629,407	-	2,862,472
Share of results from associates	-	309,603	-	309,603
Provision for impairment losses on other operations	(135,700)	(1,530,955)	-	(1,666,655)
Total operating (loss)/income	**(13,740,624)**	**128,393,342**	**-**	**114,652,718**
Operating expenses	(7,294,411)	(82,294,697)	(3,539,496)	(93,128,604)
Operating (loss) / profit	**(21,035,035)**	**46,098,645**	**(3,539,496)**	**21,524,114**
(Loss)/profit before income tax	**(21,035,035)**	**46,098,645**	**(3,539,496)**	**21,524,114**
Income tax expense	-	(5,369,860)	-	(5,369,860)
(Loss)/profit before discontinued operations.	(21,035,035)	40,728,785	(3,539,496)	16,154,254
Segment assets	80,292,180	3,345,286,743	3,416,330	3,428,995,253
Segment liabilities	229,581,572	3,004,779,062	-	3,234,360,634
Other segment items:				
Depreciation and amortization	413,411	4,664,050	285,837	5,363,298
Loans to customers	68,930,565	2,202,379,125	-	2,271,309,690
Property equipment and intangible assets	7,040,583	82,847,365	-	89,887,948
Customer accounts	228,186,522	1,485,299,099	-	1,713,485,621
Cash flow from:				
Operating activities	(18,202,718)	(205,360,949)	-	(223,563,667)
Investing activities	(4,089,189)	(46,133,749)	-	(50,222,938)

	Individuals	Legal entities	Unallocated	Year ended December 31, 2010
Interest income	11,178,522	96,218,572	-	107,397,094
Interest expense	(32,342,818)	(30,108,102)	-	(62,450,920)
Provision for impairment losses on interest bearing assets	(1,121,345)	(14,897,864)	-	(16,019,209)
Net gain on foreign exchange operations	280,208	4,095,972	-	4,376,180
Fee and commission income	4,362,755	63,058,388	-	67,421,143
Fee and commission expense	(793,749)	(12,784,730)	-	(13,578,479)
Losses on initial recognition of assets at rates below market	(54,101)	(718,769)	-	(772,870)
Dividend income	-	2,226,276	-	2,226,276
Other income	69,724	928,603	-	998,327
Provision for impairment losses on other operations	(104,700)	(1,391,014)	-	(1,495,714)
Share of results from associates	-	329,205	-	329,205
Total operating income	**(18,420,803)**	**108,018,345**	**-**	**88,431,033**
Operating expenses	(4,292,831)	(61,462,533)	(7,451,132)	(73,206,496)
Operating (loss) / profit	**(22,818,335)**	**45,164,799**	**(7,451,132)**	**15,224,537**
(Loss)/profit before income tax	**(22,818,335)**	**45,494,004**	**(7,451,132)**	**15,224,537**
Income tax expense	-	(2,531,656)	-	(2,531,656)
(Loss)/profit before discontinued operations.	(22,818,335)	42,962,348	(7,451,132)	12,692,881
Segment assets	104,317,889	1,799,760,130	-	1,904,078,019
Segment liabilities	221,479,154	1,530,195,235	-	1,751,674,389
Other segment items:				
Depreciation and amortization	291,713	4,180,394	512,717	4,984,824
Loans to customers	74,286,610	1,330,907,910	-	1,405,194,520
Property equipment and intangible assets	2,820,823	37,476,643	-	40,297,466
Customer accounts	221,260,563	805,769,204	-	1,027,029,767
Cash flow from:				
Operating activities	2,277,946	32,644,086	-	34,922,032
Investing activities	(1,222,677)	(17,521,564)	-	(18,744,241)

5. RECLASSIFICATIONS

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2010 to conform to the presentation for the year ended December 31, 2011 as current year presentation provides a better view of the financial position of the Group.

	As previously reported for the year ended December 31, 2010	Reclassification amount	As reclassified for the year ended December 31, 2010
Reclassification			
Interest income	108,262,830	(865,736)	107,397,094
Fee and commission income	66,555,407	865,736	67,421,143

The above reclassifications do not affect the comparative statement of financial position and, as such, the Management believes that there is no need to present the third statement of financial position and related notes and that the absence of this information is not a material omission.

6. NET INTEREST INCOME

	Year ended December 31, 2011	Year ended December 31, 2010
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
-interest income on impaired financial assets	8,216,248	4,938,465
-interest income on unimpaired financial assets	128,880,293	102,458,629
Total interest income	137,096,541	107,397,094
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	133,989,058	105,526,027
Interest on balances due from banks	1,983,735	1,283,011
Interest on investments available-for-sale	1,123,748	588,056
Total interest income on financial assets recorded at amortized cost	137,096,541	107,397,094
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	(52,947,801)	(62,450,920)
Total interest expense	(52,947,801)	(62,450,920)
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	(27,644,586)	(38,335,089)
Interest on due to banks	(14,294,329)	(12,426,171)
Interest on other borrowed funds	(11,008,886)	(11,689,660)
Total interest expense on financial liabilities recorded at amortized cost	(52,947,801)	(62,450,920)
Net interest income before provision for impairment losses on interest bearing assets	**84,148,740**	**44,946,174**

7. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	Due from banks	Loans to customers	Total
December 31, 2009	**3,350,773**	**61,138,333**	**64,489,106**
Provision	746,188	15,273,021	**16,019,209**
Write-off of assets	(4,096,961)	(4,830,606)	**(8,927,567)**
December 31, 2010	-	**71,580,748**	**71,580,748**
Provision	-	51,276,622	**51,276,622**
Write-off of assets	-	(23,937,711)	**(23,937,711)**
Recoveries of assets previously written off	-	2,632,119	2,632,119
December 31, 2011	-	**101,551,778**	**101,551,778**

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

	Assets classified held-for-sale	Other assets	Total
December 31, 2009	**372,834**	**120,486**	**493,320**
Provision	839,928	655,786	**1,495,714**
December 31, 2010	**1,212,762**	**776,272**	**1,989,034**
(Recovery)/Provision	(547,114)	2,213,769	**1,666,655**
Write-off of assets	(665,648)	(809,070)	**(1,474,718)**
December 31, 2011	-	**2,180,971**	**2,180,971**

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended December 31, 2011	Year ended December 31, 2010
Translation differences, net	6,121,138	4,002,974
Dealing transactions, net	167,988	373,206
Total net gain on foreign exchange operations	**6,289,126**	**4,376,180**

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended December 31, 2011	Year ended December 31, 2010
Fee and commission income:		
Settlements	63,621,303	47,654,446
Foreign currency exchange operations	12,168,160	10,987,878
Issuing guarantees	3,643,165	2,824,563
Factoring transactions	2,624,913	865,736
Letter of credit operations	1,772,506	1,220,729
Management service fee	1,691,803	1,296,764
Cash operations	1,413,416	1,712,037
Other	1,245,300	858,990
Total fee and commission income	**88,180,566**	**67,421,143**
Fee and commission expense:		
Cash collection services	12,124,886	11,980,151
Settlements	621,800	1,338,703
Foreign payments	132,389	138,658
Other	126,883	120,967
Total fee and commission expense	**13,005,958**	**13,578,479**

10. OTHER INCOME

Other income comprises:

	Year ended December 31, 2011	Year ended December 31, 2010
Other income:		
Income from rent of property	1,264,733	457,488
Gain from sale or disposition of property, plant and equipment	635,422	72,314
Fines and penalties	-	148,388
Other non-interest income	962,317	320,137
Other income, net	**2,862,472**	**998,327**

11. OPERATING EXPENSES

Operating expenses comprise:

	Year ended December 31, 2011	Year ended December 31, 2010
Staff costs	49,790,332	38,051,880
Taxes, other than income tax	15,364,878	11,040,471
Security expenses	7,164,016	5,553,148
Depreciation and amortization	5,363,298	4,984,824
Stationery	2,906,688	2,397,297
Charity and sponsorship expenses	1,987,117	1,669,548
Membership fee	1,645,013	2,168,908
Fines and penalties	1,561,806	763,870
Communications	1,375,200	1,153,896
Rent expenses	1,187,492	1,041,670
Maintenance	1,113,282	1,174,582
Professional services	569,426	180,406
Business trip expenses	566,605	466,200
Other expenses	2,533,451	2,559,796
Total operating expenses	**93,128,604**	**73,206,496**

12. INCOME TAXES

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2011 and 2010 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 15% payable by commercial banks in the Republic of Uzbekistan on taxable profits (as defined) under tax law in that jurisdiction.

Temporary differences as at December 31, 2011 and 2010 comprise:

	Year ended December 31, 2011	Year ended December 31, 2010
Deductible temporary differences:		
Loan impairment provision	6,778,051	5,973,465
Accrued interest expenses	282,890	822,025
Accrued expenses	1,365,294	991,997
Total deductible temporary differences	**8,426,235**	**7,787,487**
Taxable temporary differences:		
Property, equipment and intangible assets	19,204	19,203
Accrued interest income	4,538,665	4,538,665
Fair value adjustment of investments available-for-sale	287,958	170,170
Income accruals	77,214	58,723
Total taxable temporary differences	**4,923,041**	**4,786,761**
Net deferred tax asset	**3,503,194**	**3,000,726**

Relationships between tax expenses and accounting profit for the years ended December 31, 2011 and 2010 are explained as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Profit before income tax	21,524,114	15,224,537
Tax at the statutory tax rate (15% for 2011 and 2010)	3,228,618	2,283,681
Income tax privileges from the increase of term deposits of individuals	(2,199,982)	(1,629,449)
Non deductible expense	4,672,443	2,211,365
Dividends received	(331,219)	(333,941)
Income tax expense	**5,369,860**	**2,531,656**
Current income tax	5,930,755	2,545,766
Change in deferred income tax assets	(560,895)	(14,110)
Income tax expense	**5,369,860**	**2,531,656**

Deferred income tax assets	**2011**	**2010**
Beginning of the year	3,000,726	2,974,375
Change in deferred income tax balances recognized in consolidated profit or loss	560,895	14,110
Changes in deferred income tax balances recognized in other comprehensive income	(58,427)	12,241
End of the year	**3,503,194**	**3,000,726**

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

13. EARNINGS PER SHARE

	Year ended December 31, 2011	Year ended December 31, 2010
Net profit for the year	16,199,995	12,692,881
Less dividends on preference shares	(990,000)	(944,000)
Net profit attributable to ordinary shareholders	15,209,995	11,748,881
Weighted average number of ordinary shares for basic earnings per share	58,238,462	48,000,000
Earnings per share, basic (expressed in UZS per share)	**261**	**245**

As at December 31, 2011 and 2010, the Group did not have any securities that could potentially be converted to share capital and would therefore dilute EPS.

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

	December 31, 2011	December 31, 2010
Cash	52,734,050	43,036,476
Balances with the Central Bank of the Republic of Uzbekistan	271,036,653	205,933,917
Total cash and cash balances with the Central Bank of the Republic of Uzbekistan	**323,770,703**	**248,970,393**

In accordance with the banking legislation of the Republic of Uzbekistan, the Group should have non-interest bearing minimum reserve deposit at the CBU, which is defined as a portion of certain of the Group's liabilities and has a restriction on its usage. As at December 31, 2011 and 2010, the mandatory reserve deposits with the CBU were in the amount of UZS 139,073,687 thousand and UZS 126,401,802 thousand, respectively.

Balances with the CBU include an overnight deposit of UZS 39,220,000 thousand (2010: UZS 68,880,000 thousand) bearing a fixed interest rate of 0.2 percent per annum (2010: fixed interest rate of 0.12 percent per annum).

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

	December 31, 2011	December 31, 2010
Cash and balances with the CBU	323,770,703	248,970,393
Correspondent accounts and overnight placements with other banks	586,300,370	124,843,885
	910,071,073	373,814,278
Less minimum reserve deposit at the Central Bank of the Republic of Uzbekistan	(139,073,687)	(126,401,802)
Total cash and cash equivalents	**770,997,386**	**247,412,476**

15. DUE FROM BANKS

Due from banks comprise:

	December 31, 2011	December 31, 2010
Restricted cash	58,772,071	8,357,516
Time deposits	611,620,305	145,096,774
Total due from banks	**670,392,376**	**153,454,290**

Movements in the allowance for impairment losses on balances due from banks for the years ended December 31, 2011 and 2010 are disclosed in Note 7.

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Group on behalf of its customers. The Group does not have the right to use these funds for the purposes of funding its own activities. The Group has received restricted deposits from these customers in the same amounts, which are recorded in customer accounts.

The remaining balance of restricted cash of UZS 897,500 thousand as at December 31, 2011 (December 31, 2010: UZS 820,000 thousand) represents collateral for the Guarantee issued by National Bank of Uzbekistan ("NBU") under borrowings from international financial institutions (Note 25). The Group does not have the right to use these funds for the purposes of funding its own activities.

16. LOANS TO CUSTOMERS

Loans to customers comprise:

	December 31, 2011	December 31, 2010
Loans to customers	2,327,410,401	1,424,806,912
Investments in finance lease	25,291,596	33,574,413
Purchased loans	20,159,471	18,393,943
	2,372,861,468	1,476,775,268
Less allowance for impairment losses	(101,551,778)	(71,580,748)
Total loans to customers	**2,271,309,690**	**1,405,194,520**

Movements in allowances for impairment losses for the years ended December 31, 2011 and 2010 are disclosed in Note 7.

As at December 31, 2011 and 2010, loans to customers included accrued interest income totaling UZS 5,678,178 thousand and UZS 10,606,754 thousand, respectively.

As at December 31, 2011 loans and advances to customers include loans of UZS 1,388,931,972 thousand (December 31, 2010: UZS 620,015,493 thousand) funded by borrowings from international and domestic financial institutions as stated in Note 24.
The table below summarizes carrying value of loans to customers analysed by type of collateral obtained by the Group:

	December 31, 2011	December 31, 2010
Loans collateralized by pledge of corporate and governmentguarantees	1,444,615,692	749,426,754
Loans collateralized by real estate	469,043,527	485,792,362
Loans collateralized by shares	135,786,404	68,405,444
Loans collateralized by inventory	129,325,851	62,222,186
Loans collateralized by transport	80,996,001	3,508,411
Loans collateralized by equipment	59,212,883	58,104,760
Loans collateralized by insurance policy and others	24,212,588	26,295,519
Loans collateralized by cash deposit	2,532,284	2,796,544
Unsecured loans	27,136,238	20,223,288
	2,372,861,468	1,476,775,268
Less allowance for impairment losses	(101,551,778)	(71,580,748)
Total loans to customers	**2,271,309,690**	**1,405,194,520**

	December 31, 2011	December 31, 2010
Analysis by sector:		
Machinery and other manufacturing	1,536,226,640	745,539,847
Construction and construction materials	245,061,317	278,011,828
Transport	239,084,729	187,835,186
Trading and food companies	112,228,757	122,460,615
Individuals	63,609,921	65,937,064
Agriculture	44,098,403	41,074,432
Utilities	36,072,117	9,450,945
Financial services	22,060,246	11,032,756
Other	74,419,338	15,432,595
	2,372,861,468	1,476,775,268
Less allowance for impairment losses	(101,551,778)	(71,580,748)
Total loans to customers	**2,271,309,690**	**1,405,194,520**

Loans to individuals comprise the following products:

	December 31, 2011	December 31, 2010
Mortgage loans	42,815,780	46,341,685
Consumer loans	14,745,764	14,122,240
Educational loans	2,198,215	1,715,248
Car loans	1,131,344	1,252,526
Other	2,718,818	2,505,365
	63,609,921	65,937,064
Less: allowance for impairment losses	(148,511)	(1,791)
Total loans to individuals	**63,461,410**	**65,935,273**

As at December 31, 2011 and 2010, the Group granted loans of UZS 1,589,284,998 thousand to 11 customers and UZS 814,378,743 thousand to 12 customers, respectively, which individually exceeded 10% of the Group's equity.

As at December 31, 2011 and 2010, all loans are granted to companies operating in the Republic of Uzbekistan, which represents geographical concentration in one region.

As at December 31, 2011, loans to customers included loans totaling UZS 118,883,684 thousand, whose terms were renegotiated (2010: UZS 133,407,879). Otherwise these loans would be past due or impaired.

As at December 31, 2011 and 2010, loans to customers included receivables from the sale of repossessed assets on an interest-free credit term basis. Initial recognition of these loans at the fair value of the disbursements made as determined using the prevailing market interest rates at inception for similar instruments resulted in a loss on initial recognition of UZS 3,396,678 thousand and UZS 772,870 in the consolidated income statement of the Group for the years ended December 31, 2011 and December 31, 2010, respectively.

As at December 31, 2011 and 2010 the components of net investment in finance lease are as follows:

	December 31, 2011	**December 31, 2010**
Not later than one year	9,599,016	10,840,479
From one year to five years	17,209,726	26,983,425
More than 5 years	4,603,878	2,734,545
Minimum lease payments	31,412,621	40,558,449
Less: unearned finance income	(6,121,025)	(6,984,036)
Net investment in finance lease	**25,291,596**	**33,574,413**
Current portion	7,040,392	8,973,783
Long-term portion	18,251,204	24,600,630
Net investment in finance lease	**25,291,596**	**33,574,413**

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. As at December 31, 2011 average effective interest rate contracted is approximately 12.7% (December 31, 2010: 12.5%) per annum.

17. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

Bonds/Equity securities	Nominal interest rate	December 31, 2011	Nominal interest rate	December 31, 2010
Uzbek government treasury bills	6%	5,796,446	6%	11,559,001
"Qishloq Qurilish Bank" OJSCB	12%	4,000,000	12%	4,000,000
"Ipoteka Bank" OJSCB	14%	2,920,000	14%	2,920,000
"Microcreditbank" JSB	-	2,355,108	-	2,355,108
"Agrobank" OJSCB	11%	1,500,000	-	-
Visa International	-	1,062,314	-	672,802
"Hamkor Bank" OJSCB	14%	1,000,000	14%	1,000,000
Avtotexservices	-	699,664	-	-
UZCEx	-	495,970	-	495,970
"Chilonzor buyum bozori" OJSC	-	385,714	-	385,714
"UzMed-Leasing" OJSC	-	255,452	-	255,452
"Qizilqumsement" OJSC		252,000		
Commodity exchange	-	168,021	-	168,021
OJSC "Buhoro Markazy dekhkon bozori"	-	131,000	-	131,000
Other	-	444,610	-	241,550
Total investments available-for-sale		**21,466,299**		**24,184,618**

As at December 31, 2011 and 2010, investments available-for-sale included accrued interest income amounted to UZS 88,441 thousand and UZS 132,329 thousand, respectively.

18. INVESTMENTS IN ASSOCIATES

The following enterprises were recorded in the consolidated financial statements using the equity method:

	December 31, 2011		December 31, 2010	
	Ownership interest	Carrying value	Ownership interest	Carrying value
"Qurilish Leasing" LLC	46.77%	2,915,664	46.80%	2,656,189
"Ishonch" LLC	26.52%	1,004,319	26.50%	995,848
Tashkent stock exchange	20.14%	440,150	20.00%	400,231
		4,360,133		**4,052,268**

Reconciliation of the investments in associates comprise:

	2011	2010
As at 1 January	**4,052,268**	**3,901,004**
Share of profits of associates	309,603	329,205
Dividends from associates	(1,738)	(177,941)
As at 31 December	**4,360,133**	**4,052,268**

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and land	Construction in progress	Furniture and equipment	Intangible assets	Total
At cost					
December 31, 2009	22,650,478	6,050,799	27,726,965	5,083,496	61,511,738
Additions	1,207,498	5,586,376	6,733,856	456,888	13,984,618
Transfers	683,899	(729,224)	89,727	(44,402)	-
Disposals	(17,911)	(823,228)	(3,004,151)	(6,587)	(3,851,877)
December 31, 2010	24,523,964	10,084,723	31,546,397	5,489,395	71,644,479
Additions	1,127,613	44,476,311	11,448,472	129,784	57,182,180
Transfers	-	-	4,965	(4,965)	-
Disposals	(15,603)	(76,870)	(3,345,789)	-	(3,438,262)
December 31, 2011	25,635,974	54,484,164	39,654,045	5,614,214	125,388,397
Accumulated depreciation					
December 31, 2009	(4,676,615)	-	(19,376,336)	(3,449,988)	(27,502,939)
Charge for the year	(1,152,785)	-	(3,093,608)	(738,431)	(4,984,824)
Disposals	1,416	-	1,133,332	6,002	1,140,750
December 31, 2010	(5,827,984)	-	(21,336,612)	(4,182,417)	(31,347,013)
Charge for the year	(1,373,478)	-	(3,416,208)	(573,612)	(5,363,298)
Disposals	4,422	-	1,205,440	-	1,209,862
December 31, 2011	(7,197,040)	-	(23,547,380)	(4,756,029)	(35,500,449)
Net book value					
As at December 31, 2011	**18,438,934**	**54,484,164**	**16,106,665**	**858,185**	**89,887,948**
As at December 31, 2010	**18,695,980**	**10,084,723**	**10,209,785**	**1,306,978**	**40,297,466**

As at December 31, 2011 and 2010, included in property and equipment were fully depreciated assets totalling UZS 12,227,572 thousand and UZS 8,516,556 thousand, respectively.

During 2011, the Group made a significant amount of investment for the construction and reconstruction of Group's building and other properties. As at December 31, 2011, Construction in progress includes the following:

- In accordance with the Decree of the Cabinet of Ministers # 02-1-97 dated November 12, 2010, the Group (via its subsidiary "Elite Stars Textile" LLC) has invested into the construction of textile factory in Nukus City for the amount of UZS 18,640,860 thousand. The factory is planned to be completed during 1st quarter of year 2012 and will produce textile goods;

- In accordance with the Decree of the Cabinet of Ministers # 288-f dated May 17, 2011, the Group has invested UZS 9,704,511 thousand for the construction of living apartments in Navoi street, Tashkent city which are planned to be sold after the completion;

- In accordance with the Decree of the Cabinet of Ministers # 186 dated April 11, 2011, the Group has invested UZS 3,110,919 thousand for the reconstruction of Bank's Head office building;

20. INVESTMENT PROPERTY

Investment property comprises:

	December 31, 2011	December 31, 2010
Cost		
As at January 1	914,570	914,570
Transfer to assets held-for-sale	(914,570)	
As at December 31	-	914,570
Accumulated depreciation		
As at January 1	-	(11,432)
Depreciation charge	-	(45,728)
As at December 31	-	(57,160)
Net book value	-	**857,410**

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 Government of the Republic of Uzbekistan. Accordingly the Group overtook ownership of the trading complex with the view to earn rentals from operating lease.

During 2011, Group has classified investment property as an asset held-for-sale as management is planning to sell property within a short period of time and negotiations with potential buyers over the sale has started as of December 31, 2011. For disclosure on assets held-for-sale, please refer to Note 22.

21. OTHER ASSETS

Other assets comprise:

	December 31, 2011	December 31, 2010
Other financial assets		
Receivable from former employees	2,046,426	-
Receivable from Banks in liquidation process	1,500,000	-
Receivable from money transfer organisation	1,370,754	-
Commission receivable from customers	495,406	796,646
	5,412,586	796,646
Less allowance for impairment losses	(2,180,971)	(776,272)
	3,231,615	20,374
Other non-financial assets:		
Prepaid expenses and advances	1,966,167	2,619,538
Prepayments for equipment for lease purposes	1,549,427	1,066,781
Prepaid income tax	1,396,992	993,929
Inventory	105,075	-
Other	1,875,962	1,362,811
	6,893,623	6,043,059
Total other assets	**10,125,238**	**6,063,433**

Receivable from employees in the amount of UZS 2,046,426 thousand represents receivable from the chairman of Chirchik branch, who has missapropriated cash from the vault of aforementioned branch on August 2011. At present, current case is under investigation by law enforcement authorities.
Management of the bank has provided full provision for the outstanding amount in accordance with IAS 37 Provisions, contingent assets and liabilities.

Receivable from banks in liquidation process in the amount of UZS 1,500,000 thousand represents receivable from "Uktambank" OJSCB, which was liquidated during 2011. Management recognized no impairment on this transaction, as subsequent to balance sheet date, in accordance with the Tashkent State Commercial Court decision, the Group was entitled to the bonds of metallurgic company ("Uzvtorcvetmet") which previously were held by "Uktambank" OJSCB.

Movements in allowances for impairment losses on other assets for the years ended December 31, 2011 and 2010 are disclosed in Note 7.
Prepaid expenses primarily represent settlements with the court and advances made for insurance and subscription.

22. ASSETS CLASSIFIED HELD FOR SALE

	December 31, 2011	December 31, 2010
Assets related to subsidiary companies	9,826,468	-
Investment in recovery companies	3,815,284	16,374,241
Repossessed assets:		
Buildings held-for-sale	20,124,106	2,216,062
Equipment held-for-sale	212,140	539,650
Others assets held-for-sale	201,674	85,704
Total repossessed assets	20,537,920	2,841,416
	34,179,672	19,215,657
Less allowance for impairment losses	-	(1,212,762)
Total assets classified held-for-sale	**34,179,672**	**18,002,895**
Liabilities directly associated with assets held-for-sale	266,722	-

Investment in recovery companies represents financial investments made by the Group to restructure foreclosed assets of defaulted borrowers into newly incorporated company. On the basis of the Decree of the President of Republic of Uzbekistan #P-4010 dated November 18, 2008 on "Measures on realization/sale of insolvent companies on auction by commercial banks" the Group takes over the insolvent companies and makes investments with the purpose of recovery and subsequent resale. As at December 31, 2011, the Group had investments in "Ferghana ceramics industry" LLC and "Horazm shish idishlari" LLC for the amount of UZS 1,226,176 (December 31, 2010: UZS 300,000 thousand) and UZS 2,589,108 thousand (December 31, 2010: nil), respectively. The Group actively markets these assets and expects the sale to be completed within one year.

The Group is seeking to dispose of the repossessed assets, primarily buildings held-for-sale and anticipates that the disposal will be completed during 2012. These assets were repossessed in respect of loans to customers during 2011. Buildings held-for-sale include trading center ("Yoshlar Markazi") in the amount of UZS 7,000,300 thousand (December 31, 2010: nil) located at Andijan city which is anticipated to be sold to Governmental funded entity "Kamolot". Subsequent to balance sheet date, the Group has disposed or concluded agreement for the sale of UZS 2,223,776 thousand of repossessed assets.

Assets related to subsidiary companies comprise total assets, less intercompany balances and transactions, of "Quqon Lyuks Textile" (textile business) LLC and "Samarkand Aqua line" LLC (soft drink production business) which are 100% owned by the Group. The Group is seeking to dispose of these business units and anticipates that the disposal will be completed during 2012. The major classes of assets and liabilities of these business units as at the end of the reporting period are as follows:

	December 31, 2011
Property, plant and equipment	7,134,649
Construction in progress	1,681,858
Other assets	1,009,961
Assets of the subsidiaries companies classified held-for-sale	9,826,468
Accounts payable	(240,976)
Other liabilites	(25,746)
Liabilities of subsidiaries associated with assets classified as held-for-sale	(266,722)
Net assets of subsidiaries classified held-for-sale	**9,559,746**

23. DUE TO BANKS

Due to banks comprise:

	December 31, 2011	December 31, 2010
Term deposits of banks and other financial institutions	108,993,586	98,525,209
Correspondent accounts with other banks	3,662,960	2,457,692
Total due to banks	**112,656,546**	**100,982,901**

As at December 31, 2011 and 2010 the Group had term deposits of other banks amounting to UZS 52,800,000 thousand (49.2% (to 1 domestic bank) of total due to other banks) and UZS 47,700,000 (49% (to 1 domestic bank) of total due to other banks), respectively, which represent significant concentration.

As at December 31, 2011 and 2010, due to banks included accrued interest expense totaling UZS 2,164,773 thousand and UZS 908,677 thousand, respectively.

24. CUSTOMER ACCOUNTS

Customer accounts comprise:

	December 31, 2011	December 31, 2010
Repayable on demand	1,493,103,449	886,850,404
Time deposits	220,382,172	140,179,363
Total customer accounts	**1,713,485,621**	**1,027,029,767**

	December 31, 2011	December 31, 2010
Analysis by sector:		
Manufacturing	669,892,883	354,986,000
Utilities	256,919,154	136,338,694
Trade and catering	224,405,213	119,084,596
Individuals	215,734,880	222,966,434
Communication and transportation	104,483,559	55,446,049
Construction	101,204,788	53,706,111
Logistics	85,631,043	45,441,628
Government	18,406,136	19,527,457
Agriculture	5,626,670	2,985,892
Other	31,181,295	16,546,906
Total customer accounts	**1,713,485,621**	**1,027,029,767**

As at December 31, 2011 and 2010, customer accounts totaling UZS 353,665,358 thousand and UZS 117,722,000 thousand, respectively, were held as security against letters of credit and other similar instruments issued by the Group.

As at December 31, 2011 and 2010, customer accounts totaling UZS 723,995,193 thousand (42%) and UZS 281,430,910 thousand (27%), respectively, were due to 6 customers in 2011 (2010: 5 customers), which represents significant concentration.

As at December 31, 2011 and 2010, customer accounts included accrued interest expense totaling UZS 301,017 thousand and UZS 207,790 thousand, respectively.

25. OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency	Maturity	Interest rate %	December 31, 2011	December 31, 2010
International financial institutions					
China Export-Import Bank	USD	21/01/2028 - 21/07/2031	2.0%	392,655,563	118,912,961
Landes Bank Berliner AG	EUR	29/01/2016	Euribor + 1.5%	32,791,500	37,052,210
Industrial and commercial Bank of China ("ICBC")	USD	07/03/2014	Libor + 0.875%	20,614,489	25,683,048
China Development Bank ("CDB")	USD	14/08/2019	Libor + 1.5%	11,923,250	12,369,665
Commerzbank AG	EUR	25/12/2014 - 27/10/2016	Euribor + 5.95% Euribor +1.95%, 7%	10,461,699	4,120,704
Hypo und Vereinsbank ("HVB")	EUR	02/12/2013	Euribor+1.25%	4,075,906	4,844,749
Dresdner Bank AG	USD/EUR	13/07/2012- 10/08/2012	Libor + 0.95%, Euribor + 0.9%	1,336,413	2,170,080
Banca Nazionale del Lavoro ("BNL")	EUR	20/02/2012	Euribor + 1.5%	150,220	416,632
Kreditanstalt für Wiederaufbau ("KfW")	EUR	30/12/2017	3%	-	952,657
Uzbekistan Financial Institutions					
Uzbekistan Fund for Reconstruction and Development ("UFRD")	USD	16/04/2013 - 16/12/2031	0.5% - 6%	898,008,056	386,924,728
Loans payable to the CBU	UZS	31/12/2014	7.5% - 12%	6,981,783	11,848,560
Long term loans from other creditors	UZS	07/08/2014 - 06/04/2016	5 - 9%	3,636,175	2,594,233
Term borrowing and other accrued interest payables	UZS	-	0%	2,525,912	1,490,791
Interest payable to CBU	UZS	-	0%	1,885,931	5,781,184
Long term loans from the Ministry of Finance	UZS	-	0%	1,900,000	1,900,000
Ministry of Finance of Republic of Uzbekistan	UZS	01/03/2013	1%	1,506,659	1,695,361
Term borrowings from non-budgetary funds	UZS	-	1.75%-7.2%	364,348	960,930
Agency of agricultural enterprises restructuring	UZS	-	0%	-	297,000
Total other borrowed funds				**1,390,817,903**	**620,015,493**

The Group is obliged to comply with the financial covenants in relation to other borrowed funds disclosed above.

In accordance with the financial line agreement with China Development Bank (CDB) dated June 23, 2008, the Group is obliged to comply with certain financial covenants. As at December 31, 2011, the Group was not able to meet certain covenants of financial line agreement. Loan outstanding amount as of balance sheet date is UZS 11,923,250 thousand.

Despite, the identified non-compliance with the financial covenants of this agreement, the Group will continue cooperation with the financial institution.

26. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2011	December 31, 2010
Other financial liabilities:		
Payable to creditors of "PSB Anteks Group" LLC	6,198,226	-
Current account with Islamic Corporation for Private Sector Development	1,615,000	-
Settlement with suppliers, contractors and purchasers	653,942	1,037,475
Dividends payable	32,308	24,072
	8,499,476	1,061,547
Other non-financial liabilities:		
Taxes payable, other than income tax	4,640,796	2,244,004
Accounts payable to employees	2,685,571	57,342
Deferred revenue	140,121	156,877
Other	1,167,878	126,458
	8,634,366	2,584,681
Total other liabilities	**17,133,842**	**3,646,228**

Payable to creditors of "PSB Anteks Group" LLC represents liability of the Group in front of creditors of recovered (formerly bankrupt) entity. In accordance with the Decree of the President of the Republic of Uzbekistan #UP4010 dated November 18, 2009, the Group took over bankrupt company JV "Baliqchiteks" for nil amount. The Group has reformed the bankrupt entity into PSB Anteks Group LLC in partnership with "Anteks" JSC. The Group has sold its investment in recovered entity (PSB Antek Group LLC) to Anteks JSC during 2011. In accordance with the Decree, the Group has a commitment to repay liabilities of the bankrupted company out of its profits.

Current account with Islamic Corporation for Private Sector Development (ICD) represents amounts payable to sellers under line financing agreement with ICD dated June 9, 2009 (last amended May 24, 2011). For the Group's role and responsibility under this line financing agreement, please refer to Note 28.

27. SHARE CAPITAL

As of December 31, 2011 the Group's share capital comprised the following:

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Ordinary shares	148,701,121	12,526,495	161,227,616
	148,701,121	12,526,495	161,227,616

As of December 31, 2010 the Bank's share capital comprised the following:

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Ordinary shares	124,446,121	12,526,495	136,972,616
	124,446,121	12,526,495	136,972,616

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

	Share capital authorized, Pcs'000	Treasury shares	Total
Ordinary shares (par value of UZS 2,475)			
December 31, 2009	**48,000**	-	**48,000**
Issue of shares	2,000	-	-
Purchase of treasury shares	-	(5,028)	(5,028)
December 31, 2010	**50,000**	**(5,028)**	**42,972**
Issue of shares	9,800	-	9,800
Sale of treasury shares	-	2,360	2,360
December 31, 2011	**59,800**	**(2,668)**	**55,131**
Preference shares (par value of UZS 2,475)			
December 31, 2009	**2,000**	-	**2,000**
Issue of shares	-	-	-
December 31, 2010	**2,000**	-	**2,000**
Issue of shares	-	-	-
December 31, 2011	**2,000**	-	**2,000**

The nominal registered amount of the Group's issued share capital prior to restatement of capital contributions made before 1 January 2006 to the purchasing power of the Uzbekistan UZS at December 31, 2011 is UZS 154,625,272 thousand (December 31, 2010: UZS 124,446,121 thousand), including nominal value of ordinary shares of UZS 149,675,272 thousand (December 31, 2010: UZS 119,496,121 thousand) and nominal value of preference shares of UZS 4,950,000 thousand (December 31, 2010: UZS 4,950,000 thousand).

In 2011, the Bank has issued shares in the quantity of 9.8 million pieces for the nominal value of UZS 2,475 for the amount of UZS 24,255,000 thousand as per approval of the Shareholders' Meeting held on December 2010.

In 2010, the par value of both the ordinary and preference shares issued was increased twice: from UZS 2,200 to UZS 2,360 and from UZS 2,360 to UZS 2,475 per share as per approval of the Shareholders' Meetings held in December 2009 and June 2010 by capitalization from retained earnings of 50,000 thousand shares amounting to UZS 8,000,000 thousand and UZS 5,750,000 thousand, respectively.

In 2011 the Group declared dividends of UZS 68 per share on ordinary shares (2010: UZS 58) and UZS 495 per share on preference shares (2010: UZS 472). Subsequent to December 31, 2011 the Group neither declared nor paid dividends on both ordinary shares and on preference shares.

28. COMMITMENTS AND CONTINGENCIES

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

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

As at December 31, 2011 and 2010, contingent liabilities comprise:

	December 31, 2011		December 31, 2010	
Contingent liabilities and credit commitments:	**Nominal amount**	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Letters of credit	202,014,244	101,007,122	204,959,089	102,479,545
Guarantees issued and other similar instruments	189,054,390	94,527,195	226,390,566	113,195,283
Commitments on unused credit lines	890,115,018	445,057,509	603,581,740	301,790,870
Total contingent liabilities and creit commitments	**1,281,183,652**	**640,591,826**	**1,034,931,395**	**517,465,698**

On June 9, 2009 (last amended on May 24, 2011) the Group entered into a line financing agreement with Islamic Corporation for the Development of the Private Sector (ICD). The Group acts as an agent, duties of which include finding applicants for loans of ICD and to handle borrower screening and application process. The Group provides guarantee to ICD for non-repayment of ICD approved projects.

As part of line financing agreement with ICD, the Group has to comply with certain covenants, non-compliance of which may result in immediate cessation of the role of an agent. As at December 31, 2011, the Group was not able to meet conditions of certain financial covenants of the agreement.

Management believes that identified non-compliance will not affect the financial position of the Group, as suspension of the role of an agent will not result on direct liabilities of the Group. On the basis of historical track of cooperating with ICD, management considers the suspension of aforementioned agreement to be remote.

Capital commitments – the Group had no material commitments for capital expenditure outstanding as ats December 31, 2011 and 2010.

Operating lease commitments – the Group had no material operating lease commitments outstanding as at December 31, 2011 and 2010.

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

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

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

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

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

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

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the country's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures".
In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Group and other related parties are disclosed below:

	December 31, 2011		December 31, 2010	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and balances with CBU				
-entities with joint control or significant influence over the Bank	271,036,653	-	205,933,917	-
	271,036,653	**323,770,703**	**205,933,917**	**248,970,393**
Due from banks				
-entities under common control	-	-	1,152,256	-
	-	**670,392,376**	**1,152,256**	**153,454,290**
Loans to customers				
-shareholders	727,400,918	-	216,285,225	-
-entities under common control	1,002,958,897	-	634,049,099	-
	1,730,359,815	**2,372,861,468**	**850,334,324**	**1,476,775,268**
Allowance for impairment losses				
-the parent company	-	-	1,234,964	-
-entities under common control	45,836,736	-	15,942,122	-
	45,836,736	**101,551,778**	**17,177,086**	**71,580,748**
Investments available for sale				
-the parent company	5,796,446	-	14,479,001	-
-entities under common control	6,565,080	-	3,027,910	-
	12,361,526	**21,466,299**	**17,506,911**	**24,184,618**
Investments in associates				
- associates	4,360,133	-	4,052,268	-
	4,360,133	**4,360,133**	**4,052,268**	**4,052,268**
Due to banks				
-entities under common control	77,523,541	-	72,812,066	-
	77,523,541	**112,656,546**	**72,812,066**	**100,982,901**
Customer accounts				
-shareholders	773,231,218	-	81,774,503	-
-entities under common control	187,889,043	-	222,947,187	-
	961,120,261	**1,713,485,621**	**304,721,690**	**1,027,029,767**
Other borrowed funds				
-shareholders	901,094,473	-	388,430,532	-
-entities under common control	9,232,062	-	960,930	-
	910,326,535	**1,390,817,903**	**389,391,462**	**620,015,493**
Guarantees issued and similar commitments				
-shareholders	142,415,300	-	56,380,029	-
-entities under common control	183,802,741	-	139,400,000	-
	326,218,041	**1,281,183,652**	**195,780,029**	**1,034,931,395**

Included in the statement of comprehensive income for the years ended December 31, 2011 and 2010, are the following amounts which were recognized in transactions with related parties:

	Year ended December 31, 2011		Year ended December 31, 2010	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
-shareholders	20,740,042	-	17,017,324	-
-entities under common control	31,787,401	-	22,966,530	-
	52,527,443	**137,096,541**	**39,983,854**	**107,397,094**
Interest expense				
-shareholders	10,582,967	-	-	-
-entities under common control	2,378,155	-	4,499,216	-
	12,961,122	**52,947,801**	**4,499,216**	**62,450,920**
Provision for impairment losses on interest bearing assets				
-entities under common control	24,914,904	-	2,461,235	-
	24,914,904	**51,276,622**	**2,461,235**	**16,019,209**
Fee and commission income				
-shareholders	8,006,984	-	6,043,373	-
-entities under common control	21,759,017	-	16,422,896	-
	29,766,001	**88,180,566**	**22,466,269**	**67,421,143**
Fee and commission expense				
-the parent company	433,900	-	485,918	-
-entities under common control	4,186,224	-	4,688,090	-
	4,620,124	**13,005,958**	**5,174,008**	**13,578,479**
Operating expenses				
- Key management personnel compensation:	143,923	-	136,482	-
	143,923	**49,790,332**	**136,482**	**38,051,880**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

Loans and advances to banks

For assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

The fair value of financial assets and liabilities that are not carried at fair value in the statement of financial position compared with the corresponding carrying value in the financial statements of the Bank is presented below:

	December 31, 2011		December 31, 2010	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with the CBU	323,770,703	323,770,703	248,970,393	248,970,393
Due from banks	670,392,376	669,857,153	153,454,290	151,793,654
Other financial assets	3,231,615	3,231,615	20,374	20,374
Due to banks	112,656,546	111,387,101	100,982,901	99,336,137
Other financial liabilities	8,499,476	8,499,476	1,061,547	1,061,547

31. CAPITAL RISK MANAGEMENT

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

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

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

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

The below ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

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

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes.

	2011	2010
Movement in tier 1 capital:		
At 1 January	**152,403,630**	**156,001,457**
Issue of ordinary shares	24,255,000	-
Profit	16,531,080	12,623,527
Dividends declared	(4,398,101)	(3,776,000)
Sale of treasury shares	5,843,010	-
Purchase of treasury shares	-	(12,445,354)
At 31 December	**194,634,619**	**152,403,630**

Composition of regulatory capital (a):	December 31, 2011	December 31, 2010
Tier 1 capital		
Share capital	161,227,616	136,972,616
Treasury shares	(6,602,344)	(12,445,354)
Disclosed reserves	38,713,967	26,912,073
Total qualifying tier 1 capital	**193,339,239**	**151,439,335**
Total regulatory capital	**193,339,239**	**151,439,335**
Capital Ratios:		
Tier 1 capital	19.37%	15.74%
Total capital	19.51%	15.84%

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

32. RISK MANAGEMENT POLICIES

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

- Credit exposures
- Liquidity risk
- Market risk

The risk management function within the Group 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 minimize operational and legal risks.

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

Credit risk

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

Credit risk measurement:

(a) Loans and advances. In measuring credit risk of loan and advances to customers at a counterparty level, the Group 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 Group 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 Group'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 Group 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 Group are segmented into five rating classes. The Group's rating scale, 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 Group regularly validates the performance of the rating and their predictive power with regard to default events.

Group's internal ratings scale:

Good	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Standard	2	"Standard" loans are those loans, which are secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some 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 Group 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 Group 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 Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the carrying value. For a commitment, the Group 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 Group'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 Group 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 Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by 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 Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

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

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

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

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

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

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

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

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

The Group'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 27.

The Group 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.

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 Group 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.

Maximum exposure of credit risk

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

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

					December 31, 2011
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and Balances with CBU	323,770,703	52,734,050	271,036,653	-	271,036,653
Due from banks	670,392,376	14,813	670,377,563	-	670,377,563
Loans to customers	2,271,309,690	-	2,271,309,690	2,244,173,451	27,136,239
Investments available-for-sale	21,466,299	141,960	21,324,339	-	21,324,339
Other financial assets	3,231,615	-	3,231,615	-	3,231,615
Guarantees issued and similar commitments	189,054,390	-	189,054,390	-	189,054,390

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
					December 31, 2010
Cash and Balances with CBU	248,970,393	43,036,476	205,933,917	-	205,933,917
Due from banks	153,454,290	-	153,454,290	-	153,454,290
Loans to customers	1,405,194,520	-	1,405,194,520	1,384,971,232	20,223,288
Investments available-for-sale	24,184,618	94,540	24,090,078	-	24,090,078
Other financial assets	20,374	-	20,374	-	20,374
Guarantees issued and similar commitments	226,390,566	-	226,390,566	-	226,390,566

Financial assets are graded according to the current credit rating issued by international rating agencies. The highest possible rating is AA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at December 31, 2011:

	AA	A	BBB	BB	B	Not rated	December 31, 2011 Total
Due from banks	284,617,138	299,010,678	11,315,304	1,511,927	71,327,019	2,610,310	**670,392,376**
Loans to customers	-	-	-	-	-	2,271,309,690	**2,271,309,690**
Investments available-for-sale	-	-	-	-	-	21,466,299	**21,466,299**
Other financial assets	-	-	-	-	-	3,231,615	**3,231,615**

As at December 31, 2010:

	AA	A	BBB	BB	B	Not rated	December 31, 2010 Total
Due from banks	2,133,712	71,964,326	51,857,453	-	20,428,613	7,070,186	**153,454,290**
Loans to customers	-	-	-	-	-	1,405,194,520	**1,405,194,520**
Investments available-for-sale	-	-	-	-	-	24,184,618	**24,184,618**
Other financial assets	-	-	-	-	-	20,374	**20,374**

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

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

As at December 31, 2011:

		Financial assets past due but not impaired				December 31, 2011	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	670,392,376	-	-	-	-	-	670,392,376
Loans to customers	2,237,193,132	4,511,354	6,015,853	1,234,373	-	123,906,756	2,372,861,468
Investments available-for-sale	21,466,299	-	-	-	-	-	21,466,299
Other financial assets	1,866,160	-	-	-	-	3,546,426	5,412,586

As at December 31, 2010:

		Financial assets past due but not impaired				December 31, 2010	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	153,454,290	-	-	-	-	-	153,454,290
Loans to customers	1,353,664,331	2,679,622	19,365,274	6,759,200	-	94,306,841	1,476,775,268
Investments available-for-sale	24,184,618	-	-	-	-	-	24,184,618
Other financial assets	20,374	-	-	-	-	776,272	796,646

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

Geographical concentration

The Treasury Department exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan. The Group's Management Board sets up country limits, while the Treasury department is responsible for assessment and control of the concentration risk.

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

	Uzbekistan	OECD countries	Non-OECD countries	December 31, 2011 Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Republic of Uzbekistan	323,770,703	-	-	323,770,703
Due from banks	70,878,557	592,151,336	7,362,483	670,392,376
Loans to customers	2,271,309,690	-	-	2,271,309,690
Investments available-for-sale	20,466,299	1,000,000	-	21,466,299
Other financial assets	3,231,615	-	-	3,231,615
TOTAL FINANCIAL ASSETS	**2,689,656,864**	**593,151,336**	**7,362,483**	**3,290,170,683**
FINANCIAL LIABILITIES				
Due to banks	112,656,546	-	-	112,656,546
Customer accounts	1,713,485,621	-	-	1,713,485,621
Other borrowed funds	922,242,984	37,527,307	431,047,613	1,390,817,903
Other financial liabilities	8,499,476	-	-	8,499,476
TOTAL FINANCIAL LIABILITIES	**2,756,884,627**	**37,527,307**	**431,047,613**	**3,225,459,547**
NET POSITION	**(67,227,763)**	**555,624,029**	**(423,685,130)**	

	Uzbekistan	OECD countries	Non-OECD countries	December 31, 2010 Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Republic of Uzbekistan	248,970,393	-	-	248,970,393
Due from banks	18,958,116	130,881,401	3,614,773	153,454,290
Loans to customers	1,405,194,520	-	-	1,405,194,520
Investments available-for-sale	23,511,816	672,802	-	24,184,618
Other financial assets	20,374	-	-	20,374
TOTAL FINANCIAL ASSETS	**1,696,655,219**	**131,554,203**	**3,614,773**	**1,831,824,195**
FINANCIAL LIABILITIES				
Due to banks	100,215,809	-	767,092	100,982,901
Customer accounts	1,027,029,767	-	-	1,027,029,767
Other borrowed funds	420,200,202	-	199,815,291	620,015,493
Other financial liabilities	1,061,547	-	-	1,061,547
TOTAL FINANCIAL LIABILITIES	**1,548,507,326**	**-**	**200,582,382**	**1,749,089,708**
NET POSITION	**148,147,893**	**131,554,203**	**(196,967,610)**	

Liquidity risk

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

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

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is a part of assets/liabilities management process. The Board of Management of the Group sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2011 Total
FINANCIAL ASSETS								
Cash and balances with the Central Bank of the Republic of Uzbekistan	0.30%	131,291,866	-	-	-	-	-	131,291,866
Due from banks	0.20%	321,040,701	2,500,000	4,010,100	1,000,000	-	-	328,550,801
Loans to customers	8.67%	124,864,599	114,119,110	544,996,530	600,839,287	886,490,164	-	2,271,309,690
Investments available-for-sale	9.62%	5,197,000	7,150,001	3,178,400	5,940,898	-	-	21,466,299
Total interest bearing financial assets		**582,394,166**	**123,769,111**	**552,185,030**	**607,780,185**	**886,490,164**	**-**	**2,752,618,656**
Cash and balances with the Central Bank of the Republic of Uzbekistan		192,478,837	-	-	-	-	-	192,478,837
Due from banks		262,759,670	-	79,081,760	144	-	-	341,841,574
Other financial assets		3,231,615	-	-	-	-	-	3,231,615
Total financial assets		**1,040,864,288**	**123,769,111**	**631,266,790**	**607,780,329**	**886,490,164**	**-**	**3,290,170,682**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2011 Total
FINANCIAL LIABILITIES								
Due to banks	8.99%	44,000,000	19,533,577	43,546,713	37,572	-	-	107,117,862
Customer accounts	8.05%	108,585,563	232,736,252	142,076,713	28,571,240	27,060,000		539,029,768
Other borrowed funds	2.94%	18,800,808	150,220	1,336,413	131,133,865	1,237,525,590	-	1,388,946,897
Total interest bearing financial liabilities		**171,386,371**	**252,420,049**	**186,959,839**	**159,742,677**	**1,264,585,590**	-	**2,035,094,527**
Due to banks		5,538,684	-	-	-	-	-	5,538,684
Customer accounts		876,063,298	54,605,429	201,047,992	42,739,134	-	-	1,174,455,853
Other borrowed funds		1,871,007	-	-	-	-	-	1,871,007
Other financial liabilities		2,301,250	-	-	6,198,226	-	-	8,499,476
Total financial liabilities		**1,057,160,610**	**307,025,478**	**388,007,831**	**208,680,038**	**1,264,585,590**	-	**3,225,459,547**
Liquidity gap		(16,296,322)	(183,256,367)	243,258,959	399,100,291	(378,095,426)		
Interest sensitivity gap		411,007,795	(128,650,938)	365,225,191	448,037,508	(378,095,426)		
Cumulative interest sensitivity gap		**411,007,795**	**282,356,857**	**647,582,048**	**1,095,619,555**	**717,524,129**		
Cumulative interest sensitivity gap as percentage of total financial assets		12%	9%	20%	33%	22%		

Negative liquidity gap for up to 3 months period after the reporting date is caused by demand deposits of customers. The management regularly assesses the stability of its customer accounts funding base based on past performance and analysis of the events subsequent to the balance sheet date. As short-term obligations of the Group are concentrated primarily on its shareholders and entities under common control, the management believes that the customers hold their demand deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

As discussed in Note 33, subsequent to balance sheet date, Shareholders decided to increase the share capital for the amount of UZS 6,279,000 thousand. Those funds were used to stabilize the Group's position and provided tangible evidence of the Government's support for the Group reflecting its importance to the economy and financial system.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	December 31, 2010 Total
FINANCIAL ASSETS								
Cash and balances with the Central Bank of the Republic of Uzbekistan	0.61%	84,062,028	-	-	-	-	-	84,062,028
Due from banks	7.25%	124,843,885	-	27,445,046	1,000,000	-	-	153,288,931
Loans to customers	9.13%	51,473,981	140,339,047	358,432,353	439,304,509	415,644,630	-	1,405,194,520
Investments available-for-sale	5.94%	12,801,563	263	7,607,375	3,775,417	-	-	24,184,618
Total interest bearing financial assets		**273,181,457**	**140,339,310**	**393,484,774**	**444,079,926**	**415,644,630**	-	**1,666,730,097**
Cash and balances with the Central Bank of the Republic of Uzbekistan		164,908,365	-	-	-	-	-	164,908,365
Due from banks		165,359	-	-	-	-	-	165,359
Other financial assets		20,374	-	-	-	-	-	20,374
Total financial assets		**438,275,555**	**140,339,310**	**393,484,774**	**444,079,926**	**415,644,630**	-	**1,831,824,195**
FINANCIAL LIABILITIES								
Due to banks	8.69%	53,400,000	25,262,545	18,880,038	73,950	-	-	97,616,533
Customer accounts	9.81%	109,405,707	52,943,690	43,382,648	15,304,326	10,000,000	-	231,036,371
Other borrowed funds	1.7%	960	239,081	2,975,639	141,809,051	473,499,971	-	618,524,702
Total interest bearing financial liabilities		**162,806,667**	**78,445,316**	**65,238,325**	**157,187,327**	**483,499,971**	-	**947,177,606**
Due to banks		3,366,369	-	-	-	-	-	3,366,369
Customer accounts		682,007,848	17,172,712	81,756,110	15,056,725	-	-	795,993,396
Other borrowed funds		1,490,791	-	-	-	-	-	1,490,791
Other financial liabilities		1,061,547	-	-	-	-	-	1,061,547
Total financial liabilities		**850,733,222**	**95,618,028**	**146,994,435**	**172,244,052**	**483,499,971**	-	**1,749,089,708**
Liquidity gap		(412,457,667)	44,721,282	246,490,339	271,835,874	(67,855,341)		
Interest sensitivity gap		110,374,790	61,893,994	328,246,449	286,892,599	(67,855,341)		
Cumulative interest sensitivity gap		110,374,790	172,268,784	500,515,233	787,407,832	719,552,491		
Cumulative interest sensitivity gap as percentage of total financial assets		6%	9%	27%	43%	39%		

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities, which are not recognized in the statement of financial position under the effective interest rate method.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2011 Total
FINANCIAL LIABILITIES						
Due to banks	44,316,723	19,674,185	43,860,174	37,842	-	107,888,924
Customer accounts	109,288,677	234,243,268	142,996,690	28,756,245	27,235,219	542,520,099
Other borrowed funds	18,846,189	150,583	1,339,639	131,450,393	1,240,512,703	1,392,299,507
Total interest bearing financial liabilities	**172,451,589**	**254,068,036**	**188,196,503**	**160,244,480**	**1,267,747,922**	**2,042,708,530**
Due to banks	5,538,684	-	-	-	-	5,538,684
Customer accounts	876,063,298	54,605,429	201,047,992	42,739,134	-	1,174,455,853
Other borrowed funds	1,871,007	-	-	-	-	1,871,007
Other financial liabilities	2,301,250	-	-	6,198,226	-	8,499,476
Total financial liabilities	**1,058,225,828**	**308,673,465**	**389,244,495**	**209,181,841**	**1,267,747,922**	**3,233,073,551**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2010 Total
FINANCIAL LIABILITIES						
Due to banks	53,400,000	25,262,545	18,880,038	73,950	-	97,616,533
Customer accounts	109,405,707	52,943,690	43,382,648	15,304,326	10,000,000	231,036,371
Other borrowed funds	960	239,081	2,975,639	141,809,051	473,499,971	618,524,702
Total interest bearing financial liabilities	**162,806,667**	**78,445,316**	**65,238,325**	**157,187,327**	**483,499,971**	**947,177,606**
Due to banks	3,366,369	-	-	-	-	3,366,369
Customer accounts	682,007,848	17,172,712	81,756,110	15,056,725	-	795,993,396
Other borrowed funds	1,490,791	-	-	-	-	1,490,791
Other financial liabilities	1,061,547	-	-	-	-	1,061,547
Total financial liabilities	**850,733,222**	**95,618,028**	**146,994,435**	**172,244,052**	**483,499,971**	**1,749,089,708**

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

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

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

The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequently cash flow risk.

Interest rate risk sensitivity

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.
Impact on profit before tax based on asset values as at December 31, 2011 and 2010:

	As at December 31, 2011		**As at December 31, 2010**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets				
Investments available-for-sale	57,964	(57,964)	241,846	(241,846)
Liabilities				
Other borrowed funds	(781,142)	781,142	(394,074)	394,074
Net impact on profit before tax	(723,178)	723,178	(152,228)	152,228

	As at December 31, 2011		**As at December 31, 2010**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets				
Investments available-for-sale	49,270	(49,270)	205,569	(205,569)
Liabilities				
Other borrowed funds	(663,971)	663,971	(334,963)	334,963
Impact on equity	(614,701)	614,701	(129,394)	129,394

Currency risk

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

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

The Group's exposure to foreign currency exchange rate risk as at December 31, 2011 and 2010 is presented in the tables below:

	UZS	USD USD 1 = 1,795.00 UZS	EUR EUR 1 = 2,341.97 UZS	Other Currency	December 31, 2011 Total
Financial assets					
Cash and balances with the CBU	74,019,712	243,108,874	5,611,232	1,030,884	323,770,703
Due from banks	5,652,174	564,088,202	96,560,514	4,091,486	670,392,376
Loans to customers	810,123,067	1,376,914,952	84,271,671	-	2,271,309,690
Investments available-for-sale	21,005,925	460,374	-	-	21,466,299
Other financial assets	1,679,349	1,544,291	7,975	-	3,231,615
Total financial assets	**912,480,227**	**2,186,116,693**	**186,451,392**	**5,122,370**	**3,290,170,683**
Due to banks	106,844,437	5,713,742	98,367	-	112,656,546
Customer accounts	773,354,378	840,971,840	95,092,685	4,066,717	1,713,485,621
Other borrowed funds	13,455,106	1,298,010,099	79,352,698	-	1,390,817,903
Other financial liabilities	6,884,476	1,615,000	-	-	8,499,476
Total financial liabilities	**900,538,398**	**2,146,310,681**	**174,543,750**	**4,066,717**	**3,225,459,546**
OPEN BALANCE SHEET POSITION	11,941,829	39,806,012	11,907,642	1,055,653	

	UZS	USD USD 1 = UZS 1640.00	EUR EUR 1 = UZS 2,165.13	Other Currency	December 31, 2010 Total
Financial assets					
Cash and balances with the CBU	182,521,200	64,502,065	987,986	959,142	248,970,393
Due from banks	19,448,439	80,803,456	25,332,678	27,869,717	153,454,290
Loans to customers	700,169,307	610,351,312	94,673,901	-	1,405,194,520
Investments available-for-sale	23,763,997	420,621	-	-	24,184,618
Other financial assets	(330,643)	348,819	2,198	-	20,374
Total financial assets	**925,572,301**	**756,426,272**	**120,996,763**	**28,828,859**	**1,831,824,195**
Due to banks	98,366,662	2,478,211	138,028	-	100,982,901
Customer accounts	750,441,536	210,816,675	37,975,696	27,795,860	1,027,029,767
Other Borrowed Funds	21,990,740	546,836,055	51,188,698	-	620,015,493
Other financial liabilities	1,061,547	-	-	-	1,061,547
Total financial liabilities	**871,860,485**	**760,130,941**	**89,302,422**	**27,795,860**	**1,749,089,708**
OPEN BALANCE SHEET POSITION	53,711,816	(3,704,669)	31,694,341	1,032,999	

Currency risk sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the USD against the UZS. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

Impact on net profit and equity based on asset values as at December 31, 2011 and 2010:

	As at December 31, 2011		**As at December 31, 2010**	
	UZS/USD +10%	**UZS/USD -10%**	**UZS/USD +10%**	**UZS/USD -10%**
Impact on profit or loss	4,258,933	(4,258,933)	(672,137)	672,137
Impact on equity	3,620,093	(3,620,093)	(571,317)	571,317

	As at December 31, 2011		**As at December 31, 2010**	
	UZS/EUR +10%	**UZS/EUR -10%**	**UZS/EUR +10%**	**UZS/EUR -10%**
Impact on profit or loss	1,186,616	(1,186,616)	3,169,214	(3,169,214)
Impact on equity	1,008,624	(1,008,624)	2,693,832	(2,693,832)

Limitations of sensitivity analysis

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

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

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

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

33. SUBSEQUENT EVENTS

During December 2011, the Shareholders of the Group decided to increase the Share Capital of the Group for the amount of UZS 6,279,000 thousand. As of the date when the financial statements were authorized for issue, share emission prospectus was pending for registration by regulatory authorities.

On March 26, 2012, there was Government Decree for further increase of share capital of the Group during the years 2012-2013 for the amount of UZS 152,000,000 thousand.