

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

**Consolidated Financial Statements**  
For the Year Ended December 31, 2012

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

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

**STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION  
AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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The following statement, which should be read in conjunction with the independent auditors’ responsibilities stated in the independent auditors’ report set out on pages 3-4, 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 of the Group is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at December 31, 2012, 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 of the Group is responsible for:

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

Management of the Group is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with 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, 2012 were authorized for issue by the Management Board of the Group on March 29, 2013.

**On behalf of the Management Board:**

  
**Abdurasul N. Abdullaev**  
**Chairman of the Board**

March 29, 2013  
Tashkent, Uzbekistan

  
**Ayder A. Dadahanov**  
**Acting Chief Accountant**

March 29, 2013  
Tashkent, Uzbekistan



## 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, 2012, 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 of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Emphasis of matters

We draw attention to Note 28 to the consolidated financial statements, which disclose the Group's significant related party transactions. Our opinion is not qualified in respect of this matter.

*Deloitte & Touche*

March 29, 2013  
Tashkent, Uzbekistan



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

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

*(in thousands of Uzbek Soums, except for earnings per share which are in Uzbek Soums)*

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
<b>Continuing operations</b>			
Interest income	6,28	212,311,007	139,721,454
Interest expense	6,28	(101,598,160)	(52,947,801)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		110,712,847	86,773,653
Provision for impairment losses on interest bearing assets	7,28	(49,291,324)	(51,276,622)
NET INTEREST INCOME		61,421,523	35,497,031
Net gain on foreign exchange operations	8	11,513,440	6,289,126
Fee and commission income	9, 28	99,784,034	85,555,653
Fee and commission expense	9, 28	(16,379,080)	(13,005,958)
Losses on initial recognition of assets at rates below market	16	(1,061,033)	(3,396,678)
Share of results from associates		49,623	309,603
Provision for impairment losses on other operations	7	(650,079)	(1,666,655)
Dividend income		472,365	2,208,124
Other income, net	10	3,388,645	2,862,472
NET NON-INTEREST INCOME		97,117,915	79,155,687
OPERATING INCOME		158,539,438	114,652,718
OPERATING EXPENSES	11	(126,502,031)	(93,128,604)
PROFIT BEFORE INCOME TAX		32,037,407	21,524,114
Income tax expense	12	(6,167,782)	(5,369,860)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		25,869,625	16,154,254
<b>Discontinued operations</b>			
(Loss)/profit for the period from discontinued operations		(700,923)	45,741
NET PROFIT FOR THE PERIOD		25,168,702	16,199,995

Earnings per share, basic (expressed in UZS per share)

13

345

261

**On behalf of the Management Board:**

**Abdurasul N. Abdullaev**  
**Chairman of the Board**

March 29, 2013  
Tashkent, Uzbekistan

**Ayder A. Dadahanov**  
**Acting Chief Accountant**

March 29, 2013  
Tashkent, Uzbekistan

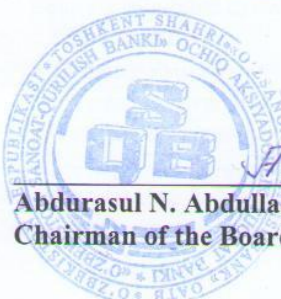
The notes on pages 11-68 form an integral part of these consolidated financial statements.

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

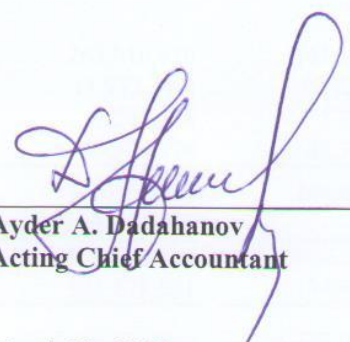
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2012**  
(in thousands of Uzbek Soums)

	Note	Year ended December 31, 2012	Year ended December 31, 2011
NET PROFIT FOR THE PERIOD		<u>25,168,702</u>	<u>16,199,995</u>
Other comprehensive income			
Unrealized gain on investments available-for-sale		650,915	389,512
Income tax relating to components of other comprehensive income	12	<u>(97,637)</u>	<u>(58,427)</u>
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		<u>553,278</u>	<u>331,085</u>
TOTAL COMPREHENSIVE INCOME		<u><u>25,721,980</u></u>	<u><u>16,531,080</u></u>

On behalf of the Management Board:

  
Abdurasul N. Abdullaev  
Chairman of the Board

March 29, 2013  
Tashkent, Uzbekistan

  
Ayder A. Dadahanov  
Acting Chief Accountant

March 29, 2013  
Tashkent, Uzbekistan

The notes on pages 11-68 form an integral part of these consolidated financial statements.



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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2012**  
*(in thousands of Uzbek Soums)*

	Notes	December 31, 2012	December 31, 2011
<b>ASSETS:</b>			
Cash and Balances with the Central Bank of the Republic of Uzbekistan	14,28	553,170,015	323,770,703
Due from banks	15,28	1,009,644,077	670,392,376
Loans to customers	16,28	3,229,833,220	2,271,309,690
Investments available-for-sale	17,28	20,498,524	21,466,299
Investments in associates	18,28	2,798,501	4,360,133
Property, equipment and intangible assets	19	126,780,437	89,887,948
Deferred income tax assets	12	4,321,178	3,503,194
Assets classified as held for sale	21	40,447,617	34,179,672
Other assets	20	23,898,771	10,125,238
<b>TOTAL ASSETS</b>		<b>5,011,392,340</b>	<b>3,428,995,253</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to banks	22,28	117,539,685	112,656,546
Customer accounts	23,28	2,221,450,163	1,713,485,621
Other borrowed funds	24,28	2,344,356,962	1,390,817,903
Liabilities directly associated with assets classified as held for sale	21	168,493	266,722
Other liabilities	25	26,098,236	17,133,842
<b>Total liabilities</b>		<b>4,709,613,539</b>	<b>3,234,360,634</b>
<b>EQUITY:</b>			
Equity attributable to owners of the Group:			
Share capital	26	265,010,820	161,227,616
Treasury shares		(4,972,344)	(6,602,344)
Investments available-for-sale fair value reserve		1,848,658	1,295,380
Retained earnings		38,579,674	38,713,967
<b>Total equity attributable to owners of the Group:</b>		<b>300,466,808</b>	<b>194,634,619</b>
Non-controlling interest		1,311,993	-
<b>Total equity</b>		<b>301,778,801</b>	<b>194,634,619</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,011,392,340</b>	<b>3,428,995,253</b>

**On behalf of the Management Board:**

**Abdurasul N. Abdullaev**  
**Chairman of the Board**

March 29, 2013  
Tashkent, Uzbekistan

**Ayder A. Dadahanov**  
**Acting Chief Accountant**

March 29, 2013  
Tashkent, Uzbekistan

The notes on pages 11-68 form an integral part of these consolidated financial statements.



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


**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

*(in thousands of Uzbek Soums)*

	Share capital	Treasury shares	Investments available-for-sale fair value reserve	Retained earnings	Total equity attributable to owners of the Group:	Non-controlling interest	Total equity
<b>January 1, 2011</b>	<b>136,972,616</b>	<b>(12,445,354)</b>	<b>964,295</b>	<b>26,912,073</b>	<b>152,403,630</b>	<b>-</b>	<b>152,403,630</b>
Shares issued and paid	24,255,000	-	-	-	24,255,000	-	24,255,000
Total comprehensive income	-	-	331,085	16,199,995	16,531,080	-	16,531,080
Dividends declared on preference shares	-	-	-	(990,000)	(990,000)	-	(990,000)
Dividends declared on ordinary shares	-	-	-	(3,408,101)	(3,408,101)	-	(3,408,101)
Sale of Treasury shares, net	-	5,843,010	-	-	5,843,010	-	5,843,010
<b>December 31, 2011</b>	<b>161,227,616</b>	<b>(6,602,344)</b>	<b>1,295,380</b>	<b>38,713,967</b>	<b>194,634,619</b>	<b>-</b>	<b>194,634,619</b>
Shares issued and paid	85,245,204	-	-	-	85,245,204	-	85,245,204
Capitalisation of dividends	18,538,000	-	-	(18,538,000)	-	-	-
Total comprehensive income	-	-	553,278	25,168,702	25,721,980	-	25,721,980
Dividends declared on preference shares	-	-	-	(1,089,000)	(1,089,000)	-	(1,089,000)
Dividends declared on ordinary shares	-	-	-	(5,675,995)	(5,675,995)	-	(5,675,995)
Non-controlling interest arising on investment in subsidiaries	-	-	-	-	-	1,311,993	1,311,993
Sale of Treasury shares, net	-	1,630,000	-	-	1,630,000	-	1,630,000
<b>December 31, 2012</b>	<b>265,010,820</b>	<b>(4,972,344)</b>	<b>1,848,658</b>	<b>38,579,674</b>	<b>300,466,808</b>	<b>1,311,993</b>	<b>301,778,801</b>

**On behalf of the Management Board:**

  
**Abdurasul N. Abdullaev**  
**Chairman of the Board**  
 March 29, 2013  
 Tashkent, Uzbekistan

  
**Ayder A. Dadahonov**  
**Acting Chief Accountant**  
 March 29, 2013  
 Tashkent, Uzbekistan

The notes on pages 11-68 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, 2012**

*(in thousands of Uzbek Soums)*

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received		207,895,147	142,086,096
Interest paid		(118,477,860)	(54,743,038)
Fee and commission received		100,078,176	88,481,806
Fee and commission paid		(16,379,080)	(13,005,958)
Other operating income received		3,614,240	2,360,004
Staff costs paid		(65,160,285)	(47,162,103)
Administrative and other operating expenses paid		(52,382,503)	(37,705,136)
Income tax paid		(5,693,935)	(3,376,131)
Cash flows from operating activities before changes in operating assets and liabilities		53,493,900	76,935,540
Changes in operating assets and liabilities:			
Increase in minimum reserve deposits with the Central Bank of the Republic of Uzbekistan		(60,662,278)	(12,671,885)
Net decrease/(increase) in due from other banks		76,387,903	(67,248,694)
Net increase in loans and advances to customers		(979,870,384)	(944,559,669)
Net increase in other assets		(5,382,645)	(5,656,093)
Net increase in due to other banks		7,473,392	21,848,707
Net increase in customer accounts		469,995,896	702,409,591
Net increase in other liabilities		1,671,020	5,378,836
Net cash outflow from operating activities		(436,893,197)	(223,563,667)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments available-for-sale		(4,460,954)	(2,269,672)
Proceeds from sale and redemption of investments available-for- sale		7,296,446	5,273,298
Purchase of property, equipment and intangible assets		(50,769,485)	(57,664,826)
Proceeds on sale of property, plant and equipment		1,361,051	2,228,400
Dividend income received		639,151	2,209,862
Net cash outflow from investing activities		(45,933,791)	(50,222,938)


The notes on pages 11-68 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 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012**  
*(in thousands of Uzbek Soums)*

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of share capital		85,245,204	24,255,000
Dividends paid		(6,764,995)	(4,389,865)
Proceeds from other borrowed funds		1,061,225,329	816,461,014
Repayment of other borrowed funds		(120,174,827)	(45,222,478)
Treasury shares sold		1,630,000	5,843,010
Net cash inflow from financing activities		1,021,160,711	796,946,681
<i>Effect of changes in foreign exchange rate on cash and cash equivalents</i>		1,307,706	424,834
NET INCREASE IN CASH AND CASH EQUIVALENTS		539,641,429	523,584,910
CASH AND CASH EQUIVALENTS, beginning of year	14	770,997,386	247,412,476
CASH AND CASH EQUIVALENTS, end of year	14	1,310,638,815	770,997,386

**On behalf of the Management Board:**

  
**Abdurasul N. Abdullaev**  
**Chairman of the Board**

March 29, 2013  
Tashkent, Uzbekistan

  
**Ayder A. Dadahanov**  
**Acting Chief Accountant**

March 29, 2013  
Tashkent, Uzbekistan



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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012**

*(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 #YII-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 44 branches within the Republic of Uzbekistan (December 31, 2011: 43 branches). The number of the Bank's employees as at December 31, 2012 was 3,875 (December 31, 2011: 3,973).

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, %		Type of operation
		2012	2011	
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
Quqon Lyuks tekstil, LLC	The Republic of Uzbekistan	100	100	Manufacturing
Samarkand Aqua line, LLC	The Republic of Uzbekistan	100	100	Manufacturing
Hozarasp Tamir Qurilish, LLC	The Republic of Uzbekistan	95.4	-	Manufacturing
Horazm shisha idishlari, LLC	The Republic of Uzbekistan	80.4	-	Manufacturing
Mega beton, LLC	The Republic of Uzbekistan	74.2	-	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, LLC 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, 2012, the investment in new established company was in the amount of UZS 26,581,885 thousand (December 31, 2011: UZS 19,700,079 thousand). 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, 2012, the investment in this subsidiary is in the amount of UZS 9,000,000 thousand (December 31, 2011: UZS 8,200,000 thousand). The company's principal activity is the management of the investments of the Group.

"Quqon Lyuks Textile", LLC (textile business), "Samarkand Aqua line", LLC (soft drink production business), Hozarasp Tamir Qurilish, LLC (construction business), Horazm shisha idishlari, LLC (bottles productions business) and Mega beton, LLC (construction materials production business) are owned by the Group and the Group is seeking to dispose of these business units and anticipates that the disposal will be completed during 2013. For disclosure on respective assets and liabilities held for sale on these companies, please refer to Note 21.

As at December 31, 2012 and 2011 the following shareholders owned the issued shares of the Group:

	December 31, 2012, %	December 31, 2011, %
<b>SHAREHOLDERS:</b>		
The Ministry of Finance of the Republic of Uzbekistan	31.27	29.26
The Fund of Reconstruction and Development of the Republic of Uzbekistan	27.53	21.74
NHC "Uzbekneftgaz"	12.60	13.11
Pharmed Private Company	6.09	9.21
Uzbekenergo State company	5.90	1.70
Absolute Investments Trust, LLC	2.77	4.18
British Glass Group, LLC	0.88	1.34
Addison Ventures (UK) Ltd.	0.80	1.21
Brentwood and Co. (UK) Ltd.	0.76	1.15
Treasury shares	1.88	4.34
Other legal entities (individually hold less than 1%)	7.42	9.62
Other shareholders (individually hold less than 1%)	2.11	3.14
	<hr/>	<hr/>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>
	<hr/>	<hr/>

These consolidated financial statements were authorized for issue by the Management Board of the Group on March 29, 2013.

## 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”).

### Other basis of presentation criteria

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, 2012, the Group had net cash outflows from operations of UZS 436,893,197 thousand, has a cumulative liquidity shortfall for up to 3 months of UZS 163,992,968 thousand and was not able to meet certain conditions of its loan agreements, which are discussed in Notes 24 and 27.

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 was strengthened with the additional increase of share capital for the amount of UZS 85,245,204 thousand, illustrating the commitment of shareholders to support the Group;
- continued ongoing support from its international lenders, based on a recent informal communication between Management and representatives of the lenders. Furthermore, during 1<sup>st</sup> quarter of 2013, there were additional funds received from China export-import bank in accordance with agreement concluded dated December 24, 2012.;
- as discussed in Note 31, 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 31.

### **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.

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

### **Non-controlling interests**

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued

amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Bank had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

## **Recognition of income and expense**

### *Recognition of interest income and expense*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are 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 from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

## **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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at 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 derecognition of a financial asset other than its 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 part 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 Central Bank of Uzbekistan (CBU) with original maturity within 90 days, advances to banks in Uzbekistan and other countries.

## **Minimum reserve deposits with the Central Bank of Uzbekistan**

Minimum reserve deposits with the CBU represent the amount of obligatory reserves deposited with the CBU in accordance with requirements established by the CBU, which are subject to restrictions on their availability. In view of the above the amount of the minimum reserve deposit required by the CBU is not included as a cash equivalent.

## **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.

Construction in progress is carried at cost, less any recognised impairment loss.

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 (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%
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:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
UZS / 1 USD	1,984.00	1,795.00
UZS / 1 EUR	2,620.31	2,341.97
UZS / 1 GBP	3,206.94	2,803.61
UZS / 1 RUR	64.58	57.43

## 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 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.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the

associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's 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, 2012 and 2011 are presented below:

As at and for the year ended December 31, 2012:

Name of the associate	Ownership interest	Carrying value of investments in associate (UZS thousand)	Total assets of associate (UZS thousand)	Total liabilities of associate (UZS thousand)	Net profit for the year (UZS thousand)
"Qurilish Leasing", LLC	46.77%	2,798,501	15,086,249	8,982,161	106,106

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

Name of the associate	Ownership interest	Carrying value of investments in associates (UZS thousand)	Total assets of associates (UZS thousand)	Total liabilities of associates (UZS thousand)	Net profit for the year (UZS thousand)
"Qurilish Leasing", LLC	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	31,862
Tashkent stock exchange	20.14%	440,150	1,890,778	50,901	206,869

### 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 4, 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, 2012 and 2011 the gross loans and receivables totaled UZS 3,388,110,679 thousand and UZS 2,372,861,468 thousand, respectively, and allowance for impairment losses amounted to UZS 158,277,459 thousand and UZS 101,551,778 thousand, respectively.

#### *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 likely than not that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to UZS 4,321,178 thousand and UZS 3,503,194 thousand as at December 31, 2012 and 2011, 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, 2012:

#### **Amendments to IFRSs affecting presentation and disclosure only**

##### **Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after July 1, 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1 Presentation of Items of Other Comprehensive Income, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 Presentation of Items of Other Comprehensive Income retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 Presentation of Items of Other Comprehensive Income does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

##### **Amendments to IAS 1 Presentation of Financial Statements**

**(as part of the Annual improvements to IFRSs 2009-2011 Cycle issued in May 2012)**

The Group has applied the amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle in advance of the effective date (annual periods beginning on or after January 1, 2013).

IAS 1 Presentation of Financial Statements requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 Presentation of Financial Statements clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

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.

#### **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 9 Financial Instruments<sup>3</sup>;
- IFRS 10 Consolidated Financial Statements<sup>2</sup>;

- IFRS 11 Joint Arrangements<sup>2</sup>;
- IFRS 12 Disclosure of Interest in Other Entities<sup>2</sup>;
- IFRS 13 Fair Value Measurement<sup>1</sup>;
- IAS 27 (as revised in 2011) *Separate Financial Statements*<sup>2</sup>;
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures<sup>2</sup>;
- Amendments to IAS 32 *Financial Instruments: Presentation* – “Offsetting Financial Assets and Financial Liabilities”<sup>4</sup>;
- Amendments to IFRSs – Annual Improvements to IFRSs 2009-2011 cycle except for the amendment to IAS 1 (see above)<sup>1</sup>.

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

<sup>2</sup> Each of the five 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).

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

**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.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised 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 amortised 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. In addition, under IFRS 9 *Financial Instruments*, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 *Financial Instruments* requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in 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 *Financial Instruments: Recognition and Measurement*, 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.

- **IFRS 10 Consolidated Financial Statements** replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements.
- **IFRS 11 Joint Arrangements** replaces IAS 31 *Interests in Joint Ventures* and includes requirements for joint ventures, as well as associates, to be equity accounted.

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- **IFRS 12 Disclosure of Interests in Other Entities** is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.
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- **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.
- 

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

All other Standards and Interpretations are not applicable to the Group's operations. Management believes the adoption of these Standards and Interpretations will not have a significant impact on the results of the Group's business.

#### 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, 2012
Interest income	10,166,734	202,144,273	-	212,311,007
Interest expense	(29,335,473)	(72,262,687)	-	(101,598,160)
Provision for impairment losses on interest bearing assets	(4,556,366)	(44,734,958)	-	(49,291,324)
Net gain on foreign exchange operations	1,064,273	10,449,167	-	11,513,440
Fee and commission income	9,223,785	90,560,249	-	99,784,034
Fee and commission expense	(1,514,041)	(14,865,039)	-	(16,379,080)
Losses on initial recognition of assets at rates below market	(98,079)	(962,954)	-	(1,061,033)
Dividend income	-	472,365	-	472,365
Other income	313,238	3,075,407	-	3,388,645
Share of results from associates	-	49,623	-	49,623
Provision for impairment losses on other operations	(60,092)	(589,987)	-	(650,079)
<b>Total operating (loss)/income</b>	<b>(14,796,021)</b>	<b>173,335,459</b>	<b>-</b>	<b>158,539,438</b>
Operating expenses	(11,237,742)	(110,333,518)	(4,930,771)	(126,502,031)
<b>Operating (loss) / profit</b>	<b>(26,033,763)</b>	<b>63,001,940</b>	<b>(4,930,771)</b>	<b>32,037,407</b>
<b>(Loss)/profit before income tax</b>	<b>(26,033,763)</b>	<b>63,001,940</b>	<b>(4,930,771)</b>	<b>32,037,407</b>
Income tax expense	-	(6,167,782)	-	(6,167,782)
<b>(Loss)/profit before discontinued operations.</b>	<b>(26,033,763)</b>	<b>56,834,158</b>	<b>(4,930,771)</b>	<b>25,869,625</b>
Segment assets	86,849,032	4,919,601,686	4,941,623	5,011,392,340
Segment liabilities	330,673,452	4,378,940,087	-	4,709,613,539
<b>Other segment items:</b>				
Depreciation and amortization	611,255	6,001,375	268,200	6,880,829
Loans to customers	69,825,364	3,160,007,856		3,229,833,220
Property equipment and intangible assets	11,262,474	115,517,963		126,780,437
Customer accounts	328,262,943	1,893,187,220		2,221,450,163
<b>Cash flow from:</b>				
Operating activities	(40,385,310)	(396,507,887)	-	(436,893,197)
Investing activities	(4,246,004)	(41,687,787)	-	(45,933,791)

	Individuals	Legal entities	Unallocated	Year ended December 31, 2011
Interest income	10,318,385	129,403,069	-	139,721,454
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	78,375,926	-	85,555,653
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)
<b>Total operating income</b>	<b>(13,740,624)</b>	<b>128,393,342</b>	<b>-</b>	<b>114,652,718</b>
Operating expenses	(7,294,411)	(82,294,697)	(3,539,496)	(93,128,604)
<b>Operating (loss) / profit</b>	<b>(21,035,035)</b>	<b>46,098,645</b>	<b>(3,539,496)</b>	<b>21,524,114</b>
<b>(Loss)/profit before income tax</b>	<b>(21,035,035)</b>	<b>46,098,645</b>	<b>(3,539,496)</b>	<b>21,524,114</b>
Income tax expense	-	(5,369,860)	-	(5,369,860)
<b>(Loss)/profit before discontinued operations.</b>	<b>(21,035,035)</b>	<b>40,728,785</b>	<b>(3,539,496)</b>	<b>16,154,254</b>
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
<b>Other segment items:</b>				
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
<b>Cash flow from:</b>				
Operating activities	(18,202,718)	(205,360,949)	-	(223,563,667)
Investing activities	(4,089,189)	(46,133,749)	-	(50,222,938)

## 5. RECLASSIFICATIONS

### Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2011 to conform to the presentation for the year ended December 31, 2012 as current year presentation provides a better view of the financial position of the Group.

	As previously reported for the year ended December 31, 2011	Reclassification amount	As reclassified for the year ended December 31, 2011
<b>Reclassification</b>			
Fee and commission income	88,180,566	(2,624,913)	85,555,653
Interest income	137,096,541	2,624,913	139,721,454

## 6. NET INTEREST INCOME

	Year ended December 31, 2012	Year ended December 31, 2011
<b>Interest income comprises:</b>		
Interest income on financial assets recorded at amortized cost:		
-interest income on impaired financial assets	13,105,690	8,216,248
-interest income on unimpaired financial assets	<u>199,205,317</u>	<u>131,505,206</u>
<b>Total interest income</b>	<u>212,311,007</u>	<u>139,721,454</u>
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	208,899,213	136,613,971
Interest on balances due from banks	<u>1,418,641</u>	<u>1,983,735</u>
Total interest income on financial assets recorded at amortized cost	<u>210,317,854</u>	<u>138,597,706</u>
Interest income on financial assets at fair value through profit or loss:		
Interest on investments available-for-sale	<u>1,993,153</u>	<u>1,123,748</u>
Total interest income on financial assets at fair value	<u>1,993,153</u>	<u>1,123,748</u>
<b>Interest expense comprises:</b>		
Interest on financial liabilities recorded at amortized cost	<u>(101,598,160)</u>	<u>(52,947,801)</u>
<b>Total interest expense</b>	<u>(101,598,160)</u>	<u>(52,947,801)</u>
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	(37,986,883)	(27,644,586)
Interest on due to banks	(23,167,633)	(14,294,329)
Interest on other borrowed funds	<u>(40,443,644)</u>	<u>(11,008,886)</u>
Total interest expense on financial liabilities recorded at amortized cost	<u>(101,598,160)</u>	<u>(52,947,801)</u>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<u><b>110,712,847</b></u>	<u><b>86,773,653</b></u>

## 7. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	<b>Loans to customers</b>	<b>Total</b>
<b>December 31, 2010</b>	<b>71,580,748</b>	<b>71,580,748</b>
Provision	51,276,622	<b>51,276,622</b>
Write-off of assets	(23,937,711)	<b>(23,937,711)</b>
Recoveries of assets previously written off	2,632,119	<b>2,632,119</b>
<b>December 31, 2011</b>	<b>101,551,778</b>	<b>101,551,778</b>
Provision	49,291,324	<b>49,291,324</b>
Write-off of assets	(8,273,955)	<b>(8,273,955)</b>
Recoveries of assets previously written off	15,708,312	<b>15,708,312</b>
<b>December 31, 2012</b>	<b>158,277,459</b>	<b>158,277,459</b>

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

	<b>Assets classified held- for-sale</b>	<b>Other assets</b>	<b>Total</b>
<b>December 31, 2010</b>	<b>1,212,762</b>	<b>776,272</b>	<b>1,989,034</b>
(Recovery)/Provision	(547,114)	2,213,769	<b>1,666,655</b>
Write-off of assets	(665,648)	(809,070)	<b>(1,474,718)</b>
<b>December 31, 2011</b>	<b>-</b>	<b>2,180,971</b>	<b>2,180,971</b>
Provision	-	650,079	<b>650,079</b>
Write-off of assets	-	(542,726)	<b>(542,726)</b>
<b>December 31, 2012</b>	<b>-</b>	<b>2,288,324</b>	<b>2,288,324</b>

## 8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	<b>Year ended December 31, 2012</b>	<b>Year ended December 31, 2011</b>
Translation differences, net	11,074,756	6,121,138
Dealing transactions, net	438,684	167,988
<b>Total net gain on foreign exchange operations</b>	<b>11,513,440</b>	<b>6,289,126</b>



## 9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended December 31, 2012	Year ended December 31, 2011
<b>Fee and commission income:</b>		
Settlements	74,540,106	63,621,303
Foreign currency exchange operations	14,744,239	12,168,160
Letter of credit operations	3,321,925	1,772,506
Cash operations	2,310,095	1,413,416
Management service fee	2,235,274	1,691,803
Issuing guarantees	2,137,391	3,643,165
Other	495,004	1,245,300
<b>Total fee and commission income</b>	<b>99,784,034</b>	<b>85,555,653</b>
<b>Fee and commission expense:</b>		
Cash collection services	8,592,790	7,089,312
Settlements	3,924,364	2,862,904
Foreign currency exchange operations	2,562,661	2,349,266
Foreign payments	174,157	132,389
Other	1,125,108	572,087
<b>Total fee and commission expense</b>	<b>16,379,080</b>	<b>13,005,958</b>

## 10. OTHER INCOME, NET

Net other income comprises:

	Year ended December 31, 2012	Year ended December 31, 2011
Revenue of subsidiary	1,666,560	-
Cost of goods sold of subsidiary	(1,327,344)	-
Income from rent of property	1,327,338	1,264,733
Gain from sale or disposal of property, plant and equipment	739,822	635,422
Other non-interest income	982,269	962,317
<b>Other income, net</b>	<b>3,388,645</b>	<b>2,862,472</b>

Revenue and Cost of good sold of subsidiary relate to the Bank's subsidiary Elite Starts Textile, LLC which has started production and sale of thread during 2012.

## 11. OPERATING EXPENSES

Operating expenses comprise:

	Year ended December 31, 2012	Year ended December 31, 2011
Staff costs	67,716,495	49,790,332
Taxes, other than income tax	20,456,506	15,364,878
Security expenses	9,446,607	7,164,016
Charity and sponsorship expenses	8,170,957	1,987,117
Depreciation and amortization	6,880,829	5,363,298
Stationery	3,572,718	2,906,688
Membership fee	2,317,579	1,645,013
Rent expenses	1,506,038	1,187,492
Communications	1,385,629	1,375,200
Maintenance	1,116,328	1,113,282
Professional services	680,602	569,426
Representative expenses	344,966	350,421
Business trip expenses	276,882	216,184
Fines and penalties	87,970	1,561,806
Other expenses	2,541,925	2,533,451
<b>Total operating expenses</b>	<b>126,502,031</b>	<b>93,128,604</b>

During 2012, the Group made a sponsorship payment in the amount of UZS 5,000,000 thousand for the construction of “Bunyodkor” football stadium in Tashkent in accordance with the Decree of the Cabinet of Ministers #70 dated March 13, 2012, “On additional measures on acceleration of completion of construction of the “Bunyodkor” stadium in Tashkent”.

## 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, 2012 and 2011 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, 2012 and 2011 comprise:

	Year ended December 31, 2012	Year ended December 31, 2011
<b>Deductible temporary differences:</b>		
Loan impairment provision	7,108,824	6,778,051
Accrued interest expenses	854,368	282,890
Accrued expenses	543,431	1,365,294
Property, equipment and intangible assets	60,699	-
Income accruals	110,244	-
<b>Total deductible temporary differences</b>	<b>8,677,566</b>	<b>8,426,235</b>
<b>Taxable temporary differences:</b>		
Property, equipment and intangible assets	-	19,204
Accrued interest income	4,015,863	4,538,665
Fair value adjustment of investments available-for-sale	340,525	287,958
Income accruals	-	77,214
<b>Total taxable temporary differences</b>	<b>4,356,388</b>	<b>4,923,041</b>
<b>Net deferred tax asset</b>	<b>4,321,178</b>	<b>3,503,194</b>

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

	Year ended December 31, 2012	Year ended December 31, 2011
Profit before income tax	32,037,407	21,524,114
Tax at the statutory tax rate (15% for 2012 and 2011)	4,805,612	3,228,618
Income tax privileges from the increase of term deposits of individuals	(4,463,350)	(2,043,546)
Non deductible expense (nondeductible items in accordance with Tax code, Infrastructure tax, IFRS transactions and AFS)	3,251,496	1,788,655
Loss of branches	3,014,923	2,883,788
Tax rate difference	(331,800)	(156,436)
Dividends received	(109,099)	(331,219)
<b>Income tax expense</b>	<b>6,167,782</b>	<b>5,369,860</b>
Current income tax	6,985,766	5,930,755
Change in deferred income tax assets	(817,984)	(560,895)
<b>Income tax expense</b>	<b>6,167,782</b>	<b>5,369,860</b>
<b>Deferred income tax assets</b>	<b>2012</b>	<b>2011</b>
<b>Beginning of the year</b>	3,503,194	3,000,726
Change in deferred income tax balances recognized in consolidated profit or loss	915,621	560,895
Changes in deferred income tax balances recognized in other comprehensive income	(97,637)	(58,427)
<b>End of the year</b>	<b>4,321,178</b>	<b>3,503,194</b>

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, 2012	Year ended December 31, 2011
Net profit for the year	25,168,702	16,199,995
Less dividends on preference shares	<u>(1,089,000)</u>	<u>(990,000)</u>
Net profit attributable to ordinary shareholders	24,079,702	15,209,995
Weighted average number of ordinary shares for basic earnings per share	<u>69,716,112</u>	<u>58,238,462</u>
<b>Earnings per share, basic (expressed in UZS per share)</b>	<b><u>345</u></b>	<b><u>261</u></b>

As at December 31, 2012 and 2011, 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, 2012	December 31, 2011
Cash	44,039,624	52,734,050
Balances with the Central Bank of the Republic of Uzbekistan	<u>509,130,391</u>	<u>271,036,653</u>
<b>Total cash and cash balances with the Central Bank of the Republic of Uzbekistan</b>	<b><u>553,170,015</u></b>	<b><u>323,770,703</u></b>

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, 2012 and 2011, the mandatory reserve deposits with the CBU were in the amount of UZS 199,735,965 thousand and UZS 139,073,687 thousand, respectively.

Balances with the CBU include an overnight deposit of UZS 230,450,000 thousand (2011: UZS 39,220,000 thousand) bearing a fixed interest rate of 0.02 percent per annum (2011: fixed interest rate of 0.02 percent per annum).

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

	December 31, 2012	December 31, 2011
Cash and balances with the CBU	553,170,015	323,770,703
Correspondent accounts and overnight placements with other banks	<u>957,204,766</u>	<u>586,300,370</u>
	1,510,374,781	910,071,073
Less minimum reserve deposit at the Central Bank of the Republic of Uzbekistan	<u>(199,735,965)</u>	<u>(139,073,687)</u>
<b>Total cash and cash equivalents</b>	<b><u>1,310,638,816</u></b>	<b><u>770,997,386</u></b>

## 15. DUE FROM BANKS

Due from banks comprise:

	December 31, 2012	December 31, 2011
Correspondent accounts and overnight placements with other banks	957,204,766	586,300,370
Restricted cash	40,423,770	58,772,071
Time deposits	12,015,541	25,319,935
<b>Total due from banks</b>	<b>1,009,644,077</b>	<b>670,392,376</b>

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.

## 16. LOANS TO CUSTOMERS

Loans to customers comprise:

	December 31, 2012	December 31, 2011
Loans to customers	3,367,147,435	2,327,410,401
Investments in finance lease	19,818,623	25,291,596
Purchased loans	1,144,621	20,159,471
	3,388,110,679	2,372,861,468
Less: allowance for impairment losses	(158,277,459)	(101,551,778)
<b>Total loans to customers</b>	<b>3,229,833,220</b>	<b>2,271,309,690</b>

Movements in allowances for impairment losses for the years ended December 31, 2012 and 2011 are disclosed in Note 7.

As at December 31, 2012 and 2011, loans to customers included accrued interest income totaling UZS 10,181,271 thousand and UZS 5,678,178 thousand, respectively.

As at December 31, 2012 loans and advances to customers include loans of UZS 2,329,105,883 thousand (December 31, 2011: UZS 1,388,931,972 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, 2012	December 31, 2011
Loans collateralized by pledge of corporate and government guarantees	2,432,407,651	1,444,615,692
Loans collateralized by real estate	651,711,354	469,043,527
Loans collateralized by shares	200,884,105	135,786,404
Loans collateralized by transport	53,040,647	80,996,001
Loans collateralized by equipment	24,142,630	59,212,883
Loans collateralized by inventory	21,014,754	129,325,851
Loans collateralized by insurance policy and others	2,608,830	24,212,588
Loans collateralized by cash deposit	2,149,837	2,532,284
Unsecured loans	150,871	27,136,238
	<u>3,388,110,679</u>	<u>2,372,861,468</u>
Less: allowance for impairment losses	<u>(158,277,459)</u>	<u>(101,551,778)</u>
<b>Total loans to customers</b>	<b><u>3,229,833,220</u></b>	<b><u>2,271,309,690</u></b>

	December 31, 2012	December 31, 2011
<b>Analysis by sector:</b>		
Energy and other manufacturing	2,485,003,078	1,536,226,640
Transport	316,281,400	239,084,729
Construction and construction materials	263,027,791	245,061,317
Trading and food companies	113,543,364	112,228,757
Individuals	64,515,866	63,609,921
Agriculture	38,038,208	44,098,403
Services	33,573,240	36,072,117
Financial services	15,164,370	22,060,246
Other	58,963,362	74,419,338
	<u>3,388,110,679</u>	<u>2,372,861,468</u>
Less: allowance for impairment losses	<u>(158,277,459)</u>	<u>(101,551,778)</u>
<b>Total loans to customers</b>	<b><u>3,229,833,220</u></b>	<b><u>2,271,309,690</u></b>

Loans to individuals comprise the following products:

	December 31, 2012	December 31, 2011
Mortgage loans	48,259,615	42,815,780
Consumer loans	13,388,883	14,745,764
Educational loans	2,160,554	2,198,215
Car loans	703,302	1,131,344
Other	3,512	2,718,818
	<u>64,515,866</u>	<u>63,609,921</u>
Less: allowance for impairment losses	<u>(69,166)</u>	<u>(148,511)</u>
<b>Total loans to individuals</b>	<b><u>64,446,700</u></b>	<b><u>63,461,410</u></b>

As at December 31, 2012 and 2011, the Group granted loans of UZS 2,169,303,136 thousand to 5 customers and UZS 1,589,284,998 thousand to 11 customers, respectively, which individually exceeded 10% of the Group's equity.

As at December 31, 2012 and 2011, all loans are granted to companies operating in the Republic of Uzbekistan, which represents geographical concentration in one region.

As at December 31, 2012, loans to customers included loans totaling UZS 110,294,882 thousand, whose terms were renegotiated (2011: UZS 118,883,684). Otherwise these loans would be past due or impaired.

As at December 31, 2012 and 2011, loans to customers included certain 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 1,061,033 thousand and UZS 3,396,678 in the consolidated income statement of the Group for the years ended December 31, 2012 and December 31, 2011, respectively.

As at December 31, 2012 and 2011 the components of net investment in finance lease are as follows:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Not later than one year	9,241,977	9,599,016
From one year to five years	10,879,080	17,209,726
More than 5 years	<u>3,571,400</u>	<u>4,603,878</u>
Minimum lease payments	23,692,457	31,412,620
Less: unearned finance income	<u>(3,873,834)</u>	<u>(6,121,024)</u>
Gross investment in finance lease	<u>19,818,623</u>	<u>25,291,596</u>
Less: allowance on finance lease	<u>(777,966)</u>	<u>(78,847)</u>
Net investment in finance lease	<b><u>19,040,657</u></b>	<b><u>25,212,749</u></b>
Current portion	7,202,925	6,961,545
Long-term portion	<u>11,837,732</u>	<u>18,251,204</u>
Net investment in finance lease	<b><u>19,040,657</u></b>	<b><u>25,212,749</u></b>

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. As at December 31, 2012 average effective interest rate contracted is approximately 10.78% (December 31, 2011 12.7%) per annum.

## 17. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprises:

	Nominal interest rate	December 31, 2012	Nominal interest rate	December 31, 2011
<b>Bonds</b>				
OJSCB "Qishloq Qurilish Bank"	12%	4,000,000	12%	4,000,000
OJSCB "Ipoteka Bank"	14%	2,920,000	14%	2,920,000
OJSCB "Hamkor Bank"	14%	1,000,000	14%	1,000,000
PJSCB "Trast Bank"	12%	1,000,000	-	-
Uzbek government treasury bills	-	-	6%	5,796,446
OJSCB "Agrobank"	-	-	11%	1,500,000
<b>Total for bonds</b>		<b>8,920,000</b>		<b>15,216,446</b>
<b>Equity securities</b>				
	Ownership interest		Ownership interest	
Tashkent stock exchange	6.4%	2,885,054	-	-
OJSCB "Microcreditbank"	1.27%	2,456,400	1.22%	2,355,108
Visa International	0%	1,752,983	0%	1,062,314
OJCS "Chilonzor buyum bozori"	5.53%	1,180,714	5.53%	385,714
"Ishonch", LLC	19.1%	993,908	-	-
Avtotexservices	10-15%	704,664	10-15%	699,664
UZCEX	11.13%	495,970	11.13%	495,970
OJSC "Qizilqumsement"	0.13%	252,000	0.13%	252,000
OJSC LC "UzMed-Leasing"	16.7%	255,452	16.7%	255,452
Commodity exchange	2.4%	168,021	2.4%	168,021
OJSC "Buhoro Markazy dekhkon bozori"	0.82%	131,000	0.82%	131,000
Other	0.1% - 17%	302,358	0.1% - 17%	444,610
<b>Total for equity securities</b>		<b>11,578,524</b>		<b>6,249,853</b>
<b>Total investments available-for-sale</b>		<b>20,498,524</b>		<b>21,466,299</b>

As at December 31, 2012 and 2011, investments available-for-sale included accrued interest income amounting to nil and UZS 88,441 thousand, respectively.

## 18. INVESTMENTS IN ASSOCIATES

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

	December 31, 2012		December 31, 2011	
	Ownership interest	Carrying value	Ownership interest	Carrying value
"Qurilish Leasing", LLC	46.77%	2,798,501	46.77%	2,915,664
"Ishonch", LLC		-	26.52%	1,004,319
Tashkent stock exchange		-	20.14%	440,150
		<b>2,798,501</b>		<b>4,360,133</b>

Reconciliation of the investments in associates comprises:

	2012	2011
<b>As at 1 January</b>	<b>4,360,133</b>	<b>4,052,268</b>
	-	-
Loss of significant influence in associates due to additional increase in share capital of associates	(1,444,469)	-
Share of profits of associates	49,623	309,603
Dividends from associates	(166,786)	(1,738)
<b>As at 31 December</b>	<b>2,798,501</b>	<b>4,360,133</b>

During 2012 the Group's two associates Ishonch, LLC and Tashkent stock exchange have increased their share capital. The Group did not use its preemptive right to purchase additional shares issued by Ishonch, LLC, which resulted in dilution of the Group's share in the associate from 26.52% to 19.13%. In addition, the Group has participated in the capital increase by Tashkent stock exchange through purchase of shares in amount of UZS 2,478,177 thousand. However, this was not enough to retain the Group's share at the previous level and consequently decreased the Group's share from 20.14% to 6.41%. As a result of the above, the Group has lost significant influence in these associates and reclassified them into investments available for sale (Note 17).

## 19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings	Construction in progress	Furniture and equipment	Intangible assets	Total
<b>At cost</b>					
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
Additions	2,483,926	26,565,345	15,267,193	78,082	44,394,546
Transfers	19,677,364	(19,877,583)	(72,253)	272,472	-
Disposals	-	(211,014)	(1,131,006)	(20,260)	(1,362,280)
December 31, 2012	47,797,264	60,960,912	53,717,979	5,944,508	168,420,663
<b>Accumulated depreciation</b>					
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)
Charge for the year	(1,841,578)	-	(4,622,051)	(417,200)	(6,880,829)
Transfer	20,456	-	(20,456)	-	-
Disposals	-	-	723,802	17,249	741,051
December 31, 2012	(9,018,162)	-	(27,466,085)	(5,155,980)	(41,640,227)
<b>Net book value</b>					
As at December 31, 2012	<b>38,779,102</b>	<b>60,960,912</b>	<b>26,251,894</b>	<b>788,528</b>	<b>126,780,436</b>
As at December 31, 2011	<b>18,438,934</b>	<b>54,484,164</b>	<b>16,106,665</b>	<b>858,185</b>	<b>89,887,948</b>

As at December 31, 2012 and 2011, included in property and equipment were fully depreciated assets totalling UZS 14,636,854 thousand and UZS 12,227,572 thousand, respectively.

During 2012 and 2011, the Group made a significant amount of investment for the construction and reconstruction of the Group's buildings and other properties. As at December 31, 2012 and 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 a textile factory in Nukus City. As at December 2012 and 2011, the amount of the investment was UZS 26,581,885 thousand and UZS 18,640,860 thousand respectively. During 2012 the factory was put into operation and started production and sale of goods ;
- In accordance with the Decree of the Cabinet of Ministers # 288-f dated May 17, 2011, the Group has invested in the construction of living apartments in Navoi street, Tashkent city which are planned to be sold after completion. As at December 31, 2012 and 2011 the amount of investment was UZS 21,553,393 thousand and UZS 9,704,511 thousand, respectively. Construction of living apartments are to be finished in the 1<sup>st</sup> quarter of 2013 and to be sold/provided for mortgage;



- As at December 2012 and 2011, in accordance with the Decree of the Cabinet of Ministers # 186 dated April 11, 2011, the Group has invested in the reconstruction of the Bank's Head office building in the amount of UZS 5,909,840 thousand and UZS 3,110,919 thousand respectively.

## 20. OTHER ASSETS

Other assets comprise:

	December 31, 2012	December 31, 2011
<b>Other financial assets</b>		
Receivable from money transfer organisation	7,434,264	1,370,754
Receivable from former employees	2,102,634	2,046,426
Receivable from Banks in liquidation process	-	1,500,000
Commission receivable from customers	789,548	495,406
	<u>10,326,446</u>	<u>5,412,586</u>
Less: allowance for impairment losses	<u>(2,288,324)</u>	<u>(2,180,971)</u>
	<u>8,038,122</u>	<u>3,231,615</u>
<b>Other non-financial assets:</b>		
Prepaid expenses and advances	4,686,022	1,966,167
Prepayments for equipment for lease purposes	3,188,066	1,549,427
Prepayment for purchase of building	2,500,000	-
Prepayment for construction of building in Navoi street	2,236,300	-
Prepaid income tax	1,554,134	1,396,992
Inventory	10,756	105,075
Other	1,685,371	1,875,962
	<u>15,860,649</u>	<u>6,893,623</u>
<b>Total other assets</b>	<u><b>23,898,771</b></u>	<u><b>10,125,238</b></u>

As at December 31, 2012 and 2011, receivable from employees includes receivable from the chairman of Chirchik branch, who misappropriated cash from the vault of aforementioned branch in August 2011. Amount due from the ex-chairman was UZS 1,927,205 thousand and UZS 1,917,604 thousand respectively. An increase in receivable was due to revaluation of foreign currency receivable. At present, the court case against the former chairman of Chirchik branch is in process.

Management of the bank has provided full provision for the outstanding amount in accordance with IAS 37 Provisions, contingent assets and liabilities.

As at December 31, 2012 and 2011, the receivable from banks in liquidation process in the amount of nil and UZS 1,500,000 thousand represents receivable from OJSCB "Uktambank", which was liquidated during 2011. During 2012, in accordance with the Tashkent State Commercial Court decision, the Group became entitled to the bonds of metallurgic company ("Uzvtorcvetmet") which previously were held by OJSCB "Uktambank".

Balance of prepayment for purchase of building as at December 31, 2012 represents full prepayment made by the Group for the purchase of a building for its branch office located in Ohangaron city, Uzbekistan.

Movements in allowances for impairment losses on other assets for the years ended December 31, 2012 and 2011 are disclosed in Note 7

## 21. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2012	December 31, 2011
Assets related to subsidiary companies	15,186,505	9,826,468
Investment in recovery companies	2,480,910	3,815,284
Reposessed assets:		
Buildings held-for-sale	17,574,713	20,124,106
Equipment held-for-sale	4,318,067	212,140
Others assets held-for-sale	887,422	201,674
Total reposessed assets	22,780,202	20,537,920
	40,447,617	34,179,672
Less allowance for impairment losses	-	-
<b>Total assets classified held-for-sale</b>	<b>40,447,617</b>	<b>34,179,672</b>
<b>Liabilities directly associated with assets held-for-sale</b>	<b>168,493</b>	<b>266,722</b>

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, 2012, the Group had investments in "Ferghana ceramics industry", LLC and "Miracle Ceramics" for the amount of UZS 1,560,910 (December 31, 2011: UZS 1,226,176 thousand) and UZS 920,000 thousand (December 31, 2011: 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 reposessed assets, primarily buildings held-for-sale and anticipates that the disposal will be completed during 2013. These assets were reposessed in respect of loans to customers during 2012 and 2011. Subsequent to the date of these financial statements, the Group has disposed or concluded agreement, for the sale of UZS 3,889,613 thousand of reposessed assets.

Assets related to subsidiary companies comprise total assets, less intercompany balances and transactions, of "Quon Lyuks Textile", LLC (textile business), "Samarkand Aqua line", LLC (soft drink production business), Hozarasp Tamir Qurilish, LLC (construction business), Horazm shisha idishlari, LLC (bottles productions business) and Mega beton, LLC (construction materials production business) The Group is seeking to dispose of these business units and anticipates that the disposal will be completed during 2013. The major classes of assets and liabilities of these business units as at the end of the reporting period are as follows:

	December 31, 2012	December 31, 2011
Property, plant and equipment and Intangible assets	9,703,343	7,134,649
Contruction in progress	2,733,209	1,681,858
Accounts receivable	1,462,979	-
Prepaid expenses	765,297	-
Inventory and finished goods	466,692	-
Other assets	54,985	1,009,961
Assets of the subsidiaries companies classified held-for-sale	15,186,505	9,826,468
Accounts payable	(163,907)	(240,976)
Other liabilites	(4,586)	(25,746)
Liabilities of subsidiaries associated with assets classified as held-for-sale	(168,493)	(266,722)
<b>Net assets of subsidiaries classified held-for-sale</b>	<b>15,018,012</b>	<b>9,559,746</b>

## 22. DUE TO BANKS

Due to banks comprise:

	December 31, 2012	December 31, 2011
Term deposits of banks and other financial institutions	107,753,055	108,993,586
Correspondent accounts with other banks	9,786,630	3,662,960
<b>Total due to banks</b>	<b>117,539,685</b>	<b>112,656,546</b>

As at December 31, 2012 and 2011 the Group had term deposits of other banks amounting to UZS 93,265,100 thousand (80.8% (to 1 domestic bank) of total due to other banks) and UZS 52,800,000 (49.2% (to 1 domestic bank) of total due to other banks), respectively, which represent significant concentration.

As at December 31, 2012 and 2011, due to banks included accrued interest expense totaling UZS 4,733,458 thousand and UZS 2,164,773 thousand, respectively.

## 23. CUSTOMER ACCOUNTS

Customer accounts comprise:

	December 31, 2012	December 31, 2011
Repayable on demand	1,996,645,390	1,493,103,449
Time deposits	224,804,773	220,382,172
<b>Total customer accounts</b>	<b>2,221,450,163</b>	<b>1,713,485,621</b>

	December 31, 2012	December 31, 2011
<b>Analysis by sector:</b>		
Energy and other manufacturing	874,038,592	669,892,883
Utilities	335,213,675	256,919,154
Trade and catering	292,791,312	224,405,213
Individuals	268,402,676	215,734,880
Communication and transportation	136,324,277	104,483,559
Construction	132,046,320	101,204,788
Logistics	111,726,574	85,631,043
Government	24,015,292	18,406,136
Agriculture	7,341,363	5,626,670
Other	39,550,082	31,181,295
<b>Total customer accounts</b>	<b>2,221,450,163</b>	<b>1,713,485,621</b>

As at December 31, 2012 and 2011, customer accounts totaling UZS 498,863,862 thousand and UZS 354,211,244 thousand, respectively, were held as security against letters of credit and other similar instruments issued by the Group.

As at December 31, 2012 and 2011, customer accounts totaling UZS 1,133,034,429 thousand (50.7%) and UZS 723,995,193 thousand (42%), respectively, were due to 6 customers in 2012 (2011: 6 customers), which represents significant concentration.

As at December 31, 2012 and 2011, customer accounts included accrued interest expense totaling UZS 1,470,639 thousand and UZS 301,017 thousand, respectively.

## 24. OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency	Maturity	Interest rate %	December 31, 2012	December 31, 2011
<b>International financial institutions</b>					
China Export-Import Bank	USD	21/01/2028 - 21/07/2031	2.0% Euribor +	512,096,034	392,655,563
Landes Bank Berliner AG	EUR	29/01/2016	1.5%	28,535,676	32,791,500
Industrial and commercial Bank of China ("ICBC")	USD	07/03/2014	Libor + 0.875%	14,499,856	20,614,489
China Development Bank ("CDB")	USD	14/08/2019	Libor + 1.5% Euribor + 5.95%	11,393,078	11,923,250
Commerzbank AG	EUR	25/12/2014 - 27/10/2016	Euribor +1.95%, 7%	12,448,361	10,461,699
Hypo und Vereinsbank ("HVB")	EUR	02/12/2013	Euribor+1.25% Libor + 0.95%,	3,257,373	4,075,906
Dresdner Bank AG	USD/EUR	13/07/2012- 10/08/2012	Euribor + 0.9%	-	1,336,413
Banca Nazionale del Lavoro ("BNL")	EUR	20/02/2012	Euribor + 1.5%	-	150,220
<b>Uzbekistan Financial Institutions</b>					
Uzbekistan Fund for Reconstruction and Development ("UFRD")	USD	16/04/2013 - 16/12/2031	0.5% - 6%	1,745,132,636	900,533,968
Long term loans from other creditors	UZS	07/08/2014 - 06/04/2016	5 - 9%	7,995,597	3,636,175
Loans payable to the CBU	UZS	31/12/2014	7.5% - 12%	5,186,157	8,867,714
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%	1,849,964	1,506,659
Term borrowings from non-budgetary funds	UZS	-	1.75%-7.2%	62,230	364,348
<b>Total other borrowed funds</b>				<b>2,344,356,962</b>	<b>1,390,817,903</b>

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, 2012, the Group was not able to meet certain covenants of financial line agreement. Loan outstanding amount as of balance sheet date is UZS 11,393,078 thousand.

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

## 25. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2012	December 31, 2011
<b>Other financial liabilities:</b>		
Payable to creditors of "PSB Anteks Group" LLC	6,111,306	6,198,226
Settlement with suppliers, contractors and purchasers	2,896,002	653,942
Payable to money transfer organisation	1,616,908	-
Dividends payable	124,835	32,308
Prepayment on stock subscription	48,097	-
Current account with Islamic Corporation for Private Sector Development	1,993	1,615,000
	<u>10,799,141</u>	<u>8,499,476</u>
<b>Other non-financial liabilities:</b>		
Taxes payable, other than income tax	6,089,769	4,640,796
Accounts payable to employees	5,241,781	2,685,571
Deferred revenue	1,105,538	140,121
Other	2,862,007	1,167,878
	<u>15,299,095</u>	<u>8,634,366</u>
<b>Total other liabilities</b>	<b><u>26,098,236</u></b>	<b><u>17,133,842</u></b>

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" and JSC "Baliqchitekstil" for nil amount. The Group has reformed the bankrupt entity into PSB Anteks Group LLC in partnership with JSC "Anteks". The Group has sold its investment in recovered entity (PSB Antek Group, LLC) to JSC Anteks during 2011 under credit terms, to be repaid within five years. In accordance with the Decree, the Group has a commitment to repay liabilities of the bankrupt company out of the proceeds received from JSC Anteks.



## 26. SHARE CAPITAL

As of December 31, 2012 the Group's share capital comprised the following:

	<b>Authorized capital (UZS'000)</b>	<b>Unpaid share capital</b>	<b>Inflation effect (UZS'000)</b>	<b>Total share capital (UZS'000)</b>
Ordinary and preference shares	319,287,226	(66,802,901)	12,526,495	265,010,820
	<u>319,287,226</u>	<u>(66,802,901)</u>	<u>12,526,495</u>	<u>265,010,820</u>

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

	<b>Authorized capital (UZS'000)</b>	<b>Unpaid share capital</b>	<b>Inflation effect (UZS'000)</b>	<b>Total share capital (UZS'000)</b>
Ordinary and preference shares	148,701,121	-	12,526,495	161,227,616
	<u>148,701,121</u>	<u>-</u>	<u>12,526,495</u>	<u>161,227,616</u>

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

	<b>Share capital authorized, Pcs'000</b>	<b>Share capital authorized but not issued, Pcs'000</b>	<b>Treasury shares Pcs'000</b>	<b>Total</b>
<b>Ordinary shares (par value of UZS 2,785)</b>				
<b>December 31, 2010</b>	<b>48,000</b>	-	(5,028)	<b>42,972</b>
Issue of shares	9,800	-	-	9,800
Sale of treasury shares	-		2,360	2,360
<b>December 31, 2011</b>	<b>57,800</b>	-	<b>(2,668)</b>	<b>55,131</b>
Issue of shares	54,578	(23,969)	-	30,609
Sale of treasury shares	-		659	659
<b>December 31, 2012</b>	<b>112,378</b>	<b>(23,969)</b>	<b>(2,009)</b>	<b>86,399</b>
<b>Preference shares (par value of UZS 2,785)</b>				
<b>December 31, 2010</b>	<b>2,000</b>	-	-	<b>2,000</b>
Issue of shares	-		-	-
<b>December 31, 2011</b>	<b>2,000</b>	-	-	<b>2,000</b>
Issue of shares	-		-	-
<b>December 31, 2012</b>	<b>2,000</b>	-	-	<b>2,000</b>

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, 2012 is UZS 252,532,422 thousand (December 31, 2011: UZS 154,625,272 thousand), including nominal value of ordinary shares of UZS 246,962,422 thousand (December 31, 2011: UZS 149,675,272 thousand) and nominal value of preference shares of UZS 5,570,000 thousand (December 31, 2011: UZS 4,950,000 thousand).

In 2012, the par value of both the ordinary and preference shares issued was increased from UZS 2,475 to UZS 2,785 per share as per approval of the Shareholders' Meetings held in May 4, 2012 by capitalization of dividends amounting to UZS 18,538,000 thousand.

In 2012 the Group declared dividends of UZS 99 per share on ordinary shares (2011: UZS 68) and UZS 545 per share on preference shares (2011: UZS 495). Subsequent to December 31, 2012 the Group neither declared nor paid dividends on both ordinary shares and on preference shares.

In 2012, the Bank has issued shares in the quantity of 54,578 thousand pieces for the nominal value of UZS 2,785 per share for the amount of UZS 152,000,009 thousand as per approval of the Shareholders' Meeting held in December 2012. As at December 31, 2012, the amount of unpaid share capital was UZS 66,802,901 thousand.

## 27. 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, 2012 and 2011, contingent liabilities comprise:

	December 31, 2012	December 31, 2011
<b>Contingent liabilities and credit commitments:</b>		
Commitments on loans and unused credit lines	821,665,456	890,115,018
Letters of credit and other transactions related contingent obligations	389,208,817	202,014,244
Guarantees issued and similar commitments	267,499,780	189,054,390
	<u>1,478,374,053</u>	<u>1,281,183,652</u>
Cash coverage	<u>(498,863,862)</u>	<u>(354,211,244)</u>
<b>Total contingent liabilities and credit commitments</b>	<b><u>979,510,191</u></b>	<b><u>926,972,408</u></b>

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, 2012, 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 probability of suspension of aforementioned agreement to be remote.

**Capital commitments** – the Group had no material commitments for capital expenditure outstanding as at December 31, 2012 and 2011.

**Operating lease commitments** – the Group had no material operating lease commitments outstanding as at December 31, 2012 and 2011.

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

## **28. 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, 2012		December 31, 2011	
	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	509,130,391	-	271,036,653	-
	<b>509,130,391</b>	<b>553,170,015</b>	<b>271,036,653</b>	<b>323,770,703</b>
Loans to customers				
-shareholders	1,858,531,997	-	727,400,918	-
-entities under common control	1,030,169,362	-	1,002,958,897	-
	<b>2,888,701,359</b>	<b>3,392,332,367</b>	<b>1,730,359,815</b>	<b>2,372,861,468</b>
Allowance for impairment losses				
-the parent company	-	-	-	-
-entities under common control	80,387,842	-	45,836,736	-
	<b>80,387,842</b>	<b>158,277,459</b>	<b>45,836,736</b>	<b>101,551,778</b>
Investments available for sale				
-the parent company		-	5,796,446	-
-entities under common control	11,176,342	-	6,565,080	-
	<b>11,176,342</b>	<b>20,498,524</b>	<b>12,361,526</b>	<b>21,466,299</b>
Investments in associates				
- associates	2,798,501	-	4,360,133	-
	<b>2,798,501</b>	<b>2,798,501</b>	<b>4,360,133</b>	<b>4,360,133</b>
Due to banks				
-entities under common control	-	-	77,523,541	-
	-	<b>117,539,685</b>	<b>77,523,541</b>	<b>112,656,546</b>
Customer accounts				
-shareholders	474,181,320	-	773,231,218	-
-entities under common control	797,153,003	-	187,889,043	-
	<b>1,271,334,323</b>	<b>2,221,450,163</b>	<b>961,120,261</b>	<b>1,713,485,621</b>
Other borrowed funds				
-shareholders	1,737,949,204	-	901,094,473	-
-entities under common control	7,995,597	-	9,232,062	-
	<b>1,745,944,801</b>	<b>2,344,356,962</b>	<b>910,326,535</b>	<b>1,390,817,903</b>
Guarantees issued and similar commitments				
-shareholders	193,904,137	-	142,415,300	-
-entities under common control	372,477,513	-	183,802,741	-
	<b>566,381,651</b>	<b>979,510,191</b>	<b>326,218,041</b>	<b>926,972,408</b>

Included in the statement of comprehensive income for the years ended December 31, 2012 and 2011, are the following amounts which were recognized in transactions with related parties:

	Year ended December 31, 2012		Year ended December 31, 2011	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income				
-shareholders	68,213,564	-	20,740,042	-
-entities under common control	11,141,068	-	31,787,401	-
	<b>79,354,632</b>	<b>212,311,007</b>	<b>52,527,443</b>	<b>139,721,454</b>
Interest expense				
-shareholders	38,901,396	-	10,582,967	-
-entities under common control	15,872	-	2,378,155	-
	<b>38,917,268</b>	<b>101,598,160</b>	<b>12,961,122</b>	<b>52,947,801</b>
Provision for impairment losses on interest bearing assets				
-entities under common control	30,022,906	-	24,914,904	-
	<b>30,022,906</b>	<b>49,291,324</b>	<b>24,914,904</b>	<b>51,276,622</b>
Fee and commission income				
-shareholders	6,649,229	-	8,006,984	-
-entities under common control	1,536,920	-	21,759,017	-
	<b>8,186,149</b>	<b>99,784,034</b>	<b>29,766,001</b>	<b>85,555,653</b>
Fee and commission expense				
-the parent company	546,433	-	433,900	-
-entities under common control	5,271,930	-	4,186,224	-
	<b>5,818,363</b>	<b>16,379,080</b>	<b>4,620,124</b>	<b>13,005,958</b>
Operating expenses				
- Key management personnel compensation:	163,195	-	143,923	-
	<b>163,195</b>	<b>67,716,495</b>	<b>143,923</b>	<b>49,790,332</b>

## 29. 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.

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, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Cash and balances with the CBU	553,170,015	553,170,015	323,770,703	323,770,703
Due from banks	1,009,644,077	1,009,110,289	670,392,376	669,857,153
Loans to customers	3,229,833,220	3,179,169,919	2,271,309,690	2,229,859,202
Other financial assets	8,038,122	8,038,122	3,231,615	3,231,615
Due to banks	117,539,685	117,426,998	112,656,546	111,387,101
Customer accounts	2,221,450,163	2,237,999,172	1,713,485,621	1,696,721,655
Other borrowed funds	2,344,356,962	2,298,863,457	1,390,817,903	1,363,981,443
Other financial liabilities	10,799,141	10,799,141	8,499,476	8,499,476

## 30. 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.

	2012	2011
Movement in tier 1 capital:		
<b>At 1 January</b>	<b>194,634,619</b>	<b>152,403,630</b>
<i>Issue of ordinary shares</i>	85,245,204	24,255,000
<i>Profit</i>	25,721,980	16,531,080
<i>Dividends declared</i>	(6,764,995)	(4,398,101)
<i>Sale of treasury shares</i>	1,630,000	5,843,010
<i>Non-controlling interest</i>	1,311,993	-
<b>At 31 December</b>	<b>301,778,801</b>	<b>194,634,619</b>
Composition of regulatory capital (a):	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Tier 1 capital		
<i>Share capital</i>	265,010,820	161,227,616
<i>Treasury shares</i>	(4,972,344)	(6,602,344)
<i>Disclosed reserves</i>	38,579,674	38,713,967
<b>Total qualifying tier 1 capital</b>	<b>298,618,150</b>	<b>193,339,239</b>
<b>Total regulatory capital</b>	<b>298,618,150</b>	<b>193,339,239</b>
Capital Ratios:		
Tier 1 capital	16.45%	19.37%
Total capital	16.56%	19.51%

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.

### 31. RISK MANAGEMENT POLICIES

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

- Credit exposures
- Liquidity risk
- Market risk

The 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 though 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 28.

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.

	<b>December 31, 2012</b>				
	<b>Maximum exposure</b>	<b>Offset</b>	<b>Net exposure after offset</b>	<b>Collateral pledged</b>	<b>Net exposure after offset and collateral</b>
Cash and Balances with the CBU	553,170,015	44,039,624	509,130,391	-	509,130,391
Due from banks	1,009,644,077	1,667,061	1,007,977,016	-	1,007,977,016
Loans to customers	3,229,833,220	2,149,837	3,227,683,383	3,227,532,514	150,869
Investments available-for-sale	20,498,524	-	20,498,524	-	20,498,524
Other financial assets	8,038,122	-	8,038,122	-	8,038,122
Letters of credit and other transactions related contingent obligations	389,208,817	389,208,817	-	-	-
Guarantees issued and similar commitments	267,499,780	109,655,045	157,844,735	-	157,844,735

**December 31,  
2011**

	<b>Maximum exposure</b>	<b>Offset</b>	<b>Net exposure after offset</b>	<b>Collateral pledged</b>	<b>Net exposure after offset and collateral</b>
Cash and Balances with the 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	2,532,284	2,268,777,406	2,241,641,168	27,136,238
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
Letters of credit and other transactions related contingent	202,014,244	202,014,244	-	-	-
Guarantees issued and similar commitments	189,054,390	152,197,000	36,857,390	-	36,857,390

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, 2012:

	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>B</b>	<b>Not rated</b>	<b>December 31, 2012 Total</b>
Cash and balances with the CBU	-	-	-	-	-	553,170,015	<b>553,170,015</b>
Due from banks	276,570,330	620,165,428	14,076,807	6,072,490	91,566,068	1,192,955	<b>1,009,644,077</b>
Loans to customers	-	-	-	-	-	3,229,833,220	<b>3,229,833,220</b>
Investments available-for-sale	-	-	-	-	-	20,498,524	<b>20,498,524</b>
Other financial assets	-	-	-	-	-	8,038,122	<b>8,038,122</b>

As at December 31, 2011:

	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>B</b>	<b>Not rated</b>	<b>December 31, 2011 Total</b>
Cash and balances with the CBU	-	-	-	-	-	323,770,703	<b>323,770,703</b>
Due from banks	284,617,138	299,010,678	11,315,304	1,511,927	71,327,019	2,610,310	<b>670,392,376</b>
Loans to customers	-	-	-	-	-	2,271,309,690	<b>2,271,309,690</b>
Investments available-for-sale	-	-	-	-	-	21,466,299	<b>21,466,299</b>
Other financial assets	-	-	-	-	-	3,231,615	<b>3,231,615</b>

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, 2012:

	Neither past due nor impaired	Financial assets past due but not impaired			Financial assets that have been impaired	December 31, 2012	
		0-3 months	3-6 months	6 months to 1 year		Allowance for impairment	Total
Cash and balances with the CBU	553,170,015	-	-	-	-	-	553,170,015
Due from banks	1,009,644,077	-	-	-	-	-	1,009,644,077
Loans to customers	3,234,529,131	4,442,251	199,611	2,226,172	146,713,514	(158,277,459) *	3,229,833,220
Investments available-for-sale	20,498,524	-	-	-	-	-	20,498,524
Other financial assets	6,110,917	-	-	-	4,215,529	(2,288,324)	8,038,122

As at December 31, 2011:

	Neither past due nor impaired	Financial assets past due but not impaired			Financial assets that have been impaired	December 31, 2011	
		0-3 months	3-6 months	6 months to 1 year		Allowance for impairment	Total
Cash and balances with the CBU	323,770,703	-	-	-	-	-	323,770,703
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	(101,551,778) *	2,271,309,690
Investments available-for-sale	21,466,299	-	-	-	-	-	21,466,299
Other financial assets	1,866,160	-	-	-	3,546,426	(2,180,971)	3,231,615

\* Allowance for impairment consists of specific allowance on impaired loans, as well as collective allowance on not impaired loans.

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, 2012 Total
<b>FINANCIAL ASSETS</b>				
Cash and balances with the Central Bank of the Republic of Uzbekistan	553,170,015	-	-	553,170,015
Due from banks	92,759,022	907,525,851	9,359,204	1,009,644,077
Loans to customers	3,229,833,220	-	-	3,229,833,220
Investments available-for-sale	19,254,390	1,244,134	-	20,498,524
Other financial assets	8,038,122	-	-	8,038,122
<b>TOTAL FINANCIAL ASSETS</b>	<b>3,903,054,769</b>	<b>908,769,985</b>	<b>9,359,204</b>	<b>4,821,183,958</b>
<b>FINANCIAL LIABILITIES</b>				
Due to banks	116,741,919	412,737	385,029	117,539,685
Customer accounts	2,221,450,163	-	-	2,221,450,163
Other borrowed funds	1,750,044,557	52,598,669	541,713,736	2,344,356,962
Other financial liabilities	10,799,141	-	-	10,799,141
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,099,035,780</b>	<b>53,011,406</b>	<b>542,098,765</b>	<b>4,694,145,951</b>
<b>NET POSITION</b>	<b>(195,981,011)</b>	<b>855,758,579</b>	<b>(532,739,561)</b>	
	Uzbekistan	OECD countries	Non-OECD countries	December 31, 2011 Total
<b>FINANCIAL ASSETS</b>				
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
<b>TOTAL FINANCIAL ASSETS</b>	<b>2,689,656,864</b>	<b>593,151,336</b>	<b>7,362,483</b>	<b>3,290,170,683</b>
<b>FINANCIAL LIABILITIES</b>				
Due to banks	112,656,546	-	-	112,656,546
Customer accounts	1,713,485,621	-	-	1,713,485,621
Other borrowed funds	922,242,983	37,527,307	431,047,613	1,390,817,903
Other financial liabilities	8,499,476	-	-	8,499,476
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>2,756,884,626</b>	<b>37,527,307</b>	<b>431,047,613</b>	<b>3,225,459,546</b>
<b>NET POSITION</b>	<b>(67,227,762)</b>	<b>555,624,029</b>	<b>(423,685,130)</b>	



## 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	December 31, 2012 Total
<b>FINANCIAL ASSETS</b>							
Cash and balances with the Central Bank of the Republic of Uzbekistan	0.02%	230,450,000	-	-	-	-	230,450,000
Due from banks	0.26%	626,649,923	5,001,516	4,001,213	1,000,303	-	636,652,955
Loans to customers	7.34%	53,434,496	141,714,425	450,855,926	422,710,427	2,161,117,946	3,229,833,220
Investments available-for-sale	13.10%	-	4,000,000	-	4,920,000	-	8,920,000
<b>Total interest bearing financial assets</b>		<b>910,534,419</b>	<b>150,715,941</b>	<b>454,857,139</b>	<b>428,630,730</b>	<b>2,161,117,946</b>	<b>4,105,856,175</b>
Cash and balances with the Central Bank of the Republic of Uzbekistan		322,720,015	-	-	-	-	322,720,015
Due from banks		352,008,040	6,230,264	14,752,818	-	-	372,991,122
Investments available-for-sale		11,578,524	-	-	-	-	11,578,524
Other financial assets		8,038,122	-	-	-	-	8,038,122
<b>Total financial assets</b>		<b>1,604,879,120</b>	<b>156,946,205</b>	<b>469,609,957</b>	<b>428,630,730</b>	<b>2,161,117,946</b>	<b>4,821,183,958</b>

	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	December 31, 2012 Total
<b>FINANCIAL LIABILITIES</b>							
Due to banks	10.68%	-	21,758,846	-	8,644,120	77,012,192	107,415,158
Customer accounts	16.69%	42,070,975	79,631,468	60,464,694	42,637,636	-	224,804,773
Other borrowed funds	2.64%	419,140	1,862,783	20,006,282	85,146,474	2,235,022,283	2,342,456,962
<b>Total interest bearing financial liabilities</b>		<b>42,490,115</b>	<b>103,253,097</b>	<b>80,470,976</b>	<b>136,428,230</b>	<b>2,312,034,476</b>	<b>2,674,676,893</b>
Due to banks		9,786,630	244,136	93,611	150	-	10,124,527
Customer accounts		1,649,614,397	113,842,084	215,777,613	17,411,296	-	1,996,645,390
Other borrowed funds		1,900,000	-	-	-	-	1,900,000
Other financial liabilities		4,687,835	-	-	6,111,306	-	10,799,141
<b>Total financial liabilities</b>		<b>1,708,478,977</b>	<b>217,339,316</b>	<b>296,342,200</b>	<b>159,950,982</b>	<b>2,312,034,476</b>	<b>4,694,145,951</b>
Liquidity gap		(103,599,857)	(60,393,111)	173,267,757	268,679,748	(150,916,530)	
Interest sensitivity gap		868,044,304	47,462,844	374,386,163	292,202,500	(150,916,530)	
<b>Cumulative interest sensitivity gap</b>		<b>868,044,304</b>	<b>915,507,148</b>	<b>1,289,893,311</b>	<b>1,582,095,811</b>	<b>1,431,179,282</b>	
Cumulative interest sensitivity gap as percentage of total financial assets		18%	19%	27%	33%	30%	

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 26, the Group has unpaid share capital at the amount of 66,802,901. The Group believes that the realization of these funds stabilizes 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.

As discussed in Note 24, the Group was not able to meet certain covenants of financial line agreement with China Development Bank (CDB). The respective outstanding balance of the loan as at 31 December 2012 amounted to UZS 11,393,078 thousand. The management believes that there is no need to present these funds as on demand, since there is no intention from CDB to call back the resources.

	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	December 31, 2011 Total
<b>FINANCIAL ASSETS</b>							
Cash and balances with the Central Bank of the Republic of Uzbekistan	0.02%	131,291,866	-	-	-	-	131,291,866
Due from banks	7.25%	321,040,701	2,500,000	4,010,100	1,000,000	-	328,550,801
Loans to customers	9.13%	124,864,599	114,119,110	544,996,530	600,839,287	886,490,164	2,271,309,690
Investments available-for-sale	5.94%	5,197,000	7,150,001	3,178,400	5,940,898	-	21,466,299
<b>Total interest bearing financial assets</b>		<b>582,394,166</b>	<b>123,769,111</b>	<b>552,185,030</b>	<b>607,780,185</b>	<b>886,490,164</b>	<b>2,752,618,656</b>
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
<b>Total financial assets</b>		<b>1,040,864,288</b>	<b>123,769,111</b>	<b>631,266,790</b>	<b>607,780,329</b>	<b>886,490,164</b>	<b>3,290,170,683</b>
<b>FINANCIAL LIABILITIES</b>							
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	2.9%	18,800,808	150,220	1,336,413	131,133,865	1,237,525,590	1,388,946,896
<b>Total interest bearing financial liabilities</b>		<b>171,386,371</b>	<b>252,420,049</b>	<b>186,959,839</b>	<b>159,742,677</b>	<b>1,264,585,590</b>	<b>2,035,094,526</b>
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
<b>Total financial liabilities</b>		<b>1,057,160,610</b>	<b>307,025,478</b>	<b>388,007,831</b>	<b>208,680,038</b>	<b>1,264,585,590</b>	<b>3,225,459,547</b>
Liquidity gap		(16,296,322)	(183,256,366)	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)	
<b>Cumulative interest sensitivity gap</b>		<b>411,007,795</b>	<b>282,356,857</b>	<b>647,582,048</b>	<b>1,095,619,557</b>	<b>717,524,130</b>	
Cumulative interest sensitivity gap as percentage of total financial assets		12%	9%	20%	33%	22%	

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.

	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	December 31, 2012 Total
<b>FINANCIAL LIABILITIES</b>							
Due to banks	10.68%	-	21,943,607	-	8,717,520	77,666,125	108,327,252
Customer accounts	16.69%	42,615,617	80,662,361	61,247,458	43,189,614	-	227,715,050
Other borrowed funds	2.64%	420,052	1,866,835	20,049,807	85,331,718	2,239,884,777	2,347,553,189
<b>Total interest bearing financial liabilities</b>		<b>43,035,669</b>	<b>104,472,803</b>	<b>81,297,265</b>	<b>137,238,852</b>	<b>2,317,550,902</b>	<b>2,683,595,491</b>
Due to banks		9,786,630	244,136	93,611	150	-	10,124,527
Customer accounts		1,649,614,397	113,842,084	215,777,613	17,411,296	-	1,996,645,390
Other borrowed funds		1,900,000	-	-	-	-	1,900,000
Other financial liabilities		4,687,835	-	-	6,111,306	-	10,799,141
<b>Total financial liabilities</b>		<b>1,709,024,531</b>	<b>218,559,023</b>	<b>297,168,489</b>	<b>160,761,604</b>	<b>2,317,550,902</b>	<b>4,703,064,549</b>
	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	December 31, 2011 Total
<b>FINANCIAL LIABILITIES</b>							
Due to banks	8.69%	44,316,723	19,674,185	43,860,174	37,842	-	107,888,924
Customer accounts	9.81%	109,288,677	234,243,268	142,996,690	28,756,245	27,235,219	542,520,099
Other borrowed funds	1.7%	18,846,189	150,583	1,339,639	131,450,393	1,240,512,703	1,392,299,507
<b>Total interest bearing financial liabilities</b>		<b>172,451,589</b>	<b>254,068,036</b>	<b>188,196,503</b>	<b>160,244,480</b>	<b>1,267,747,922</b>	<b>2,042,708,530</b>
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
<b>Total financial liabilities</b>		<b>1,058,225,828</b>	<b>308,673,465</b>	<b>389,244,495</b>	<b>209,181,841</b>	<b>1,267,747,922</b>	<b>3,233,073,551</b>

## 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, 2012 and 2011:

	As at December 31, 2012		As at December 31, 2011	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
<i>Assets</i>				
Investments available-for-sale	-	-	57,964	(57,964)
<i>Liabilities</i>				
Other borrowed funds	(667,118)	667,118	(781,142)	781,142
<b>Net impact on profit before tax</b>	<b>(667,118)</b>	<b>667,118</b>	<b>(723,178)</b>	<b>723,178</b>

## 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, 2012 and 2011 is presented in the tables below:

	UZS	USD USD 1 = 1,984.00 UZS	EUR EUR 1 = 2,620.31 UZS	Other Currency	December 31, 2012 Total
<b>Financial assets</b>					
Cash and balances with the CBU	273,726,597	265,543,321	12,842,569	1,057,528	553,170,015
Due from banks	20,615,087	880,172,864	103,523,086	5,333,040	1,009,644,077
Loans to customers	1,032,501,301	2,096,449,015	100,882,904	-	3,229,833,220
Investments available-for-sale	19,989,676	508,848	-	-	20,498,524
Other financial assets	494,865	7,534,444	6,940	1,873	8,038,122
<b>Total financial assets</b>	<b>1,347,327,526</b>	<b>3,250,208,492</b>	<b>217,255,499</b>	<b>6,392,441</b>	<b>4,821,183,958</b>
Due to banks	103,374,531	14,099,831	65,323	-	117,539,685
Customer accounts	1,113,896,261	1,019,065,167	83,564,103	4,924,632	2,221,450,163
Other borrowed funds	15,110,857	2,205,159,642	124,086,463	-	2,344,356,962
Other financial liabilities	9,182,232	1,610,908	6,001	-	10,799,141
<b>Total financial liabilities</b>	<b>1,241,563,881</b>	<b>3,239,935,548</b>	<b>207,721,890</b>	<b>4,924,632</b>	<b>4,694,145,951</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>105,763,645</b>	<b>10,272,944</b>	<b>9,533,609</b>	<b>1,467,809</b>	

	UZS	USD USD 1 = 1,795.00 UZS	EUR EUR 1 = 2,341.97 UZS	Other Currency	December 31, 2011 Total
<b>Financial assets</b>					
Cash and balances with the CBU	74,019,712	243,108,874	5,611,232	1,030,885	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
<b>Total financial assets</b>	<b>912,480,227</b>	<b>2,186,116,693</b>	<b>186,451,392</b>	<b>5,122,371</b>	<b>3,290,170,683</b>
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	4,066,718	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
<b>Total financial liabilities</b>	<b>900,538,397</b>	<b>2,146,310,681</b>	<b>174,543,750</b>	<b>4,066,718</b>	<b>3,225,459,546</b>
<b>OPEN BALANCE SHEET POSITION</b>					
	11,941,830	39,806,012	11,907,642	1,055,653	

### 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, 2012 and 2011:

	As at December 31, 2012		As at December 31, 2011	
	UZS/USD +10%	UZS/USD -10%	UZS/USD +10%	UZS/USD -10%
Impact on profit or loss	2,038,152	(2,038,152)	4,258,933	(4,258,933)
	As at December 31, 2012		As at December 31, 2011	
	UZS/EUR +10%	UZS/EUR -10%	UZS/EUR +10%	UZS/EUR -10%
Impact on profit or loss	2,498,101	(2,498,101)	1,186,616	(1,186,616)

### 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.

## **32. SUBSEQUENT EVENTS**

The Group evaluates subsequent events through the date the financial statements were available to be issued March 29, 2013. The management is not aware of the any material subsequent events.