

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

Consolidated Financial Statements
For the Year Ended 31 December 2010

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

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010	2
INDEPENDENT AUDITORS’ REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010:	
Consolidated income statement	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8-9
Notes to the consolidated financial statements	10-71

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

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

The following statement, which should be read in conjunction with the independent auditors’ responsibilities stated in the independent auditors’ report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of “Uzbek Industrial And Construction Bank” Open Joint-Stock Commercial Bank “UZPROMSTROYBANK” (the “Bank”) and its subsidiaries (the “Group”).

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2010, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (“IFRS”).

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
Stating whether IFRS have been followed; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the financial statements of the Group comply with IFRS;
- Maintaining accounting records in accordance with 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 31 December 2010 were authorized for issue by the Management Board of the Group on 31 March 2011.

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

31 March 2011
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

31 March 2011
Tashkent, Uzbekistan

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank "UZPROMSTROYBANK" (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank "UZPROMSTROYBANK" as at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 4 to these consolidated financial statements. In the statement of cash flows for the year ended 31 December 2009 the Group's cash and cash equivalents included balances with minimum reserve deposits with the Central Bank of the Republic of Uzbekistan. As discussed in Note 4 to the consolidated financial statements, the Group has changed its accounting policy in respect of the components of cash and cash equivalents. Accordingly, the statement of cash flows for the year ended 31 December 2009 have been restated. Our opinion is not qualified in respect of this matter.

Other Matters

The consolidated financial statements of "Uzbek Industrial and Construction Bank" Open Joint-Stock Commercial Bank "UZPROMSTROYBANK" for the year ended 31 December 2009 were audited by other auditors, who expressed an unmodified opinion on those financial statements on 16 April 2010.

Deloitte & Touche

31 March 2011
Tashkent, Uzbekistan

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Interest income	5,28	108,262,830	102,254,918
Interest expense	5,28	(62,450,920)	(62,847,550)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		45,811,910	39,407,368
Provision for impairment losses on interest bearing assets	6,28	(16,019,209)	(19,707,815)
NET INTEREST INCOME		29,792,701	19,699,553
Net gain on foreign exchange operations	7	4,376,180	5,348,757
Fee and commission income	8, 28	66,555,407	57,641,505
Fee and commission expense	8	(13,578,479)	(9,124,891)
Losses on initial recognition of assets at rates below market		(772,870)	(1,681,199)
Dividend income		2,226,276	98,506
Other income, net	9	998,327	1,456,460
NET NON-INTEREST INCOME		59,804,841	53,739,138
OPERATING INCOME		89,597,542	73,438,691
Provision for impairment losses on other operations	6	(1,495,714)	(189,641)
OPERATING EXPENSES	10	(73,206,496)	(66,658,791)
PROFIT BEFORE RESULTS OF ACTIVITIES FROM ASSOCIATES		14,895,332	6,590,259
Share of results from associates	17	329,205	474,170
PROFIT BEFORE INCOME TAX		15,224,537	7,064,429
Income tax expense	11	(2,531,656)	(1,085,805)
NET PROFIT		12,692,881	5,978,624
Earnings per share, basic (expressed in UZS per share)	12	245	114

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

Saidkamol S. Khodjaev
Chief Accountant

31 March 2011
Tashkent, Uzbekistan

31 March 2011
Tashkent, Uzbekistan

The notes on pages 9-71 form an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Uzbek Soums)

	Year ended 31 December 2010	Year ended 31 December 2009
NET PROFIT	<u>12,692,881</u>	<u>5,978,624</u>
Other comprehensive income		
Unrealized gain on investment available-for-sale	(81,595)	367,068
Income tax relating to components of other comprehensive income	<u>12,241</u>	<u>(55,060)</u>
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	<u>(69,354)</u>	<u>312,008</u>
TOTAL COMPREHENSIVE INCOME	<u><u>12,623,527</u></u>	<u><u>6,290,632</u></u>

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

31 March 2011
Tashkent, Uzbekistan

Saidkamol S. Khodjaev
Chief Accountant

31 March 2011
Tashkent, Uzbekistan

The notes on pages 9-71 form an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**
(in thousands of Uzbek Soums)

	Notes	31 December 2010	31 December 2009	31 December 2008
ASSETS:				
Cash and Balances with the Central Bank of the Republic of Uzbekistan	13,28	248,970,393	172,799,198	238,833,172
Due from banks	14,28	153,454,290	68,392,650	109,136,838
Loans to customers	15,28	1,405,194,520	1,261,347,876	1,009,498,435
Investments available-for-sale	16,28	24,184,618	15,788,246	16,949,853
Investments in associates	17,28	4,052,268	3,901,004	-
Property, equipment and intangible assets	18	40,297,466	34,008,799	33,185,712
Investment property	19	857,410	903,138	-
Deferred income tax assets	11	3,000,726	2,974,375	2,735,081
Assets classified held for sale	21	18,002,895	9,643,851	3,108,614
Other assets	20	6,063,433	7,264,134	5,835,049
TOTAL ASSETS		1,904,078,019	1,577,023,271	1,419,282,754
LIABILITIES AND EQUITY				
LIABILITIES:				
Due to banks	22,28	100,982,901	138,173,954	113,573,739
Customer accounts	23,28	1,027,029,767	779,962,416	739,774,631
Other borrowed funds	24,28	620,015,493	499,152,125	409,766,298
Other liabilities	25	3,646,228	3,733,319	4,245,550
Total liabilities		1,751,674,389	1,421,021,814	1,267,360,218
EQUITY:				
Share capital	26	136,972,616	123,222,616	112,709,618
Treasury shares		(12,445,354)	-	-
Unrealised gains on available-for-sale securities		964,295	1,033,649	721,641
Retained earnings		26,912,073	31,745,192	38,491,277
Total equity		152,403,630	156,001,457	151,922,536
TOTAL LIABILITIES AND EQUITY		1,904,078,019	1,577,023,271	1,419,282,754

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

Saidkamol S. Khodjaev
Chief Accountant

31 March 2011
Tashkent, Uzbekistan

31 March 2011
Tashkent, Uzbekistan

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Uzbek Soums)

	Share capital	Treasury shares	Unrealized gain on investment available-for- sale	Retained earnings	Total equity
Notes					
31 December 2007	47,822,616	-	438,429	28,017,896	76,278,941
Shares issued and paid	64,887,002	-	-	-	64,887,002
Total comprehensive income	-	-	283,212	15,106,843	15,390,055
Dividends declared	-	-	-	(4,633,462)	(4,633,462)
31 December 2008	112,709,618	-	721,641	38,491,277	151,922,536
Shares issued and paid	512,998	-	-	-	512,998
Capitalisation of dividends	10,000,000	-	-	(10,000,000)	-
Total comprehensive income	-	-	312,008	5,978,624	6,290,632
Dividends declared	-	-	-	(3,400,000)	(3,400,000)
Branches transferred to another state bank	-	-	-	675,291	675,291
31 December 2009	123,222,616	-	1,033,649	31,745,192	156,001,457
Total comprehensive income	-	-	(69,354)	12,692,881	12,623,527
Dividends declared	-	-	-	(3,776,000)	(3,776,000)
Purchase of treasury shares	-	(12,445,354)	-	-	(12,445,354)
Capitalisation of dividends	13,750,000	-	-	(13,750,000)	-
31 December 2010	136,972,616	(12,445,354)	964,295	26,912,073	152,403,630

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

Saidkamol S. Khodjaev
Chief Accountant

31 March 2011
Tashkent, Uzbekistan

31 March 2011
Tashkent, Uzbekistan

The notes on pages 9-71 form an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Uzbek Soums)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009 (Restated*)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		101,293,979	97,443,190
Interest paid		(63,921,533)	(62,116,509)
Fee and commission received		66,771,369	57,563,593
Fee and commission paid		(13,578,479)	(8,866,547)
Income received from trading in foreign currencies		3,851,083	6,291,732
Other operating income received		998,327	1,086,947
Staff costs paid		(38,561,254)	(35,539,876)
Administrative and other operating expenses paid		(30,215,520)	(23,861,001)
Income tax paid		(2,500,039)	(2,907,498)
		<u>24,137,933</u>	<u>29,094,031</u>
Cash flows from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Minimum reserve deposits with the Central Bank of the Republic of Uzbekistan		(39,532,303)	(3,561,860)
Net increase/(decrease) in due from banks		173,659	(4,367,229)
Net increase in loans to customers		(152,169,619)	(301,076,539)
Net increase in other assets		(7,671,981)	(1,632,649)
Net (decrease)/increase in due to banks		(37,297,059)	38,478,439
Net increase in customer accounts		247,368,493	58,701,463
Net increase/(decrease) in other liabilities		(87,091)	(1,774,332)
		<u>34,922,032</u>	<u>(186,138,676)</u>
Net increase/(decrease) cash from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments available-for-sale		(8,048,362)	(9,419,640)
Proceeds from sale and redemption of investments available for sale		(1,694,392)	7,346,545
Purchase of property, equipment and intangible assets		(13,984,618)	(8,249,511)
Proceeds on sale of property, equipment and intangible assets		2,756,855	234,012
Dividend income received		2,226,276	270,936
Cash and cash equivalents of transferred branches		-	(386,015)
		<u>(18,744,241)</u>	<u>(10,203,673)</u>
Net cash outflow from investing activities			

The notes on pages 9-71 form an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010**
(in thousands of Uzbek Soums)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009 (Restated*)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary shares		-	512,998
Dividends paid		(3,776,000)	(3,854,453)
Proceeds from other borrowed funds		149,235,006	145,610,209
Repayment of other borrowed funds		(27,096,161)	(55,817,009)
Treasury shares purchased		(12,445,354)	-
Net cash inflow from financing activities		<u>105,917,491</u>	<u>86,451,745</u>
<i>Effect of changes in foreign exchange rate on cash and cash equivalents</i>		<u>525,097</u>	<u>281,252</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		122,620,379	(109,609,352)
CASH AND CASH EQUIVALENTS, beginning of year	13	<u>124,792,097</u>	<u>234,401,449</u>
CASH AND CASH EQUIVALENTS, end of year	13	<u><u>247,412,476</u></u>	<u><u>124,792,097</u></u>

Interest paid and received by the Group during the year ended 31 December 2010 amounted to UZS 60,978,043 thousand and UZS 100,971,611 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2009 amounted to UZS 62,707,652 thousand and UZS 114,560,379 thousand, respectively

*As discussed in Note 4, the statement of cash flows for the year ended 31 December 2009 has been restated.

On behalf of the Management Board:

Abdurasul N. Abdullaev
Chairman of the Board

Saidkamol S. Khodjaev
Chief Accountant

31 March 2011
Tashkent, Uzbekistan

31 March 2011
Tashkent, Uzbekistan

The notes on pages 9-71 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Uzbek Soums, unless otherwise indicated)

1. ORGANISATION

“Uzbek Industrial and Construction Bank” Open Joint-Stock Commercial Bank “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 the Uzbek Law #360-II “Insurance of Individual Bank Deposit” dated 5 April 2002. On 28 November 2008, the President of the Republic of Uzbekistan issued the Decree #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 43 branches within the Republic of Uzbekistan (31 December 2009: 43 branches). The number of the Bank’s employees as at 31 December 2010 was 3,763 (31 December 2009: 4,204).

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

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
		2010	2009	
Asset Invest Trust LLC	The Republic of Uzbekistan	100	-	Consulting
Capital Invest Finance LLC	The Republic of Uzbekistan	100	-	Consulting

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousands of Uzbek Soums, unless otherwise indicated)

As at 31 December 2010, 2009 and 2008 the following shareholders owned the issued shares of the Bank:

	31 December 2010, %	31 December 2009, %	31 December 2008, %
SHAREHOLDERS:			
The Ministry of Finance of the Republic of Uzbekistan	35.00	35.00	35.20
The Fund of Reconstruction and Development of the Republic of Uzbekistan	26.00	26.00	26.10
NHC "Uzbekneftgaz"	8.00	8.10	7.00
Absolute Investments Trust LLC	5.00	5.00	5.00
Addison Ventures (UK) Ltd.	1.40	1.40	1.40
Uzbekenergo State company	1.40	1.40	1.40
Brentwood and Co. (UK) Ltd.	1.40	1.40	1.40
Fortis Securities (ND) Ltd	1.20	1.20	1.20
Navoi Mining Company	1.00	1.00	1.00
Asset Management Trust LLC	-	1.60	1.60
British Glass Group LLC	-	6.00	6.00
Shuhrat-Dang'ara LLC	-	1.60	1.70
Mirobid-Dang'ara LLC	-	1.60	1.60
Treasury shares	10.00	-	-
Other legal entities (individually hold less than 1%)	6.00	4.90	5.50
Other shareholders (individually hold less than 1%)	3.60	3.80	3.90
Total	100.00	100.00	100.00

These consolidated financial statements were authorized for issue by the Management Board of the Group on 31 March 2011.

2. BASIS OF PRESENTATION

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. The Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio which has been further strengthened with the subsequent issue of shares illustrating the commitment of shareholders to support the Group and based on historical experience that short-term obligations will be refinanced in the normal course of business.

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 1 January 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 31 December 2005 have formed the basis for the amounts carried forward to 1 January 2006.

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

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

Functional currency

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

Recognition of income and expense

Recognition of interest income and expense

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

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss (“FVTPL”).

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

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

Recognition of fee and commission income and expense

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

Recognition of dividend income

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss 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 or are not classified as (a) loans and receivables, (2) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

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

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

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

Due from banks

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Renegotiated loans

Where possible, the Bank 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 it is entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the 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.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Other financial liabilities

Other financial liabilities, including due to banks, customer accounts, debt securities issues and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee and letter of credits contracts

A financial guarantee and letter of credit contracts are a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee and letter of credit contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets ; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Cash and cash equivalents

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

Leases

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

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as lessor

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

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

Property, equipment and intangible assets

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

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

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

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

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for *hedging accounting policies*); 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:

	31 December 2010	31 December 2009
UZS/1 USD	1,640.00	1,511.40
UZS/1 EUR	2,165.13	2,213.75
UZS/1 GBP	2,554.46	2,461.47
UZS/1 RUR	53.63	51.36

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:

- *‘Available-for-sale’ 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.

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 31 December 2010 and 2009 are presented below:

As at and for the year ended 31 December 2010:

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

As at and for the year ended 31 December 2009:

Name of associated company	Ownership interest	Carrying value of investments in associates (UZS thousand)	Total assets of associated company (UZS thousand)	Total liabilities of associated company (UZS thousand)	Net profit (UZS thousand)
OJSC "Qurilish Lizing"	37.40%	2,500,751	10,005,983	3,326,271	1,100,00
"Ishonch" LLC "	26.50%	994,443	4,969,496	1,216,880	235,289
Tashkent stock exchange	20.00%	405,810	1,721,918	54,8192	104,507

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.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments.

Branches transferred to another state bank.

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

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

	8 May 2009
ASSETS:	
Cash and cash equivalents	386,015
Due from banks	3,062,556
Loans and advances to customers including finance lease receivables	30,251,530
Property and equipment	1,465,477
Intangible assets	11,671
Other assets	1,077,001
TOTAL ASSETS	36,254,250
LIABILITIES AND EQUITY	
LIABILITIES:	
Due to banks	14,825,965
Customer accounts	19,310,473
Other borrowed funds	2,680,876
Other liabilities	112,228
Total liabilities	36,929,542
EQUITY:	
Retained earnings	(675,291)
Total equity	(675,291)
TOTAL LIABILITIES AND EQUITY	36,254,251

Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of loans and receivables

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

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

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

As at 31 December, 2010 and 2009 the gross loans and receivables totaled UZS 1,476,775,268 thousand and UZS 1,322,486,209 thousand, respectively, and allowance for impairment losses amounted to UZS 71,580,748 thousand and UZS 61,138,333 thousand, respectively

Impairment of tangible assets

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

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

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

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

Valuation of Financial Instruments

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

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

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

Deferred tax assets

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more than likely that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to UZS 806,733 thousand and UZS 686,754 thousand as at 31 December 2010 and 2009, respectively.

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010). The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010). The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively.

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2010. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)	<p>The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.</p> <p>Disclosures in these consolidated financial statements have been modified to reflect the above clarification, where applicable.</p>
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)	<p>The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application in respect of development costs that do not meet the criteria in IAS 38 of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows Intangible Assets for capitalisation as part of an internally generated intangible asset. No changes were necessary as a result of the adoption of this amendment.</p>
Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)	<p>The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.</p>
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	<p>The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.</p> <p>This amendment has had no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.</p>

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	<i>Disclosures – Transfers of Financial Assets</i> ¹
IFRS 9 (as amended in 2010)	<i>Financial Instruments</i> ²
IAS 24 (revised in 2009)	<i>Related Party Disclosures</i> ³
Amendments to IAS 32	<i>Classification of Rights Issues</i> ⁴
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁵

Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28 described earlier in section 2.1)⁵

¹ Effective for annual periods beginning on or after July 1, 2011.

² Effective for annual periods beginning on or after January 1, 2013.

³ Effective for annual periods beginning on or after January 1, 2011.

⁴ Effective for annual periods beginning on or after February 1, 2010.

⁵ Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

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

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

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard will have an impact on amounts reported in respect of the Groups' 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.

The amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

Management do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. RESTATEMENTS AND RECLASSIFICATIONS

Restatements

In 2010 the Group has changed its accounting policy in respect of the components of cash and cash equivalents. The Group excluded balances with mandatory reserve deposits with the CBU from cash and cash equivalents due to the availability restrictions. The new accounting policy is applied retrospectively and the comparative amounts were restated and disclosed for the earliest period presented as if the new accounting policy had always been applied.

Adjustments due to the change in accounting policy had the following effects on the statement of cash flows for the year ended 31 December 2009:

	Year ended 31 December 2009 Previously reported	Year ended 31 December 2009 Restated
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Changes in operating assets and liabilities		
Increase in operating assets:		182,576,816
Minimum reserve deposits with the Central Bank of the Republic of Uzbekistan	-	(3,561,860)
Net cash flow from operating activity	182,576,816	186,138,676
NET DECREASE IN CASH AND CASH EQUIVALENTS	(106,047,492)	(109,609,352)
CASH AND CASH EQUIVALENTS, beginning of year	317,709,088	234,401,449
CASH AND CASH EQUIVALENTS, end of year	211,611,569	124,792,097

Reclassifications

Certain reclassifications have been made to the financial statements as at 31 December 2009 and for the year then ended to conform to the presentation as at 31 December 2010 and for the year then ended as current year presentation provided a better view of the financial position of the Group. These reclassifications have no impact on the financial results of the Group.

	As previously reported for the year ended 31 December 2009	Reclassification amount	As reclassified for the year ended 31 December 2009
Reclassification			
Other assets	9,794,863	(2,530,729)	7,264,134
Assets classified held for sale	7,113,122	2,530,729	9,643,851
Cash and Balances with the Central Bank of the RU	211,661,596	(38,862,398)	172,799,198
Due from banks	29,530,252	38,862,398	68,392,650
Operating expenses	(67,121,555)	462,764	(66,658,791)
Provision for impairment losses on other operations	-	(189,641)	(189,641)
Provision for impairment losses on interest bearing assets	(19,493,917)	(213,898)	(19,707,815)
Other income	1,515,685	(59,225)	1,456,460

5. NET INTEREST INCOME

	Year ended 31 December 2010	Year ended 31 December 2009
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
-interest income on impaired financial assets	4,938,465	1,310,637
-interest income on unimpaired financial assets	103,324,365	100,944,281
Total interest income	108,262,830	102,254,918
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	105,526,027	98,755,021
Interest on on balances due from banks	1,283,011	1,826,005
Interest on investments available-for-sale	588,056	2,654
Interest on other assets	865,736	1,671,238
Total interest income on financial assets recorded at amortized cost	108,262,830	102,254,918
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	(62,450,920)	(62,851,855)
Total interest expense	(62,450,920)	(62,851,855)
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	(37,390,503)	(40,091,150)
Interest on due to banks	(12,426,171)	(12,539,944)
Interest on other borrowed funds	(11,689,660)	(9,883,931)
Interest on debt securities issued	(944,586)	(332,525)
Total interest expense on financial liabilities recorded at amortized cost	(62,450,920)	(62,847,550)
Net interest income before provision for impairment losses on interest bearing assets	45,811,910	39,407,368

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	Due from banks	Loans to customers	Total
31 December 2008	1,158,815	45,428,286	46,587,101
Provision	2,191,958	17,515,857	19,707,815
Release of provision for impairment of loans transferred to another state bank during the year	-	(1,519,900)	(1,519,900)
Write-off of assets		(116,937)	(116,937)
Transfer to non-current assets held for sale	-	(168,973)	(168,973)
31 December 2009	3,350,773	61,138,333	64,489,106
Provision	746,188	15,273,021	16,019,209
Write-off of assets	(4,096,961)	(4,830,606)	(8,927,567)
31 December 2010	-	71,580,748	71,580,748

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

	Assets classified held for sale	Other assets	Total
31 December 2008	203,861	99,818	303,679
Provision	168,973	20,668	189,641
31 December 2009	372,834	120,486	493,320
Provision	839,928	655,786	1,495,714
31 December 2010	1,212,762	776,272	1,989,034

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2010	Year ended 31 December 2009
Translation differences, net	4,002,974	(942,975)
Dealing transactions, net	373,206	6,291,732
Total net gain on foreign exchange operations	4,376,180	5,348,757

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2010	Year ended 31 December 2009
Fee and commission income:		
Settlements	48,509,846	43,884,588
Foreign currency exchange operations	10,987,878	9,421,464
Issuing guarantees	2,824,563	1,267,475
Cash operations	1,712,037	524,221
Management service fee	1,296,764	1,098,750
Letter of credit operations	1,220,729	1,432,529
Other	3,590	12,478
Total fee and commission income	66,555,407	57,641,505
Fee and commission expense:		
Cash collection services	11,079,651	7,349,178
Settlements	2,239,203	1,575,488
Foreign payments	138,658	136,943
Other	120,967	63,282
Total fee and commission expense	13,578,479	9,124,891

9. OTHER INCOME

Other income comprises:

	Year ended 31 December 2010	Year ended 31 December 2009
Other income:		
Income from rent of property	457,488	150,410
Fines and penalties	148,388	341,380
Gain from sale or disposition of property, equipment and intangible assets	72,314	353,995
Other non-interest income	320,137	610,675
Other income, net	998,327	1,456,460

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2010	Year ended 31 December 2009
Staff costs	38,051,880	36,197,165
Taxes, other than income tax	11,040,471	9,343,674
Security expenses	5,553,148	3,850,622
Depreciation and amortization	4,984,824	4,678,582
Stationery	2,397,297	3,749,120
Membership fee	2,168,908	2,595,271
Charity and sponsorship expenses	1,669,548	1,754,509
Maintenance	1,174,582	981,347
Communications	1,153,896	1,085,913
Rent expenses	1,041,670	809,127
Fines and penalties	763,870	-
Business trip expenses	466,200	498,886
Loss on disposal of property and intangible assets	281,681	487,539
Professional services	180,406	387,361
Other expenses	2,278,115	239,675
Total operating expenses	73,206,496	66,658,791

11. 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 31 December 2010 and 2009 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 31 December 2010, 2009 and 2008 comprise:

	31 December 2010	31 December 2009	31 December 2008
Deductable temporary differences:			
Loan impairment provision	5,973,465	5,602,753	5,514,481
Accrued interest expenses	822,025	1,784,124	2,095,351
Accrued expenses	991,997	645,404	843,038
Total deductible temporary differences	7,787,487	8,032,281	8,452,870
Taxable temporary differences:			
Property, equipment and intangible assets	19,203	18,986	19,272
Accrued interest income	4,538,665	4,810,656	4,918,549
Fair value adjustment of investments available for sale	170,170	182,409	127,349
Income accruals	58,723	45,855	652,619
Total taxable temporary differences	4,786,761	5,057,906	5,717,789
Net deferred tax asset	3,000,726	2,974,375	2,735,081

Relationships between tax expenses and accounting profit for the years ended 31 December 2010 and 2009 are explained as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Profit before income tax	15,224,537	7,064,429
Tax at the statutory tax rate (15% for 2009 and 2010)	2,283,681	1,059,664
Income tax privileges from increase of term deposits of individuals	(1,629,449)	(2,604,014)
Non deductible expense	2,211,365	2,630,155
Dividends received	(333,941)	-
Income tax expense	2,531,656	1,085,805
Current income tax	2,545,766	1,380,159
Change in deferred income tax assets	(14,110)	(294,354)
Income tax expense	2,531,656	1,085,805

	2010	2009	2008
Deferred income tax assets			
Beginning of the year	2,974,375	2,735,081	2,152,338
Change in deferred income tax balances recognized in consolidated profit or loss	14,110	294,354	582,743
Changes in deferred income tax balances recognized in other comprehensive income	12,241	(55,060)	-
End of the year	3,000,726	2,974,375	2,735,081

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.

12. EARNINGS PER SHARE

	Year ended 31 December 2010	Year ended 31 December 2009
Net profit for the year	12,692,881	5,978,624
Less dividends on preference shares	(944,000)	(520,000)
Net profit attributable to ordinary shareholders	11,748,881	5,458,624
Weighted average number of ordinary shares for basic earnings per share	48,000,000	47,959,334
Earnings per share, basic (expressed in UZS per share)	245	114

As at 31 December 2010 and 2009, the Group did not have any securities that could potentially be converted to share capital and would therefore dilute EPS.

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

	31 December 2010	31 December 2009	31 December 2008
Cash	43,036,476	26,521,998	31,083,402
Balances with the Central Bank of the Republic of Uzbekistan	205,933,917	146,277,200	207,749,770
Total cash and cash balances with the Central Bank of the Republic of Uzbekistan	248,970,393	172,799,198	238,833,172

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 31 December 2010 and 2009, the mandatory reserve deposits with the CBU were in the amount of UZS 126,401,802 thousand and UZS 86,869,499 thousand, respectively.

Balances with the CBU include an overnight deposit of UZS 68,880,000 thousand (2009: UZS 40,230,000 thousand) bearing a fixed interest rate of 0.12 percent per annum (2009: fixed interest rate of 0.5 percent per annum).

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

	31 December 2010	31 December 2009	31 December 2008
Cash and balance with the CBU	248,970,393	172,799,198	238,833,172
Correspondent accounts and overnight placements with other banks	124,843,885	38,862,398	78,875,916
	373,814,278	211,661,596	317,709,088
Less minimum reserve deposit at the Central Bank of the Republic of Uzbekistan	(126,401,802)	(86,869,499)	(83,307,639)
Total cash and cash equivalents	247,412,476	124,792,097	234,401,449

14. DUE FROM BANKS

Due from banks comprise:

	31 December 2010	31 December 2009	31 December 2008
Restricted cash	8,357,516	24,434,508	19,564,364
Time deposits	145,096,774	47,308,915	90,731,289
	<u>153,454,290</u>	<u>71,743,423</u>	<u>110,295,653</u>
Less allowance for impairment losses	<u>-</u>	<u>(3,350,773)</u>	<u>(1,158,815)</u>
Total due from banks	<u>153,454,290</u>	<u>68,392,650</u>	<u>109,136,838</u>

Movements in the allowance for impairment losses on balances due from banks for the years ended 31 December, 2010 and 2009 are disclosed in Note 5.

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.

Of the balance of restricted cash UZS 820,000 thousand as of 31 December 2010 (31 December 2009: UZS 755,700 thousand) represents collateral for the Guarantee issued by National Bank of Uzbekistan (“NBU”) under borrowings from international financial institutions (Note 18). The Group does not have the right to use these funds for the purposes of funding its own activities.

15. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2010	31 December 2009	31 December 2008
Loans to customers	1,424,806,912	1,283,130,162	1,010,256,631
Investments in finance lease	33,574,413	36,199,130	26,326,318
Purchased loans	<u>18,393,943</u>	<u>3,156,917</u>	<u>18,343,772</u>
	<u>1,476,775,268</u>	<u>1,322,486,209</u>	<u>1,054,926,721</u>
Less allowance for impairment losses	<u>(71,580,748)</u>	<u>(61,138,333)</u>	<u>(45,428,286)</u>
Total loans to customers	<u>1,405,194,520</u>	<u>1,261,347,876</u>	<u>1,009,498,435</u>

Movements in allowances for impairment losses for the years ended 31 December 2010 and 2009 are disclosed in Note 6.

As at 31 December 2010 and 2009, loans to customers included accrued interest income totaling UZS 10,606,754 thousand and UZS 3,656,708 thousand, respectively.

As at 31 December 2010 loans issued at interest rates below market through a fund for concessionary lending to small and medium size businesses (“SME”) established by the Group from its internal resources in accordance with the Government decree on support of SME amounted to UZS 10,600,00 thousand (31 December 2009: UZS 35,100,747 thousand). During 2010 a loss on initial recognition of loans below market in amount of UZS 772,870 (2009: UZS 1,681,199 thousand) has been recorded in the profit or loss for the year.

As at 31 December 2010 loans and advances to customers include loans of UZS 620,015,493 thousand (31 December 2009: UZS 499,152,125 thousand) funded by borrowings from international and domestic financial institutions as stated in Note 24. As at 31 December 2010 loans and advances to customers include interest of UZS 31,101,947 thousand (31 December 2009: UZS 32,071,980 thousand) which is accrued using effective interest rate but not due as at the balance sheet date on project finance loans issued in accordance with the governmental decrees. These project finance loans provide a grace period on interest payments in instalments up to the year 2014.

The table below summarizes carrying value of loans to customers analysed by type of collateral obtained by the Group:

	31 December 2010	31 December 2009	31 December 2008
Loans collateralized by pledge of corporate and government guarantees	749,426,754	718,177,469	628,768,156
Loans collateralized by building	485,792,362	355,689,451	237,046,775
Loans collateralized by shares	68,405,444	58,653,286	7,274,672
Loans collateralized by equipment	62,222,186	120,611,878	83,074,047
Loans collateralized by vehicle	58,104,760	33,436,999	40,616,007
Loans collateralized by cash deposit	3,508,411	1,990,653	4,136,907
Loans collateralized by insurance policy	2,796,544	7,949,287	5,369,253
Others	26,295,519	25,751,694	47,763,084
Unsecured loans	20,223,288	225,492	877,820
	1,476,775,268	1,322,486,209	1,054,926,721
Less allowance for impairment losses	(71,580,748)	(61,138,333)	(45,428,286)
Total loans to customers	1,405,194,520	1,261,347,876	1,009,498,435

	31 December 2010	31 December 2009	31 December 2008
Analysis by sector:			
Machinery and other manufacturing	745,539,847	819,065,869	543,741,184
Construction and construction materials	278,011,828	100,807,472	168,998,006
Transport	187,835,186	145,297,301	105,462,250
Trading and food companies	122,460,615	102,174,017	97,218,543
Individuals	65,937,064	79,735,328	72,405,920
Agriculture	41,074,432	32,585,295	31,199,287
Financial services	11,032,756	11,520,159	-
Utilities	9,450,945	14,526,571	18,637,519
Other	15,432,595	16,774,197	17,264,012
	1,476,775,268	1,322,486,209	1,054,926,721
Less allowance for impairment losses	(71,580,748)	(61,138,333)	(45,428,286)
Total loans to customers	1,405,194,520	1,261,347,876	1,009,498,435

Loans to individuals comprise the following products:

	31 December 2010	31 December 2009	31 December 2008
Mortgage loans	46,341,685	56,213,406	50,967,140
Consumer loans	14,122,240	15,149,712	14,632,424
Educational loans	1,715,248	3,189,413	2,389,881
Car loans	1,252,526	2,790,736	1,954,807
Other	<u>2,505,365</u>	<u>2,392,061</u>	<u>2,461,668</u>
Total loans to individuals	<u>65,937,064</u>	<u>79,735,328</u>	<u>72,405,920</u>

As at 31 December 2010 and 2009, the Group granted loans of UZS 814,378,743 thousand to 12 customer and UZS 654,234,427 thousand to 11 customers, respectively which individually exceeded 10% of the Group's equity.

As at 31 December 2010 and 2009, all loans are granted to companies operating in the Republic of Uzbekistan, which represents geographical concentration in one region.

As at 31 December 2010, loans to customers included loans totaling UZS 133,407,879 thousand, whose terms were renegotiated (2009: UZS 177,876,074). Otherwise these loans would be past due or impaired.

As at 31 December 2010 and 2009 the components of net investment in finance lease are as follows:

	31 December 2010	31 December 2009	31 December 2008
Not later than one year	10,840,479	14,326,521	9,275,706
From one year to five years	<u>29,717,970</u>	<u>30,542,088</u>	<u>25,329,289</u>
Minimum lease payments	40,558,449	44,868,609	34,604,995
Less: unearned finance income	<u>(6,984,036)</u>	<u>(8,669,479)</u>	<u>(8,278,677)</u>
Net investment in finance lease	<u>33,574,413</u>	<u>36,199,130</u>	<u>26,326,318</u>
Current portion	8,973,783	11,558,361	6,741,764
Long-term portion	<u>24,600,630</u>	<u>24,640,769</u>	<u>19,584,554</u>
Net investment in finance lease	<u>33,574,413</u>	<u>36,199,130</u>	<u>26,326,318</u>

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. As at 31 December 2010 average effective interest rate contracted is approximately 12.5% (31 December 2009: 12.9%) per annum.

16. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

Equity securities	Nominal interest rate	31 December 2010	Nominal interest rate	31 December 2009	Nominal interest rate	31 December 2008
Uzbek government treasury bills	6%	11,559,001	6%	11,271,782	6%	11,005,507
"Qishloq Qurilish Bank" OJSCB	12%	4,000,000	-	-	-	-
"Ipoteka Bank" OJSCB	14%	2,920,000	-	-	-	-
JSB "Microcreditbank"	-	2,355,108	-	2,300,000	-	2,300,000
"Hamkor Bank" OJSCB	14%	1,000,000	-	-	-	-
Visa International	-	672,802	-	754,396	-	357,271
UZCEX	-	495,970	-	495,970	-	495,970
OJSC "Chilonzor buyum bozori"	-	385,714	-	385,714	-	408,433
OJSC LC "UzMed-Leasing"	-	255,452	-	255,452	-	250,000
Commodity exchange	-	168,021	-	168,021	-	150,445
OJSC "Buhoro Markazy dekhkon bozori"	-	131,000	-	-	-	-
Other	-	241,550	-	156,911	-	156,348
Qurilish Leasing	-	-	-	-	-	1,260,001
Ishonch	-	-	-	-	-	565,878
Total investments available-for-sale		24,184,618		15,788,246		16,949,853

As at 31 December 2010 and 2009, investments available-for-sale included accrued interest income amounted to UZS 132,329 thousand and UZS 45,370 thousand, respectively.

17. INVESTMENTS IN ASSOCIATES

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

	31 December 2010		31 December 2009	
	Ownership interest	Carrying value	Ownership interest	Carrying value
Qurilish Leasing	46.80%	2,656,189	37.40%	2,500,751
"Ishonch" LLC	26.50%	995,848	26.50%	994,443
Tashkent stock exchange	20.00%	400,231	20.00%	405,810
		4,052,268		3,901,004

Reconciliation of the investments in associates comprise:

	2010	2009
As at 1 January	3,901,004	-
Acquisition of investments	-	3,526,874
Goodwill arising on acquisition of associates	-	72,390
Share of profits of associates	329,205	474,170
Dividends from associates	(177,941)	(172,430)
As at 31 December	4,052,268	3,901,004

18. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and land	Construction in progress	Furniture and equipment	Intangible assets	Total
At cost					
31 December 2007	20,390,609	4,732,382	23,910,696	4,158,469	53,192,156
Additions	686,698	4,779,337	877,707	820,151	7,163,893
Transfers	1,859,103	(3,907,397)	2,048,294	-	-
Disposals	(1,775,732)	(226,137)	(901,594)	-	(2,903,463)
31 December 2008	21,160,678	5,378,185	25,935,103	4,978,620	57,452,586
Additions	1,352,416	6,144,769	632,684	119,642	8,249,511
Transfers	1,490,394	(4,360,262)	2,864,441	5,427	-
Disposals	(1,353,010)	(197,323)	(1,705,263)	(20,193)	(3,275,789)
Reclassified as investment property	-	(914,570)	-	-	(914,570)
31 December 2009	22,650,478	6,050,799	27,726,965	5,083,496	61,511,738
Additions	1,207,498	5,586,376	6,733,856	456,888	13,984,618
Transfers	683,899	(729,224)	89,727	(44,402)	-
Disposals	(17,911)	(823,228)	(3,004,151)	(6,587)	(3,851,877)
31 December 2010	24,523,964	10,084,723	31,546,397	5,489,395	71,644,479
Accumulated depreciation					
31 December 2007	(3,107,585)	-	(14,668,176)	(1,700,463)	(19,476,224)
Charge for the year	(1,038,303)	-	(3,740,604)	(911,099)	(5,690,006)
Disposals	295,524	-	603,832	-	899,356
31 December 2008	(3,850,364)	-	(17,804,948)	(2,611,562)	(24,266,874)
Charge for the year	(1,095,279)	-	(2,726,149)	(845,722)	(4,667,150)
Disposals	269,028	-	1,154,761	7,296	1,431,085
31 December 2009	(4,676,615)	-	(19,376,336)	(3,449,988)	(27,502,939)
Charge for the year	(1,152,785)	-	(3,047,880)	(738,431)	(4,939,096)
Disposals	1,416	-	1,087,604	6,002	1,095,022
31 December 2010	(5,827,984)	-	(21,336,612)	(4,182,417)	(31,347,013)
Net book value					
AS at 31 December 2010	18,695,980	10,084,723	10,209,785	1,306,978	40,297,466
AS at 31 December 2009	17,973,863	6,050,799	8,350,629	1,633,508	34,008,799
AS at 31 December 2008	17,310,314	5,378,185	8,130,155	2,367,058	33,185,712

As at 31 December 2010 and 2009, included in property and equipment were fully depreciated assets totalling UZS 8,516,556 thousand and UZS 7,130,971 thousand, respectively.

19. INVESTMENT PROPERTY

Investment property comprises:

	31 December 2010	31 December 2009
Cost		
As at January 1	914,570	-
Reclassification from property, equipment and intangible assets	-	914,570
As at December 31	914,570	914,570
Accumulated depreciation		
As at January 1	(11,432)	-
Depreciation charge	(45,728)	(11,432)
As at December 31	(57,160)	(11,432)
Net book value	857,410	903,138

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

20. OTHER ASSETS

Other assets comprise:

	31 December, 2010	31 December, 2009	31 December, 2008
Other financial assets			
Commission receivable from customers	796,646	655,589	505,562
	796,646	655,589	505,562
Less allowance for impairment losses	(776,272)	(120,486)	(99,818)
	20,374	535,103	405,744
Other non-financial assets:			
Prepaid expenses and advances	2,619,538	2,681,721	2,482,788
Prepaid income tax	993,929	1,978,371	451,031
Prepayments for equipment to be loaned to customers	1,066,781	1,338,077	2,111,250
Other	1,362,811	730,862	384,236
	6,043,059	6,729,031	5,429,305
Total other assets	6,063,433	7,264,134	5,835,049

Movements in allowances for impairment losses on other assets for the years ended 31 December 2010 and 2009 are disclosed in Note 6.

Prepaid expenses mostly represent settlements with the court and advances made for insurance and subscription.

21. ASSETS CLASSIFIED HELD FOR SALE

	31 December 2010	31 December 2009	31 December 2008
Investment in recovery companies	16,374,241	2,530,729	-
Buildings held for sale	2,216,062	5,238,406	503,053
Equipment	539,650	1,821,755	2,809,422
Others	85,704	425,795	-
	<u>19,215,657</u>	<u>10,016,685</u>	<u>3,312,475</u>
Less allowance for impairment losses	<u>(1,212,762)</u>	<u>(372,834)</u>	<u>(203,861)</u>
Total assets held classified held for sale	<u>18,002,895</u>	<u>9,643,851</u>	<u>3,108,614</u>

Investment in recovery companies represents financial investments made by the Bank to restructure foreclosed assets of distressed borrowers into newly incorporated recovery company. The Bank is expected to invest in the recovery companies in an amount sufficient to maintain their operations and employment levels.

In 2009 the Bank owns 100% of "Hazorasp Bakery" LLC and "Quqon Lux Textile" LLC in amount of UZS 2,530,729 thousand. The entities were set up based on assets repossessed from the Bank's defaulted and bankrupted borrowers. They were purchased by the Bank based on the decree of the President of the Republic of Uzbekistan # UP 4010 dated 18 November 2009, which states that the Bank is expected to invest in the recovery companies in amounts sufficient to recover their operations and employment levels and further sell to third parties in 2-3 years. During 2010 bank made additional investment to "Quqon Lux Textile" LLC in amount of UZS 1,582,159 thousand.

Share capital of "Hazorasp Bakery" LLC constituted UZS 2,153,084 thousand. The Bank is a sole shareholder of "Hazorasp Bakery" LLC. The Company has already commenced its business. As of 31 December 2010 the Bank was in the process of negotiations with potential investors.

Share capital of "Quqon Lux Textile" LLC constituted UZS 377,645 thousand. The Bank is a sole shareholder of "Quqon Lux Textile" LLC. The Company has already commenced its business. As of 31 December 2010 the Bank was in the process of negotiations with potential investors.

During 2010, the Bank made investments to 6 more companies based on the decree of the President of the Republic of Uzbekistan # UP 4010 dated 18 November 2009 "Samarqand Aqua Line" LLC in the amount of UZS 5,992,812 thousand, "Ferghana ceramics industry" in the amount of UZS 300,000 thousand, "PSB Industrial Investments" LLC in the amount of UZS 612,343 thousand, "Khorezm Global Construction" LLC in the amount of UZS 3,358,154 thousand, "PSB Anteks Group" LLC in the amount of UZS 1,000 thousand and "Horezm Bricks" LLC in the amount of UZS 1,997,044 thousand.

The assets repossessed in 2010 were repossessed in respect of loans to customers. Management approved a plan to sell these assets by 2011, as these assets are not related to the Group's primary activities. The Group actively markets these assets and expects the sale to complete within one year.

22. DUE TO BANKS

Due to banks comprise:

	31 December 2010	31 December 2009	31 December 2008
Term deposits of banks and other financial institutions	98,525,209	136,619,066	112,200,472
Correspondent accounts with other banks	<u>2,457,692</u>	<u>1,554,888</u>	<u>1,373,267</u>
Total due to banks	<u>100,982,901</u>	<u>138,173,954</u>	<u>113,573,739</u>

As at 31 December 2010 and 2009 the Bank had terms deposits of other banks amounted to UZS 47,700,000 thousand (49% (to 1 domestic bank) of total due to other banks) and UZS 68,300,000 (49% (to 2 domestic banks) of total due to other banks), respectively, which represent significant concentration.

As at 31 December 2010 and 2009, due to banks included accrued interest expense totaling UZS 908,677 thousand and UZS 1,014,683 thousand, respectively.

23. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2010	31 December 2009	31 December 2008
Repayable on demand	886,850,404	585,168,912	560,887,320
Time deposits	<u>140,179,363</u>	<u>194,793,504</u>	<u>178,887,311</u>
Total customer accounts	<u>1,027,029,767</u>	<u>779,962,416</u>	<u>739,774,631</u>

	31 December 2010	31 December 2009	31 December 2008
Analysis by sector:			
Manufacturing	354,986,000	246,289,270	290,929,632
Individuals	222,966,434	200,573,726	152,326,066
Utilities	136,338,694	111,372,420	102,574,157
Trade and catering	119,084,596	98,264,614	50,634,456
Communication and transportation	55,446,049	34,324,980	15,738,426
Construction	53,706,111	25,206,204	44,213,137
Logistics	45,441,628	42,318,615	46,655,508
Government	19,527,457	7,037,901	14,055,439
Agriculture	2,985,892	2,268,359	1,649,357
Other	<u>16,546,906</u>	<u>12,306,327</u>	<u>20,998,453</u>
Total customer accounts	<u>1,027,029,767</u>	<u>779,962,416</u>	<u>739,774,631</u>

As at 31 December 2010 and 2009, customer accounts totaling UZS 117,722,000 thousand and UZS 84,827,259 thousand, respectively, were held as security against letters of credit and other similar instruments issued by the Group.

As at 31 December 2010 and 2009, customer accounts totaling UZS 281,430,910 thousand (27%) and UZS 347,135,369 thousand (45%), respectively, were due to 5 customers in 2010 (2009: 11 customers), which represents significant concentration.

As at 31 December 2010 and 2009, customer accounts included accrued interest expense totaling UZS 207,790 thousand and UZS 238,927 thousand, respectively.

24. OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency	Maturity	Interest rate %	31 December 2010	31 December 2009	31 December 2008
International financial institutions						
China Export-Import Bank	USD	21-01-31	2.0%	119,149,617	57,668,693	50,298,096
Landes Bank Berliner AG	EUR	29-01-16	EURIBOR +1.125%	37,052,210	44,772,297	47,847,454
Industrial and commercial Bank of China ("ICBC")	USD	07-03-14	LIBOR+0.875%	25,683,048	29,980,728	34,352,658
China Development Bank ("CDB")	USD	14-08-19	LIBOR+1.5%	12,369,665	12,079,833	11,133,523
			EURIBOR +0.95% - EURIBOR			
Commerzbank AG	EUR	20-08-12	+1.125%	4,120,704	7,257,786	9,541,951
Hypo und Vereinsbank ("HVB")	EUR	02-12-13	+1.25%	4,844,749	5,503,936	1,415,333
Dresdner Bank AG	USD/EUR	10-08-12	EURIBOR+0.9%	2,170,080	3,071,629	3,694,980
Kreditanstalt für Wiederaufbau ("KfW")	EUR	30-12-17	3%	3,259,504	974,050	1,100,389
Banca Nazionale del Lavoro ("BNL")	EUR	20-02-12	EURIBOR +1.5%	416,632	709,979	920,609
European Bank for Reconstruction and Development ("EBRD")	USD	06-09-08	LIBOR+2%	-	-	601,907
Uzbekistan Fund for Reconstruction and Development ("UFRD")	USD	-	2%	388,133,532	307,141,174	209,917,150
CBU	UZS	-	7.5-8%	16,476,986	24,481,750	32,626,637
Ministry of Finance of Republic of Uzbekistan	UZS	-	1%	5,080,836	3,077,659	4,005,848
Term borrowings from non-budgetary funds	UZS	-	1.75%-7.2%	960,930	2,432,611	2,309,763
Agency of agricultural enterprises restructuring	UZS	-		297,000	-	-
Total other borrowed funds				620,015,493	499,152,125	409,766,298

As at 31 December 2010, borrowings from China Export-Import Bank constitute a USD denominated loan totaling USD 72,508 thousand, currency equivalent of UZS 119,149,617 thousand (31 December 2009: UZS 57,668,693 thousand), which was advanced to the Group to finance 3 projects:

1. Construction of a potash fertilizer producing plant. The rate of interest on this borrowing is 2% per annum. There is a five-year grace period for repayment of the principal. Repayment of the principal is to be made semi-annually effective from 2013 until the final maturity of the loan facility scheduled for August 2028. There is no grace period for interest payment and the payment is to be made semi-annually. The obligations of the Group under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan.

2. The loan was given in 2010 for shift of energy unit of Thermo electric power station to whole year coal incineration project. There is a 5 year grace period for repayment of the principal. Repayment of the principal is to be made semi-annually effective from 2015 until the final maturity of the loan facility scheduled for July 2029. There is no grace period for interest payment and the payment is to be made semi-

annually. The obligations of the Group under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of the Republic of Uzbekistan.

3. The loan was given in 2010 for supply and installation of gas transporting system management equipment. There is a 5 year grace period for repayment of the principal. Repayment of the principal is to be made semi-annually effective from 2015 until the final maturity of the loan facility scheduled for January 2031. There is no grace period for interest payment and the payment is to be made semi-annually. The obligations of the Group under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of the Republic of Uzbekistan.

As at 31 December 2010, borrowings from Landes Bank Berliner AG (former Bankgesellschaft Berliner Bank) constitute a EURO denominated loan facility totaling EURO 17,113 thousand, currency equivalent of UZS 37,052,210 thousand (31 December 2009: UZS 44,772,297 thousand). The rate of interest on this loan facility is EURIBOR+1.125% per annum. The Group accepted this borrowing in accordance with an inter-governmental cooperation agreement between Uzbekistan and Germany to finance construction of a fiber-glass production plant. Repayment of the principal and payment of interest are to be made semiannually, with the final maturity of the loan facility scheduled for July 2016. The obligations of the Group under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of the Republic of Uzbekistan.

As at 31 December 2010, borrowings from ICBC constitute a USD denominated loan totaling USD 15,660 thousand, currency equivalent of UZS 25,683,048 thousand (31 December 2009: UZS 29,980,728 thousand), which was advanced to the Group to finance construction of a soda producing plant. The rate of interest on this loan is LIBOR+0.875% per annum. Repayment of the principal and payment of interest are to be made semi-annually, with the final maturity of the loan facility scheduled for March 2014. The obligations of the Group under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of the Republic of Uzbekistan.

As at 31 December 2010, borrowings from CDB constitute USD denominated loan totaling USD 7,542 thousand, currency equivalent of UZS 12,369,665 thousand (31 December 2009: UZS 12,079,833 thousand), which was advanced to the Group to finance construction of an ammonium producing plant. The rate of interest on this loan is LIBOR+1.5% per annum. There is a two-year grace period for repayment of the principal. Repayment of the principal is to be made semi-annually effective from 2011 until the final maturity of the loan facility scheduled for August 2019. There is no grace period for interest payment and the payment is to be made semi-annually. The obligations of the Group under this loan, including full and punctual repayment of principal is guaranteed by the National Bank of Uzbekistan. In accordance with contractual terms of the agreement between the Group and CDB, the Group is required to maintain certain financial covenants set by the CBU, particularly with regards to its capital adequacy and lending exposures.

As at 31 December 2010, borrowings from Commerzbank AG constituted EURO denominated loan totaling EURO 1,903 thousand, currency equivalent of UZS 4,120,704 thousand (31 December 2009: UZS 7,257,786 thousand), which was advanced by the Group to various manufacturing customers. The rate of interest on this loan is EURIBOR+0.95%- EURIBOR+1.125% per annum. Repayment of the principal and payment of interest are made semi-annually and is linked with repayments of the individual loans made by the Group. The Group bears full credit risk for repayment of this loan.

As at 31 December 2010 borrowings from Dresdner Bank AG constitute a USD denominated loan totaling USD 431 thousand, currency equivalent of UZS 707,444 thousand (31 December 2009: UZS 977,955 thousand) and EURO denominated loan totalling EURO 676 thousand, currency equivalent of UZS 1,462,636 thousand (31 December 2009: UZS 2,093,673 thousand), which was advanced by the Group to various manufacturing customers. The rate of interest on this loan is LIBOR+0.95% and EURIBOR+0.9% per annum respectively. Repayment of the principal and payment of interest is made semi-annually and linked to repayments of the individual loans made by the Group. The Group bears full credit risk for repayment of this loan.

As at 31 December 2010, borrowings from HVB constituted a EURO denominated loan totaling EURO 2,238 thousand, currency equivalent of UZS 4,844,749 thousand (31 December 2009: UZS 5,503,936 thousand), which was advanced to the Group to finance manufacturing consumer products. The rate of

interest on this loan is EURIBOR+1.25% per annum. Repayment of the principal and payment of interest is made semi-annually and linked to repayments of the individual loans made by the Group. The Group bears full credit risk for repayment of this loan.

AS at 31 December 2010, borrowings from KfW constituted a EURO denominated loan totaling EURO 1,505 thousand, currency equivalent of UZS 3,259,504 thousand (31 December 2009: UZS 974,050 thousand), which was, in turn, advanced by the Group to various manufacturing customers. The rate of interest on this loan is 3% per annum. Repayment of the principal and payment of interest is made semiannually and is linked with repayments of the individual loans made by the Group. The Group bears full credit risk for repayment of this loan.

As at 31 December 2010, borrowing from BNL constituted a EURO denominated loan totaling EURO 192 thousand, currency equivalent of UZS 416,632 thousand (31 December 2009: UZS 709,979 thousand), which was, in turn, advanced by the Group to various manufacturing customers. The rate of interest on this loan is EURIBOR+1.5% per annum. Repayment of the principal and payment of interest is made semi-annually and linked to repayments of the individual loans made by the Group. The Group bears full credit risk for repayment of this loan.

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

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

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

As at 31 December 2010, term borrowings from non-budgetary funds constitute UZS 960,930 thousand (31 December 2009: UZS 2,432,611 thousand) of loans made by non-budgetary funds at concessionary rates (up to 42% of CBU refinance rate), which are advanced by the Group to small and medium size enterprises (SMEs) at Group's fair interest margin. Such lending is made in accordance with the Government decree on lending to SMEs through the non-budgetary funds.

25. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2010	31 December 2009	31 December 2008
Other financial liabilities:			
Settlement with suppliers, contractors and purchasers	1,037,475	1,372,305	534,099
Dividends payable	24,072	27,009	55,929
	<u>1,061,547</u>	<u>1,399,314</u>	<u>590,028</u>
Other non-financial liabilities:			
Taxes payable, other than income tax	2,244,004	1,295,897	1,355,000
Deferred revenue	156,877	363,145	95,112
Accounts payable to employees	57,342	566,716	1,815,719
Other	126,458	108,247	389,691
	<u>2,584,681</u>	<u>2,334,005</u>	<u>3,655,522</u>
Total other liabilities	<u>3,646,228</u>	<u>3,733,319</u>	<u>4,245,550</u>

26. SHARE CAPITAL

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

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

As of 31 December 2009 the Bank's share capital comprised the following:

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Ordinary shares	<u>110,696,121</u>	<u>12,526,495</u>	<u>123,222,616</u>
	<u>110,696,121</u>	<u>12,526,495</u>	<u>123,222,616</u>

As of 31 December 2008 the Bank's share capital comprised the following:

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Ordinary shares	<u>100,183,123</u>	<u>12,526,495</u>	<u>112,709,618</u>
	<u>100,183,123</u>	<u>12,526,495</u>	<u>112,709,618</u>

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

	Authorized capital	Share premium	Treasury shares	Total
Ordinary shares (par value of UZS 2,475)				
31 December 2007	43,126,495	696,121	-	43,822,616
Issue of shares	64,887,002	-	-	64,887,002
31 December 2008	108,013,497	696,121	-	108,709,618
Issue of shares	512,998	-	-	512,998
Capitalization of shares out of retained earnings	9,600,000	-	-	9,600,000
31 December 2009	118,126,495	696,121	-	118,822,616
Purchase of treasury shares	-	-	(12,445,354)	(12,445,354)
Capitalization of shares out of retained earnings	13,200,000	-	-	13,200,000
31 December 2010	131,326,495	696,121	(12,445,354)	119,577,262

	Authorized capital	Total
Preference shares (par value of UZS 2,475)		
31 December 2007	4,000,000	4,000,000
Issue of shares	-	-
31 December 2008	4,000,000	4,000,000
Capitalization of shares out of retained earnings	400,000	400,000
31 December 2009	4,400,000	4,400,000
Capitalization of shares out of retained earnings	550,000	550,000
31 December 2010	4,950,000	4,950,000

The nominal registered amount of the Bank's issued share capital prior to restatement of capital contributions made before 1 January 2006 to the purchasing power of the Uzbekistan UZS at 31 December 2010 is UZS 124,446,121 thousand (31 December 2009: UZS 110,696,121 thousand), including nominal value of ordinary shares of UZS 119,496,121 thousand (31 December 2009: UZS 106,696,121 thousand) and nominal value of preference shares of UZS 4,950,000 thousand (31 December 2009: UZS 4,400,000 thousand).

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

In 2010 the Bank declared dividends of UZS 59 per share on ordinary shares (2009: UZS 60) and UZS 472 per share on preference shares (2009: UZS 260). Subsequent to 31 December 2010 the Bank neither declared nor paid dividends on both ordinary shares and on preference shares.

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

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 31 December 2010 and 2009, contingent liabilities comprise:

	31 December 2010		31 December 2009	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments:				
Letter of credit	204,959,089	102,479,545	84,827,260	42,413,630
Guarantees issued and other similar instruments	226,390,566	113,195,283	150,763,176	75,381,588
Commitments on unused credit lines	603,581,740	301,790,870	14,336,908	7,168,454
Total contingent liabilities and credit commitments	1,034,931,395	517,465,698	249,927,344	124,963,672

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

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

On 9 June 2009 the Group entered a line financing agreement with ISCDPS (Islamic Corporation for the Development of the Private Sector), for the amount of USD 3,000,000, whereas the Group acts as an agent, duties of which include finding applicants and in case of approval by ISCDPS, signing contract on behalf of ISCDPS. Non-repayment of ICD approved projects are subject to guarantee by the Group.

Capital commitments – the Group had no material commitments for capital expenditure outstanding as at 31 December 2010 and 2009.

Operating lease commitments – the Group had no material operating lease commitments outstanding as at 31 December 2010 and 2009.

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

Taxation – Provisions of the Uzbek tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Uzbek tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Uzbek tax authorities often interpret the tax legislation

not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Uzbek tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of “unjustified tax benefit”, “primary commercial goal of transaction” and the criteria of “commercial purpose (substance) of transaction”.

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

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

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

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

The global financial turmoil that has negatively affected the Republic of Uzbekistan financial and capital markets in 2008 and 2009 has receded. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Republic of Uzbekistan economy, adversely affect the Group’s access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

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:

	31 December 2010		31 December 2009		31 December 2008	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and balances with Central Bank of the Republic of Uzbekistan <i>-entities with joint control or significant influence over the Bank</i>	205,933,917 205,933,917	248,970,393	149,550,627 149,550,627	172,799,198	209,496,667 209,496,667	238,833,172
Due from banks <i>-entities with joint control or significant influence over the Bank</i>	1,152,256 1,152,256	153,454,290	1,800,333 1,800,333	68,392,650	846,274 846,274	109,136,838
Loans to customers <i>-the parent company</i>	216,285,225		81,742,691		99,796,791	
<i>-entities with joint control or significant influence over the Bank</i>	634,049,099 850,334,324	1,476,775,268	639,355,583 721,098,274	1,322,486,209	422,922,592 522,719,383	1,054,926,721
Allowance for impairment losses <i>-the parent company</i>	1,234,964		2,422,132		3,042,332	
<i>-entities with joint control or significant influence over the Bank</i>	15,942,122 17,177,086	71,580,748	17,319,987 19,742,119	61,138,333	11,675,774 14,718,106	45,428,286
Investments available for sale <i>-the parent company</i>	14,479,001		-		11,005,168	
<i>-entities with joint control or significant influence over the Bank</i>	3,027,910 17,506,911	24,184,618	2,795,970 2,795,970	15,788,246	2,795,970 13,801,138	16,949,853
Investments in associates <i>- associates</i>	4,052,268 4,052,268	4,052,268	3,901,004 3,901,004	3,901,004	- -	-
Due to banks <i>-entities with joint control or significant influence over the Bank</i>	72,812,066 72,812,066	100,982,901	84,080,311 84,080,311	138,173,954	50,610,011 50,610,011	113,573,739
Customer accounts <i>-the parent company</i>	81,774,503		34,044,739		25,366,445	
<i>-entities with joint control or significant influence over the Bank</i>	222,947,187 304,721,690	1,027,029,767	329,583,549 363,628,288	779,962,416	412,499,691 437,866,136	739,774,631
Other borrowed funds <i>-the parent company</i>	388,430,532		310,218,833		213,922,998	
<i>-entities with joint control or significant influence over the Bank</i>	960,930 389,391,462	620,015,493	26,914,362 363,628,288	499,152,125	34,936,400 248,859,398	409,766,298
Guarantees issued and similar commitments <i>-the parent company</i>	56,380,029		128,469,000		-	
<i>-entities with joint control or significant influence over the Bank</i>	139,400,000 195,780,029	1,034,931,395	- 128,469,000	249,927,344	7,561,297 7,561,297	292,971,039

Included in the statement of comprehensive income for the years ended 31 December 2010 and 2009, are the following amounts which were recognized in transactions with related parties:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income				
-the parent company	22,966,930		8,680,106	
-entities with joint control or significant influence over the Bank	32,041,409		32,309,570	
	55,008,339	108,262,830	40,989,676	102,254,918
Interest expense				
-the parent company	-		7,147,415	
-entities with joint control or significant influence over the Bank	4,499,216		6,651,205	
	4,499,216	62,450,920	13,798,620	62,847,550
Provision for impairment losses on interest bearing assets				
-entities with joint control or significant influence over the Bank	2,461,235		3,430,556	
	2,461,235	16,019,209	3,430,556	19,707,815
Fee and commission income				
-the parent company	6,043,373		2,516,005	
-entities with joint control or significant influence over the Bank	16,422,896		24,278,021	
	22,466,269	66,555,407	26,794,026	57,641,505
Fee and commission expense				
-the parent company	485,918		(398,294)	
-entities with joint control or significant influence over the Bank	4,688,090		(3,842,697)	
	5,174,008	13,578,479	(4,240,991)	9,124,891
Operating expenses				
- Key management personnel compensation:	136,482		118,680	
	136,482	38,051,880	118,680	36,197,165
Guarantees issued by the Bank				
-the parent company	154,162,800		128,469,000	
	154,162,800	226,390,566	128,469,000	150,763,176

29. 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:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – 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. 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:

	Retail banking	Corporate banking	Unallocated	Year ended 31 December 2010
Interest income	11,178,522	97,084,308	-	108,262,830
Interest expense	(32,342,818)	(30,108,102)	-	(62,450,920)
Provisions for impairment losses on interest bearing assets	(1,121,345)	(14,897,864)	-	(16,019,209)
Net gain on foreign exchange operations	280,208	4,095,972	-	4,376,180
Fee and commission income	4,362,755	62,192,652	-	66,555,407
Fee and commission expense	(793,749)	(12,784,730)	-	(13,578,479)
Losses on initial recognition of assets below market	(54,101)	(718,769)	-	(772,870)
Dividends received	-	2,226,276	-	2,226,276
Other income	69,724	928,603	-	998,327
Total operating income	(18,420,803)	108,018,345	-	89,597,542
Provision for impairment losses on other operations	(104,700)	(1,391,014)	-	(1,495,714)
Operating expenses	(4,292,831)	(61,462,533)	(7,451,132)	(73,206,496)
Operating profit / (loss)	(22,818,335)	45,164,799	(7,451,132)	14,895,332
Share of results from associates	-	329,205	-	329,205
Profit before income tax	(22,818,335)	45,494,004	(7,451,132)	15,224,537
Income tax expense	176,359	2,355,297	-	2,531,656
Net profit	(22,994,694)	43,138,707	(7,451,132)	12,692,881
Segment assets	104,317,889	1,799,760,130	-	1,904,078,019
Segment liabilities	221,479,154	1,530,195,235	-	1,751,674,389
Other segment items				
Depreciation and amortization	291,713	4,180,394	512,717	4,984,824
Loans to customers	74,286,610	1,330,907,910	-	1,405,194,520
Property equipment and intangible assets	2,820,823	37,476,643	-	40,297,466
Customer accounts	221,260,563	805,769,204	-	1,027,029,767
Cash flow from:				
Operating activities	2,277,946	32,644,086	-	34,922,032
Investing activities	(1,222,677)	(17,521,564)	-	(18,744,241)

	Retail banking	Corporate banking	Unallocated	Year ended 31 December 2009
Interest income	10,953,069	91,301,849	-	102,254,918
Interest expense	(30,730,376)	(32,117,174)	-	(62,847,550)
Provisions for impairment losses on interest bearing assets	(1,226,110)	(18,481,705)	-	(19,707,815)
Net gain on foreign exchange operations	(75,438)	5,424,195	-	5,348,757
Fee and commission income	4,366,288	53,275,217	-	57,641,505
Fee and commission expense	(683,349)	(8,441,542)	-	(9,124,891)
Losses on initial recognition of assets below market	(134,496)	(1,546,703)	-	(1,681,199)
Dividends received	-	98,506	-	98,506
Other income	116,172	1,340,288	-	1,456,460
Total operating income	(17,414,239)	90,852,930	-	73,438,691
Provision for impairment losses on other operations	(13,275)	(176,366)	-	(189,641)
Operating expenses	(4,545,499)	(53,630,522)	(8,482,771)	(66,658,791)
Operating profit / (loss)	(21,973,013)	37,046,042	(8,482,771)	6,590,259
Share of results from associates	-	474,170	-	474,170
Profit before income tax	(21,973,013)	37,520,212	(8,482,771)	7,064,429
Income tax expense	76,006	1,009,799	-	1,085,805
Net profit	(22,049,019)	36,510,414	(8,482,771)	5,978,624
Segment assets	100,304,393	1,476,718,878	-	1,577,023,271
Segment liabilities	210,605,727	1,210,416,087	-	1,421,021,814
Other segment items				
Depreciation and amortization	319,046	3,764,175	595,400	4,678,621
Loans to customers	76,547,338	1,184,800,538	-	1,261,347,876
Property equipment and intangible assets	2,720,704	31,288,095	-	34,008,799
Customer accounts	210,341,324	569,624,215	-	779,962,416
Cash flow from:				
Operating activities	(14,544,087)	(171,594,589)	-	(186,138,676)
Investing activities	(797,272)	(9,406,401)	-	(10,203,673)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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:

	31 December 2010		31 December 2009	
	Carrying value	Fair value	Carrying value	Fair value
Cash and Balances with the CBU	248,970,393	248,970,393	172,799,198	172,799,198
Due from banks	153,454,290	153,454,290	68,392,650	68,392,650
Loans to customers	1,405,194,520	1,405,194,520	1,261,347,876	1,261,347,876
Other financial assets	20,374	20,374	535,103	535,103
Due to banks	100,982,901	100,982,901	138,173,954	138,173,954
Customer accounts	1,027,029,767	1,027,029,767	779,962,416	779,962,416
Other borrowed funds	620,015,493	620,015,493	499,152,125	499,152,125
Other financial liabilities	1,061,547	1,061,547	1,399,314	1,399,314

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Investments available-for-sale are recorded at cost due to absence of active secondary market. This carrying value is considered to be indicative of the fair value.

31. CAPITAL RISK MANAGEMENT

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

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

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

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

	2010	2009
Movement in tier 1 capital:		
At 1 January	156,001,457	151,922,536
<i>Issue of ordinary shares</i>		512,998
<i>Profit</i>	12,692,881	6,290,632
<i>Dividends declared</i>	(3,776,000)	(3,400,000)
<i>Purchase of treasury shares</i>	(12,445,354)	-
<i>Other</i>	(69,354)	675,291
At 31 December	152,403,630	156,001,457
Composition of regulatory capital (a):	31 December 2010	31 December 2009
Tier 1 capital		
<i>Share capital</i>	136,972,616	123,222,616
<i>Unrealized gain on investment available-for-sale</i>	964,295	1,033,649
<i>Purchase of treasury shares</i>	(12,445,354)	-
<i>Disclosed reserves</i>	26,912,073	31,745,192
Total qualifying tier 1 capital	152,403,630	156,001,457
Total regulatory capital	152,403,630	156,001,457
Capital Ratios:		
Tier 1 capital	15.74%	19.36%
Total capital	15.84%	19.49%

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

32. RISK MANAGEMENT POLICIES

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

- Credit exposures
- Liquidity risk
- Market risk

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

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

Credit risk

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

Credit risk measurement:

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

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

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

	31 December 2010	31 December 2009
Rating score		
1	1,293,557,497	1,116,613,777
2	88,910,930	90,429,697
3	19,872,070	10,674,126
4	3,709,232	6,182,757
5	70,725,539	98,585,852
	<u>1,476,775,268</u>	<u>1,322,486,209</u>
Less allowance for impairment losses	<u>(71,580,748)</u>	<u>(61,138,333)</u>
Total loans to customers	<u>1,405,194,520</u>	<u>1,261,347,876</u>

(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 face 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.

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

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 27.

The Group reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk.

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

Maximum exposure of credit risk

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

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

					31 Decemebr 2010
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and Balances with CBU	248,970,393	-	248,970,393	-	248,970,393
Due from banks	153,454,290	-	153,454,290	-	153,454,290
Loans to customers	1,405,194,520	-	1,405,194,520	1,384,971,231	20,223,289
Investments available-for-sale	24,184,618	-	24,184,618	-	24,184,618
Other financial assets	20,374	-	20,374	-	20,374
Guarantees issued and similar commitments	226,390,566	-	226,390,566	-	226,390,566
Investments in associates	4,052,268	-	4,052,268	-	4,052,268

					31 Decemebr 2009
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and Balances with CBU	172,799,198	-	172,799,198	-	172,799,198
Due from banks	68,392,650	-	68,392,650	-	68,392,650
Loans to customers	1,261,347,876	-	1,261,347,876	1,261,122,384	225,492
Investments available-for-sale	15,788,246	-	15,788,246	-	15,788,246
Other financial assets	535,103	-	535,103	-	535,103
Guarantees issued and similar commitments	150,763,176	-	150,763,176	-	150,763,176
Investments in associates	3,901,004	-	3,901,004	-	3,901,004

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 31 December 2010:

	AAA	AA	A	BBB	BB	B	Not rated	31 December 2010 Total
Due from banks	-	2,133,712	71,964,326	51,857,453	-	20,428,613	7,070,186	153,454,290
Loans to customers	-	-	-	-	-	-	1,405,194,520	1,405,194,520
Investments available-for-sale	-	-	-	-	-	-	24,184,618	24,184,618
Investment in associates	-	-	-	-	-	-	4,052,268	4,052,268
Other financial assets	-	-	-	-	-	-	20,374	20,374

As at 31 December 2009:

	AAA	AA	A	BBB	BB	B	Not rated	31 December 2009 Total
Due from banks	-	4,049,050	15,539,249	24,976,125	-	17,782,918	6,045,307	68,392,650
Loans to customers	-	-	-	-	-	-	1,261,347,876	1,261,347,876
Investments available-for-sale	-	-	-	-	-	-	15,788,246	15,788,246
Investment in associates	-	-	-	-	-	-	3,901,004	3,901,004
Other financial assets	-	-	-	-	-	-	535,103	535,103

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 31 December 2010:

	Financial assets past due but not impaired					31 December 2010	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	153,454,290	-	-	-	-	-	153,454,290
Loans to customers	1,353,664,331	2,679,622	19,365,274	6,759,200	-	94,306,841	1,476,775,268
Investments available-for-sale	24,184,618	-	-	-	-	-	24,184,618
Other financial assets	20,374	-	-	-	-	776,272	796,646
Investment in associates	4,052,268	-	-	-	-	-	4,052,268

As at 31 December 2009:

	Financial assets past due but not impaired					31 December 2009	
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total
Due from banks	65,041,877	-	-	-	-	3,350,773	68,392,650
Loans to customers	1,172,247,197	1,577,628	21,397,500	11,821,149	-	115,442,735	1,322,486,209
Investments available-for-sale	15,788,246	-	-	-	-	-	15,788,246
Other financial assets	535,103	-	-	-	-	120,486	655,589
Investment in associates	390,1004	-	-	-	-	-	3,901,004

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	31 December 2010
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Republic of Uzbekistan	248,799,895	-	170,498	248,970,393
Due from banks	18,958,116	130,881,401	3,614,773	153,454,290
Loans to customers	1,405,194,520	-	-	1,405,194,520
Investments available-for-sale	23,511,816	672,802	-	24,184,618
Investment in associates	4,052,268	-	-	4,052,268
Other financial assets	20,374	-	-	20,374
TOTAL FINANCIAL ASSETS	1,700,536,989	131,554,203	3,785,271	1,835,876,463
FINANCIAL LIABILITIES				
Due to banks	100,215,809	-	767,092	100,982,901
Customer accounts	1,027,029,767	-	-	1,027,029,767
Other borrowed funds	420,200,202	-	199,815,291	620,015,493
Other financial liabilities	1,061,547	-	-	1,061,547
TOTAL FINANCIAL LIABILITIES	1,548,507,326	-	200,582,382	1,749,089,708
NET POSITION	152,029,664	131,554,203	(196,797,112)	
	Uzbekistan	OECD countries	Non-OECD countries	31 December 2009
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Republic of Uzbekistan	169,491,530	-	3,307,668	172,799,198
Due from banks	9,839,863	57,484,092	1,068,695	68,392,650
Loans to customers	1,261,347,876	-	-	1,261,347,876
Investments available-for-sale	15,033,850	754,396	-	15,788,246
Investment in associates	3,901,004	-	-	3,901,004
Other financial assets	535,103	-	-	535,103
TOTAL FINANCIAL ASSETS	1,460,149,226	58,238,488	4,376,363	1,522,764,077
FINANCIAL LIABILITIES				
Due to banks	137,383,983	417,890	372,081	138,173,954
Customer accounts	779,962,416	-	-	779,962,416
Other borrowed funds	337,133,195	62,289,677	99,729,253	499,152,125
Other financial liabilities	1,399,314	-	-	1,399,314
TOTAL FINANCIAL LIABILITIES	1,255,878,908	62,707,567	100,101,334	1,418,687,809
NET POSITION	204,270,318	(4,469,079)	(95,724,971)	

Liquidity risk

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

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

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

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

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS								
Cash and balances with the Central Bank of the Republic of Uzbekistan	0.61%	84,062,028	-	-	-	-	-	84,062,028
Due from banks	7.25%	124,843,885	-	27,445,046	1,000,000	-	-	153,288,931
Loans to customers	9.13%	51,473,981	140,339,047	358,432,353	439,304,509	415,644,630	-	1,405,194,520
Investments available-for-sale	5.94%	12,801,563	263	7,607,375	3,775,417	-	-	24,184,618
Total interest bearing financial assets		273,181,457	140,339,310	393,484,774	444,079,926	415,644,630	-	1,666,730,097
Cash and balances with the Central Bank of the Republic of Uzbekistan		164,908,365	-	-	-	-	-	164,908,365
Due from banks		165,359	-	-	-	-	-	165,359
Investments available-for-sale		4,705,611	-	-	-	-	-	4,705,611
Investments in associates		-	-	-	3,052,268	1,000,000	-	4,052,268
Other financial assets		20,374	-	-	-	-	-	20,374
Total financial assets		442,981,166	140,339,310	393,484,774	447,132,194	416,644,630	-	1,840,582,074
FINANCIAL LIABILITIES								
Due to banks	8.69%	53,400,000	25,262,545	18,880,038	73,950	-	-	97,616,533
Customer accounts	9.81%	109,405,707	52,943,690	43,382,648	15,304,326	10,000,000	-	231,036,371
Other borrowed funds	1.66%	960	239,081	2,975,639	141,809,051	473,499,971	-	618,524,702
Total interest bearing financial liabilities		162,806,667	78,445,316	65,238,325	157,187,327	483,499,971	-	947,177,606
Due to banks		3,366,369	-	-	-	-	-	3,366,369
Customer accounts		682,007,848	17,172,712	81,756,110	15,056,725	-	-	795,993,396
Other borrowed funds		1,490,791	-	-	-	-	-	1,490,791
Other financial liabilities		1,061,547	-	-	-	-	-	1,061,547
Total financial liabilities		850,733,222	95,618,028	146,994,435	172,244,052	483,499,971	-	1,749,089,708
Liquidity gap		(407,752,056)	44,721,282	246,490,339	274,888,142	(66,855,341)		
Interest sensitivity gap		110,374,790	61,893,994	328,246,449	286,892,599	(67,855,341)		
Cumulative interest sensitivity gap		110,374,790	172,268,784	500,515,233	787,407,832	719,552,491		
Cumulative interest sensitivity gap as percentage of total financial assets		6%	9%	27%	43%	39%		

The negative liquidity gap above between financial assets and liabilities up to 1 month 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 reporting date. The management believes that the clients intend to hold their demand deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

Investments available for sale are included in financial assets with maturity up to 1 month in the above table. Management of the Group believes that these investments might be sold within one month.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL ASSETS								
Cash and balances with the Central Bank of the Republic of Uzbekistan	0.50%	27,131,032	-	-	-	-	-	27,131,032
Due from banks	6.06%	38,862,398	-	28,485,619	1,044,633	-	-	68,392,650
Loans to customers	8.23%	149,605,745	155,854,328	315,463,143	288,191,097	352,233,563	-	1,261,347,876
Investments available-for-sale	5.85%	4,933,788	-	3,247,618	7,606,840	-	-	15,788,246
Total interest bearing financial assets		220,532,963	155,854,328	347,196,380	296,842,570	352,233,563	-	1,372,659,804
Cash and balances with the Central Bank of the Republic of Uzbekistan		145,668,166	-	-	-	-	-	145,668,166
Investments available-for-sale		4,516,464	-	-	-	-	-	4,516,464
Investment in associate companies		3,901,004	-	-	-	-	-	3,901,004
Other financial assets		535,103	-	-	-	-	-	535,103
Total financial assets		375,153,700	155,854,328	347,196,380	296,842,570	352,233,563	-	1,527,280,541
FINANCIAL LIABILITIES								
Due to banks	9.32%	18,136,860	67,547,261	33,269,547	18,000,000	-	-	136,953,668
Customer accounts	11.03%	85,611,528	88,932,153	53,587,323	5,565,344	4,269,157	-	237,965,504
Other borrowed funds	2.7%	22,824	744,984	5,245,051	101,788,845	382,919,939	-	490,721,643
Total interest bearing financial liabilities		103,771,212	157,224,398	92,101,920	125,354,189	387,189,096	-	865,640,815
Due to banks		1,220,286	-	-	-	-	-	1,220,286
Customer accounts		485,131,992	11,507,716	40,061,703	5,295,500	-	-	541,996,912
Other borrowed funds		8,430,482	-	-	-	-	-	8,430,482
Other financial liabilities		1,399,314	-	-	-	-	-	1,399,314
Total financial liabilities		599,953,286	168,732,114	132,163,624	130,649,689	387,189,096	-	1,418,687,809
Liquidity gap		(224,799,586)	(12,877,786)	215,032,756	166,192,881	(34,955,533)		
Interest sensitivity gap		116,761,751	(1,370,070)	255,094,459	171,488,381	(34,955,533)		
Cumulative interest sensitivity gap		116,761,751	115,391,681	370,486,141	541,974,522	507,018,989		
Cumulative interest sensitivity gap as percentage of total financial assets		8%	8%	24%	35%	33%		

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 that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

	Weighted average effective interest rate	Up to 1 months	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2010 Total
FINANCIAL LIABILITIES							
Due to banks	8.69%	53,771,977	25,438,520	19,011,554	74,465	-	98,296,516
Customer accounts	9.81%	110,262,299	53,358,213	43,722,312	15,424,151	10,078,295	232,845,270
Other borrowed funds	1.66%	961	239,409	2,979,728	142,003,900	474,150,570	619,374,568
Total interest bearing financial liabilities		164,035,237	79,036,142	65,713,594	157,502,516	484,228,865	950,516,354
Due to banks		3,366,369	-	-	-	-	3,366,369
Customer accounts		682,007,848	17,172,712	81,756,110	15,056,725	-	795,993,396
Other borrowed funds		1,490,791	-	-	-	-	1,490,791
Other financial liabilities		1,061,547	-	-	-	-	1,061,547
Total financial liabilities		851,961,792	96,208,854	147,469,704	172,559,241	484,228,865	1,752,428,456

	Weighted average effective interest rate	Up to 1 months	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2009 Total
FINANCIAL LIABILITIES							
Due to banks	9.32%	18,271,997	68,050,553	33,517,436	18,134,117	-	137,974,103
Customer accounts	11.03%	86,361,468	89,711,181	54,056,737	5,614,095	4,306,554	240,050,035
Other borrowed funds	2.7%	22,874	746,629	5,256,629	102,013,543	383,765,234	491,804,909
Total interest bearing financial liabilities		104,656,339	158,508,363	92,830,802	125,761,755	388,071,788	869,829,047
Due to banks		1,220,286	-	-	-	-	1,220,286
Customer accounts		485,131,992	11,507,716	40,061,703	5,295,500	-	541,996,912
Other borrowed funds		8,430,482	-	-	-	-	8,430,482
Other financial liabilities		1,399,314	-	-	-	-	1,399,314
Total financial liabilities		600,838,413	170,016,079	132,892,505	131,057,255	388,071,788	1,422,876,041

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 31 December 2010 and 2009:

	As at 31 December 2010		As at 31 December 2009	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets				
Investments available-for-sale	241,846	(241,846)	157,882	(157,882)
Liabilities				
Other borrowed funds	440,215	(440,215)	394,074	(394,074)
Net impact on profit before tax	682,062	(682,062)	551,956	(551,956)

	As at 31 December 2010		As at 31 December 2009	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
<i>Assets</i>				
Investments available-for-sale	374,183	(374,183)	334,963	(334,963)
<i>Liabilities</i>				
Other borrowed funds	205,569	(205,569)	134,200	(134,200)
Impact on equity	579,752	(579,752)	469,163	(469,163)

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 31 December 2010 and 2009 is presented in the tables below:

	UZS	USD USD 1 = UZS 1640.00	EUR EUR 1 = UZS 2,165.13	Other Currency	31 December 2010 Total
Financial assets					
Cash and balances with the Central Bank of the Republic of Uzbekistan	182,521,200	64,502,066	987,986	959,141	248,970,393
Due from banks	19,448,439	80,803,457	25,332,679	27,869,716	153,454,290
Loans to customers	700,169,307	610,351,312	94,673,901	-	1,405,194,520
Investments available-for-sale	23,763,997	420,621	-	-	24,184,618
Investment in associates	4,052,268	-	-	-	4,052,268
Other financial assets	(330,643)	348,819	2,198	-	20,374
Total financial assets	929,624,570	756,426,274	120,996,763	28,828,858	1,835,876,464
Due to banks	98,366,662	2,478,211	138,027	-	100,982,901
Customer accounts	750,441,536	210,816,675	37,975,697	27,795,860	1,027,029,767
Other Borrowed Funds	21,990,740	546,836,055	51,188,697	-	620,015,493
Other financial liabilities	1,061,547	-	-	-	1,061,547
Total financial liabilities	871,860,486	760,130,941	89,302,421	27,795,860	1,749,089,708
OPEN BALANCE SHEET POSITION	57,764,084	(3,704,667)	31,694,342	1,032,998	
	UZS	USD USD 1 = UZS 1511.40	EUR EUR 1 = UZS 2213.75	Other Currency	31 December 2009 Total
Financial assets					
Cash and balances with the Central Bank of the Republic of Uzbekistan	132,246,185	31,749,839	3,841,323	4,961,851	172,799,198
Due from banks	7,113,636	53,463,632	2,958,639	4,856,743	68,392,650
Loans to customers	524,589,523	634,862,120	101,896,233	-	1,261,347,876
Investments available-for-sale	15,400,608	387,638	-	-	15,788,246
Investment in associates	3,901,004	-	-	-	3,901,004
Other financial assets	528,123	6,980	-	-	535,103
Total financial assets	683,779,079	720,470,209	108,696,195	9,818,594	1,522,764,077
Due to banks	131,429,442	6,565,644	178,868	-	138,173,954
Customer accounts	589,657,697	167,801,941	17,630,511	4,872,267	779,962,416
Other Borrowed Funds	30,359,939	407,480,464	61,311,722	-	499,152,125
Other financial liabilities	1,399,314	-	-	-	1,399,314
Total financial liabilities	752,846,392	581,848,049	79,121,101	4,872,267	1,418,687,809
OPEN BALANCE SHEET POSITION	(69,067,313)	138,622,160	29,575,094	4,946,327	

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 31 December 2010 and 2009:

	As at 31 December 2010		As at 31 December 2009	
	UZS/USD	UZS/USD	UZS/USD	UZS/USD
	+10%	-10%	+10%	-10%
Impact on profit or loss	(672,137)	672,137	(1,240,246)	1,240,246
Impact on equity	(571,317)	571,317	(1,054,209)	1,054,209

	As at 31 December 2010		As at 31 December 2009	
	UZS/EUR	UZS/EUR	UZS/EUR	UZS/EUR
	+10%	-10%	+10%	-10%
Impact on profit or loss	3,169,214	(3,169,214)	594,697	(594,697)
Impact on equity	2,693,832	(2,693,832)	505,492	(505,492)

Limitations of sensitivity analysis

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

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

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

Price risk

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

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

33. SUBSEQUENT EVENTS

The management is not aware of any material events subsequent to the reporting date.