STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

Consolidated Financial Statements
For the Year Ended 31 December 2008

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 the State Joint-Stock Commercial Bank "ASAKA" (Open Joint Stock Company) (the "Bank") and its subsidiaries ("the Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2008, the consolidated 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, subject to any material departures disclosed and explained in the consolidated financial statements; 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 consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards 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 and other irregularities.

The consolidated financial statements for the year ended 31 December 2008 were authorized for issue by the Management Board of the Group on 20 April 2009.

On behalf of the Management Board:

Aripov K.T. Chairman of the Board	Umarova D.M. Chief accountant
20 April 2009 Tashkent	20 April 2009 Tashkent

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Council of the State Joint-Stock Commercial Bank "ASAKA" (Open Joint Stock Company):

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the State Joint-Stock Commercial Bank "ASAKA" (Open Joint Stock Company) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as discussed in the paragraph "Basis for Qualified Opinion" below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 auditor's 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.

Basis for Qualified Opinion

The Group's building and premises are stated at revalued amounts, as permitted by IAS 16, Property, Plant and Equipment, with the last revaluation performed as at 31 December 2003. As explained in Note 20 to the accompanying consolidated financial statements, management has not carried out any further revaluation of these assets in subsequent years through 31 December 2008. Revaluation of assets with sufficient regularity is required by IAS 16, Property, Plant and Equipment. In the absence of information to assess the fair value of these assets, we were unable to obtain sufficient appropriate audit evidence that the carrying amount of the Group's building and premises does not materially differ from their fair value.

Opinion

In our opinion, except for the matter described in the paragraph above, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 34 to the accompanying consolidated financial statements which indicates that the Group's liquidity is dependent upon its ongoing access to customer deposits, which the management have assessed as likely to continue to be available based on historic trends and current observations.

Deloitte & Touche

20 April 2009
Tashkent, Uzbekistan

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

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

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	5, 30	64,484,429	43,146,886
Interest expense	5, 30	(30,335,433)	(28,373,574)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		34,148,996	14,773,312
Provision for impairment losses on interest bearing assets	6, 30	(18,798,310)	(13,415,941)
NET INTEREST INCOME		15,350,686	1,357,371
Net gain on foreign exchange operations	7	15,432,736	11,580,175
Fee and commission income	8, 30	38,900,889	25,128,573
Fee and commission expense	8, 30	(5,741,448)	(2,148,202)
Dividend received		224,770	521,970
Other income		2,909,834	1,894,358
NET NON-INTEREST INCOME		51,726,781	36,976,874
OPERATING INCOME		67,077,467	38,334,245
(Provision)/recovery of provision for impairment losses on other operations	6	(2,745,085)	208,903
OPERATING EXPENSES	10, 30	(42,942,504)	(28,118,068)
PROFIT BEFORE RESULTS OF ACTIVITIES FROM ASSOCIATES		21,389,878	10,425,080
Share of results from associates		2,431,919	-
PROFIT BEFORE INCOME TAX		23,821,797	10,425,080
Income tax expense	11	(1,893,411)	(2,270,326)
NET PROFIT		21,928,386	8,154,754
Attributable to:			
Equity shareholders of Parent		1,232,843	-
Minority interest		65,055	-
EARNINGS PER SHARE (UZS)	12	167	149

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

20 April 2009
Tashkent

Umarova D.M.
Chief accountant

20 April 2009
Tashkent

The notes on pages 9-54 form an integral part of these consolidated financial statements.

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008
(in Uzbek Soums and in thousands)

	Notes	31 December 2008	31 December 2007
ASSETS:			
Cash and balances with the Central Bank of the Republic of Uzbekistan	13, 30	329,180,371	424,084,938
Due from banks	14	215,404,502	135,893,761
Loans to customers	15, 30	806,434,494	630,139,738
Investments available-for-sale	16	4,321,310	2,928,362
Investments held to maturity	17, 30	17,478,061	11,254,365
Investments in associates	18, 30	12,419,919	11,388,000
Loans under reverse repurchase agreements	19	2,100,559	503,750
Property, equipment and intangible assets	20	35,137,413	35,297,367
Deferred income tax assets	11	2,607,246	383,894
Non-current assets held for sale	21	43,032,930	17,730,435
Other assets	22	18,131,586	23,559,189
TOTAL ASSETS		1,486,248,391	1,293,163,799
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	23, 30	308,830,287	254,127,938
Customer accounts	24, 30	946,378,049	832,052,600
Debt securities issued		11,581	40,837
Other borrowed funds	25, 30	28,613,982	29,557,803
Provision on contingent liabilities		231,280	544,085
Other liabilities	26	7,715,526	2,258,424
Total liabilities		1,291,780,705	1,118,581,687
EQUITY:			
Share capital	27	40,701,866	40,701,866
Capital reserve		7,382,187	7,382,187
Property, plant and equipment revaluation reserve		9,897,808	10,501,650
Cumulative translation reserve		1,004,521	1,125,085
Retained earnings		134,183,406	114,871,324
Total equity attributable to equity holders of the parent		193,169,788	174,582,112
Minority interest		1,297,898	-
Total equity		194,467,686	174,582,112
TOTAL LIABILITIES AND EQUITY		1,486,248,391	1,293,163,799

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

20 April 2009
Tashkent

Umarova D.M.
Chief accountant

20 April 2009
Tashkent

The notes on pages 9-54 form an integral part of these consolidated financial statements.

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA" (OPEN JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

(in Uzbek Soums and in thousands)

	Share capital	Capital reserve	Property and equipment revaluation reserve	Cumulative translation reserve	Retained earnings	Total equity
31 December 2006	**39,596,566**	**7,382,187**	**11,223,709**	**665,373**	**107,402,753**	**166,270,588**
Transfer of realised revaluation reserve	-	-	(601,589)	-	523,121	(78,468)
Effect of changes in tax rates	-	-	(224,474)	-	-	(224,474)
Revaluation reserve of property and equipment	-	-	104,004	-	(104,004)	-
Exchange differencies on translation of foreign operations	-	-	-	459,712	-	459,712
Net profit	-	-	-	-	8,154,754	8,154,754
Share capital increase of:						
-ordinary shares	1,105,300	-	-	-	(1,105,300)	-
31 December 2007	**40,701,866**	**7,382,187**	**10,501,650**	**1,125,085**	**114,871,324**	**174,582,112**
Transfer of realised revaluation reserve	-	-	(603,842)	-	525,080	(78,762)
Exchange differencies on translation of foreign operations	-	-	-	(120,564)	-	(120,564)
Net profit	-	-	-	-	21,928,386	21,928,386
Dividends paid	-	-	-	-	(3,141,384)	(3,141,384)
31 December 2008	**40,701,866**	**7,382,187**	**9,897,808**	**1,004,521**	**134,183,406**	**193,169,788**

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

20 April 2009
Tashkent

Umarova D.M
Chief accountant

20 April 2009
Tashkent

The notes on pages 9-54 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in Uzbek Soums and in thousands)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		23,821,797	10,425,080
Adjustments for:			
Provision for impairment losses on interest bearing assets	6, 30	18,798,310	13,415,941
Provision/(recovery) for impairment losses on other transactions	6	2,745,085	(208,903)
Unrealized gain on foreign exchange operations		(9,259,388)	(3,734,247)
Gain from sale or disposal of property, equipment and intangible assets		(259,155)	(637,542)
Depreciation and amortization expenses	20, 10	3,470,517	3,663,540
Changes in interest accruals, net		(631,704)	1,753,408
Dividend income		224,770	521,970
Share of results from associates		2,431,919	-
Cash inflows from operating activities before changes in operating assets and liabilities		41,342,151	25,199,247
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Republic of Uzbekistan		(34,012,810)	(54,174,093)
Due from banks		(21,046,012)	(46,041,666)
Loans to customers		(193,191,031)	(159,776,277)
Securities purchased under reverse repurchase agreements		(1,499,977)	(503,750)
Non-current assets held for resale		-	635,737
Other assets		5,349,932	(21,181,393)
Increase/(decrease) in operating liabilities:			
Due to banks		40,923,703	20,577,982
Customer accounts		73,946,204	408,768,100
Repayment of debt securites issued, net		(29,256)	(233,279)
Other borrowed funds		(648,476)	(152,931)
Other liabilities		2,594,491	(1,240,617)
Cash (outflow)/inflow from operating activities before taxation		(86,271,081)	171,877,060
Income tax paid		(1,326,321)	(2,270,326)
Net cash (outflow)/inflow from operating activities		(87,597,402)	169,606,734
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(3,897,423)	(7,256,110)
Proceeds on sale of property, equipment and intangible assets		846,015	2,764,975
Purchase of investment available-for-sale		(986,083)	(525,571)
Purchase of investments held to maturity		(6,103,117)	37,950,295
Purchase of investments in associates		(3,533,601)	(4,294,743)
Net cash (outflow)/inflow from investing activities		(13,674,209)	28,638,846

The notes on pages 9-54 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008
(in Uzbek Soums and in thousands)

CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(3,141,384)	-
Net cash outflow from financing activities		(3,141,384)	-
Effect of changes in foreign exchange rate on cash and cash equivalents		2,915,638	335,272
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(101,497,357)	198,580,852
CASH AND CASH EQUIVALENTS, beginning of year	13	383,791,368	185,210,516
CASH AND CASH EQUIVALENTS, end of year	13	282,294,011	383,791,368

Interest paid and received by the Group during the year ended 31 December 2008 amounted to UZS 30,103,712 thousand and UZS 60,858,308 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2007 amounted to UZS 28,662,498 thousand and UZS 44,832,117 thousand, respectively.

On behalf of the Management Board:

Aripov K.T.
Chairman of the Board

20 April 2009
Tashkent

Umarova D.M.
Chief accountant

20 April 2009
Tashkent

(in Uzbek Soums and in thousands, unless otherwise stated)

1. ORGANISATION

State Joint-Stock Commercial Bank "ASAKA" (Open Joint Stock Company) (the "Bank") is a state joint-stock commercial bank incorporated in the Republic of Uzbekistan on 7 November 1995. The Bank is regulated by the Central Bank of the Republic of Uzbekistan and conducted its business under General license #53 dated 23 June 2001 on banking operations performance and license #38 dated 29 January 2005 on foreign currency operations performance untill re-registration.

Based on shareholder's decision, dated 21 June 2007, the Bank changed its form of business ownership from State Joint-Stock Commercial Bank "ASAKA" to State Joint-Stock Commercial Bank "ASAKA" (Open Joint Stock Company), and performed re-registration of licences and Charter in accordance with the requirements of the Central Bank of the Republic of Uzbekistan. Therefore, the Bank is presently conducting its business under the General license #53 dated 27 December 2008 on banking operations performance and license #38 dated 27 December 2008 on foreign currency operations performance.

The Bank's primary business consists of commercial activities, trading with securities, foreign currencies, loans and guarantees origination. The Bank accepts deposits from the public, originates loans, transfers payments within the Republic of Uzbekistan and abroad, and provides banking services for its commercial and retail customers.

The registered address of the Bank's main office is 67 Nukus street, Tashkent, Republic of Uzbekistan.

As at 31 December 2008, the Bank conducts banking operations from its Head Office located in Tashkent, 27 regional branches, 99 mini banks and 119 currency exchange units (66 located in Tashkent, and 53 located in regions) throughout the territory of the Republic of Uzbekistan.

The number of employees of the Bank at 31 December 2008 and 2007 was 2,566 and 2,477, respectively.

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, % 2008	2007	Type of operation
"Dilorom" LLC	Kyrgyzstan	100	100	Recreation center
"Asaka Oquv Komplex" Subsidiary Enterprise	Uzbekistan	100	100	Education services
"Hazorasp Textile" LLC	Uzbekistan	100	100	Textile
"ASAKA-TRANS-LEASING" LLC	Uzbekistan	70	50	Leasing company

"Dilorom" LLC ("the Company") – recreation centre located on the Issyk-Kul coastal lake, was purchased by the Bank based on the decision of the Cabinet of Ministers #126 dated 29 March 1999. The acquisition amount comprised the amount equivalent of USD 155,344. The same year the Bank transferred amount equivalent of USD 2,703,677 for construction and facilities purposes. Both transfer payments are performed by the Bank in accordance with the Letter of the Central Bank of Uzbekistan #1318/6-1 dated 5 January 2004. The Bank is a sole shareholder of the Company. The Bank did not make investments in the share capital of the Company during the year ended 31 December 2008.

"Asaka Oquv Komplex" Subsidiary Enterprise (the "Company") - involved in banking training and education services provision. The Company also renders touristic services, which is in accordance with License # 055-04 dated 21 July 2004. The Bank is a sole shareholder of the Company. During the year ended 31 December 2007, the Bank made investments of UZS 14,947 thousand in the share capital of the Company, in accordance with the Bank's decision #14/3272 dated 17 September 2007. The Bank did not make investments in the share capital of the Company during the year ended 31 December 2008.

"Hazorasp Textile" LLC is a manufacturing enterprise, established in accordance with the Government Committee Instruction #20 dated 6 November 2006 "Selection of investors and management companies for textile enterprises", with the Decree of the President of the Republic of Uzbekistan #PP-330 dated 21 April 2006 "Procedures of financial recovery and enhancement of cotton fibre production for textile enterprises", with the Minute of the Council of the Bank #15 dated 6 December 2006, with the Minute of the Bank's Management Board #68 dated 20 November 2006 and the Decision of the shareholders of "Hazorasp Textile" LLC #1 dated 6 December 2006. Earlier, the Bank accepted property of two companies, JV "Uniho" and JSC "Hazorasp textile plant" announced bankrupt, as a repayment of outstanding debt, which these companies owed to the Bank. On the basis of the above stated decisions, this property was afterwards invested in the equity of newly established "Hazorasp Textile" LLC.

The Bank is a sole shareholder of "Hazorasp Textile" LLC. With the purpose to support business activities of the Company, the Bank provided the newly established enterprise with financial support of UZS 224,590 thousand, which was fully repaid by the enterprise in January 2008.

"ASAKA-TRANS-LEASING" LLC is a lease company established in accordance with the President's Decree #PP-396 dated 3 July 2006 "Realization of state shares of the Stock company "Toshavtobus". Share capital of "ASAKA-TRANS-LEASING" LLC amounted to UZS 4,000,000 thousand. The shareholders of "ASAKA-TRANS-LEASING" LLC are the Bank and State Association "Toshshahartranshizmat".

As at 31 December 2008 and 2007, the following shareholders owned the issued shares of the Group:

	31 December 2008, %	**31 December 2007, %**
SHAREHOLDERS		
The Ministry of Finance of the Republic of Uzbekistan	98.33	98.33
JSC "Uzavtosanoat"	1.67	1.67
Total	**100.00**	**100.00**

These consolidated financial statements were authorized for issue by the Management Board of the Group on 20 April 2009.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group 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").

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

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 Group maintains its accounting records in accordance with laws of the Republic of Uzbekistan and Kyrgyzstan. These consolidated financial statements have been prepared from 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.

Functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and 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 investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated income statement.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but is neither a subsidiary nor 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.

Investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the consolidated income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Details of the Group's investments in associates, including summarized financial information of the associates, as at and for the years ended 31 December 2008 and 2007 are presented below:

As at and for the year ended 31 December 2008:

Name of associated company	Ownership interest	Carrying value of investments in associates	Total assets of associated company	Total liabilities of associated company	Net profit
		(UZS thousand)	(UZS thousand)	(UZS thousand)	(UZS thousand)
Samarkand Car Factory	26%	8,054,136	74,113,351	41,499,779	2,518,859
OZAVTOSANOATLEAZING LLC	49%	3,725,836	43,453,080	35,908,615	1,196,221
"Ishonch" LLC	30%	639,947	3,300,696	917,432	133,157

During 2008, the Bank acquired additional 20% in ownership share of “ASAKA-TRANS_LEASING” LLC and as a result of the acquisition the Group’s ownership share in the equity of “ASAKA-TRANS-LEASING” LLC increased to 70%. As such, the Group gained control over the “ASAKA-TRANS-LEASING” LLC and it was consolidated in these financial statements.

As at and for the year ended 31 December 2007:

Name of associated company	Ownership interest	Carrying value of investments in associates	Total assets of associated company	Total liabilities of associated company	Net profit
		(UZS thousand)	(UZS thousand)	(UZS thousand)	(UZS thousand)
Samarkand Car Factory	26%	6,448,000	45,645,978	16,892,631	1,848,777
OZAVTOSANOATLEAZING LLC	49%	2,940,000	14,544,929	997,185	385,244
“ASAKA-TRANS-LEASING” LLC	50%	2,000,000	4,305,778	7,452	284,400

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with the Central Bank of the Republic of Uzbekistan

Cash and balances with the Central Bank of the Republic of Uzbekistan include cash on hand and balances on correspondent and time deposit accounts with the Central Bank of the Republic of Uzbekistan with original maturity within 90 days.

For the purposes of determining cash flows, cash and cash equivalents include advances to banks in countries included in the Organization for Economic Co-operation and Development (“OECD”) with original maturities within 90 days. The minimum reserve deposit required by the Central Bank of the Republic of Uzbekistan is not included as a cash equivalent due to restrictions on its availability.

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.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business, the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks/customer accounts.

The Group enters into REPO and reverse REPO agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Uzbekistan, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

The equity securities received as a pledge against reverse repurchase agreement were recorded by the Group at cost. Subsequently, the equity securities are recognized by the Group at cost, as there is no active market for the securities pledged.

As at 31 December 2008 and 2007, the cost value of securities received as collateral under reverse repurchase agreements amounted to UZS 1,999,977 thousand and UZS 500,000 thousand, respectively. (Note 19)

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans granted by the Group are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write-off of loans and advances

Loans and advances 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 consolidated income statement in the period of recovery.

Allowance for impairment losses

Assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate.

Such impairment losses are not reversed, unless 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, such as recoveries, in which case the previously recognized impairment loss is reversed by adjustment of an allowance account.

For financial assets carried at cost, impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

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 carrying value, less any impairment loss previously recognized in the consolidated income statement, is recognized to the consolidated income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

The Group accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into profits using the provision account. The assets recorded in the consolidated balance sheet are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater compared to recorded impairment.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities
A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Finance 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 classified as 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 a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group’s net investment in the finance lease.

Before commencement date property, plant and equipment purchased for future transfer to finance lease is recognized as property and equipment purchased to transfer to finance lease into the other assets line in the consolidated financial statements.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment, if any. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in equity, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement. The Group uses quoted market prices to determine the fair value for the Group’s investments available-for-sale, except for non-marketable equity securities. If the market for investments is not active, the Group establishes fair value by using valuation techniques.
Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Dividends received on investments available-for-sale are included in dividend income in the consolidated income statement.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated income statement for the period. These financial assets are recognized at net of reserve for impairment.

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the 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 of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized as a provision for impairment losses on other operations in the consolidated income statement. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, equipment and intangible assets

Property, equipment and intangible assets, acquired after 1 January 2006 are carried at historical cost less accumulated depreciation 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 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.

Depreciation is charged on the carrying value of property and equipment and is designed to write-off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed 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, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

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, 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.

Taxation

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

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during reporting period.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated balance sheet if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Uzbekistan and Kyrgyzstan, 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 income statement.

Due to banks, customer accounts, debt securities issued and other borrowed funds

Due to banks, customer accounts, debt securities and other borrowed funds issued are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

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

Share capital

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.

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 balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the Uzbek legislation, State Pension Fund provides for the calculation for current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the above stated fund. The Group does not have any pension arrangements separate from the State Pension Fund of the Republic of Uzbekistan. In addition, the Group have no post-retirement benefits or other significant compensated benefits requiring accrual.

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 payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset has 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.

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 consolidated income statement 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 the consolidated income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated income statement when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. In preparing the financial statements of the individual entities, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Uzbek Soums using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Rates of exchange

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

	31 December 2008	**31 December 2007**
UZS/1 US Dollar	1,393.00	1,290.00
UZS/1 Euro	2,050.36	1,856.83
UZS/1 UK Pound	2,190.21	2,587.90
UZS/1 Japanese Yen	15.39	11.40

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans

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 consolidated 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 behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, 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 the 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 consolidated 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 country and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Valuation of Financial Instruments

Financial instruments that are classified as available-for-sale are stated at fair value, except for non-marketable equity investments, which are stated at cost, less impairment loses, unless fair value can be reliably measured. The fair value of the 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 consolidated income statement 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 balance sheet 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.

Adoption of new standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for reporting periods ending on 31 December 2008.

Amendments to IAS 1 "Capital Disclosures" ("IAS 1") – On 18 August 2005, the IASB issued an amendments to IAS 1 which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. Additional information was disclosed in the consolidated financial statements for the current and comparative reporting periods as required by amended IAS 1.

Amendments to IAS 39, "Financial Instruments: Recognition and Measurement", and IFRS 7, "Financial Instruments: Disclosures", titled "Reclassification of Financial Assets" – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permit certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available-for-sale category to the loans and receivables category in rare circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 1 July 2008. The Group did not adopt amended standards as at 1 July 2008.

Standards and interpretations issued and not yet adopted

The Group has not applied the following IFRS and Interpretations of the IFRIC that have been issued but are not yet effective:

- IFRS 8 "Operating Segments" – On 30 November 2006, the IASB issued IFRS 8 which requires segmental analysis reported by an entity to be based on information used by management. IFRS 8 is effective for periods beginning on or after 1 January 2009. The Group is evaluating the impact of IFRS 8 on the consolidated financial statements.

- Amendment to IAS 1 "Presentation of Financial Statements" – On 6 September 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The Group does not expect the adoption of the amendment to IAS 1 to have an impact on the consolidated financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009.

- IFRS 3 "Business Combinations" – The IASB published IFRS 3 and related revisions to IAS 27 "Consolidated and Separate Financial Statements" following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. They are effective for accounting periods beginning on or after 1 July 2009 but may be adopted together for accounting periods beginning on or after 1 January 2007. The Group is currently evaluating its impacts on the consolidated financial statements.

- The IASB published revisions to IAS 32 'Financial Instruments: Presentation' and consequential revisions to other standards in February 2008 to improve the accounting for and disclosure of puttable financial instruments. The revisions are effective for accounting periods beginning on or after 1 January 2009 but together they may be adopted earlier. They are not expected to have a material affect on the Group.

- In May 2008, the IASB issued amendments to IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ and IAS 27 ‘Consolidated and Separate Financial Statements’ that change the investor's accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate. It does not affect the consolidated financial statements but may prospectively affect the Group’s accounting and presentation of receipts of dividends from such entities.

- The IFRIC issued interpretation IFRIC 15 ‘Agreements for the Construction of Real Estate’ in July 2008. This interpretation clarifies the accounting for construction profits. It is applicable for accounting periods beginning on or after 1 January 2009 and is not expected to have a material effect on the Group.

- The IFRIC issued interpretation IFRIC 17 ‘Distributions of Non-Cash Assets to Owners’ and the IASB made consequential amendments to IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' in December 2008. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognised in income. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. The interpretation is effective for accounting periods beginning on or after 1 July 2009, to be adopted at the same time as IFRS 3 (revised 2008), and is not expected to have a material effect on the Group.

- The IFRIC issued interpretation IFRIC 18 ‘Transfers of Assets from Customers’ in January 2009. The interpretation addresses the accounting by suppliers that receive assets from customers, requiring measurement at fair value. The interpretation is effective for assets from customers received on or after 1 July 2009 and is not expected to have a material effect on the Group.

- IAS 39 “Financial Instruments: Recognition and Measurement” and IFRIC 9 “Reassessment of Embedded Derivatives” On 5 of March 2009, the IASB issued an amendment to IAS 39 effective for annual periods ending on or after 30 June 2009. These amendments clarify that on reclassification of a financial asset out of the “at fair value through profit or loss” category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The Group will apply this amendment for the annual period beginning on 1 January 2009 and does not expect that it will have a significant impact on the Group consolidated financial statements.

- IFRS 7 “Financial instruments: Disclosures” On 5 of March 2009 the IASB issued amendments to IFRS 7 named “Improving Disclosures about Financial Instruments”. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The Group will apply this amendment for the annual period beginning on 1 January 2009. The Group is currently evaluating its impacts on the consolidated financial statements.

4. RECLASSIFICATIONS

Certain classifications have been made to the consolidated financial statements as at 31 December 2007 and for the year ended to conform to the presentation as at 31 December 2008 and for the year ended as current year presentation provides better view of the financial position of the Group.

Nature of reclassification	**Amount UZS’000**	**Balance sheet line as per previous report**	**Balance sheet line as per current report**
Reclassification of funds provided by Export Import Bank, Korea from customer accounts to due to banks	43,124,845	Customer Accounts	Due to Banks

5. NET INTEREST INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Interest income on financial assets that have been written down as a result of an impairment loss	25,033,820	40,507,061
Interest income on unimpaired assets	39,450,609	2,639,825
Total interest income	64,484,429	43,146,886
Interest income on financial assets recorded at amortized cost		
Interest on loans to customers	56,695,900	38,807,803
Interest on loans and advances to banks	6,434,751	2,639,694
Interest on investments held to maturity	1,353,778	1,699,389
Total interest income on financial assets recorded at amortized cost	64,484,429	43,146,886
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	30,335,433	28,373,574
Total interest expense	30,335,433	28,373,574
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on due to banks	14,030,686	14,764,978
Interest on customer accounts	15,882,026	12,369,078
Interest on debt securities issued	2,272	791,849
Interest on other borrowed funds	420,449	447,669
Total interest expense on financial liabilities recorded at amortized cost	30,335,433	28,373,574
Total interest expense	30,335,433	28,373,574
Net interest income before provision for impairment losses on interest bearing assets	**34,148,996**	**14,773,312**

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 2006	-	**40,439,223**	**40,439,223**
Additional provision recognized	206,104	13,209,837	13,415,941
Write-offs of assets	-	(234,941)	(234,941)
Recoveries of assets previously written-off	-	1,871,279	1,871,279
31 December 2007	**206,104**	**55,285,398**	**55,491,502**
Additional provision recognized	(206,104)	19,004,414	18,798,310
Write-offs of assets	-	(13,059,243)	(13,059,243)
Recoveries of assets previously written-off	-	7,066,892	7,066,892
31 December 2008	**-**	**68,297,461**	**68,297,461**

The movements in allowances for impairment losses on other transactions were as follows:

	Investments available-for-sale	Other assets	Non-current assets held-for-sale	Provision for contingent liabilities	Total
31 December 2006	**1,174,553**	**86,379**	**4,696,621**	**-**	**5,957,553**
Provision/(recovery)	223,699	(138,632)	(838,055)	544,085	(208,903)
Write-off of assets	-	(2,685)	-	-	(2,685)
Recoveries of assets previously written-off	-	167,260	3,363	-	170,623
31 December 2007	**1,398,252**	**112,322**	**3,861,929**	**544,085**	**5,916,588**
Provision/(recovery)	-	53,292	3,004,598	(312,805)	2,745,085
Write-off of assets		(110,541)	(2,300,603)	-	(2,411,144)
31 December 2008	**1,398,252**	**55,073**	**4,565,924**	**231,280**	**6,250,529**

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2008	Year ended 31 December 2007
Translation differences, net	14,643,166	10,953,988
Dealing, net	789,570	626,187
Total net gain on foreign exchange operations	**15,432,736**	**11,580,175**

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income:		
Foreign exchange operations	18,866,172	10,170,520
Settlements	13,349,850	9,481,951
Letter of credit operations	5,855,969	5,093,061
Guaranties	574,036	213,584
Factoring operations	107,082	74,466
Cash operations	576	2,894
Other	147,204	92,097
Total fee and commission income	**38,900,889**	**25,128,573**
Fee and commission expense:		
Cash collection services	2,836,642	1,530,203
Settlements	2,607,973	485,560
Foreign exchange operations	19,509	12,827
Other	277,324	119,612
Total fee and commission expense	**5,741,448**	**2,148,202**

9. OTHER INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Other income:		
Fines and penalties	330,326	330,326
Income from sale or disposition of property, equipment and intangible assets	260,272	637,542
Income from rent of property	29,641	42,747
Other non-interest income	2,290,712	884,577
Total other income	**2,910,951**	**1,895,192**
Other expense:		
Loss on disposal of property, equipment and intangible assets	(1,117)	(834)
Total other expense	**(1,117)**	**(834)**
Net other income	**2,909,834**	**1,894,358**

As at 31 December 2008 and 2007, as a result of consolidation, other non-interest income included other non-interest income of subsidiaries of UZS 2,079,509 thousand and UZS 475,865 thousand, respectively.

10. OPERATING EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Staff costs	14,378,067	8,935,862
Taxes, other than income tax	7,453,833	4,901,053
Social costs	5,085,634	3,069,990
Depreciation and amortization	3,470,517	3,663,540
Security expenses	1,792,495	1,186,030
Charity and sponsorship expenses	1,729,652	1,296,829
Maintenance	1,638,209	1,311,852
Stationery	1,504,613	620,954
Membership fee	1,370,000	376,428
Communications	1,134,073	990,432
Business trip expenses	557,283	535,247
Advertising expenses	426,992	187,767
Rent expenses	424,241	314,682
Professional services	329,124	273,445
Representative expenses	107,084	54,398
Newspapers, magazines, stamps	60,915	39,855
Court expenses	40,283	29,375
Fines and penalties	42,577	12,016
Other expenses	1,396,912	318,313
Total operating expenses	**42,942,504**	**28,118,068**

11. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Uzbekistan and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

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 of 31 December 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2008 and 2007 comprise:

	31 December 2008	31 December 2007
Deductable temporary differences:		
Provisions for impairment losses on interest bearing assets	5,028,874	3,122,974
Provision for impairment losses on non-current assets held for sale	366,170	366,170
Provision for impairment losses on other assets	4,477	4,477
Total deductable temporary differences	**5,399,521**	**3,493,621**
Taxable temporary differences:		
Property, equipment and intangible assets	1,619,017	1,905,392
Accrued interest on loans	846,068	1,122,722
Other liabilities	327,190	81,613
Total taxable temporary differences	**2,792,275**	**3,109,727**
Net deferred tax asset	**2,607,246**	**383,894**

Relationships between tax expenses and accounting profit for the years ended 31 December 2008 and 2007 are explained as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Profit before income tax	23,821,797	10,425,080
Tax at the statutory tax rate (15% for 2008 and 2009, and 17% for 2007)	3,573,270	1,772,264
Non deductible expense (employee compensations, social tax, representation expenses, other)	6,449,876	1,488,827
Non deductible infrastructure tax	249,247	85,504
Change in tax rate	-	144,842
Non-taxable income	(8,378,982)	(1,221,111)
Income tax expense	**1,893,411**	**2,270,326**
Current income tax	4,195,525	1,726,006
Change in deferred income tax assets	(2,302,114)	544,320
Income tax expense	**1,893,411**	**2,270,326**

Deferred income tax assets	2008	2007
Beginning of the year	383,894	1,231,156
Current year tax asset/(liability)	2,302,114	(544,320)
Deferred tax on the depreciation related to the revaluation reserve	(78,762)	(78,468)
Change in deferred income tax assets	-	(224,474)
End of the year	**2,607,246**	**383,894**

12. EARNINGS PER SHARE

	Year ended 31 December 2008	Year ended 31 December 2007
Profit:		
Net profit for the year attributable to ordinary shareholders	21,928,386	8,154,754
Weighted average number of ordinary shares	131,606	54,750
Earnings per share – basic and diluted (UZS)	**167**	**149**

On 29 October 2007, the Shareholders made a decision to decrease the nominal value of the shares from UZS 100 thousand to UZS 50 thousand. The decrease in the nominal value of the shares has occurred in order to comply with the legislation of the Republic of Uzbekistan. As a result of that decision, the number of outstanding shares has doubled.

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

	31 December 2008	31 December 2007
Cash	64,660,111	26,816,053
Balances with the Central Bank of the Republic of	264,520,260	397,268,885
Total cash and cash balances with the Central Bank of the Republic of Uzbekistan	**329,180,371**	**424,084,938**

In accordance with the banking legislation of the Republic of Uzbekistan, the Group should have non-interest minimum reserve deposits at the Central Bank of the Republic of Uzbekistan, which are defined as a portion of the Group's liabilities and have a restriction on their use. As at 31 December 2008 and 2007, non-interest minimum reserve deposits at the Central Bank of the Republic of Uzbekistan comprised UZS 123,100,847 thousand and UZS 89,088,037 thousand, respectively.

As at 31 December 2008 and 2007, the Group did not have any significant long-term OECD balances with the maturity greater than 90 days. Therefore, the OECD balances with the maturity less than 90 days were classified as cash equivalents for the purposes of the consolidated statement of cash flows.

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

	31 December 2008	31 December 2007
Cash and balances with the Central Bank of the Republic of Uzbekistan	329,180,371	424,084,938
Due from banks in OECD countries	76,214,487	48,794,467
	405,394,858	472,879,405
Less minimum reserve deposit at the Central Bank of the Republic of Uzbekistan	(123,100,847)	(89,088,037)
Total cash and cash equivalents	**282,294,011**	**383,791,368**

14. DUE FROM BANKS

	31 December 2008	31 December 2007
Time deposits with other banks	161,951,191	129,569,272
Correspondent accounts with other banks	53,343,311	6,332,593
Due from other banks	110,000	198,000
	215,404,502	136,099,865
Less allowance for impairment losses	-	(206,104)
Total due from banks	**215,404,502**	**135,893,761**

As at 31 December 2008 and 2007, due from banks of UZS 37,924,137 thousand (18%) and UZS 40,240,841 thousand (30%), respectively, were due to one bank, which represents significant concentration.

As at 31 December 2008 and 2007, included in balances due from banks are guarantee deposits, not restricted for use, placed by the Group for its operations in the amount of UZS 215,404,502 thousand and UZS 135,893,761 thousand, respectively.

As at 31 December 2008 and 2007, the amount of interest accrued on due from banks comprised UZS 1,052,820 thousand and UZS 180,891 thousand, respectively.

Movements in allowances for impairment losses on due from banks for the years ended 31 December 2008 and 2007 are presented in Note 6.

15. LOANS TO CUSTOMERS

	31 December 2008	31 December 2007
Loans to customers	825,191,722	666,458,117
Net investment in finance lease	49,540,233	18,967,019
	874,731,955	685,425,136
Less allowance for impairment losses	(68,297,461)	(55,285,398)
Total loans to customers	**806,434,494**	**630,139,738**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2008 and 2007 are disclosed in Note 6.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2008	31 December 2007
Loans collateralized by cash	269,886,504	212,968,389
Loans collateralized by pledge of real estate or rights thereon	164,322,721	148,076,136
Loans collateralized by pledge of corporate guarantees	180,168,270	80,413,125
Loans collateralized by combined collateral	98,253,959	114,662,247
Loans collateralized by pledge of equipment and inventories	86,676,012	44,592,863
Loans collateralized by Government guarantees	55,262,587	43,360,485
Loans collateralized by vehicles	11,438,354	20,029,856
Loans collateralized by pledge of insurance	3,571,675	15,478,710
Loans collateralized by securities	2,691,402	3,472,796
Unsecured loans	2,460,471	2,370,529
	874,731,955	685,425,136
Less allowance for impairment losses	(68,297,461)	(55,285,398)
Total loans to customers	**806,434,494**	**630,139,738**

Analysis by sector:

	31 December 2008	31 December 2007
Manufacturing, including:	527,253,518	500,032,889
Vehicle manufacturing	*300,263,774*	*216,761,503*
Textile industry	*86,411,443*	*88,702,691*
Pharmaceutical industry	*54,928,911*	*71,224,189*
Construction materials manufacturing	*28,301,510*	*26,390,200*
Other manufacturing	*57,347,880*	*96,954,306*
Trade, including food trade	106,987,195	35,853,301
Individuals	86,047,262	53,894,776
Construction	35,527,623	12,822,682
Housing and communal services	29,505,510	26,013,524
Agriculture	28,719,321	13,965,827
Transport and communications	19,592,912	18,361,410
Other	41,098,614	24,480,727
	874,731,955	685,425,136
Less allowance for impairment losses	(68,297,461)	(55,285,398)
Total loans to customers	**806,434,494**	**630,139,738**

Loans to individuals comprise the following products:

	31 December 2008	31 December 2007
Mortgage loans	70,821,470	21,659,696
Consumer loans and loans for construction of apartments	12,550,719	6,026,032
Car loans	1,615,735	25,423,474
Other	1,059,338	785,574
Total loans to individuals	**86,047,262**	**53,894,776**

As at 31 December 2008 and 2007, a significant amount of loans (58% and 44% of total portfolio, respectively) is granted to borrowers operating in Tashkent and Tashkent region, which represents a significant geographical concentration in one region.

As at 31 December 2008 and 2007, the Group granted loans to 2 and 3 customers, totalling UZS 61,115,671 thousand and UZS 88,135,577 thousand, respectively, which individually exceed 10% of the Group’s equity.

As at 31 December 2008 and 2007, the Group had loans of UZS 37,415,038 thousand and UZS 34,990,996 thousand, respectively, to state owned enterprises. Repayment of principal and interest in respect of these loans is secured by guarantees from Ministry of Finance of the Republic of Uzbekistan.

As at 31 December 2008 and 2007, loans to customer included loans of UZS 25,333,362 thousand and UZS 15,994,544 thousand, respectively, whose terms have been renegotiated.

As at 31 December 2008 and 2007, loans to customers included loans under court consideration of UZS 22,447,742 thousand and UZS 29,567,107 thousand, respectively.

As at 31 December 2008 and 2007, interest accrued of UZS 17,019,154 thousand and UZS 17,284,346 thousand, respectively, was included into the loans to customers.

In 2008 and 2007 years the Group entered as a lessor into finance lease agreements for equipment and non-production buildings for three year period with 15% and 13% annual interest rates.

The components of net investment in finance lease as at 31 December 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
Not later than one year	17,309,110	7,492,095
From one year to five years	51,742,293	21,615,183
Minimum lease payments	69,051,403	29,107,278
Less: unearned finance income	(19,511,170)	(10,140,259)
Net investment in finance lease	49,540,233	18,967,019
Current portion	10,512,409	4,290,619
Long-term portion	39,027,824	14,676,400
Net investment in finance lease	49,540,233	18,967,019

16. INVESTMENTS AVAILABLE-FOR-SALE

Equity securities	Ownership interest	31 December 2008	Ownership interest	31 December 2007
JSB "Microcreditbank"	1.70%	2,500,000	2.00%	1,500,000
OJSLC "Uzavialeasing"	15.11%	1,279,566	15.11%	1,279,566
JV CJSC "Universal Farm"	7.43%	451,128	7.43%	451,128
CJSC "Asia Invest" Bank	6.60%	354,910	6.60%	354,910
OJSLC "QURILISH-LEASING"	12.51%	334,559	12.51%	334,559
OJSC LC "UzMed-Leasing"	20.00%	300,000	-	-
SJSIC "Kafolat"	3.87%	169,812	0.92%	86,949
JSC "Uzselhozmashholding"	0.50%	78,054	0.50%	78,054
OJSC JV "Fayz"	6.17%	68,388	6.17%	68,388
OJSC "Chilonzor buyum bozori"	1.75%	54,876	1.84%	54,876
JSC "Q'zneftmahsulot"	0.00%	34,418	0.00%	34,418
SJSFTC"O'zmarkazimpeks"	3.85%	29,401	3.85%	29,401
OJSC "Uzbekgeofizika"	0.44%	26,136	0.44%	16,051
LLC "Banklararo Kredit Byurosi"	16.67%	16,409	16.67%	16,409
REC "UzInvestProject"	9.80%	12,686	9.80%	12,686
OJSC "Uzshaharsozlik LITI"	0.32%	7,684	0.32%	7,684
Republican stock-exchange "Tashkent"	0.92%	1,535	0.92%	1,535
		5,719,562		4,326,614
Less allowance for impairment losses		(1,398,252)		(1,398,252)
Total investments available-for-sale		**4,321,310**		**2,928,362**

Movements in allowances for impairment losses on investments available-for-sale for the years ended 31 December 2008 and 2007 are disclosed in Note 6.

17. INVESTMENTS HELD TO MATURITY

Debt securities	Interest to nominal %	31 December 2008	Interest to nominal %	31 December 2007
Uzbekistan Government treasury	5-6%	12,953,234	6-7%	8,601,696
JSC "Kapitalbank"	16%	1,726,827	16%	1,725,337
JSC "Ipak Yulli Bank"	15%	1,037,500	-	-
JSC "Hamkorbank"	12%	1,000,000	-	-
JSC "DORI - DARMON"	15%	760,500	15%	622,685
JSC "O'ZBEKTELEKOM"	-	-	20%	200,110
JSC "IKRANGMET"	-	-	18%	104,537
Total investments held-to-maturity		**17,478,061**		**11,254,365**

As at 31 December 2008 and 2007, the amount of interest accrued comprised of UZS 255,068 thousand and UZS 134,489 thousand, respectively.

18. INVESTMENTS IN ASSOCIATES

	31 December 2008		31 December 2007	
	Ownership interest	**Carrying value**	**Ownership interest**	**Carrying value**
Samarkand Car Factory	26.00%	8,054,136	26.00%	6,448,000
O'ZAVTOSANOATLEAZING LLC	49.00%	3,725,836	49.00%	2,940,000
"Ishonch" LLC	30.00%	639,947	-	-
"ASAKA-TRANS-LEASING" LLC	-	-	50.00%	2,000,000
		12,419,919		**11,388,000**

During 2008 the Group purchased additional 20% of ownership share in "ASAKA- TRANS-LEASING" LLC and as a result of the acquisition, the Group's ownership share in the equity of "ASAKA-TRANS-LEASING" LLC increased up to 70%. As a result of the acquisition, the Group gained control over "ASAKA-TRANS-LEASING" LLC and it has been consolidated in these financial statements.

The percentage held of the above associates represents both direct and indirect ownership of the Group.

The movements of the investments in associates comprise:

	31 December 2008	31 December 2007
As at 1 January	**11,388,000**	-
Purchase cost	600,000	11,388,000
Share of results of associates	2,431,919	-
Investment in associates reclassified from this category	(2,000,000)	-
As at 31 December	**12,419,919**	**11,388,000**

19. LOANS UNDER REVERSE REPURCHASE AGREEMENTS

	31 December 2008		31 December 2007	
	Carrying value of loan	**Cost of securities pledge**	**Carrying value of loan**	**Cost of securities pledge**
Shares of local companies	2,100,559	1,999,977	503,750	500,000
Total	**2,100,559**	**1,999,977**	**503,750**	**500,000**

The equity securities received as a pledge against reverse repurchase agreement were recorded by the Group at cost. Subsequently, the equity securities are recognized by the Group at cost, as there is no active market for the securities pledged.

As at 31 December 2008 and 2007, the nominal value of securities received as collateral under reverse repurchase agreements amounted to UZS 1,999,977 thousand and UZS 500,000 thousand, respectively.

As at 31 December 2008 and 2007, the interest accrued on REPO agreements equaled to UZS 100,582 thousand and UZS 3,750 thousand, respectively.

20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and land	Construction in progress	Furniture and equipment	Vehicles	Intangible assets	Total
At revalued cost						
31 December 2006	35,688,893	39,972	12,228,411	1,302,983	1,868,071	51,128,330
Additions	2,543,776	334,220	4,218,497	148,653	10,964	7,256,110
Disposals	(2,382,348)	-	(162,873)	(28,493)	(2,544)	(2,576,258)
Transfers	9,027	(26,315)	(18,373)	20,936	14,725	-
31 December 2007	35,859,348	347,877	16,265,662	1,444,079	1,891,216	55,808,182
Additions	901,714	285,888	2,579,238	127,583	3,000	3,897,423
Disposals	(98,898)	(477,513)	(98,857)	(18,256)	(152)	(693,676)
Transfers	5,430	(35,758)	(21,152)	27,308	24,172	-
31 December 2008	36,667,594	120,494	18,724,891	1,580,714	1,918,236	59,011,929
Accumulated depreciation						
31 December 2006	(5,399,713)	-	(9,484,024)	(1,077,830)	(1,334,533)	(17,296,100)
Charge for the year	(1,879,700)	-	(1,274,596)	(187,487)	(321,757)	(3,663,540)
Disposals	301,599	-	118,453	26,291	2,482	448,825
31 December 2007	(6,977,814)	-	(10,640,167)	(1,239,026)	(1,653,808)	(20,510,815)
Charge for the year	(1,735,469)	-	(1,379,252)	(141,545)	(214,251)	(3,470,517)
Disposals	5,922	-	83,770	16,972	152	106,816
Transfers	22,487	-	(22,507)	20	-	-
31 December 2008	(8,684,874)	-	(11,958,156)	(1,363,579)	(1,867,907)	(23,874,516)
Net book value						
31 December 2008	**27,982,720**	**120,494**	**6,766,735**	**217,135**	**50,329**	**35,137,413**
31 December 2007	**28,881,534**	**347,877**	**5,625,495**	**205,053**	**237,408**	**35,297,367**

As at 31 December 2008 and 2007, fully depreciated assets of UZS 6,228,685 thousand and 4,613,157 thousand, respectively, were included in property and equipment.

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

In accordance with alternative accounting treatment under IAS 16 “Property, Plant and Equipment”, building and premises were independently valued as at 31 December 2003. The valuation was carried out by a Russian based independent appraisal. The management has not engaged independent valuers and has not carried out revaluations of these assets in subsequent years.

The revaluation reserve for premises included in the equity is transferred to retained earnings when the surplus is realised.

As at 31 December 2008, this transfer comprises:

31 December 2008	**Property and equipment revaluation reserve**	**Retained earnings**	**Total**
Depreciation related to the revaluation reserve	(603,842)	603,842	-
Deferred tax on the above depreciation	-	(78,762)	(78,762)
Transfer of realized revaluation reserve	**(603,842)**	**525,080**	**(78,762)**

As at 31 December 2007, this transfer comprises:

31 December 2007	**Property and equipment revaluation reserve**	**Retained earnings**	**Total**
Depreciation related to the revaluation reserve	(601,589)	601,589	-
Deferred tax on the above depreciation	-	(78,468)	(78,468)
Effect of changes in income tax rate	(224,474)	-	(224,474)
Transfer of realized revaluation reserve	**(826,063)**	**523,121**	**(302,942)**

21. NON-CURRENT ASSETS HELD FOR SALE

During the years ended 31 December 2008 and 2007 the Group received financial and non financial assets by taking possession of collateral pledged. As at 31 December 2008 and 2007, the assets in amount of UZS 43,032,930 thousand and UZS 17,730,435 thousand, respectively, are included in non-current assets held for sale.

	31 December 2008	**31 December 2007**
Equipment	32,508,464	15,850,038
Buildings	13,134,811	4,788,851
Others	1,955,579	953,475
	47,598,854	21,592,364
Less allowance for impairment losses	(4,565,924)	(3,861,929)
Total non-current assets held-for-sale	**43,032,930**	**17,730,435**

Movements in allowances for impairment losses on non-current assets held for sale for the years ended 31 December 2008 and 2007 are disclosed in Note 6.

22. OTHER ASSETS

	31 December 2008	31 December 2007
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Advances paid	13,397,207	6,742,182
Unrealized income on revaluation - forward contracts	539,203	24,871
Accrued receivables	367,918	-
Advances to Uzbek Republican Currency Exchange	325,792	12,283,233
Assets under court	27,664	111,197
Others	588,108	749,717
	15,245,892	19,911,200
Less allowance for impairment losses	(55,073)	(112,322)
	15,190,819	19,798,878
Other non-financial assets:		
Low value and short life assets in warehouse	1,523,505	545,882
Tax settlements, other than income tax	1,200,762	878,429
Property and equipment purchased for transfer to finance lease	216,500	2,336,000
	2,940,767	3,760,311
Total other assets	**18,131,586**	**23,559,189**

Movements in allowances for impairment losses on other assets for the years ended 31 December 2008 and 2007 are disclosed in Note 6.

As at 31 December 2008 and 2007, the amount of interest accrued comprised of UZS 104,977 thousand and UZS 65,712 thousand, respectively.

23. DUE TO BANKS

	31 December 2008	31 December 2007
Loans from banks and financial institutions:		
Loans from Export Import Bank, Korea	112,239,995	43,124,845
Loans from Landesbank Berlin AG	45,605,292	56,806,640
Loans from Commerzbank	23,111,960	28,890,815
Loans from Asian Development Bank	15,264,713	15,493,115
Loans from HypoVereinsbank	9,238,508	13,957,285
Loans from Societe Generale Bank	8,282,687	9,170,092
Loans from Banco Santander Central Hispano	4,124,728	5,734,335
Loans from Dresdner Bank	2,355,630	4,268,238
Loans from Raiffeisen Bank	991,422	1,493,152
Loans from the Central Bank of the RUz	760,970	884,954
Loans from Microcreditbank	16,880	105,993
Total loans from banks and financial institutions	**221,992,785**	**179,929,464**
Deposits from Halk Bank	31,420,890	21,905,305
Deposits from Ipoteka Bank	29,263,665	10,326,918
Deposits from Credit-Standard Bank	6,965,701	1,290,714
Deposits from Sadirat Iran Bank	6,066,907	2,980,263
Deposits from Trast Bank	3,831,122	2,387,641
Deposits from UT Bank	3,092,599	1,292,286
Deposits from Ravnak Bank	2,202,018	2,060,385
Deposits from UzKDB Bank	1,676,740	-
Deposits from Galla Bank	835,812	-
Deposits from National Bank of the RUz	-	28,265,444
Deposits from Kapital Bank	-	2,581,487
Correspondent accounts with other banks	1,482,048	1,108,031
Total due to banks	**308,830,287**	**254,127,938**

Landesbank Berlin AG

Credit line from Bank Gesellschaft Berlin AG was fully transferred to Landesbank Berlin AG after merger of those banks on 29 August 2006. As at 31 December 2008, UZS 45,605,292 thousand (31 December 2007: UZS 56,806,640 thousand) represent an outstanding balance of seven EURO loans totaling UZS 30,802,558 thousand (equivalent of EUR 15,023 thousand at exchange rate as at 31 December 2008) (31 December 2007: UZS 40,324,777 thousand (equivalent of EUR 21,717 thousand at exchange rate as at 31 December 2007) and one Swiss Franc loan totaling UZS 14,716,987 thousand (equivalent of CHF 11,370 thousand at exchange rate as at 31 December 2008) (2007: UZS 16,346,432 thousand (equivalent of CHF 14,618 thousand at exchange rate as at 31 December 2007) plus interest accrued.

The repayment of the principle and interests on loan in Swiss Franc is secured by the guarantees of the Ministry of Finance of the Republic of Uzbekistan. The established interest rate on these loans is EURIBOR+0.875% per annum. The funds raised were used to grant loans to customers with purpose to finance the purchase of equipment for consumer goods production at the above established interest rate plus fixed interest rate of 3.5%, determined as a margin of the Group.

The Group is obliged to make the repayment of principle and interest in twelve consecutive semi-annual installments. Maturity of these loans is dependent on terms and conditions of each sub-loan, granted by the Group from these funds.

Commerzbank

Credit line from Commerzbank in the amount of UZS 23,111,960 thousand (31 December 2007: UZS 28,890,815 thousand) represents an outstanding balance of five Euro loans of UZS 22,597,018 thousand (equivalent of EUR 11,021 at exchange rate as at 31 December 2008) (31 December 2007: UZS 28,344,510 thousand (equivalent of EUR 15,265 thousand at exchange rate as at 31 December 2007) plus accrued interest amount. The established interest rate on this credit line is EURIBOR+0.95% per annum. The funds raised were further granted to customers with purpose to finance the purchase of equipment for consumer goods production at the above established interest rate plus fixed interest rate of 4%, determined as a margin of the Group.

The Group is obliged to make the repayment of principle and interest in nine consecutive semi-annual installments. Maturity of these loans is dependent on terms and conditions of each sub-loan, granted by the Group from these funds.

Asian Development Bank (ADB)

Credit line from ADB in the amount of UZS 15,264,713 thousand (31 December 2007: UZS 15,493,115 thousand) represents an outstanding balance of two USD loans totaling UZS 15,101,513 thousand (equivalent of USD 10,841 thousand at exchange rate as at 31 December 2008) (31 December 2007: UZS 15,301,980 thousand (equivalent of USD 11,862 thousand at exchange rate at 31 December 2007)) plus accrued interest amount. The established interest rate on first loan with the outstanding balance of UZS 6,083,231 thousand as at 31 December 2008 (the equivalent of USD 4,367 thousand at exchange rate as at 31 December 2008) is pool-based rate of 6.12% (internally developed rate of ADB). The established interest rate on second loan with the outstanding balance of UZS 9,018,350 thousand as at 31 December 2008 (the equivalent USD 6,474 thousand at exchange rate as at the balance sheet date) is determined at LIBOR+0.6%. The grace period is 3 years with maturity date at 15 October 2015. Repayment of principle and interest is secured by the guarantees of the Ministry of Finance of the Republic of Uzbekistan.

HypoVereinsbank

Credit line from Hypo Vereinsbank in the amount of UZS 9,238,508 (31 December 2007: UZS 13,957,285 thousand) represent an outstanding balance of four Euro loans totaling UZS 9,212,268 thousand (equivalent of EUR 4,493 thousand at exchange rate as at 31 December 2008) (31 December 2007: UZS 13,911,370 thousand (equivalent of EUR 7,492 thousand at exchange rate as at 31 December 2007)), plus accrued interest amount. The interest rates for the above mentioned loans vary from EURIBOR+0.95% to EURIOR+1.24%. Repayment of principle and interest is done in eight consecutive semi-annual installments.

Societe Generale Bank

Credit line from Societe Generale in the amount of UZS 8,282,687 thousand (31 December 2007: UZS 9,170,092 thousand) represent an outstanding balance of Euro loan totaling UZS 8,275,253 thousand (equivalent of EUR 4,036 thousand at exchange rate as at 31 December 2008) (31 December 2007: UZS 9,159,742 thousand (equivalent of EUR 4,933 thousand at exchange rate at 31 December 2007)), plus accrued interest amount.

The established interest rate is EURIBOR+0.7% per annum, with maturity on 23 June 2013. The funds raised were used to finance the state utility entity at the above established rate plus fixed interest margin of the Group. Repayment of principle and interest is secured by the guarantees of the Ministry of Finance of the Republic of Uzbekistan.

Banco Santander Central Hispano

Credit line from Banco Santander in the amount of UZS 4,124,728 thousand as at 31 December 2008 (31 December 2007: UZS 5,734,335 thousand) represent an outstanding balance of two Euro loans totaling UZS 4,047,411 thousand (equivalent of EUR 1,974 thousand at exchange rate as at 31 December 2008) (31 December 2007: UZS 5,576,060 thousand (equivalent of EUR 3,033 thousand at exchange rate as at 31 December 2007)), plus accrued interest amount. The first loan in the amount of UZS 4,098,670 thousand (equivalent of EUR 1,199 thousand at exchange rate as at the balance sheet date) with fixed interest rate of 5.97% per annum is to be repaid in seventeen consecutive semi-annual installments. The repayment of principle and interest is secured by the guarantees of the Ministry of Finance of the Republic of Uzbekistan. The second loan in the amount of UZS 1,589,029 thousand (EUR equivalent 775 thousand as at 31 December, 2008) with established interest rate of EURIBOR+0.6% per annum is to be repaid within twelve consecutive semi-annual installments. These loans were granted by the Group to small and medium enterprises to purchase equipments for production of consumer goods, at above established rate plus fixed interest margin of the Group.

Dresdner Bank

Credit line from Dresdner Bank in the amount of UZS 2,355,630 thousand (31 December 2007: UZS 4,268,238 thousand) represent an outstanding balance of Euro loan totaling UZS 2,351,115 thousand (the equivalent EUR 1,147 thousand at exchange rate as at 31 December 2008) (31 December 2007: UZS 4,257,711 thousand, the equivalent EUR 2,293 thousand at exchange rate as at 31 December 2007), plus accrued interest amount. The established interest rate is EURIBOR+0.65% per annum. This loan was used by the Group to grant loans to small and medium enterprises to purchase equipments for consumer goods production and rendering services. The loans to small and medium enterprises were granted at the above established rate plus fixed margin of the Group. The repayment of principle and interest is to be made in ten consecutive semi-annual installments.

Raifeissenbank

Credit line from Raifeissen Bank in the amount of UZS 991,422 thousand (31 December 2007: UZS 1,493,152 thousand) represent an outstanding balance of one Euro loan totaling UZS 967,780 thousand, (the equivalent EUR 472 thousand at exchange rate as at 31 December, 2008) (31 December 2007: UZS 1,459,468 thousand (the equivalent of EUR 786 thousand at exchange rate as at 31 December 2007), plus accrued interest amount.

The established interest rate is LIBOR+1.5% per annum. This loan was advanced by the Group to small and medium enterprises to purchase equipments for production of consumer goods and rendering services, at above established rate plus fixed interest margin of the Group.

Microcreditbank

Borrowings from Mikrokreditbank in UZS 16,880 thousand (31 December 2007: UZS 105,992 thousand represent an outstanding balance as at 31 December 2008 plus accrued interest amount. The established interest rate on this loan is 2.5%. The related credit risk on these loans is beard by the Group.

As at 31 December 2008 and 2007, the amount of accrued interest comprised UZS 1,043,280 thousand and UZS 1,189,273 thousand, respectively.

In accordance with the contractual terms of the loans from Asian Development Bank, the Group is required to maintain certain financial ratios, particularly with regard to loans issued to customers to customers deposit ratio, capital adequacy ratio, maximum exposure to single borrower ratio and return on assets ratio.

24. CUSTOMER ACCOUNTS

	31 December 2008	**31 December 2007**
Repayable on demand	790,045,259	702,583,537
Time deposits	156,332,790	129,469,063
Total customer accounts	**946,378,049**	**832,052,600**

	31 December 2008	**31 December 2007**
Analysis by sector:		
Manufacturing	644,868,963	566,966,761
Individuals	110,071,761	96,774,746
Government	65,135,001	57,266,487
Trade	32,858,024	28,888,671
Construction	21,931,299	19,281,929
Insurance	16,225,859	14,265,724
Non-budget organizations	9,920,053	8,721,680
Transportation and communication	6,894,021	6,061,202
Other	38,473,068	33,825,400
Total customer accounts	**946,378,049**	**832,052,600**

As at 31 December 2008 and 2007, customer accounts of UZS 29,716,086 thousand and UZS 10,616,601 thousand, respectively, were held as a security against letters of credit issued and other contingent liabilities. As at 31 December 2008 and 2007, customer accounts of UZS 74,729,900 thousand and UZS 22,004,000 thousand, respectively, were held as a security against guarantees issued.

As at 31 December 2008 and 2007, the customer accounts of UZS 609,209,295 thousand and UZS 468,362,565 thousand were due to 2 and 2 customers, respectively, which individually exceed 10% of Group’s equity.

As at 31 December 2008 and 2007, the amount of accrued interest comprised UZS 1,348,884 thousand and UZS 675,825 thousand, respectively.

25. OTHER BORROWED FUNDS

	Interest rate %	31 December 2008	Interest rate %	31 December 2007
Long-term borrowings from international financial institutions:				
Instituto De Credito	0.30%	15,641,875	0.30%	14,162,795
International Financial Corporation	LIBOR+5%	2,248,646	LIBOR+5%	3,481,104
Long term borrowings from non-budget funds (Employment fund)	1.75% - 2.3%	582,083	1.75% - 2.3%	600,369
Long-term borrowings from the Ministry of Finance of the Republic of Uzbekistan	1%-7.5%, UZIBOR+0.2%	10,141,378	1%-7.5%, UZIBOR+0.2%	11,313,535
Total other borrowed funds		**28,613,982**		**29,557,803**

Instituto De Credito (ICO)

Credit line from ICO in the amount of UZS 15,641,875 thousand (31 December 2007: UZS 14,162,795 thousand) represent an outstanding balance of Euro loan totaling UZS 15,629,894 thousand (equivalent of EUR 7,623 thousand at exchange rate as at the balance sheet date) (31 December 2007: UZS 14,154,615 thousand (equivalent of EUR 7,623 thousand at exchange rate as at 31 December 2007), plus accrued interest amount. The established interest rate is 0.3% per annum. The purpose of this loan is to finance the water supply improvement in Bukhara region. Maturity date is 20 May 2033. It was provided to state utility entity at the above established rate plus fixed interest margin of the Group. Repayment of principle and interest is secured by the guarantees of the Ministry of Finance of the Republic of Uzbekistan.

International Finance Corporation (IFC)

Credit line from IFC in the amount of UZS 2,248,646 thousand (31 December 2007: UZS 3,481,104 thousand) represent an outstanding balance of USD loan totaling UZS 2,227,407 thousand (the equivalent of USD 1,599 thousand at exchange rate as at 31 December, 2008) (31 December 2007: UZS 3,437,850 thousand (the equivalent of USD 2,665 thousand at exchange rate as at 31 December 2007), plus accrued interest amount. The established interest rate is LIBOR+5% per annum with maturity date of 15 May 2010. The purpose of this loan is to finance the small and medium enterprises at the above established rate plus fixed interest margin of the Bank.

Ministry of Finance of the Republic of Uzbekistan.

Credit line of USD 20,000 thousand from ADB was provided to the Ministry of Finance of the Republic of Uzbekistan for the development of small and medium enterprises. Based on the loan agreement the Ministry of Finance of the Republic of Uzbekistan financed the Group using credit line of ADB on 7 June 2004 to the total amount of USD 6,500 thousand which was denominated in Uzbek Soums.

The established interest rate is UZIBOR+0.2%, which represents margin of the Ministry of Finance of the Republic of Uzbekistan. The repayment of principle and interest is made semi-annually on 15 March and 15 September. Grace period is 3 years and maturity in 15 September 2018.

Credit line from the Ministry of Finance of the Republic of Uzbekistan is provided for project finance loans in accordance with the instructions of the government at fixed interest rate of 7.5% per annum. All related credit risks on these project finance loans represent the Bank’s exposure.

As at 31 December 2008 and 2007, the amount of accrued interest comprised UZS 956,660 thousand and 1,252,005 thousand, respectively.

In accordance with the contractual terms of the loans from IFC, the Group is required to maintain certain financial ratios, particularly with regard to its Risk weighted Capital Adequacy, Total loan portfolio in one industry sector, Open Loan Exposure, Maturity Mismatch Ratio (USD), Maturity Mismatch Ratio (EUR), Maturity Mismatch Ratio (UZS), Aggregate Maturity Mismatch Ratio, Single Hard Currency Short Position, Aggregate Hard Currency Short

Position, Single Client Exposure Ratio, Single Group Exposure Ratio, Aggregate large loans to single parties (those exceeding (5%)of Shareholder's equity) shall not exceed 300% of shareholders' equity, excluding loans and obligations that are fully guaranteed by Uzbek government, Current Ratio, Fixed assets and investments < net worth, and Related Party Exposure Ratio.

26. OTHER LIABILITIES

	31 December 2008	31 December 2007
Other financial liabilites:		
Payable to suppliers, contractors and purchasers	2,114,164	1,279,806
	2,114,164	1,279,806
Other non-financial liabilites:		
Income tax payable	2,790,442	-
Taxes payable, other than income tax	1,374,314	273,723
Accounts payable to employees	761,971	598,597
Other	674,635	106,298
	5,601,362	978,618
Total other liabilities	**7,715,526**	**2,258,424**

27. SHARE CAPITAL

As at 31 December 2008, the Group's share capital comprised of the following:

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Ordinary shares	6,580,300	34,121,566	40,701,866
	6,580,300	34,121,566	40,701,866

As at 31 December 2007, the Group's share capital comprised of the following:

	Authorized capital (UZS'000)	Inflation effect (UZS'000)	Total share capital (UZS'000)
Ordinary shares	6,580,300	34,121,566	40,701,866
	6,580,300	34,121,566	40,701,866

The below table provides a reconciliation of the number of shares outstanding as at 31 December 2008 and 2007, respectively:

	Ordinary shares Share'000
31 December 2006	54,750
Issue of shares	11,053
31 December 2007	65,803
Increase of numbers due to the decrease of nominal value	65,803
31 December 2008	131,606

On 29 October 2007 the Shareholders made a decision to decrease the nominal value of the shares from UZS 100 thousand to UZS 50 thousand. The decrease in the nominal value of the shares has occurred in order to comply with the legislation of the Republic of Uzbekistan. As a result of that decision, the number of outstanding shares has doubled.

On 21 June 2007, the Shareholders made a decision to increase the share capital of the Group by transferring dividends into the share capital in the amount of UZS 1,105,300 thousand.

During the year 2008, the Group paid dividends of UZS 3,141,384 thousand.

28. COMMITMENTS AND CONTINGENCIES

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

The Group's maximum exposure to credit loss 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.

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

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 31 December 2008 and 2007, the nominal or contract amounts were:

	31 December 2008		**31 December 2007**	
Contingent liabilities and credit commitments	**Nominal amount**	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Letter of credit	211,569,690	105,784,845	93,350,148	46,675,074
Guarantees issued and other similar instruments	45,439,965	22,719,983	35,895,286	17,947,643
Commitments on unused credit lines	24,403,461	12,201,731	25,589,157	12,794,579
Total contingent liabilities and credit commitments	**281,413,116**	**140,706,559**	**154,834,591**	**77,417,296**

The Group's commitments to extend loans within unused credit lines limits that are conditioned based on a borrower's financial performance, debt service and other credit risk characteristics. Guarantees are granted up to 6 years, depending on a project.

Capital commitments – As at 31 December 2008 and 2007, the Group had no material capital commitments.

Operating lease commitments – As at 31 December 2008 and 2007, the Group had no material operating lease commitments.

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 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 favour 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 juridicial 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 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.

Due to the presence in Uzbek commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may by assessed additional taxes, penalties and interest. Such uncertainty may relate to loss and impairment provisions and the market level for the pricing of deals. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for three years.

Operating environment – The Group's principal business activities are within the Republic of Uzbekistan. Laws and regulations affecting the business environment in the Republic of Uzbekistan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment in the world.

Specific volatility in global and Uzbek's financial markets – In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in the Uzbekistan, notwithstanding any potential economic stabilization measures that may be put into place by the Government of the Uzbekistan, there exists economic uncertainties surrounding the continual availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be recovered at their carrying amount in the regular course of business, and a corresponding impact on the Group's profitability.

Recoverability of financial assets – As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at balance sheet date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

As at 30 December 2008, the Group has financial assets amounting to UZS 1,402,530,035 thousand (as at 31 December 2007: UZS 1,235,991,792 thousand). The recoverability of these financial assets depends to a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the Group's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Group's financial assets is determined based on conditions prevailing and information available as at balance sheet date. It is the management's opinion that no additional provision on financial assets is needed at present, based on prevailing conditions and available information.

29. SUBSEQUENT EVENTS

On 9 December 2008, the Shareholders of the Bank approved increase of the share capital up to UZS 300,000,000 thousand through increase in the number of authorized shares of the Bank up to 6,000 thousand of shares. The Bank registered the additional shares on 30 December 2008. The decision regarding the timing and price of the placement of shares, as well as the number of shares to be placed has been set by the Council of the Bank in accordance with legislation of the Republic of Uzbekistan.

As at 31 March 2009 the Bank's share capital comprised the following:

Ordinary shares	Share capital authorized UZS'000	Share capital paid-in UZS'000
The Ministry of Finance of the Republic of Uzbekistan	199,946,750	169,946,750
JSC "Uzavtosanoat"	50,053,250	2,553,250
The Fund of Reconstruction and Development of the Republic of Uzbekistan	50,000,000	50,000,000
Total	**300,000,000**	**222,500,000**

During January 2009, the Fund of Reconstruction and Development of the Republic of Uzbekistan has purchased 1,000 thousand shares for UZS 50,000,000 thousand and the Ministry of Finance of the Republic of Uzbekistan has purchased 392 thousand shares for UZS 19,600,000 thousand, with purchases made at par. Thus, UZS 69,600,000 thousand of share capital was paid-in by cash. The rest amount of UZS 146,319,700 thousand of share capital was paid-in by capitalized net income. As a result of the abovementioned share capital increase and payments, the Group's share capital and the shareholders structure as at 31 March 2009 changed as follows:

	31 March 2009, %	31 December 2008, %
SHAREHOLDERS		
The Ministry of Finance of the Republic of Uzbekistan	76.38	98.33
JSC "Uzavtosanoat"	1.15	1.67
The Fund of Reconstruction and Development of the Republic of Uzbekistan	22.47	-
Total	**100.00**	**100.00**

30. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Bank; and that have joint control over the Group;

(b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Group is a venturer;

(d) Members of key management personnel of the Group or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group had the following transactions outstanding as at 31 December 2008 and 2007 with related parties:

	31 December 2008		31 December 2007	
	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				
-other related parties	264,520,260		397,268,885	
	264,520,260	**329,180,371**	**397,268,885**	**424,084,938**
Loans to customers				
-other related parties	352,441,669		213,700,012	
	352,441,669	**806,434,494**	**213,700,012**	**630,139,738**
Allowance for impairment losses				
-other related parties	(3,815,463)		(1,500,965)	
	(3,815,463)	**(68,297,461)**	**(1,500,965)**	**(55,285,398)**
Investments held-to-maturity				
-the parent company	12,941,207		8,601,697	
-other related parties	-		52,668	
	12,941,207	**17,478,061**	**8,654,365**	**11,254,365**
Investments in associates				
-the parent company	4,166,095		2,940,000	
-entities with significant influence or joint control over the entity	7,102,903		8,448,000	
	11,268,999	**12,419,919**	**11,388,000**	**11,388,000**
Due to banks				
-other related parties	86,310,476		884,954	
	86,310,476	**308,830,287**	**884,954**	**254,127,938**
Customer accounts				
-the parent company	528,312,849		546,714,660	
-other related parties	201,898,275		7,104,997	
	730,211,124	**946,378,049**	**553,819,657**	**832,052,600**
Other borrowed funds				
-the parent company	10,723,461		11,313,535	
	10,723,461	**28,613,982**	**11,313,535**	**29,557,803**
Letters of credit and other contigent liabilities				
-the parent company	199,068,445		99,536,864	
-other related parties	-		37,829,087	
	199,068,445	**281,413,116**	**137,365,951**	**154,834,591**

Included in the consolidated income statement for the years ended 31 December 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2008		Year ended 31 December 2007	
	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	22,960,905		13,115,818	
-other related parties	9,564,619		1,187,855	
	32,525,524	**64,484,429**	**14,303,673**	**43,146,886**
Interest expense				
-the parent company	(1,964,504)		(2,764,199)	
-other related parties	(382,083)		(162,402)	
	(2,346,587)	**(30,335,433)**	**(2,926,601)**	**(28,373,574)**
Provision for impairment losses on interest bearing assets				
-other related parties	1,422,249		-	
	1,422,249	**(18,798,310)**	**-**	**(13,415,941)**
Fee and commission income				
-the parent company	-		8,601,289	
-other related parties	15,840,006		780,454	
	15,840,006	**38,900,889**	**9,381,743**	**25,128,573**
Fee and commission expense				
-other related parties	-		(582)	
	-	**(5,741,448)**	**(582)**	**(2,148,202)**
Operating expenses				
- Key management personnel compensation	(120,193)		(75,121)	
	(120,193)	**(42,942,504)**	**(75,121)**	**(28,118,068)**

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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.

Capital management of the Group is carried out by development of policies, taking strategic and tactical decisions by the Council of the Group, its Credit Commission, Assets and Liabilities Management Committee and Credit Committee of the Group.

For decreasing risks related to capital management, the Group designed and implemented a system of capital management. Principles of formation and methods of functioning of this system are clearly stipulated in the Assets and Liabilities Management Policy and Credit Policy of the Group, approved by the Council of the Group.

The Group's overall capital risk management policy remains unchanged from 2007.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated balance sheet of the Group is presented below:

	31 December 2008		31 December 2007	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Due from banks	215,404,502	215,404,502	135,893,761	135,893,761
Loans under reverse repurchase agreements	2,100,559	2,100,559	503,750	503,750
Due to banks	308,830,287	308,830,287	254,127,938	254,127,938
Customer accounts	946,378,049	946,378,049	832,052,600	832,052,600
Other borrowed funds	28,613,982	28,613,982	29,557,803	29,557,803

The fair value of loans to customers can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

33. REGULATORY MATTERS

Quantitative measures established by regulation applied by Basel Committee 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.

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

Estimate	Description of position
0%	Cash and balances with the Central Bank of Uzbekistan
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

	2008	2007
Movement in tier 1 capital:		
At 1 January	**174,582,112**	**166,270,588**
Share capital	-	-
Profit	21,928,386	8,154,754
Other	(3,340,710)	156,770
At 31 December	**193,169,788**	**174,582,112**
Composition of regulatoty capital (a):		
Tier 1 capital		
Share capital	40,701,866	40,701,866
Disclosed reserves	141,565,593	122,253,511
Total qualifying tier 1 capital	**182,267,459**	**162,955,377**
Revaluation reserve	10,902,329	11,626,735
Total regulatory capital	**193,169,788**	**174,582,112**
Capital Ratios:		
Tier 1 capital	28.78%	26.12%
Total capital	31.74%	27.79%

34. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit exposures
- Liquidity risk
- Market risk
- Interest rate risk
- Currency risk

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 is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate guarantees.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure

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 financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**31 December 2008 Net exposure after offset and collateral**
Due from banks	215,404,502	-	215,404,502	-	215,404,502
Loans to customers	806,434,494	-	806,434,494	803,974,023	2,460,471
Investments available-for-sale	4,321,310	-	4,321,310	-	4,321,310
Loans under reverse repurchase agreements	2,100,559	-	2,100,559	-	2,100,559
Investments held to maturity	17,478,061	-	17,478,061	-	17,478,061
Other financial assets	15,245,892	-	15,245,892	-	15,245,892

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**31 December 2007 Net exposure after offset and collateral**
Due from banks	135,893,761	-	135,893,761	-	135,893,761
Loans to customers	630,139,738	-	630,139,738	627,769,209	2,370,529
Investments available-for-sale	2,928,362	-	2,928,362	-	2,928,362
Loans under reverse repurchase agreements	503,750	-	503,750	-	503,750
Investments held to maturity	11,254,365	-	11,254,365	-	11,254,365
Other financial assets	19,911,200	-	19,911,200	-	19,911,200

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. 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:

	AA	**A**	**BBB**	**<BBB**	**Not rated**	**31 December 2008 Total**
Due from banks	9,371,486	69,688,140	31,760,875	60,994,733	43,589,268	215,404,502
Loans to customers	-	-	-	-	806,434,494	806,434,494
Investments available-for-sale	-	-	-	-	4,321,310	4,321,310
Investments held to maturity	-	-	-	-	17,478,061	17,478,061

	AA	**A**	**BBB**	**<BBB**	**Not rated**	**31 December 2007 Total**
Due from banks	41,935,689	7,709,814	465,748	33,046,408	52,736,102	135,893,761
Loans to customers	-	-	-	-	630,139,738	630,139,738
Investments available-for-sale	-	-	-	-	2,928,362	2,928,362
Investments held to maturity	-	-	-	-	11,254,365	11,254,365

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 Group enters into numerous transactions where the counterparties are not rated by international rating agencies.

The Group has developed an internal rating model, based on the principles and methods used by international rating agencies for the assessment of credit risk of corporate borrowers. The rating of borrowers is based on an analysis of the financial ratios of the borrower, and an analysis of the market and industry sector, in which the borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and the borrower's market share.

The application of the internal rating model results in a standardized approach in the analysis of borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Group revises the model when deficiencies are identified.

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

		Financial assets past due but not impaired					
	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**	**31 December 2008 Total**
Loans to customers	454,778,003	-	-	-	-	351,656,491	806,434,494
Investments available-for-sale	297,158	-	-	-	-	4,024,152	4,321,310
Non-current assets held-for-sale	19,516,308	-	-	-	-	23,516,622	43,032,930
Other assets	2,940,767	-	-	-	-	15,190,819	18,131,586

		Financial assets past due but not impaired					
	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**	**31 December 2007 Total**
Loans to customers	-	-	-	-	-	630,139,738	630,139,738
Investments available-for-sale	-	-	-	-	-	2,928,362	2,928,362
Non-current assets held-for-sale	5,742,326	-	-	-	-	11,988,109	17,730,435
Other assets	773,463	-	-	-	-	22,785,726	23,559,189

Geographical concentration

As at 31 December 2008 and 2007, all loans and advances to customers are placed in the Republic of Uzbekistan and customer deposits are taken from companies and individuals of the Republic of Uzbekistan.

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

	Republic of Uzbekistan	OECD countries	Non-OECD countries	31 December 2008 Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Republic of Uzbekistan	329,180,371	-	-	329,180,371
Due from banks	130,982,320	79,796,882	4,625,300	215,404,502
Loans under reverse repurchase agreements	2,100,559	-	-	2,100,559
Loans to customers	806,434,494	-	-	806,434,494
Investments available-for-sale	3,966,400	-	354,910	4,321,310
Investments held to maturity	17,478,061	-	-	17,478,061
Investment in associates	12,419,919	-	-	12,419,919
Other financial assets	15,190,819	-	-	15,190,819
TOTAL FINANCIAL ASSETS	**1,317,752,943**	**79,796,882**	**4,980,210**	**1,402,530,035**
FINANCIAL LIABILITIES				
Due to banks	87,802,601	205,193,127	15,834,559	308,830,287
Customer accounts	946,378,049	-	-	946,378,049
Debt securities issued	11,581	-	-	11,581
Other borrowed funds	10,730,275	17,883,707	-	28,613,982
Other financial liabilities	2,114,164	-	-	2,114,164
TOTAL FINANCIAL LIABILITIES	**1,047,036,670**	**223,076,834**	**15,834,559**	**1,285,948,063**
NET POSITION	**270,716,273**	**(143,279,952)**	**(10,854,349)**	

	Republic of Uzbekistan	OECD countries	Non-OECD countries	31 December 2007 Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Republic of Uzbekistan	423,947,462	-	137,476	424,084,938
Due from banks	85,791,237	48,897,685	1,204,839	135,893,761
Loans under reverse repurchase agreements	503,750	-	-	503,750
Loans to customers	630,139,738	-	-	630,139,738
Investments available-for-sale	2,928,362	-	-	2,928,362
Investments held to maturity	11,254,365	-	-	11,254,365
Investment in associates	11,388,000	-	-	11,388,000
Other financial assets	19,798,878	-	-	19,798,878
TOTAL FINANCIAL ASSETS	**1,185,751,792**	**48,897,685**	**1,342,315**	**1,235,991,792**
FINANCIAL LIABILITIES				
Due to banks	75,767,021	119,435,815	58,925,102	254,127,938
Customer accounts	831,579,123	-	473,477	832,052,600
Debt securities issued	40,837	-	-	40,837
Other borrowed funds	11,962,560	14,157,841	3,437,402	29,557,803
Other financial liabilities	1,279,806	-	-	1,279,806
TOTAL FINANCIAL LIABILITIES	**920,629,347**	**133,593,656**	**62,835,981**	**1,117,058,984**
NET POSITION	**265,122,445**	**(84,695,971)**	**(61,493,666)**	

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 Assets Liability Management Committee (further "ALMC") controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board 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.

The analysis of interest rate and liquidity risk on balance sheet transactions as of 31 December 2008 and 2007 is presented in the following tables:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL ASSETS							
Cash and balances with the Central Bank of the Republic of Uzbekistan	124,720,000	-	-	-	-	-	124,720,000
Due from banks	148,016,404	21,014,636	41,245,791	5,007,671	10,000	-	215,294,502
Loans under reverse repurchase agreements	-	536,125	1,564,434	-	-	-	2,100,559
Investments held to maturity	-	-	5,366,795	9,346,939	2,764,327	-	17,478,061
Loans to customers	29,385,371	214,257,737	162,305,011	242,205,374	158,281,001	-	806,434,494
Total interest bearing financial assets	**302,121,775**	**235,808,498**	**210,482,031**	**256,559,984**	**161,055,328**	**-**	**1,166,027,616**
Cash and balances with the Central Bank of the Republic of Uzbekistan	204,460,371	-	-	-	-	-	204,460,371
Due from banks	110,000	-	-	-	-	-	110,000
Investments available for sale	4,321,310	-	-	-	-	-	4,321,310
Investment in associates	-	-	-	-	-	12,419,919	12,419,919
Other financial assets	15,190,819	-	-	-	-	-	15,190,819
Total financial assets	**526,204,275**	**235,808,498**	**210,482,031**	**256,559,984**	**161,055,328**	**12,419,919**	**1,402,530,035**
FINANCIAL LIABILITIES							
Due to banks	171,758,302	14,685,643	42,968,802	67,739,183	11,678,357	-	308,830,287
Customer accounts	291,477,749	86,079,311	145,134,366	2,779,036	3,401,799	-	528,872,261
Debt securities issued	-	-	11,581	-	-	-	11,581
Other borrowed funds	1,038,407	181,149	1,144,222	26,250,204	-	-	28,613,982
Total interest bearing financial liabilities	**464,274,458**	**100,946,103**	**189,258,971**	**96,768,423**	**15,080,156**	**-**	**866,328,111**
Customer accounts	135,275,958	153,332,424	128,897,406	-	-		417,505,788
Other financial liabilities	2,114,164	-	-	-	-	-	2,114,164
Total financial liabilities	**601,664,580**	**254,278,527**	**318,156,377**	**96,768,423**	**15,080,156**	**-**	**1,285,948,063**
Liquidity gap	(75,460,305)	(18,470,029)	(107,674,346)	159,791,561	145,975,172		
Interest sensitivity gap	(162,152,683)	134,862,395	21,223,060	159,791,561	145,975,172		
Cumulative interest sensitivity gap	**(162,152,683)**	**(27,290,288)**	**(6,067,228)**	**153,724,333**	**299,699,505**		
Cumulative interest sensitivity gap as percentage of total financial assets	**-12%**	**-2%**	**0%**	**11%**	**21%**		

Negative liquidity gap in a 1 year period after the reporting date is caused by demand deposits of customers. Management's assessment of the stability of its customer accounts funding base based on past performance and months following the balance sheet date through to the reporting date. Moreover, the customer accounts have significant concentration within 2 customers, the parent entity and a related party, which is under common control with the parent entity.

As discussed in Note 29, subsequent events, as a result of the share capital increase, the Bank received UZS 69,600,000 thousand. Those funds were used to stabilize the Bank's position and provided tangible evidence of the Government's support for the Bank reflecting its importance to the economy and financial system.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL ASSETS							
Cash and balances with the Central Bank of the Republic of Uzbekistan	306,950,000	-	-	-	-	-	306,950,000
Due from banks	77,342,593	15,722,273	35,672,892	6,777,111	-	-	135,514,869
Loans under reverse repurchase agreements	-	-	503,750	-	-	-	503,750
Investments held to maturity	-	-	1,280,150	8,043,684	1,700,000	-	11,023,834
Loans to customers	30,742,502	39,667,111	226,024,089	257,773,240	75,932,796	-	630,139,738
Total interest bearing financial assets	**415,035,095**	**55,389,384**	**263,480,881**	**272,594,035**	**77,632,796**	**-**	**1,084,132,191**
Cash and balances with the Central Bank of the Republic of Uzbekistan	117,134,938	-	-	-	-	-	117,134,938
Due from banks	378,892	-	-	-	-	-	378,892
Investments held to maturity	230,531	-	-	-	-	-	230,531
Investments available for sale	2,928,362	-	-	-	-	-	2,928,362
Investment in associates	-	-	-	-	-	11,388,000	11,388,000
Other financial assets	19,798,878	-	-	-	-	-	19,798,878
Total financial assets	**555,506,696**	**55,389,384**	**263,480,881**	**272,594,035**	**77,632,796**	**11,388,000**	**1,235,991,792**
FINANCIAL LIABILITIES							
Due to banks	85,162,340	9,797,550	26,444,982	85,879,047	46,844,019	-	254,127,938
Customer accounts	671,345,025	24,192,000	15,984,300	-	-	-	711,521,325
Debt securities issued	40,324	513	-	-	-	-	40,837
Other borrowed funds	1,252,005	566,216	-	27,739,582	-	-	29,557,803
Total interest bearing financial liabilities	**757,799,694**	**34,556,279**	**42,429,282**	**113,618,629**	**46,844,019**	**-**	**995,247,903**
Customer accounts	69,199,057	16,098,305	16,090,820	15,461,601	-	3,681,492	120,531,275
Other financial liabilities	1,279,806	-	-	-	-	-	1,279,806
Total financial liabilities	**828,278,557**	**50,654,584**	**58,520,102**	**129,080,230**	**46,844,019**	**3,681,492**	**1,117,058,984**
Liquidity gap	(272,771,861)	4,734,800	204,960,779	143,513,805	30,788,777		
Interest sensitivity gap	(342,764,599)	20,833,105	221,051,599	158,975,406	30,788,777		
Cumulative interest sensitivity gap	**(342,764,599)**	**(321,931,494)**	**(100,879,895)**	**58,095,511**	**88,884,288**		
Cumulative interest sensitivity gap as percentage of total financial assets	-28%	-26%	-8%	5%	7%		

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 balance sheet 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 balance sheet under the effective interest rate method.

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL LIABILITIES								
Due to banks	5.54%	172,480,722	14,889,022	45,349,080	86,501,410	19,140,980	-	338,361,214
Customer accounts	2.34%	920,271,220	43,003,754	96,815,280	3,103,906	-	-	1,063,194,160
Debt securities issued	26%	-	-	14,583	-	-	-	14,583
Other borrowed funds	0.18%	81,759	181,230	1,146,251	27,448,106	-	-	28,857,346
Total interest bearing financial liabilities		**1,092,833,701**	**58,074,006**	**143,325,194**	**117,053,422**	**19,140,980**	**-**	**1,430,427,303**
Customer accounts		135,275,958	153,332,424	128,897,406	-	-	-	417,505,788
Other financial liabilities		2,114,164	-	-	-	-	-	2,114,164
Total financial liabilities		**1,230,223,823**	**211,406,430**	**272,222,600**	**117,053,422**	**19,140,980**	**-**	**1,850,047,255**

	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL LIABILITIES								
Due to banks	4.98%	85,452,352	9,919,568	27,762,359	107,269,694	62,323,268	-	292,727,241
Customer accounts	3.36%	742,619,007	40,628,972	33,153,573	18,060,906	-	3,691,807	838,154,265
Debt securities issued	22%	41,063	541	-	-	-	-	41,604
Other borrowed funds	4.23%	-	572,207	-	33,609,345	-	-	34,181,552
Total interest bearing financial liabilities		**828,112,422**	**51,121,288**	**60,915,932**	**158,939,945**	**62,323,268**	**3,691,807**	**1,165,104,662**
Customer accounts		69,199,057	16,098,305	16,090,820	15,461,601	-	3,681,492	120,531,275
Other financial liabilities		1,279,806	-	-	-	-	-	1,279,806
Total financial liabilities		**898,591,285**	**67,219,593**	**77,006,752**	**174,401,546**	**62,323,268**	**7,373,299**	**1,286,915,743**

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. 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 entities in the Group borrow 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 ALMC 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 ALMC 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 majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate risk sensitivity

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	**As at 31 December 2008**		**As at 31 December 2007**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets				
Loans to customers	636,332	(636,332)	1,181,164	(1,181,164)
Liabilities				
Due to banks	(1,056,109)	1,056,109	(1,146,790)	1,146,790
Other borrowed funds	-	-	(34,374)	34,374
Net impact on profit before tax	(419,777)	419,777	-	-

Impact on shareholder's equity	**As at 31 December 2008**		**As at 31 December 2007**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets				
Loans to customers	540,882	(540,882)	980,366	(980,366)
Liabilities				
Due to banks	(897,693)	897,693	(951,836)	951,836
Other borrowed funds	-	-	(28,530)	28,530
Impact on shareholder's equity	(356,811)	356,811	-	-

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 ALMC 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 toward 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 2008 and 2007 is presented in the tables below:

	UZS	USD USD 1 = UZS 1,393.00	EUR EUR 1 = UZS 2,050.36	Other currencies	31 December 2008 Total
FINANCIAL ASSETS					
Cash and balances with the Central Bank of the Republic of Uzbekistan	265,288,881	59,198,481	3,813,826	879,183	329,180,371
Due from banks	118,237,816	73,522,889	21,396,740	2,247,057	215,404,502
Loans under reverse repurchase agreements	2,100,559	-	-	-	2,100,559
Loans to customers	353,918,256	348,048,077	90,622,512	13,845,649	806,434,494
Investments available-for-sale	740,396	3,580,914	-	-	4,321,310
Investments held to maturity	17,478,061	-	-	-	17,478,061
Investment in associates	12,419,919	-	-	-	12,419,919
Other financial assets	15,190,819	-	-	-	15,190,819
Total financial assets	**785,374,707**	**484,350,361**	**115,833,078**	**16,971,889**	**1,402,530,035**
FINANCIAL LIABILITIES					
Due to banks	32,701,540	181,990,396	79,420,540	14,717,811	308,830,287
Customer accounts	792,079,104	144,395,538	8,648,212	1,255,195	946,378,049
Debt securities issued	11,581	-	-	-	11,581
Other borrowed funds	10,756,893	2,227,117	15,629,972	-	28,613,982
Other financial liabilities	2,114,164	-	-	-	2,114,164
Total financial liabilities	**837,663,282**	**328,613,051**	**103,698,724**	**15,973,006**	**1,285,948,063**
OPEN BALANCE SHEET POSITION	**(52,288,575)**	**155,737,310**	**12,134,354**	**998,883**	

	UZS	USD USD 1 = UZS 1,290.00	EUR EUR 1 = UZS 1,856.83	Other currencies	31 December 2007 Total
FINANCIAL ASSETS					
Cash and balances with the Central Bank of the Republic of Uzbekistan	398,581,528	17,846,405	5,989,938	1,667,067	424,084,938
Due from banks	78,158,683	53,538,223	3,219,706	977,149	135,893,761
Loans under reverse repurchase agreements	503,750	-	-	-	503,750
Loans to customers	171,424,510	332,980,262	125,734,966	-	630,139,738
Investments available-for-sale	2,872,176	56,186	-	-	2,928,362
Investments held to maturity	11,254,365	-	-	-	11,254,365
Investment in associates	11,388,000	-	-	-	11,388,000
Other financial assets	19,798,878	-	-	-	19,798,878
Total financial assets	**693,981,890**	**404,421,076**	**134,944,610**	**2,644,216**	**1,235,991,792**
FINANCIAL LIABILITIES					
Due to banks	19,046,890	114,980,813	103,753,781	16,346,454	254,127,938
Customer accounts	715,728,046	114,403,308	1,227,320	693,926	832,052,600
Debt securities issued	40,837	-	-	-	40,837
Other borrowed funds	11,962,560	3,437,402	14,157,841	-	29,557,803
Other financial liabilities	1,279,806	-	-	-	1,279,806
Total financial liabilities	**748,058,139**	**232,821,523**	**119,138,942**	**17,040,380**	**1,117,058,984**
OPEN BALANCE SHEET POSITION	**(54,076,249)**	**171,599,553**	**15,805,668**	**(14,396,164)**	

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.

	As at 31 December 2008		**As at 31 December 2007**	
	UZS/USD 10%	**UZS/USD -10%**	**UZS/USD 10%**	**UZS/USD -10%**
Impact on profit or loss	15,573,731	(15,573,731)	17,159,955	(17,159,955)

	As at 31 December 2008		**As at 31 December 2007**	
	UZS/EUR 10%	**UZS/EUR -10%**	**UZS/EUR 10%**	**UZS/EUR -10%**
Impact on profit or loss	1,213,435	(1,213,435)	1,580,567	(1,580,567)

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 balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder’s 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.

Other price risk

The Group is not exposed to equity price risks arising from equity investments. Equity investments are held for strategic than trading purposes. The Group does not actively trade these investments due to the fact that market for the investments is not active in Uzbekistan.