Joint-Stock Commercial Bank “Asia-Invest Bank” (Closed Joint-Stock Company)

Financial Statements
For the Year Ended 31 December 2011

ASIA-INVEST BANK (CJSC)

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

Management of Joint-Stock Commercial Bank "Asia-Invest Bank" (Closed Joint-Stock Company) (hereinafter, the "Bank") is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2011, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

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

The financial statements for the year ended 31 December 2011 were approved by the Bank's Management Board on May 25, 2012.

On behalf of the Management Board:

Chairman of the Management Board	Chief Accountant
May 25, 2012	May 25, 2012
Moscow	Moscow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Commercial Bank "Asia-Invest Bank" (Closed Joint-Stock Company):

Report on the Financial Statements

We have audited the accompanying financial statements of Joint-Stock Commercial Bank "Asia-Invest Bank" (Closed Joint-Stock Company) (the "Bank"), which comprise the statement of financial position as at 31 December 2011, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Deloitte & Touche

May 25, 2012
Moscow

ASIA-INVEST BANK (CJSC)

STATEMENT OF COMREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Interest income	4, 24	296,872	276,955
Interest expense	4, 24	(78,813)	(78,907)
NET INTEREST INCOME BEFORE RECOVERY OF PROVISION/(PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		218,059	198,048
Recovery of provision/(provision) for impairment losses on interest bearing assets	5	18,737	(14,227)
NET INTEREST INCOME		236,796	183,821
Net gain on financial assets at fair value through profit or loss	6	3,283	2,578
Net gain on foreign exchange operations	7	45,252	43,766
Fee and commission income	8	57,559	56,367
Fee and commission expense	8	(4,303)	(3,801)
Recovery of provision/(provision) for impairment losses on other assets	5	1,974	(2,065)
Other income	9	84	12,582
NET NON-INTEREST INCOME		103,849	109,427
OPERATING INCOME		340,645	293,248
OPERATING EXPENSES	10,24	(138,241)	(113,067)
PROFIT BEFORE INCOME TAX		202,404	180,181
Income tax expense	11	(42,794)	(33,894)
NET PROFIT		159,610	146,287
TOTAL COMPREHENSIVE INCOME		159,610	146,287

On behalf of the Management Board:

Chairman of the Management Board

May 25, 2012
Moscow

Chief Accountant

May 25, 2012
Moscow

The notes on pages 8-39 form an integral part of these financial statements.

ASIA-INVEST BANK (CJSC)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
(in thousands of Russian Rubles)

	Notes	31 December 2011	31 December 2010
ASSETS:			
Cash and balances with the Central Bank of the Russian Federation	12	279,743	620,482
Financial assets at fair value through profit or loss	13	13,861	19,016
Due from banks	14, 24	529,576	520,362
Loans to customers	15, 24	1,758,833	2,100,236
Property and equipment	16	8,692	2,078
Other assets	17	25,523	22,044
TOTAL ASSETS		2,616,228	3,284,218
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	18, 24	1,379,600	1,509,715
Customer accounts	19, 24	517,753	463,326
Debt securities issued	20	-	760,055
Other liabilities	21, 24	14,592	6,449
Total liabilities		1,911,945	2,739,545
EQUITY:			
Share capital		199,623	199,623
Share premium	22	232,311	232,311
Retained earnings		272,349	112,739
Total equity		704,283	544,673
TOTAL LIABILITIES AND EQUITY		2,616,228	3,284,218

On behalf of the Management Board:

Chairman of the Management Board

May 25, 2012
Moscow

Chief Accountant

May 25, 2012
Moscow

The notes on pages 8-39 form an integral part of these financial statements.

ASIA-INVEST BANK (CJSC)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Rubles)

	Share capital	Share premium	Retained earnings/ (accumulated deficit)	Total equity
31 December 2009	199,623	232,311	(33,548)	398,386
Comprehensive income	-	-	146,287	146,287
31 December 2010	199,623	232,311	112,739	544,673
Comprehensive income			159,610	159,610
31 December 2011	199,623	232,311	272,349	704,283

On behalf of the Management Board:

Chairman of the Management Board

May 25, 2012
Moscow

Chief Accountant

May 25, 2012
Moscow

The notes on pages 8-39 form an integral part of these financial statements.

ASIA-INVEST BANK (CJSC)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		202,404	180,181
Adjustments for:			
(Recovery of provision)/provision for impairment losses on interest bearing assets	5	(18,737)	14,227
(Recovery of provision)/provision for impairment losses on other assets	5	(1,974)	2,065
Unrealized gain on financial assets at fair value through profit or loss	6	(3,242)	(2,580)
Unrealized (gain)/loss on foreign exchange operations	7	(34,704)	9,717
Depreciation	16	1,309	846
Gain from disposal of property and equipment	9	(62)	(226)
Net change in accrued interest income and expenses		3,227	5,107
Cash flows from operating activities before changes in operating assets and liabilities		148,221	209,337
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation		(43,879)	(6,826)
Financial assets at fair value through profit or loss		8,458	11,949
Due from banks		(152,751)	(50,633)
Loans to customers		422,040	(226,230)
Other assets		11,715	(12,232)
Increase/(decrease) in operating liabilities:			
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks		(164,467)	467,441
Customer accounts		25,638	(90,516)
Debt securities issued		(749,969)	3,018
Other liabilities		7,212	874
Cash (outflow)/inflow from operating activities before taxation		(487,782)	306,182
Income tax paid		(56,724)	(19,905)
Net cash (outflow)/inflow from operating activities		(544,506)	286,277

ASIA-INVEST BANK (CJSC)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property and equipment	16	(7,975)	(2,135)
Proceeds on disposal of property and equipment		115	226
Net cash outflow from investing activities		(7,860)	(1,909)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(144)	(256)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(552,510)	284,112
CASH AND CASH EQUIVALENTS, beginning of year	12	1,000,478	716,366
CASH AND CASH EQUIVALENTS, end of year	12	447,968	1,000,478

Interest paid and received by the Bank during the year ended 31 December 2011 amounted to RUB 75,673 thousand and RUB 297,810 thousand, respectively.

Interest paid and received by the Bank during the year ended 31 December 2010 amounted to RUB 79,216 thousand and RUB 282,159 thousand, respectively.

On behalf of the Management Board:

Chairman of the Management Board

May 25, 2012
Moscow

Chief Accountant

May 25, 2012
Moscow

The notes on pages 8-39 form an integral part of these financial statements.

(in thousands of Russian Rubles)

1. ORGANIZATION

Joint-Stock Commercial Bank “Asia-Invest Bank” (Closed Joint-Stock Company) (the “Bank”) is a closed joint-stock bank, which was incorporated in the Russian Federation in 1996. The Bank is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under general license No. 3303. The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies, originating loans and guarantees. The Bank does not participate in the obligatory deposit insurance system; therefore it cannot borrow from individuals (Note 19).

The registered office of the Bank is located at: 3, build. 1, 2nd Kazachy side street, Moscow, 119180, the Russian Federation.

In the normal course of business, the Bank receives significant funds from banks, that are its shareholders. As at 31 December 2011 and 2010, funds received from shareholders comprised 62% and 66% of the Bank’s total liabilities, respectively (Note 24). The Bank’s ability to continue as a going concern depends on the ability and intention of the Bank's major shareholder, the National Bank for Foreign Economic Activity of the Republic of Uzbekistan, to maintain a sufficient level of funds to finance the Bank’s activities. The sole shareholder of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan is the Government of the Republic of Uzbekistan.

As at 31 December 2011 and 2010 the following shareholders owned the shares of the Bank:

Shareholder	**31 December 2011 and 2010, %**
First level shareholders:	
National Bank for Foreign Economic Activity of the Republic of Uzbekistan	85.32
State Joint Stock Commercial Bank “Asaka”	6.60
National Export and Import Insurance Company “Uzbekinvest”	6.38
Navoi Mining Complex of the concern “Kyzylkumredmetzoloto”	0.85
State Joint Stock Company “Tashkent aviation production association named after V.P.Chkalov”	0.85
Total	**100.00**

These financial statements were authorized for issue by the Management Board of the Bank on May 25, 2012.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank 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 financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Bank in the Russian Federation, primarily in the corporate segment. The management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy, and based on historical experience, the short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern. Therefore, the financial statements are still prepared on a going concern basis.

These financial statements are presented in thousands of Russian Rubles ("RUB thousand"), unless otherwise indicated. These financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments.

The Bank is registered in the Russian Federation and maintains its accounting records in accordance with Russian Accounting Standards ("RAS"). These financial statements have been prepared from the Russian statutory accounting records and have been adjusted to conform with IFRS. Entered 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 the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to Bank (the "functional currency"). The functional currency of the financial statements is the Russian ruble ("RUB").

3. SIGNIFICANT ACCOUNTING POLICIES

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 (or group of financial assets or financial liabilities) 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. The discounting period is equal to the expected life of the financial instrument, or if applicable, to a shorter period.

Once a financial asset or a group of similar financial assets 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.

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

Recognition of fee and commission income and expense

All other commissions are recognized as services are provided.

Recognition of other income and expense

Other income and expense are recognized on an accruals basis in the period to which they relate.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into RUB at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gain or loss arising from these translations is included in net gain on foreign exchange operations.

Rates of exchange

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

	31 December 2011	**31 December 2010**
RUB/ 1 US Dollar	32.1961	30.4769
RUB/ 1 Euro	41.6714	40.3331

Offset of financial assets and liabilities

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

Recognition and measurement of assets and liabilities

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of financial assets and liabilities are recognized using settlement date accounting.

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 the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of financial assets and liabilities are disclosed in the respective accounting policies set out below.

Derecognition of financial assets/ liabilities

Financial assets

A financial asset (or, where applicable a part of the 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Bank's 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 Bank's financial condition.

__Allowance for impairment of loans__

The Bank regularly reviews its loans to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Bank 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 Bank's estimated losses and actual losses would require the Bank to record allowances which could have a material impact on its financial statements in future periods.

The Bank 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 Bank estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers, and national or local economic conditions that correlate with defaults on assets in the Bank. 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 Bank uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent time deposit accounts with the Central Bank of the Russian Federation («CBR»), advances to banks with maturity within 90 days, which can be converted into a respective amount of cash within a short period of time.

For the purposes of determining cash flows, the minimum reserve deposit required by the CBR is not included in cash equivalents due to restrictions on its availability.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from banks are carried net of any allowance for impairment losses.

Financial assets at fair value through profit or loss

Financial assets and liabilities are classified as valued at fair value through profit or loss if they meet any of the following conditions: (1) acquired principally for the purpose of selling them in the near future; (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking; or (3) are designated as derivatives (except for the case when a derivative is defined as an effective hedging instrument).

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; (2) the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the income statement for the period. The Bank does not reclassify financial instruments in or out of this category while they are held.

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 to customers granted by the Bank are initially recognized at fair value plus transaction costs that directly relate to acquisition or creation of such financial assets. 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 income statement according to nature of the 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

Loans are written off against the allowance for impairment losses when deemed uncollectible, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank 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 income statement in the period of recovery.

Allowance for impairment losses

The Bank accounts for impairment of financial assets not recorded at fair value when there is 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 amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

For the financial instruments recorded at historical cost the impairment represents the difference between the carrying value of the financial asset and present 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 allowance is 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 (financial assets measured at amortized cost) or by a direct write-off (financial assets measured at historical cost). The assets recorded in the balance sheet are reduced by the amount of the impairment. The factors the Bank 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 may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be noted that the assessment of losses includes a subjective factor. The management of the Bank 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 Bank can incur losses greater compared to recorded impairment.

Property and equipment

Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	2%
Furniture and equipment	25%

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

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

Taxation

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

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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 Bank's current tax expense is calculated using tax rates that have been enacted during the 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 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting 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 realized. Deferred tax is charged or credited in the statement of comprehensive income, 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 balance sheet if:

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

The Russian Federation also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks, customer accounts, and debt securities issued

Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks, customer accounts, and debt securities issued are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantees are initially recorded at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts issued.

Contingent assets and liabilities

Contingent liabilities are not recognized in the balance sheet but are disclosed in the financial statements unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the balance sheet but disclosed in the financial statements when an inflow of economic benefits is probable.

Share capital and share premium

Contributions to share capital, made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2003 are recognized at cost. Share premium represents the excess of the amount received over the nominal value of the shares issued.

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 benefit obligations

In accordance with the requirements of the Russian legislation, the Bank withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The existing state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period when the related salaries are earned. Upon retirement, all retirement benefits are made available to employees by pension funds selected by each individual employee. The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Application of new and revised International Financial Reporting Standards (IFRSs)

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

- IFRS 3(2008) “Business Combinations” - amendments resulting from May 2010 Annual Improvements to IFRSs: transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; measurement of non-controlling interests; unreplaced and voluntarily replaced share-based payment awards;
- IFRS 7 “Financial Instruments: Disclosures” — amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures;
- IAS 24 "Related Party Disclosures" — (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government-related entities.

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

Amendments to IAS 24 – The disclosure exemptions introduced in IAS 24 (as revised in 2010) do not affect the Bank because the Bank is not a government-related entity.

New and revised IFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

[4] Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.

[2] Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.

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

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

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The management anticipates that IFRS 9 that will be adopted in the Bank's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

IFRS 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:

- Defines fair value;
- Sets out in a single IFRS a framework for measuring fair value;
- Requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell based on fair value or disclosures about those measurements), except for share-based payment transactions within the scope of IFRS 2 “Share-based Payment”, leasing transactions within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

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

Amendments to IAS 1 Presentation of Financial Statements – revise the way other comprehensive income is presented.

Amendments to IAS 1:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft.
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified.
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The Bank does not expect these amendments to have a material effect on its financial position or results of operations.

Amendment to IAS 12 Income Taxes – provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 “Investment Property” will, normally, be through sale.

Retrospective application is required in accordance with IAS 8. The Bank is considering the impact of the amendment on the financial statements and the timing of its application.

4. NET INTEREST INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
Interest income comprises:		
Interest income on financial assets recorded at amortized cost comprises:		
- interest income on impaired financial assets	282,585	256,608
- interest income on unimpaired financial assets	12,971	18,288
Total interest income on financial assets recorded at amortized cost	**295,556**	**274,896**
Interest income on financial assets at fair value through profit or loss	1,316	2,059
Total interest income	**296,872**	**276,955**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	282,876	266,540
Interest on balances due from banks	12,680	8,356
Total interest income on financial assets recorded at amortized cost	**295,556**	**274,896**
Interest expense		
Interest expense on financial liabilities recorded at amortized cost comprises:		
Interest expense on amounts due to banks	(44,128)	(37,273)
Interest expense on customer accounts	(20,498)	(20,454)
Interest expense on debt securities issued	(14,187)	(21,180)
Total interest expense on financial liabilities recorded at amortized cost	**(78,813)**	**(78,907)**
Total interest expense	**(78,813)**	**(78,907)**
Net interest income before recovery of/(provision) for impairment losses on interest bearing assets	**218,059**	**198,048**

5. ALLOWANCE FOR IMPAIRMENT LOSSES

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

	Loans to customers
31 December 2009	96,984
Provisions	14,227
31 December 2010	**111,211**
Recovery of provisions	(18,737)
31 December 2011	**92,474**

The movements in other provisions were as follows:

	Other assets
31 December 2009	**100**
Provisions	2,065
31 December 2010	**2,165**
Recovery of provisions	(1,974)
31 December 2011	**191**

Allowance for impairment losses on assets is deducted from respective assets.

6. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets at fair value through profit or loss comprises:

	Year ended 31 December 2011	Year ended 31 December 2010
Net fair value adjustment	3,242	2,580
Loss on trading operations	41	(2)
Total net gain on financial assets at fair value through profit or loss	**3,283**	**2,578**

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2011	Year ended 31 December 2010
Dealing, net	10,548	53,483
Translation differences, net	34,704	(9,717)
Total net gain on foreign exchange operations	**45,252**	**43,766**

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2011	Year ended 31 December 2010
Fee and commission income:		
Settlements	48,012	45,938
Currency control	5,291	5,835
Cash operations	2,037	2,337
Bank guarantees	1,267	1,655
Other	952	602
Total fee and commission income	**57,559**	**56,367**
Fee and commission expense:		
Payment systems services	1,665	1,489
Settlements	1,310	1,183
Other	1,328	1,129
Total fee and commission expense	**4,303**	**3,801**

9. OTHER INCOME

Other income comprises:

	Year ended 31 December 2011	Year ended 31 December 2010
Recovery of VAT overpayment	-	11,292
Gain from disposal of property and equipment	62	226
Other	22	1,064
Total other income	**84**	**12,582**

In 2008 based on the results of the field tax audit, VAT was assessed on the Bank's operations from 2004 to 2006. As a result of legal proceedings, VAT in amount of RUB 11,292 thousand was recovered in 2010 following the judgment of the Supreme Arbitration Court in favor of the Bank.

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2011	Year ended 31 December 2010
Staff costs	68,792	61,415
Operating lease	19,455	11,922
Insurance contributions to state extra-budgetary funds	11,108	7,369
Communications	7,995	8,377
Property and equipment maintenance	6,766	1,647
Administrative expenses	6,255	5,833
Maintenance tools, consumables, and stationery	5,916	3,394
Security expenses	4,233	2,344
Insurance	2,013	1,683
Professional services	1,827	6,333
Depreciation	1,309	846
Advertising	785	1,148
Business trip expenses	755	539
Taxes, other than income tax	285	199
Other expenses	747	18
Total operating expenses	**138,241**	**113,067**

11. INCOME TAXES

The Bank provides for income taxes based on the statutory tax accounts maintained and prepared in accordance with the Russian statutory tax regulations.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2011 and 2010 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Russian Federation on taxable profits (as defined) under tax law in that jurisdiction.

Temporary differences as at 31 December 2011 and 2010 comprise:

	31 December 2011	31 December 2010
Deferred tax assets/(liabilities)		
Loans to customers	2,033	2,009
Financial assets at fair value through profit or loss	4,110	4,771
Property and equipment	(121)	102
Other assets and liabilities	2,575	2,211
Debt securities issued	-	(1,641)
Total deferred tax assets	8,597	7,451
Deferred tax assets not recognized	(8,597)	(7,451)
Net deferred tax assets	**-**	**-**

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

	31 December 2011	31 December 2010
Profit before income tax	202,404	180,181
Tax at the statutory tax rate (20%)	40,481	36,036
Change in deferred tax asset not recognized	1,146	(3,541)
Tax effect of permanent differences	1,167	1,399
Income tax expense	**42,794**	**33,894**

12. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Cash and balances with the Central Bank of the Russian Federation comprise:

	31 December 2011	31 December 2010
Balances with the Central Bank of the Russian Federation	270,547	610,206
Cash	9,196	10,276
Total cash and balances with the Central Bank of the Russian Federation	**279,743**	**620,482**

The balances with the CBR as at 31 December 2011 and 2010 include RUB 103,556 thousand and RUB 59,677 thousand, respectively, which represent the minimum reserve deposits with the CBR. The Bank is required to maintain minimum reserve deposits with the CBR at all times.

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

	31 December 2011	31 December 2010
Cash and balances with the CBR	279,743	620,482
Due from banks	271,781	439,673
	551,524	1,060,155
Less minimum reserve deposits with the CBR	(103,556)	(59,677)
Total cash and cash equivalents	**447,968**	**1,000,478**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2011	31 December 2010
Financial assets at fair value through profit or loss:		
Debt securities	13,861	19,016
Total financial assets at fair value through profit or loss	**13,861**	**19,016**

Financial assets at fair value through loss or profit comprise:

	Interest rate to nominal %	31 December 2011	Interest rate to nominal %	31 December 2010
Government bonds:				
Russian State Bonds (OFZ)	8.00%	13,861	8.00%	13,858
		13,861		**13,858**
Bonds of local authorities:				
Nizhniy Novgorod region		-	7.70%	2,164
Samara region		-	7.60%	2,994
		-		**5,158**
Total debt securities		**13,861**		**19,016**

14. DUE FROM BANKS

Due from banks comprise:

	31 December 2011	31 December 2010
Correspondent accounts with other banks	429,548	232,178
Time deposits with other banks	100,028	288,184
Total due from banks	**529,576**	**520,362**

As at 31 December 2010 the Bank had balances due from 2 banks, which individually exceeded 10% of the Bank’s equity and totaled RUB 181,431 thousand.

15. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2011	31 December 2010
Loans to customers	1,851,307	2,211,447
Less: allowance for impairment losses	(92,474)	(111,211)
Total loans to customers	**1,758,833**	**2,100,236**

Movements in allowances for impairment losses for the years ended 31 December 2011 and 2010 are disclosed in Note 5.

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

	31 December 2011	31 December 2010
Loans collateralized by goods in turnover	798,951	724,768
Loans collateralized by rights of demand	698,806	576,236
Loans collateralized by corporate guarantees	113,400	84,764
Loans collateralized by pledge of equipment	101,944	12,038
Loans collateralized by pledge of real estate and rights thereto	86,994	39,269
Loans collateralized by pledge of by securities	-	751,892
Unsecured loans	51,212	22,480
	1,851,307	2,211,447
Less: allowance for impairment losses	(92,474)	(111,211)
Total loans to customers	**1,758,833**	**2,100,236**

	31 December 2011	31 December 2010
Analysis by sector:		
Wholesale and retail business	1,441,893	1,942,642
Service maintenance	145,116	-
Commodity sales	110,247	167,125
Food sales	106,186	49,998
Individuals	47,865	39,759
Other	-	11,923
	1,851,307	2,211,447
Less: allowance for impairment losses	(92,474)	(111,211)
Total loans to customers	**1,758,833**	**2,100,236**

As at 31 December 2011 and 2010 the Bank granted loans to 20 and 18 borrowers totaling RUB 1,399,758 thousand and RUB 1,810,383 thousand, respectively, which individually exceeded 10% of the Bank's equity.

The table below summarizes an analysis of loans to customers by impairment:

	31 December 2011			31 December 2010		
	Carrying value before allowance	Allowance for impairment losses	Carrying value	Carrying value before allowance	Allowance for impairment losses	Carrying value
Loans to customers individually determined to be impaired	1,814,770	(92,474)	1,722,296	1,365,682	(111,211)	1,254,471
Unimpaired loans	36,537	-	36,537	845,765	-	845,765
	1,851,295		1,943,769			
Total	**1,851,307**	**(92,474)**	**1,758,833**	**2,211,447**	**(111,211)**	**2,100,236**

In accordance with the Bank's policy loans with the 0% allowance for impairment losses are classified as unimpaired.

As at 31 December 2011 and 2010 loans were collateralized by pledge of inventories, receivables and real estate with a fair value of RUB 1,720,154 thousand and RUB 1,538,259 thousand, respectively.

As at 31 December 2011 and 2010, loans to customers were not renegotiated by the Bank.

16. PROPERTY AND EQUIPMENT

Property and equipment comprise:

	Furniture, equipment and other property
At initial/indexed cost	
31 December 2009	12,031
Additions	2,135
Disposals	(3,392)
31 December 2010	10,774
Additions	7,975
Disposals	(1,399)
31 December 2011	17,350
Accumulated depreciation	
31 December 2009	11,242
Charge for the period	846
Eliminated on disposal	(3,392)
31 December 2010	8,696
Charge for the period	1,309
Eliminated on disposal	(1,347)
31 December 2011	8,658
Net book value	
31 December 2011	**8,692**
31 December 2010	**2,078**

As at 31 December 2011 and 2010 included in property and equipment were fully depreciated assets totaling RUB 6,529 thousand and RUB 7,361 thousand, respectively.

17. OTHER ASSETS

Other assets comprise:

	31 December 2011	31 December 2010
Other financial assets:		
Settlements with payment systems	362	2,326
Total other financial assets	**362**	**2,326**
Other non-financial assets:		
Income tax refundable	22,187	8,257
Prepayments on other transactions	2,989	13,060
Taxes, other than income tax	4	1
Other	172	565
Less: allowance for impairment losses	(191)	(2,165)
Total other assets	**25,523**	**22,044**

18. DUE TO THE NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN

Amounts due to the National Bank for Foreign Economic Activity of the Republic Uzbekistan and other banks comprise:

	31 December 2011	31 December 2010
Term deposits:		
Term deposits of the National Bank for Foreign Economic Activity of the Republic Uzbekistan	766,441	1,086,349
Term deposits of other banks	452,405	205,960
Total term deposits	1,218,846	1,292,309
Correspondent accounts:		
Correspondent accounts with other banks	144,380	215,701
Correspondent accounts with the National Bank for Foreign Economic Activities of the Republic Uzbekistan	16,374	1,705
Total correspondent accounts	160,754	217,406
Total due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	**1,379,600**	**1,509,715**

19. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2011	31 December 2010
Term deposits	345,754	312,649
Current/settlement accounts and demand deposits	171,999	150,677
Total customer accounts	**517,753**	**463,326**

As at 31 December 2011 and 2010 customer accounts of RUB 321,961 thousand (62% of the total customer accounts) and RUB 304,769 thousand (66% of the total customer accounts), respectively, were due to 1 customer, which represents significant concentration.

	31 December 2011	31 December 2010
Analysis by sector:		
Investments and finance	322,201	305,416
Professional services	76,407	65,034
Trade	60,900	55,027
Academic institutions	17,880	-
Medical industry	16,910	-
Individuals	8,902	10,775
Manufacturing	4,164	7,037
Real estate and construction	3,902	6
Services industry	2,151	12,849
Other	4,336	7,182
Total customer accounts	**517,753**	**463,326**

The irregularities identified in 2008 as regards the Bank's participation in the statutory deposit insurance scheme, has prevented the Bank from attracting funds from individuals since November 2008. The Bank believes that such limitation will not cause a significant reduction in operations as the funds attracted from individuals amount to 0.4% and 0.3% of the Bank's total liabilities as at 31 December 2011 and 2010, respectively.

20. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2011	31 December 2010
Discounted promissory notes	-	760,055
Total debt securities issued	**-**	**760,055**

As at 31 December 2010 issued promissory notes of the Bank totaling RUB 751,892 thousand were pledged as security for loans granted to customers (Note 15).

21. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2011	31 December 2010
Other financial liabilities:		
Salary payable	8,429	1,737
Trade payables	2,153	2,108
Other	-	1,056
Total other financial liabilities	10,582	4,901
Other non-financial liabilities:		
Taxes payable, other than income tax	668	564
Deferred income from lending operations	675	-
Other	2,667	984
Total other non-financial liabilities	4,010	1,548
Total other liabilities	**14,592**	**6,449**

22. SHARE CAPITAL

As at 331 December 2011 and 2010 authorized, issued and fully paid share capital comprised of 235,056 ordinary shares with the par value of RUB 307.02 each. All the ordinary shares are of the same type and carry one vote. Share premium totaling RUB 232,311 thousand represents an excess of contributions received over the par value of shares issued as at 31 December 2011 and 2010.

The Bank's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable funds are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statute that provides for the creation of a reserve for these purposes of not less than 5% of the Bank's share capital reported in statutory books.

23. COMMITMENTS AND CONTINGENCIES

In the normal course of business the Bank 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 Bank's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit policy for the contingent liabilities as it does for balance sheet financial instruments.

As at 31 December 2011 and 2010 the nominal or contract amounts were:

	31 December 2011	31 December 2010
Contingent liabilities and credit commitments		
Guarantees issued	483	5,971
Commitments on loans and unused credit lines	90,611	86,817
Total contingent liabilities and credit commitments	**91,094**	**92,788**

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. As at 31 December 2011 and 2010 such unused credit lines amount to RUB 90,611 thousand and RUB 86,817 thousand, respectively.

Legal proceedings

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

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

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

Operating Environment

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

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

The global financial turmoil that has negatively affected Russian financial and capital markets in 2009 and 2010 has receded and the Russian economy returned to growth in 2011. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment: from decline in the oil and gas prices could slow or disrupt the Russian economy, adversely affect the Bank's access to capital and cost of capital for the Bank and, more generally, its business, results of operations, financial condition and prospects.

As the Russian Federation produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2011 and 2010.

24. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Bank and other related parties are disclosed below:

	31 December 2011		31 December 2010	
	Related party balances	**Total category as per the financial statements caption**	**Related party balances**	**Total category as per the financial statements caption**
Due from banks	**32,379**	**529,576**	**98,367**	**520,362**
- shareholders of the Bank	32,379		98,367	
Loans to customers	**3,677**	**1,851,307**	**3,953**	**2,211,447**
- key management personnel of the Bank	3,677		3,953	
Allowance for impairment losses on loans to customers	**-**	**(92,474)**	**(237)**	**(111,211)**
- key management personnel of the Bank	-		(237)	
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	**(874,089)**	**(1,379,600)**	**(1,174,872)**	**(1,509,715)**
- shareholders of the Bank	(874,089)		(1,174,872)	
Customer accounts	**(322,096)**	**(517,753)**	**(305,957)**	**(463,326)**
- shareholders of the Bank	(322,075)		(305,936)	
- key management personnel of the Bank	(21)		(21)	
Other liabilities	(847)	**(14,592)**	-	**(6,449)**
- key management personnel of the Bank	(847)		-	-

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

	Year ended 31 December 2011		Year ended 31 December 2010	
	Related party transactions	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Interest income	**764**	**296,872**	**632**	**276,955**
- shareholders of the Bank	410		261	
- key management personnel of the Bank	354		371	
Interest expense	**(50,276)**	**(78,813)**	**(52,094)**	**(78,907)**
- shareholders of the Bank	(50,276)		(52,094)	

The remuneration of directors and other members of key management personnel was as follows:

	Year ended 31 December 2011		Year ended 31 December 2010	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Key management personnel compensation:	**(7,228)**	**(68,792)**	**(7,190)**	**(61,415)**
Short-term employee benefits	(7,228)		(7,190)	

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities recorded in the financial statements at amortized cost approximates the carrying amount of these financial statements.

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the availability of inputs as follows:

- Quoted prices in an active market (Level 1) - Valuations based on quoted prices in active markets that the Bank has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As at 31 December 2011 and 2010 financial instruments at fair value totaling RUB 13,861 thousand and RUB 19,016 thousand, respectively, include financial assets at fair value through profit or loss. These assets are included in Level 1 of the fair value hierarchy.

26. CAPITAL ADEQUACY

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

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank 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 the allowance for impairment losses.

As at 31 December 2011, the Bank's total capital amount for Capital Adequacy purposes and tier 1 capital amount was RUB 704,283 thousand with the ratio of 30.58%.

As at 31 December 2010, the Bank's total capital amount for Capital Adequacy purposes and tier 1 capital amount was RUB 544,673 thousand with the ratio of 29.24%.

27. CAPITAL RISK MANAGEMENT

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

The Bank's capital structure consists of shareholders' equity, which includes share capital, share premium and retained earnings, as disclosed in the statement of changes in equity.

The Board of Directors regularly reviews the capital structure on at least semi-annual basis. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Bank balances its overall capital structure.

In accordance with the requirements established by the CBR, banks must maintain the ratio of capital to risk weighted assets ("capital adequacy ratio") above the established minimum level. As at 31 December 2011, the minimum level was 10%.

The Bank's overall capital risk management policy has remained unchanged from 2010.

28. RISK MANAGEMENT POLICIES

Risk management is fundamental to the Bank's banking business. The main risks inherent in the Bank's operations are those related to:

- Credit exposures;
- Liquidity risk;
- Market risk.

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

Credit risk

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers, this risk exposure is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

Some of counterparties the Bank enters into transactions with are not rated by international rating agencies. The Bank has developed internal models to assess credit risks by assigning the loan quality category. These models are based on a comprehensive analysis of a borrower's business activities, credit history and the quality of collateral.

A methodology to determine credit ratings of borrowers has been developed in the Bank to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower's rating and rating of collateral for a loan. The system is based on a rating model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark. The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on business and business environment, relations of the Bank and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the rating model provides for overall assessment of the borrower and the loan.

A model of the borrower's scoring assessment has been developed in the Bank to assess and decide on loans. The rating assessment is based on the borrower's key parameters: financial situation, relations with the borrower, management quality, target use, location, credit history, collateral, etc.

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The maximum limit of a loan is calculated using a ratio of debt pressure on a borrower.

Risk management and monitoring are performed within set limits of authority by the Credit Committee and the Management Board of the Bank. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly or quarterly by the Management Board. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Bank obtains collateral and corporate and personal guarantee. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans and guarantees. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank 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 Bank 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 Bank 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 of credit risk

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

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2011:

	Maximum exposure	**Offset**	**Collateral pledged**	**31 December 2011 Net exposure**
Balances with the Central Bank of the Russian Federation	270,547	-	-	270,547
Financial assets at fair value through profit or loss	13,861	-	-	13,861
Due from banks	529,576	-	-	529,576
Loans to customers	1,758,833	-	(1,707,621)	51,212
Other financial assets	362	-	-	362
Guarantees issued and similar commitments	483	-	-	483
Commitments on loans and unused credit lines	90,611	-	-	90,611

As at 31 December 2010:

	Maximum exposure	Offset	Collateral pledged	31 December 2010 Net exposure
Balances with the Central Bank of the Russian Federation	610,206	-		610,206
Financial assets at fair value through profit or loss	19,016	-	-	19,016
Due from banks	520,362	-	-	520,362
Loans to customers	2,100,236	(751,892)	(1,325,864)	22,480
Other financial assets	2,326	-	-	2,326
Guarantees issued and similar commitments	5,971	-	-	5,971
Commitments on loans and unused credit lines	86,817	-	-	86,817

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. 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.

Loans to customers may be assigned to the following categories:

- Rating I – standard quality transaction, low probability of default due to stable financial position of the borrower who has sufficient cash flows to meet the requirements in relation to the analyzed transaction;
- Rating II – stable quality transaction, average probability of default due to acceptable quality of the borrower's cash flows; the borrower's financial position and performance of their business plans need more detailed monitoring;
- Rating III – low quality transaction; high probability of default due to poor financial position of the borrower and absence of collateral or low quality of collateral;
- Rating IV – uncollectible loans, which can be collected through legal proceedings, submission of claims to guarantors or sale of collateral; however, the outcome of these procedures is unclear.

The Bank does not enter into transactions with initial ratings III and IV.

Balances with the CBR as at 31 December 2011 and 2010 include RUB 270,547 thousand and RUB 610,206 thousand, respectively. The credit rating of the Russian Federation according to the international rating agencies in 2011 and 2010 corresponded to investment level BBB.

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

	AA	A	BBB	<BBB	Not rated	31 December 2011
Cash and balances with the CBR			270,547			270,547
Financial assets at fair value through profit or loss	-	-	13,861	-	-	13,861
Due from banks	1,124	9,642	191,869	-	326,941	529,576
Other financial assets	-	-			362	362

	Loans to customers
Rating I	203,296
Rating II	1,495,126
Rating III	60,404
Rating IV	7
	1,758,833

As at 31 December 2010:

	AA	A	BBB	<BBB	Not rated	31 December 2010 Total
Cash and balances with the CBR	-	-	610,206	-	-	610,206
Financial assets at fair value through profit or loss	2,994	-	16,022	-	-	19,016
Due from banks	1,092	49,496	329,518		140,256	520,362
Other financial assets					2,326	2,326

	Loans to customers
Rating I	110,013
Rating II	1,990,223
	2,100,236

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Russian Federation.

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

	RF	OECD countries	Other non-OECD countries	31 December 2011 Total
FINANCIAL ASSETS:				
Cash and balances with the Central Bank of the Russian Federation	279,743	-	-	279,743
Financial assets at fair value through profit or loss	13,861	-	-	13,861
Due from banks	238,285	68,937	222,354	529,576
Loans to customers	1,758,833	-	-	1,758,833
Other financial assets	362	-	-	362
TOTAL FINANCIAL ASSETS	**2,291,084**	**68,937**	**222,354**	**2,582,375**
NON-FINANCIAL ASSETS:				
Property and equipment	8,692	-	-	8,692
Other assets	25,161	-	-	25,161
TOTAL NON-FINANCIAL ASSETS	**33,853**	**-**	**-**	**33,853**
TOTAL ASSETS	**2,324,937**	**68,937**	**222,354**	**2,616,228**
FINANCIAL LIABILITIES:				
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks			1,379,600	1,379,600
Customer accounts	124,535	216	393,002	517,753
Debt securities issued	-	-	-	-
Other financial liabilities	10,582	-	-	10,582
TOTAL FINANCIAL LIABILITIES	**135,117**	**216**	**1,772,602**	**1,907,935**
NON-FINANCIAL LIABILITIES:				
Other liabilities	4,010	-	-	4,010
TOTAL NON-FINANCIAL LIABILITIES	**4,010**	**-**	**-**	**4,010**
TOTAL LIABILITIES	**139,127**	**216**	**1,772,602**	**1,911,945**
OPEN POSITION	**2,185,810**	**68,721**	**(1,550,248)**	

	RF	OECD countries	Other non-OECD countries	31 December 2010 Total
FINANCIAL ASSETS:				
Cash and balances with the Central Bank of the Russian Federation	620,482	-	-	620,482
Financial assets at fair value through profit or loss	19,016	-	-	19,016
Due from banks	291,004	50,595	178,763	520,362
Loans to customers	2,100,236	-	-	2,100,236
Other financial assets	2,326			2,326
TOTAL FINANCIAL ASSETS	**3,033,064**	**50,595**	**178,763**	**3,262,422**
NON-FINANCIAL ASSETS:				
Property and equipment	2,078	-	-	2,078
Other assets	19,718	-	-	19,718
TOTAL NON-FINANCIAL ASSETS	**21,796**	**-**	**-**	**21,796**
TOTAL ASSETS	**3,054,860**	**50,595**	**178,763**	**3,284,218**
FINANCIAL LIABILITIES:				
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	176,915	-	1,332,800	1,509,715
Customer accounts	90,410	220	372,696	463,326
Debt securities issued	-	-	760,055	760,055
Other financial liabilities	4,901	-	-	4,901
TOTAL FINANCIAL LIABILITIES	**272,226**	**220**	**2,465,551**	**2,737,997**
NON-FINANCIAL LIABILITIES:				
Other liabilities	1,548	-	-	1,548
TOTAL NON-FINANCIAL LIABILITIES	**1,548**	**-**	**-**	**1,548**
TOTAL LIABILITIES	**273,774**	**220**	**2,465,551**	**2,739,545**
OPEN POSITION	**2,781,086**	**50,375**	**(2,286,788)**	

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 ALMC controls these types of risks by means of maturity analysis, determining the Bank'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.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. A wide range of credit and funding transactions makes it impossible for banks to achieve perfectly matching assets and liabilities. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Asset and liability maturity periods and the ability to replace interest bearing liabilities at an acceptance cost when they mature are crucial in determining the Bank's liquidity and its susceptibility to fluctuation of interest and exchange rates.

Banks in the Russian Federation, generally, do not offer long-term credits and overdrafts. However, in the Russian marketplace many short-term credits are granted with the expectation of renewing the loans at maturity. Thus, actual maturities of the assets may differ from those in the table below.

Sales of financial assets at fair value trough profit or loss are dependent on the conditions in the financial market.

Substantially all of the Bank's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets and 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 table below shows the distribution of assets and liabilities as at 31 December 2011 and 2010 as per contractual maturities left on demand and for repayment except for the cases when there is an objective evidence that certain assets were impaired and the calculations with respect to these assets will be performed after the date envisaged by the respective contract; however in similar cases the expected date for performing calculations is usually used. Some of the assets and liabilities may be of long-term nature due, for example, to short-term credits with maturities increasing as a result of frequent renewals. Overdue assets are classified on an expected maturity basis. For certain assets without a contractual maturity (e.g. particular long-term assets), the date of repayment is assumed to be the date on which the disposal of such assets is expected.

The Bank makes no use of the analysis by maturities exclusively of discounting for liquidity management. Instead, the Bank monitors expected dates of maturities that are presented as at 31 December 2011 and 2010 in the tables below:

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
FINANCIAL ASSETS:								
Financial assets at fair value through profit or loss	5.04%	13,861					-	13,861
Due from banks	3.0%	100,028					-	100,028
Loans to customers	13.54%	-	715,879	952,626	52,039	38,289	-	1,758,833
Total interest bearing financial assets		113,889	715,879	952,626	52,039	38,289	-	1,872,722
Cash and balances with the Central Bank of the Russian Federation		176,187	-	-	-	-	103,556	279,743
Due from banks		429,548	-	-	-	-	-	429,548
Other financial assets		362						362
TOTAL FINANCIAL ASSETS		**719,986**	**715,879**	**952,626**	**52,039**	**38,289**	**103,556**	**2,582,375**
NON-FINANCIAL ASSETS:								
Property and equipment		-	-	-	-	-	8,692	8,692
Other assets		25,161			-	-	-	25,161
TOTAL NON-FINANCIAL ASSETS		**25,161**	**-**		**-**	**-**	**8,692**	**33,853**
TOTAL ASSETS		**745,147**	**715,879**	**952,626**	**52,039**	**38,289**	**112,248**	**2,616,228**
FINANCIAL LIABILITIES:								
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	3.0%	305,401	462,650	450,796		-		1,218,847
Customer accounts	6.43%	3,447		342,371	2,382		-	348,200
Debt securities issued		-	-	-	-	-	-	-
Total interest bearing liabilities		308,848	462,650	793,167	2,382	-	-	1,567,047
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks		160,753	-	-	-	-	-	160,753
Customer accounts		169,553	-	-	-		-	169,553
Other liabilities		10,582						10,582
TOTAL FINANCIAL LIABILITIES		**649,736**	**462,650**	**793,167**	**2,382**	**-**	**-**	**1,907,935**
NON-FINANCIAL LIABILITIES:								
Other liabilities		4,010	-	-	-	-	-	4,010
TOTAL NON-FINANCIAL LIABILITIES		**4,010**	**-**	**-**	**-**	**-**	**-**	**4,010**
TOTAL LIABILITIES		**653,746**	**462,650**	**793,167**	**2,382**	**-**	**-**	**1,911,945**
Liquidity gap		70,250	253,229	159,459	49,657	38,289		
Interest sensitivity gap		(194,959)	253,229	159,459	49,657	38,289		
Cumulative interest sensitivity gap		(194,959)	58,270	217,729	267,386	305,675		
Cumulative interest sensitivity gap as a percentage of total assets		(7%)	2%	8%	10%	12%		

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS:								
Financial assets at fair value through profit or loss	10.08%	19,016	-	-	-	-	-	19,016
Due from banks	2.5.	196,368	91,816	80,297	-	-	-	368,481
Loans to customers	12.4%	-	543,153	1,522,267	4,717	30,099	-	2,100,236
Total financial assets at fair value through profit or loss		215,384	634,969	1,602,564	4,717	30,099	-	2,487,733
Cash and balances with the Central Bank of the Russian Federation		560,805	-	-	-	-	59,677	620,482
Due from banks		151,881	-	-	-	-	-	151,881
Other financial assets		2,326	-	-	-	-	-	2,326
TOTAL FINANCIAL ASSETS		**930,396**	**634,969**	**1,602,564**	**4,717**	**30,099**	**59,677**	**3,262,422**
NON-FINANCIAL ASSETS:								
Property and equipment		-	-	-	-	-	2,078	2,078
Other assets		11,460	8,258	-	-	-	-	19,718
TOTAL NON-FINANCIAL ASSETS		**11,460**	**8,258**	**-**	**-**	**-**	**2,078**	**21,796**
TOTAL ASSETS		**941,856**	**643,227**	**1,602,564**	**4,717**	**30,099**	**61,755**	**3,284,218**
FINANCIAL LIABILITIES:								
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	4.6%	638,502	194,821	458,986	-	-	-	1,292,309
Customer accounts	6.4%	-	-	310,397	2,252	-	-	312,649
Debt securities issued	3%	-	421,281	338,774	-	-	-	760,055
Total interest bearing liabilities		638,502	616,102	1,108,157	2,252	-	-	2,365,013
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks		217,406	-	-	-	-	-	217,406
Customer accounts		150,677	-	-	-	-	-	150,677
Other liabilities		4,901	-	-	-	-	-	4,901
TOTAL FINANCIAL LIABILITIES		**1,011,486**	**616,102**	**1,108,157**	**2,252**	**-**	**-**	**2,737,997**
NON-FINANCIAL LIABILITIES:								
Other liabilities		1,548	-	-	-	-	-	1,548
TOTAL NON-FINANCIAL LIABILITIES		**1,548**	**-**	**-**	**-**	**-**	**-**	**1,548**
TOTAL LIABILITIES		**1,013,034**	**616,102**	**1,108,157**	**2,252**	**-**	**-**	**2,739,545**
Liquidity gap		(81,090)	18,867 -	494,407 -	2,465 -	30,099		
Interest sensitivity gap		(423,118)	18,867 -	494,407 -	2,465 -	30,099		
Cumulative interest sensitivity gap		(423,118)	(404,251)	90,156	92,621	122,720		
Cumulative interest sensitivity gap as a percentage of total assets		(13%).	(12%)	3%	3%	4%		

The tables below present undiscounted cash flows (total outflows) from financial and off-balance sheet liabilities of the Bank based on the earliest contractual maturity. These undiscounted cash flows are different from the amounts in the statement of financial position due to balance sheet amounts being based on discounted cash flows.

The tables below present total undiscounted cash flows from financial liabilities of the Bank as at 31 December 2011 and 2010:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
UNDISCOUNTED FINANCIAL LIABILITIES							
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	466,495	467,799	460,623	-	-	-	1,394,917
Customer accounts	173,000	-	363,063	2,382	-	-	538,445
Debt securities issued		-	-	-	-	-	-
Other liabilities	10,582	-	-	-	-	-	10,582
Guarantees issued and similar commitments	483	-	-	-	-	-	483
Commitments on loans and unused credit lines	90,611	-	-	-	-	-	90,611

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
UNDISCOUNTED FINANCIAL LIABILITIES							
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	855,958	539,609	119,683	-	-	-	1,515,250
Customer accounts	139,398	-	328,505	-	-	-	467,903
Debt securities issued		155,871	611,128	-	-	-	766,999
Other liabilities	4,901	-	-	-	-	-	4,901
Guarantees issued and similar commitments	5,971	-	-	-	-	-	5,971
Commitments on loans and unused credit lines	86,817	-	-	-	-	-	86,817

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. There have been no changes from 2010 as to the way the Bank measures and manages risk or to the risk it is exposed.

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

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are either at fixed rates or contain clauses enabling the interest rate to be changed at the option of the lender. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate sensitivity

As at 31 December 2011 and 2010, assets and liabilities of the Bank were not sensitive to interest rate fluctuations, as all the interest-bearing assets were placed at fixed interest rates.

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 Bank 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 RUB devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of the CBR.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	RUB	USD USD 1 = RUB 32.1964	EUR EUR 1 = RUB 41.6714	Other currency	31 December 2011 Total
FINANCIAL ASSETS:					
Cash and balances with the CBR, less minimum reserve deposits with the CBR	279,743	-	-	-	279,743
Financial assets at fair value through profit or loss	13,861	-	-	-	13,861
Due from banks	164,809	311,249	20,030	33,488	529,576
Loans to customers	413,107	1,345,726	-	-	1,758,833
Other financial assets	362	-	-	-	362
TOTAL FINANCIAL ASSETS	**871,882**	**1,656,975**	**20,030**	**33,488**	**2,582,375**
NON-FINANCIAL ASSETS:					
Property and equipment	8,692	-	-	-	8,692
Other assets	25,161	-	-	-	25,161
TOTAL NON-FINANCIAL ASSETS	**33,853**	**-**	**-**	**-**	**33,853**
TOTAL ASSETS	**905,735**	**1,656,975**	**20,030**	**33,488**	**2,616,228**
FINANCIAL LIABILITIES:					
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	365,309	982,949	13,128	18,214	1,379,600
Customer accounts	127,276	375,422	3,015	12,040	517,753
Debt securities issued	-	-	-	-	-
Other liabilities	10,582	-	-	-	10,582
TOTAL FINANCIAL LIABILITIES	**503,167**	**1,358,371**	**16,143**	**30,254**	**1,907,935**
NON-FINANCIAL LIABILITIES:					
Other liabilities	4,010	-	-	-	4,010
TOTAL NON-FINANCIAL LIABILITIES	**4,010**	**-**	**-**	**-**	**4,010**
TOTAL LIABILITIES	**507,177**	**1,358,371**	**16,143**	**30,254**	**1,911,945**
OPEN BALANCE SHEET POSITION	**398,558**	**298,604**	**3,887**	**3,234**	
Accounts receivable on spot	321,961	-	-	-	
Accounts payable on spot	-	(321,961)	-	-	
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**321,961**	**(321,961)**	**-**	**-**	
TOTAL OPEN POSITION	**720,519**	**(23,357)**	**3,887**	**3,234**	

	RUB	USD USD 1 = RUB 30.4769	EUR EUR 1 = RUB 40.3331	Other currency	31 December 2010 Total
FINANCIAL ASSETS:					
Cash and balances with the CBR, less minimum reserve deposits with the CBR	612,248	4,460	3,774	-	620,482
Financial assets at fair value through profit or loss	19,016	-	-	-	19,016
Due from banks	194,991	227,841	59,067	38,463	520,362
Loans to customers	270,539	1,829,697	-	-	2,100,236
Other financial assets	66	2,260	-	-	2,326
TOTAL FINANCIAL ASSETS	**1,096,860**	**2,064,258**	**62,841**	**38,463**	**3,262,422**
NON-FINANCIAL ASSETS:					
Property and equipment	2,078	-	-	-	2,078
Other assets	19,718	-	-	-	19,718
TOTAL NON-FINANCIAL ASSETS	**21,796**	**-**	**-**	**-**	**21,796**
TOTAL ASSETS	**1,118,656**	**2,064,258**	**62,841**	**38,463**	**3,284,218**
FINANCIAL LIABILITIES:					
Due to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan and other banks	765,574	686,679	9,107	48,355	1,509,715
Customer accounts	126,731	324,459	5,185	6,951	463,326
Debt securities issued	-	760,055	-	-	760,055
Other liabilities	4,901	-	-	-	4,901
TOTAL FINANCIAL LIABILITIES	**897,206**	**1,771,193**	**14,292**	**55,306**	**2,737,997**
NON-FINANCIAL LIABILITIES:					
Other liabilities	1,548	-	-	-	1,548
TOTAL NON-FINANCIAL LIABILITIES	**1,548**	**-**	**-**	**-**	**1,548**
TOTAL LIABILITIES	**898,754**	**1,771,193**	**14,292**	**55,306**	**2,739,545**
OPEN BALANCE SHEET POSITION	**219,902**	**293,065**	**48,549**	**(16,843)**	
Accounts receivable on spot	363,388	**-**	**-**	**-**	
Accounts payable on spot	**-**	(323,055)	(40,333)	**-**	
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**363,388**	**(323,055)**	**(40,333)**	**-**	
TOTAL OPEN POSITION	**219,901**	**(32,250)**	**8,216**	**(16,843)**	

Currency risk sensitivity

The following table details the Bank's sensitivity to an increase and decrease in the USD and the EUR exchange rates against the RUB. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Impact on profit before tax and equity based on asset values as at 31 December 2011 and 2010:

	31 December 2011		**31 December 2010**	
	RUB/USD +10%	**RUB/USD -10%**	**RUB/USD +10%**	**RUB/USD -10%**
Impact on profit before tax	(2,336)	2,336	(3,225)	3,225
Impact on equity	(1,869)	1,869	(2,580)	2,580

	31 December 2011		**31 December 2010**	
	RUB/EUR +10%	**RUB/EUR -10%**	**RUB/EUR +10%**	**RUB/EUR -10%**
Impact on profit before tax	389	(389)	822	(822)
Impact on equity	311	(311)	657	(657)

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 Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank'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 Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank 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.