

JSCICB “Uzpromstroybank”

Financial Statements

Years ended December 31, 2004 and 2003

Together with Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and the Board of Uzbek Joint-Stock Commercial and Industrial-Construction Bank Uzpromstroybank –

We have audited the accompanying balance sheet of Joint-Stock Commercial and Industrial-Construction Bank Uzpromstroybank (the “Bank”) as of December 31, 2004, and the related statements of income, changes in shareholders’ equity, and cash flows for the year then ended. These financial statements are the responsibility of the Bank’s management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We draw attention to Note 2 to the accompanying financial statements. As further discussed therein, operations in Uzbekistan entail significant uncertainties that could affect the Bank in the foreseeable future. The accompanying financial statements do not include any adjustments that might result from the future clarification of these uncertainties. Such adjustments, if any, will be reported when they become known and estimable.

March 16, 2005

BALANCE SHEETS*(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)*

		December 31,	
	Notes	2004	2003
Assets			
Cash and cash equivalents	5	89,153,511	60,748,486
Amounts due from credit institutions	6	32,877,737	21,224,971
Available-for-sale securities	7	3,442,411	4,025,210
Loans to customers	8	249,303,692	206,503,483
Tax assets	19	2,680,170	2,644,049
Property and equipment	10	15,342,988	11,305,908
Intangible assets	11	1,038,234	206,966
Other assets	9	2,896,916	5,294,653
Total assets		396,735,659	311,953,726
Liabilities			
Amounts due to Central Bank and Government	12	81,513,781	87,264,665
Amounts due to credit institutions	13	81,608,208	61,488,252
Amounts due to customers	14	201,853,065	132,287,351
Other liabilities		983,519	629,908
Total liabilities		365,958,573	281,670,176
Shareholders' equity	15		
Share capital		21,038,824	20,651,633
Reserves and accumulated deficit		9,738,262	9,631,917
Total shareholders' equity		30,777,086	30,283,550
Total liabilities and shareholders' equity		396,735,659	311,953,726
Financial commitments and contingencies	23	82,086,906	88,657,445

Signed and authorized for release on behalf of the Board of the Bank

Kiyomiddin K. Rustamov

Chairman

Saidkamol S. Hodjaev

Chief Accountant

March 16, 2005

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

STATEMENTS OF INCOME*(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)*

		Years ended December 31,	
	Notes	2004	2003
Interest income			
Loans		20,545,750	19,187,121
Due from credit institutions		1,809,284	781,961
Securities		694,966	601,557
		23,050,000	20,570,639
Interest expense			
Due to credit institutions		(6,924,972)	(6,546,896)
Amounts due to customers		(12,318,804)	(9,219,821)
Deposit certificates		(2,873)	(6,778)
		(19,246,649)	(15,773,495)
Net interest income		3,803,351	4,797,144
Impairment of interest earning assets	16	(2,732,431)	(3,280,081)
Net interest income after impairment of interest earning assets		1,070,920	1,517,063
Fee and commission income		17,964,132	16,125,403
Fee and commission expense		(2,289,909)	(1,797,485)
Net fee and commission income	17	15,674,223	14,327,918
Gains less losses from foreign currencies:			
- dealing		1,188,938	649,457
- translation differences		1,064,631	89,998
Dividend income		347,429	195,488
Other operating income		258,396	204,432
Other non interest income		18,533,617	15,467,293
Salaries and benefits	18	(6,609,137)	(5,128,759)
Other administrative and operating expenses	18	(8,093,996)	(6,109,374)
Depreciation and amortisation	10,11	(950,866)	(1,575,282)
Other reversal	16	488,756	93,569
Other non interest expense		(15,165,243)	(12,719,846)
Loss on net monetary position		(722,533)	(2,344,669)
Income before income tax		3,716,761	1,919,841
Income tax (expense) benefit	19	(1,019,225)	608,287
Net income		2,697,536	2,528,128

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**For the years ended December 31, 2004 and 2003***(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)*

	<i>Share capital</i>	<i>Inflation adjustment to share capital</i>	<i>Accumulated deficit</i>	<i>Reserves</i>	<i>Total shareholders' equity</i>
December 31, 2002	9,149,940	10,060,517	(2,228,693)	11,802,943	28,784,707
Shares issued and paid	673,692	767,484	-	-	1,441,176
Transfers	-	-	(3,684,718)	3,684,718	-
Net income	-	-	2,528,128	-	2,528,128
Dividends paid	-	-	(2,470,461)	-	(2,470,461)
December 31, 2003	9,823,632	10,828,001	(5,855,744)	15,487,661	30,283,550
Shares issued and paid	376,368	10,823	-	-	387,191
Transfers	-	-	(3,653,274)	3,653,274	-
Net income	-	-	2,697,536	-	2,697,536
Dividends paid	-	-	(2,591,191)	-	(2,591,191)
December 31, 2004	10,200,000	10,838,824	(9,402,673)	19,140,935	30,777,086

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

	Notes	Years ended December 31, 2004	2003
Cash flows from operating activities			
Interest, fees and commissions received		44,283,008	37,198,525
Interest, fees and commissions paid		(25,346,065)	(18,152,215)
Realised gains less losses from foreign currencies		1,159,247	884,355
Other operating income		924,804	645,849
Salaries and salary related expenses		(6,491,857)	(5,131,552)
Other administrative and operating expenses		(6,183,354)	(5,365,019)
Monetary gain (loss) from operating activities		(1,154,585)	(324,722)
Cash flow from operating activities before changes in operating assets and liabilities		7,191,198	9,755,221
(Increase) decrease in operating assets			
Obligatory reserve with the Central Bank		(1,734,357)	(2,646,953)
Available-for-sale securities		551,003	642,183
Amounts due from credit institutions		(11,974,524)	2,364,050
Loans to customers		(50,519,402)	(19,956,261)
Other assets		(1,478,576)	(4,516,359)
Increase (decrease) in operating liabilities			
Amounts due to CBU and the Government		(3,443,575)	(13,752,366)
Amounts due to credit institutions		33,319,846	18,211,127
Amounts due to customers		56,956,215	10,123,181
Other liabilities		11,070,111	21,184,638
Net cash provided by operating activities before taxation		39,937,939	21,408,461
Corporate income tax paid		(1,651,897)	(2,168,658)
Net cash provided by operating activities		38,286,042	19,239,803
Cash flows from investing activities			
Purchases of investment securities		(157,161)	(325,672)
Proceeds from sale of investment securities		41,337	158,725
Dividends received		347,439	195,489
Purchase of intangible assets		(672,125)	(138,384)
Purchase of property and equipment		(5,292,701)	(4,594,066)
Effect of inflation		166,416	84,706
Net cash used in investing activities		(5,566,795)	(4,619,202)
Cash flows from financing activities			
Issue of share capital		376,368	673,692
Dividends paid		(2,591,191)	(2,470,461)
Effect of inflation		72,417	66,899
Net cash used in financing activities		(2,142,406)	(1,729,870)
Effect of exchange rate changes on cash and cash equivalents		52,117	34,964
Effect of inflation on cash and cash equivalents		(2,223,933)	(1,817,266)
Net change in cash and cash equivalents		28,405,025	11,108,429
Cash and cash equivalents, beginning		60,748,486	49,640,057
Cash and cash equivalents, ending	5	89,153,511	60,748,486

The accompanying notes on pages 5 to 23 are an integral part of these financial statements.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

1. Principal Activities

Uzpromstroybank (the “Bank”) was formed in 1991 as an Uzbek Joint-Stock Commercial Industrial and Construction Bank under the laws of Uzbekistan. The Bank possesses general banking license No. 530/17 issued by Central Bank of Uzbekistan (“CBU”), and general license for foreign currency operations No. 1, granted on July 25, 1991 and August 17, 1993, respectively. The Bank accepts deposits from the public and makes loans, transfers payments in Uzbekistan and abroad, exchanges currencies and provides banking services to its commercial and retail customers. A significant portion of the Bank’s activities are related to its role as a government agent in allocating centralized resources of the government to the strategic industries of economy such as oil and gas, power industry, chemicals, manufacturing and mining. These activities represent a significant part of the Bank’s assets, funding sources and income generation.

The Bank is among the six largest banks in Uzbekistan in terms of total assets determined under local accounting rules. Its main office is in Tashkent and it has 46 branches. The Bank’s registered legal address is 3, Shakhrazabskaya Street, Tashkent.

As of December 31, 2004, NHC “Uzbekneftegaz”, state oil and gas company, owned more than 51% of the outstanding shares. All other shareholders owned less than 5% of the outstanding shares of the Bank as of December 31, 2004.

The Bank had an average of 3,665 employees during 2004 (2003 – 3,340) and 3,828 employees at the end of 2004 (2003 – 3,379).

2. Operating Environment

Uzbekistan continues to undergo substantial economic and social changes. As an emerging market, Uzbekistan does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. The Uzbek Government has not yet fully implemented the reforms necessary to create banking, judicial, taxation and regulatory systems that usually exist in more developed markets. As a result, operations in Uzbekistan involve risks that are not typically associated with those in developed markets. Such risks persist in the current environment with results that include a currency that is not freely convertible, onerous currency conversion controls, low liquidity levels for debt and equity markets, and continuing inflation.

The Bank could be affected, for the foreseeable future, by these risks and their consequences. As a result, there are significant uncertainties that may affect future operations, the recoverability of the Bank’s assets, and the ability of the Bank to maintain or pay its obligations as they mature. The accompanying financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Bank’s financial statements in the period when they become known and estimable.

Foreign currencies, in particular the US Dollar, play a significant role in the underlying economics of many business transactions in Uzbekistan. The following table summarizes the official exchange rate of the Uzbek Soum (“UZS”) to one US Dollar established by CBU:

<i>December 31</i>	<i>Exchange rate</i>
2004	1058
2003	980
2002	970

Subsequently, CBU’s exchange rate has increased to 1,076 UZS to one US Dollar as of March 16, 2005.

The Governmental strict monetary policy resulted in a significant decrease of the difference between official and curb market exchange rates of UZS to USD. However, this policy has led to the substantial shortage of cash in the economy.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

3. Basis of Preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in thousands of UZS, expressed in terms of the purchasing power of the UZS as of December 31, 2004, unless otherwise indicated, as the majority of the Bank's transactions are denominated, measured, or funded in this currency and the Uzbek Soum is the primary currency, in which the Bank generates and expends cash. Transactions in other currencies are treated as transactions in foreign currencies.

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Uzbek Soums in accordance with Uzbek accounting and banking legislation and instructions ("UAL") and tax regulations. These financial statements are based on the Bank's statutory books and records, as adjusted and reclassified in order to comply with IFRS. The reconciliation between UAL and IFRS is presented in this note.

The financial statements are prepared under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities, as well as the required hyperinflationary adjustments.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

Inflation Accounting

Uzbekistan met the definition of a hyperinflationary economy as defined by International Accounting Standard 29 ("IAS") "Financial Reporting in Hyperinflationary Economies". The inflation rate based on the Uzbekistan consumer price index ("CPI") as calculated by the State Committee on Statistics (Goskomstat), was 3.8% for 2004 (3.8% and 21.5% for 2003 and 2002, respectively). Although the cumulative inflation index for the three year period ended in 2004 is less than 100%, it is considered that the remaining criteria set forth by IAS 29 indicate that Uzbekistan continued to experience conditions that meet the definition of a hyperinflationary economy during 2004 and the preceding three years.

The following methodologies and assumptions were used in the preparation of the Bank's financial statements to meet the requirements of IAS 29:

- Monetary assets and liabilities, as well as non-monetary items stated at fair value, as of December 31, 2004, are not restated because they are already expressed in terms of the monetary unit current as of December 31, 2004;
- Non-monetary assets and liabilities, and equity items have been restated by applying the relevant conversion factors to the historical cost ("restated cost"). Monthly income and expenses during the reporting period are restated from the end of the month when the item was recognized;
- Certain income statement amounts, such as impairment of financial assets, provisions for losses and the diminution in value of securities and investments have been assumed to occur at the end of the respective year in which they were determined unless related to a specific point in time;
- Comparative financial statements were restated by applying the 2004 conversion factor.

The application of this principle results in an adjustment to the statement of income for the loss of purchasing power of the Uzbek Soum during the respective reporting period. This loss on net monetary position is calculated as the difference resulting from the restatement of non-monetary assets, shareholders' equity and items of income and expense.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Reconciliation of UAL and IFRS Equity and Net Income

Shareholders' equity and net income are reconciled between UAL and IFRS as follows:

	2004		2003	
	<i>Shareholders' equity</i>	<i>Net income</i>	<i>Shareholders' equity</i>	<i>Net income</i>
Uzbek Accounting Legislation	40,581,631	8,302,870	36,115,268	8,342,929
Inflation impact on non-monetary items:				
Non-monetary capital items	-	(1,260,545)	-	(1,082,558)
Other non-monetary items	2,220,037	966,737	1,253,299	(3,950,840)
Reversal of statutory revaluation of fixed assets	-	-	-	2,372,901
Impairment of financial assets	(15,410,365)	(3,155,444)	(12,254,921)	(5,561,116)
Effect of accrued income, net	2,142,114	(1,304,437)	3,446,551	(35,882)
Deferred taxation	1,200,893	694,273	506,620	1,521,588
Income tax	1,086,013	(287,509)	1,373,522	782,519
Other operating expenses	(856,846)	(856,846)	-	-
Bonus to employees	(133,484)	(133,484)	-	-
Operating tax expenses	(50,428)	33,120	(83,548)	(83,548)
Income recorded to funds	-	(371,961)	-	239,945
Accrual of audit fees	-	73,241	(73,241)	(6,354)
Foreign exchange gain	-	-	-	(11,456)
Other	(2,479)	(2,479)	-	-
International Financial Reporting Standards	30,777,086	2,697,536	30,283,550	2,528,128

4. Summary of Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, amounts due from CBU, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Amounts Due from Credit Institutions

In the normal course of business, the Bank maintains current accounts or places deposits for various periods of time with other banks. Amounts due from credit institutions with fixed maturity are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment.

Recognition and Presentation of Financial Instruments

The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. "Regular way" purchases and sales of financial assets are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. Any gain or loss at initial recognition is recognized in the statement of income. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amounts are reported in the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle a liability simultaneously.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Available-for-Sale Investment Securities

Available-for-sale securities are subsequently measured at fair value, which is equal to the market value as of the balance sheet date. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for diminution in value unless there are other appropriate and workable methods of reasonably estimating their fair value.

Gains and losses arising from changes in the fair value of available-for-sale investment are recognized in income statement as gains less losses from available-for-sale securities in the period that the change occurs.

Loans to Customers

Loans granted by the Bank by providing funds directly to the borrower are categorized as loans originated by the Bank and are initially recognized in accordance with the policy stated above. The difference between the nominal amount of the consideration given and fair value of loans issued at other than market terms is recognized in the period the loan is issued as initial recognition of loans to customers at fair value. Loans to customers with fixed maturities are subsequently re-measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for impairment.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Uzbekistan. Deferred income taxes are calculated using the liability method. Deferred taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

Uzbekistan also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of administrative and operating expenses in the statement of income.

Allowances for Impairment of Financial Assets

The Bank establishes allowances for impairment of financial assets when it is probable that the Bank will not be able to collect the principal or interest according to the contractual terms of loans issued, held-to-maturity securities and other financial assets, which are carried at cost and amortized cost. The allowance for impairment of financial assets is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument. For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Bank expects to realize the financial instrument.

The allowance is based on the Bank's own loss experience and management's judgment as to the level of losses that will most likely be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowance for impairment of financial assets in the accompanying financial statements has 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 Uzbekistan and what effect such changes might have on the adequacy of the allowance for impairment of financial assets in future periods. Changes in allowances are reported in the statement of income of the related period. When an asset is not collectable, it is written off against the related allowance for impairment; if the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the allowance is credited to the related impairment of financial assets in the statement of income.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Property and Equipment

Property and equipment are carried at restated cost less accumulated depreciation and any accumulated impairment for diminution in value. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	20
Furniture and fixtures	7
Computers and office equipment	5-10
Motor vehicles	5

The carrying amounts of property and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An allowance for impairment is recognized as an expense in the respective period and is included in administrative and operating expenses.

Expenses related to repairs and renewals are charged to the statement of income when incurred and included in administrative and operating expenses unless they qualify for capitalization.

Intangible Assets

Intangible assets primarily include computer software. Computer software costs are recognized as assets at restated cost and are amortized using the straight-line method over their useful lives, but not exceeding a period of five years.

Intangible assets under development are not depreciated. Amortization of these assets will begin when the related assets are placed in service.

Amounts Due to the Central Bank, Credit Institutions and to Customers

Amounts due to the Central Bank, credit institutions and customers are initially recognized in accordance with the recognition of financial instruments policy. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Debt Securities Issued

Debt securities issued represent promissory notes (certificates of deposit) issued by the Bank to its customers. They are accounted for according to the same principles used for amounts due to credit institutions and to customers.

Provisions

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

Retirement and Other Benefit Obligations

The Bank does not have any pension arrangements separate from the State pension system of Uzbekistan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share Capital

Share capital is recognized at restated cost.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Preferred shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Dividends on ordinary shares are recognized in shareholders' 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 IFRS 10 “Events After the Balance Sheet Date” and disclosed accordingly.

Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Income and Expense Recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. The recognition of interest income is suspended when loans become overdue by more than ninety days. Interest income includes coupon income earned on investment securities. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognized at the time the transaction occurs.

Foreign Currency Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Uzbek Soum at the official CBU exchange rates at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of income as gains less losses from foreign currencies. Exchange differences from the translation of those non-monetary financial instruments denominated in foreign currency and measured at fair value are included in the statement of income as gains less losses from foreign currencies.

Differences between the contractual exchange rate of a certain transaction and CBU exchange rate on the date of the transaction are included in gains less losses from foreign currencies.

Related Parties Transactions

Related parties, as defined by IAS 24 “Related Party Disclosures”, are those counter parts that represent:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;
- (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and
- (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

5. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<i>2004</i>	<i>2003</i>
Cash on hand	18,563,594	16,763,896
Current accounts with credit institutions	50,790,061	20,302,997
Current accounts with CBU	19,799,856	23,681,593
Cash and cash equivalents	89,153,511	60,748,486

Current accounts with CBU include amounts deposited with CBU relating to daily settlements.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

6. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise:

	2004	2003
Obligatory reserve with the Central Bank	9,135,201	7,732,387
Time deposits of more than 90 days or overdue	23,992,536	13,492,584
	33,127,737	21,224,971
Less – Allowance for impairment	(250,000)	-
Amounts due from credit institutions	32,877,737	21,224,971

Credit institutions are required to maintain non-interest earning cash deposit (obligatory reserve) with CBU, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by legislation.

As of December 31, 2004, current accounts with credit institutions and time deposits totaling UZS 21,489,064 (2003 – UZS 21,224,971) were placed with four internationally recognized OECD banks, who are the main counter parties of the Bank in performing international settlements.

As of December 31, 2004, time deposits of more than 90 days include security deposits placed in OECD banks of UZS 14,208,393 (2003 – UZS 11,520,685) as cover against letters of credit.

7. Available-for-sale Securities

Available-for-sale securities comprise:

	2004	2003
Treasury bills of the Ministry of Finance	2,738,611	3,482,732
Corporate shares	2,366,348	2,157,288
	5,104,959	5,640,020
Less – Allowance for diminution in value	(1,662,548)	(1,614,810)
Available-for-sale securities	3,442,411	4,025,210

Interest rates of these securities range from 10.2% - 14.0% in 2004 (2003 – 10.2% - 19.4%) and mature in 2005 (2003 - in 2004).

8. Loans to Customers

Loans to customers comprise:

	2004	2003
Loans to customers	262,043,184	214,846,009
Factoring	1,834,197	4,372,068
	263,877,381	219,218,077
Less – Allowance for loan impairment	(14,573,689)	(12,714,594)
Loans to customers	249,303,692	206,503,483

Loans are placed on non-accrual status as to contractual interest when full payment of principal or interest is in doubt (a loan with principal and interest unpaid for at least ninety days). When a loan is placed on non-accrual status, contractual interest income is not recognized in the financial statements. A non-accrual loan may be restored to accrual status when principal and interest amounts contractually due are reasonably assured of timely repayment. As of December 31, 2004, the gross amount of impaired loans, on which interest was not accrued, was UZS 4,114,294 (2003 – UZS 4,948,801). Unrecognized interest related to such loans is UZS 1,808,381 (2003 – UZS 1,450,655). The carrying amount of non-accrual loans was determined as described in Note 4.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

The Bank has a significant concentration of credits to borrowers in the oil & gas and energy, machinery and other manufacturing, and chemicals industries. The Bank also has a substantial portion of its loans extended to a limited number of customers. As of December 31, 2004, a group of companies controlled by NHC "Uzbekneftegas", SJSC "Uzbekenergo", JSC "Kumir", SJSC "Uzkimyosanoat", JV "Uzglaszayden" and GAO "TAPOiCH" accounted for 70% of the total loan portfolio (2003 – 83%). An allowance of UZS 1,085,369 (2003 – UZS 3,145,820) was made against these loans.

From 1995 through 2004, the Bank received funds from CBU and the Ministry of Finance to finance loans granted to strategic sectors of the economy. As of December 31, 2004, such loans were UZS 57,752,211 (2003 – UZS 90,318,985); more than 97% of which were guaranteed by the Ministry of Finance. The Bank acts as a government agent, earning margin on these loans from 0.5% to 2% per annum.

Loans and advances to customers include loans granted under the EBRD Small and Medium Enterprise Support Programme of UZS 6,129,528 (2003 – UZS 7,125,568). An allowance of UZS 405,467 (2003 – UZS 628,983) was made against these loans.

Loans have been extended to the following types of customers:

	2004	2003
State companies	145,495,000	103,266,391
Private companies	106,278,174	110,969,854
Individuals	12,104,207	4,981,832
	263,877,381	219,218,077

Loans to customers are made principally within Uzbekistan to the following sectors:

	2004	2003
Oil & gas and energy	67,737,028	95,371,874
Machinery and other manufacturing	63,443,295	55,390,794
Chemicals	53,596,869	31,251,617
Trading companies	27,609,542	6,629,318
Construction and construction materials	15,188,167	4,238,202
Individuals	12,104,207	4,981,832
Agriculture	7,462,792	4,889,031
Food	6,615,370	4,827,497
Textile	3,590,049	4,891,078
Transport	3,358,984	3,157,263
Other	3,171,078	3,589,571
	263,877,381	219,218,077

9. Other Assets

Other assets comprise:

	2004	2003
Trade debtors and prepayments	714,408	1,399,194
Prepayment for small operating equipment	706,920	806,338
Accrued commission income	692,724	1,582,186
Assets under litigation	633,465	8,300,850
Receivables from the Uzbek Republican Currency Exchange	-	1,572,792
Other assets	1,029,326	988,010
	3,776,843	14,649,370
Less – Allowance for impairment of other assets	(879,927)	(9,354,717)
Other assets	2,896,916	5,294,653

As of December 31, 2004 the Bank had account placed within a US bank EAFMI, which has gone bankrupt. A 100% reserve had been created against this account. Subsequently, the Board of Directors has decided to write off the aforementioned deposit with EAFMI and corresponding loss reserve.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

10. Property and Equipment

The movements of property and equipment were as follows:

	<i>Property</i>	<i>Furniture and fixtures</i>	<i>Assets under construction</i>	<i>Total</i>
Cost				
December 31, 2003	11,206,026	8,421,793	998,134	20,625,953
Additions	145,146	2,276,666	2,580,741	5,002,553
Transfers	2,483,893	113,039	(2,596,932)	-
Disposals	(121,200)	(400,795)	(28,114)	(550,109)
December 31, 2004	13,713,865	10,410,703	953,829	25,078,397
Accumulated depreciation				
December 31, 2003	1,331,181	7,988,864	-	9,320,045
Charge	574,280	244,167	-	818,447
Disposals	(23,940)	(379,143)	-	(403,083)
December 31, 2004	1,881,521	7,853,888	-	9,735,409
Net book value:				
December 31, 2003	9,874,845	432,929	998,134	11,305,908
December 31, 2004	11,832,344	2,556,815	953,829	15,342,988

11. Intangible Assets

Intangible assets represent accounting, foreign currency exchange and other software, legislative database and electronic mail systems. Total cost is UZS 1,283,487 (2003 – UZS 325,979) and accumulated amortization is UZS 245,253 (2003 – UZS 119,013). Amortization charge for 2004 was UZS 132,419 (2003 – UZS 35,257).

12. Amounts Due to Central Bank and Government

Amounts due to Central Bank and Government consist of the following:

	<i>2004</i>	<i>2003</i>
Amounts due to CBU	71,709,101	74,798,573
Amounts due to the Government	9,804,680	12,466,092
Amounts due to Central Bank and Government	81,513,781	87,264,665

13. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	<i>2004</i>	<i>2003</i>
Time deposits and loans	81,376,369	61,425,257
Current accounts	231,839	62,995
Amounts due to credit institutions	81,608,208	61,488,252

As of December 31, 2004, the Bank has a credit line of EUR 29,686 thousand (UZS 42,507,383) from Bankgesellschaft Berliner Bank (2003 - EUR 29,509 thousand or UZS 35,995,373). This credit line was provided in accordance with inter-governmental cooperation agreement between Uzbekistan and Germany for financing the construction of a fiber-glass production plant. The Bank pays interest of EURIBOR+0.75% on the outstanding balance of the credit line semiannually. As of December 31, 2004, the Bank used EUR 29,559 thousand from the received credit line. The loan matures in October 2014.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

As of December 31, 2004, the Bank had received interbank loans of USD 24,639,487 (UZS 26,068,577) from ICBC. The Bank pays interest of Libor+0.69% on the balance of the loan semiannually. The credit line matures in March 2013.

Due to Credit Institutions include loans totalling UZS 6,129,528 (2003 – 7,125,568) from a foreign financial institution, which has restrictive financial covenants. As of December 31, 2004, the Bank is not in compliance with one of such covenants, and this provides the lender with certain legal remedies under the loan agreement. Management does not believe that the financial institution will use these remedies.

14. Amounts Due to Customers

The amounts due to customers include the following:

	2004	2003
Current accounts	158,267,826	101,323,385
Time deposits	43,583,975	30,927,562
Debt certificates	1,264	36,404
Amounts due to customers	201,853,065	132,287,351

As of December 31, 2004, customer accounts amounting to UZS 26,772,609 (2003 – UZS 18,926,747) were held as a security against letters of credit.

Amounts due to customers include accounts with the following types of customers:

	2004	2003
State and budgetary organisations	90,731,897	64,769,969
Private enterprises	67,495,873	35,025,208
Individuals	43,625,295	32,492,174
Amounts due to customers	201,853,065	132,287,351

Management believes that this level of funding will remain with the Bank for the foreseeable future and that in the event of withdrawal of funds, the Bank would be given sufficient notice so as to liquidate its cash equivalent and inter-bank assets to enable repayment. In order to meet the immediate requirements of clients, the Bank keeps permanent balances on nostro and cash accounts.

15. Shareholders' Equity

As of December 31, 2004, authorized share capital consists of 6,800,000 common and preference shares (2003 – 6,549,088) with nominal value of 1,500 UZS per share. As of year-end 2004, 6,800,000 shares were issued, fully paid and registered (2003 – 6,549,088 shares).

The share capital of the Bank was contributed by the shareholders in Uzbek Soums and they are entitled to dividends and any capital distribution in Uzbek Soums.

Movement of shares authorised, fully paid and outstanding follows:

	Preferred		Common		Total	
	Number of shares	Nominal	Number of shares	Nominal	Number of shares	Nominal
December 31, 2002	864,665	1,296,998	5,235,295	7,852,942	6,099,960	9,149,940
Shares issued and paid	335,335	503,002	113,793	170,690	449,128	673,692
December 31, 2003	1,200,000	1,800,000	5,349,088	8,023,632	6,549,088	9,823,632
Shares issued and paid	-	-	250,912	376,368	250,912	376,368
December 31, 2004	1,200,000	1,800,000	5,600,000	8,400,000	6,800,000	10,200,000

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

The Bank's distributable reserves are determined by the amount of its reserves as disclosed in its accounts prepared in accordance with UAL. At December 31, 2004, the statutory accounts of the Bank disclosed distributable reserves of UZS 12,728,431 (2003 – UZS 13,441,744) and the amount of non-distributable reserves was UZS 15,742,514 (2003 – UZS 10,321,897). Non-distributable reserves are represented by a general reserve fund, which is created as required by the regulations of the Republic of Uzbekistan, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The fund has been created in accordance with the Bank's statutes, which provide for the creation of a fund for the above purposes of not less than 15% of the Bank's share capital reported in the statutory books.

16. Allowances for Impairment and Provisions

The movements in allowances for impairment of interest earning assets, were as follows:

	<i>Loans</i>	<i>Due from credit institutions</i>	<i>Investments</i>	<i>Other assets</i>	<i>Total</i>
December 31, 2002	9,382,637	-	2,139,345	8,992,557	20,514,539
Charge (reversal)	3,280,081	-	(524,015)	430,446	3,186,512
Write-offs	-	-	(520)	(68,286)	(68,806)
Recoveries	51,876	-	-	-	51,876
December 31, 2003	12,714,594	-	1,614,810	9,354,717	23,684,121
Charge (reversal)	2,482,431	250,000	47,738	(536,494)	2,243,675
Write-offs	(623,336)	-	-	(8,497,896)	(9,121,232)
Translation difference	-	-	-	559,600	559,600
December 31, 2004	14,573,689	250,000	1,662,548	879,927	17,366,164

In accordance with Uzbek legislation, loans may only be written off with the approval of the Shareholders' Council and, in certain cases, with the respective approval of a court of law.

Allowances for impairment of assets are deducted from the related assets. Provisions for claims, guarantees and commitments are recorded in liabilities.

17. Net Fee and Commission Income

Net fee and commission income comprise:

	<i>2004</i>	<i>2003</i>
Settlements operations	16,183,177	15,027,631
Other	1,780,955	1,097,772
Fee and commission income	17,964,132	16,125,403
Cash operations	1,632,015	1,487,623
Settlement operations	621,054	277,138
Other	36,840	32,724
Fee and commission expense	2,289,909	1,797,485
Net fee and commission income	15,674,223	14,327,918

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

18. Salaries and Other Administrative and Operating Expenses

Salaries and benefits, and other administrative and operating expenses comprise:

	2004	2003
Salaries and bonuses	4,605,340	3,366,803
Social security costs	1,968,179	1,739,523
Other employment taxes	35,618	22,433
Salaries and benefits	6,609,137	5,128,759
Operating taxes	2,376,128	1,870,248
Occupancy and rent	1,701,175	1,446,823
Membership fees	1,099,774	206,148
Office supplies	939,004	720,568
Charity	726,232	539,884
Communications	599,233	429,551
Professional fees	304,448	139,387
Business travel and related	249,364	314,526
Other	98,638	442,239
Other administrative and operating expenses	8,093,996	6,109,374

The aggregate remuneration and other benefits paid to the members of Shareholders' Council and the Management Board for 2004 was UZS 13,256 (2003 – UZS 10,116).

19. Taxation

The corporate income tax expense comprises:

	2004	2003
Current tax charge	1,713,498	913,301
Deferred tax benefit	(694,273)	(1,521,588)
Income tax expense (benefit)	1,019,225	(608,287)

Uzbek legal entities must individually report taxable income and remit profit taxes thereon to the appropriate authorities. The tax rate for banks for profits other than on debt and equity securities is 18% (2003 - 20%). The income tax rate commencing January 1, 2005, is 15%. The tax rate for profits on debt and equity securities is 15%.

Tax assets consist of the following:

	2004	2003
Current tax assets	1,479,277	2,137,429
Deferred tax assets	1,200,893	506,620
Tax assets	2,680,170	2,644,049

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2004	2003
Income before tax	3,716,761	1,919,841
Statutory tax rate	18%	20%
	669,017	383,968
Increase in customer deposits	(1,145,443)	(1,610,546)
Salary related expenses	782,652	758,859
Effect of change in tax rates	290,920	56,290
Permanent elements of monetary gains and losses	235,960	(310,950)
Investment in fixed assets	(144,138)	(137,125)
Operating taxes	137,225	138,928
Income tax on securities	(127,279)	(153,043)
Charity	69,461	43,897
Transportation	32,816	31,449
Expenses recorded to funds	17,608	(6,195)
Non tax deductible provisions for losses	17,035	186,790
Other	183,391	9,391
Income tax expense (benefit)	1,019,225	(608,287)

Deferred tax assets and liabilities as of December 31 comprise:

	2004	2003
Tax effect of deductible temporary differences:		
Provision for impairment of loans	1,673,541	1,496,133
Provision for impairment of deposits with credit institutions	37,500	-
Other operating expenses	134,589	13,184
Deferred tax asset	1,845,630	1,509,317
Tax effect of taxable temporary differences:		
Inflation restatement of non-monetary assets	(325,412)	(225,594)
Accrued interest income	(319,325)	(645,196)
Commission income	-	(131,907)
Deferred tax liability	(644,737)	(1,002,697)
Deferred tax asset, net	1,200,893	506,620

Uzbekistan currently has a number of laws related to various taxes imposed by both republican and local governmental authorities. Applicable taxes include value added tax, profit tax, a number of turnover-based taxes, and social taxes, together with others. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations (like the State Tax Committee of Uzbekistan and its various inspectorates); thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions on interpretive issues.

20. Financial Risk Management Policies

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main financial risks inherent to the Bank's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Bank's risk management policies in relation to those risks follows.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Credit Risk

The Bank is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry [and geographical] segments. Limits on the level of credit risk by borrower and product [by industry sector, by region] are approved monthly [quarterly] by the Board of Directors. Where appropriate, and in the case of most loans, the Bank obtains collateral. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

The exposure to any one 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. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Concentration

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

	2004			2003		
	<i>OECD</i>	<i>Non - OECD</i>	<i>Total</i>	<i>OECD</i>	<i>Non - OECD</i>	<i>Total</i>
Assets:						
Cash and cash equivalents	37,312,409	51,841,102	89,153,511	971,453	59,777,033	60,748,486
Available-for-sale securities	-	5,104,959	5,104,959	-	5,640,020	5,640,020
Credit institutions	18,766,997	14,360,740	33,127,737	11,520,685	9,704,286	21,224,971
Loans to customers	-	263,877,381	263,877,381	-	219,218,077	219,218,077
Other assets	-	3,776,843	3,776,843	-	14,649,370	14,649,370
	56,079,406	338,961,025	395,040,431	12,492,138	308,988,786	321,480,924
Liabilities:						
Due to CBU and Government	-	81,513,781	81,513,781	-	87,264,665	87,264,665
Due to credit institutions	78,275,801	3,332,407	81,608,208	59,792,483	1,695,769	61,488,252
Due to customers	-	201,853,065	201,853,065	-	132,287,351	132,287,351
Other liabilities	-	983,519	983,519	-	629,908	629,908
	78,275,801	287,682,772	365,958,573	59,792,483	221,877,693	281,670,176
Net position	(22,196,395)	51,278,253	29,081,858	(47,300,345)	87,111,093	39,810,748

The above tables do not include the effect of allowances for impairment, of UZS 17,366,164 and UZS 23,684,121 as of December 31, 2004 and 2003, respectively.

Market Risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Currency Risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Management sets limits on the level of exposure by currencies (primarily US Dollar), by branches and in total. These limits also comply with the requirements of CBU. The Bank's exposure to foreign currency exchange rate risk follows:

	2004			2003		
	UZS	Foreign Currencies	Total	UZS	Foreign currencies	Total
Assets:						
Cash and cash equivalents	20,262,723	68,890,788	89,153,511	25,239,033	35,509,453	60,748,486
Available-for-sale securities	5,104,959	-	5,104,959	5,640,020	-	5,640,020
Credit institutions	10,624,855	22,502,882	33,127,737	7,732,387	13,492,584	21,224,971
Loans to customers	166,718,107	97,159,274	263,877,381	150,712,032	68,506,045	219,218,077
Other assets	3,160,953	615,890	3,776,843	14,649,370	-	14,649,370
	205,871,597	189,168,834	395,040,431	203,972,842	117,508,082	321,480,924
Liabilities:						
Due to CBU and Government	81,513,781	-	81,513,781	87,264,665	-	87,264,665
Due to credit institutions	2,338,057	79,270,151	81,608,208	2,686,000	58,802,252	61,488,252
Due to customers	106,677,388	95,175,677	201,853,065	82,477,757	49,809,594	132,287,351
Other liabilities	449,067	534,452	983,519	-	629,908	629,908
	190,978,293	174,980,280	365,958,573	172,428,422	109,241,754	281,670,176
Net position	14,893,304	14,188,554	29,081,858	31,544,420	8,266,328	39,810,748

The above tables do not include the effect of allowances for impairment, of UZS 17,366,164 and UZS 23,684,121 as of December 31, 2004 and 2003, respectively.

The Bank has extended loans and advances denominated in foreign currencies. Although these loans are generally funded by the same currencies, their appreciation against the Uzbek Soum can adversely affect the borrowers' repayment ability and, therefore, increases the likelihood of future loan losses.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee.

As of December 31, the effective average interest rates by currencies and comparative market rates for interest generating/ bearing monetary financial instruments were as follows:

	2004		2003	
	UZS	Foreign currencies	UZS	Foreign currencies
Bank rates				
Credit institutions	18.0%	1.7%	21.0%	1.0%
Available-for-sale securities	12.0%	-	17.0%	-
Loans to customers	18.0%	9.0%	16.0%	4.0%
 Due to CBU and Government	 7.0%	 -	 9.0%	 -
Credit institutions	20.0%	3.8%	30.0%	3.0%
Amounts due to customers	10.4%	5.0%	19.0%	6.0%
Debt certificates	36.0%	-	19.0%	-

As disclosed in maturity analysis below, the maturity dates applicable to the majority of the Bank's assets and liabilities are relatively short-term. The Bank monitors its interest rate margin and, consequently, does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

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. 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/liabilities management process. The 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 following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date.

	2004						Total
	On demand	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	
Assets:							
Cash and cash equivalents	50,842,330	38,311,181	-	-	-	-	89,153,511
Available-for-sale securities	915,133	-	2,675,331	1,514,495	-	-	5,104,959
Credit institutions	684,496	-	8,266,179	14,046,482	10,130,580	-	33,127,737
Loans to customers	29,877,715	4,164,043	22,378,299	26,651,764	63,476,307	117,329,253	263,877,381
Other assets	-	2,077,264	1,699,579	-	-	-	3,776,843
	82,319,674	44,552,488	35,019,388	42,212,741	73,606,887	117,329,253	395,040,431
Liabilities:							
Due to CBU and Government	22,813,393	-	-	-	-	58,700,388	81,513,781
Due to credit institutions	1,231,839	462,439	19,159	3,756,253	7,178,680	68,959,838	81,608,208
Due to customers	163,015,226	7,105,428	25,873,916	2,634,957	3,223,538	-	201,853,065
Other liabilities	-	983,519	-	-	-	-	983,519
	187,060,458	8,551,386	25,893,075	6,391,210	10,402,218	127,660,226	365,958,573
Net position	(104,740,784)	36,001,102	9,126,313	35,821,531	63,204,669	(10,330,973)	29,081,858
Accumulated gap	(104,740,784)	(68,739,682)	(59,613,369)	(23,791,838)	39,412,831	29,081,858	

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

	2003						Total
	On demand	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	
Assets:							
Cash and cash equivalents	39,178,846	21,569,640	-	-	-	-	60,748,486
Available-for-sale securities	-	-	-	1,308,493	2,174,239	2,157,288	5,640,020
Credit institutions	-	4,315,837	15,048,627	671,997	1,188,510	-	21,224,971
Loans to customers	27,825,496	18,696,057	10,844,219	12,848,688	90,242,012	58,761,605	219,218,077
Other assets	-	8,057,153	6,592,217	-	-	-	14,649,370
	67,004,342	52,638,687	32,485,063	14,829,178	93,604,761	60,918,893	321,480,924
Liabilities:							
Due to CBU and Government	10,455,199	-	10,817,639	-	-	65,991,827	87,264,665
Due to credit institutions	62,995	4,413,062	-	666,013	7,819,460	48,526,722	61,488,252
Due to customers	101,323,385	6,722,760	17,502,358	2,548,985	4,189,863	-	132,287,351
Other liabilities	-	629,908	-	-	-	-	629,908
	111,841,579	11,765,730	28,319,997	3,214,998	12,009,323	114,518,549	281,670,176
Net position	(44,837,237)	40,872,957	4,165,066	11,614,180	81,595,438	(53,599,656)	39,810,748
Accumulated gap	(44,837,237)	(3,964,280)	200,786	11,814,966	93,410,404	39,810,748	

The above tables do not include the effect of allowances for impairment, of UZS 17,366,164 and UZS 23,684,121 as of December 31, 2004 and 2003, respectively.

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

21. Fair Values of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced sale or liquidation. As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. 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 following methods and assumptions are used by the Bank to estimate the fair value of these financial instruments:

Amounts Due from and to Credit Institutions

For assets maturing within one month the carrying amount approximates the fair value due to the relatively short-term maturity of these financial instruments. For longer term deposits, the interest rates applicable reflect market rates and, consequently, the fair value approximates the carrying amounts.

Loans and Advances to Customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end, except centralized loans, where CBU's refinancing rate was used.

Amounts due to CBU and the Government

For these balances the estimated fair values is based on discounted cash flows using CBU's refinancing interest rate.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

Amounts Due to Customers

For balances maturing within one month the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	2004		2003	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
Financial assets				
Amounts due from credit institutions, net	32,877,737	32,877,737	21,224,971	21,224,971
Loans to customers, net	249,303,692	230,680,381	206,503,483	191,425,589
Financial liabilities				
Amounts due to CBU and Government	81,513,781	66,136,114	87,264,665	66,419,191
Amounts due to credit institutions	81,608,208	81,608,208	61,488,252	61,488,252
Amounts due to customers	201,853,065	201,355,711	132,287,351	134,066,338

22. Related Party Transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Bank's related parties include, associates, shareholders, entities which exercise significant influence over the Bank, key management personnel

As of December 31, the Bank had the following transactions with related parties:

	2004			2003		
	<i>Related party transactions</i>	<i>Percentage on normal conditions</i>	<i>Total asset or liability category</i>	<i>Related party transactions</i>	<i>Percentage on normal conditions</i>	<i>Total asset or liability category</i>
Loans to customers	67,653,579	100%	263,877,381	113,553,578	100%	219,218,077
Amounts due to customers	107,380,504	100%	201,853,065	5,203,005	100%	132,287,351
Commitments and guarantees given	35,603,016	100%	68,491,471	85,286,066	100%	88,657,445
Commitments and guarantees received	70,151,591	100%	72,236,274	7,225,375	100%	7,275,119

The Bank derived the following income from transactions with related parties during 2004:

Interest income (margin) – UZS 2,143,218 (2003 – UZS 734,709);

Commission income – UZS 1,044,066 (2003 – UZS 2,749,292).

During 2004 the Bank incurred UZS 111,587 interest expense (2003 – UZS nil) on transactions with related parties.

(Thousands of Uzbek Soums – purchasing power as of December 31, 2004)

23. Financial Commitments and Contingencies

Taxation framework

Uzbekistan currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, profit tax, a number of turnover based taxes, and social taxes, together with others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations (like the State Tax Committee and its various inspectorates); thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

Legal

During 2004, the Bank was not involved in any legal actions or complaints. However, if in the ordinary course of business, the Bank is subject to legal actions and complaints, management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Undrawn Loan Commitments, Guarantees and Letters of Credit

Financial commitments and contingencies as at 31 December 2004 and 2003, comprise:

	2004	2003
Letters of credit	32,799,594	23,509,038
Guarantees	35,691,877	62,861,373
Undrawn loan commitments	13,595,435	2,287,034
Credit related commitments	82,086,906	88,657,445

Guarantees include guarantees of UZS 32,008,135 issued by the Bank for JSC “Uzburneftegaz” to purchase drilling equipment from a Chinese counterpart CPTDC. This guarantee accounted for 90 % of total financial guarantees and represented 104% of the Bank’s total shareholders’ equity at that date.

The largest part of Letters of Credit represents a letter of credit to the Citic International Co. for the purchase of equipment for Kungrad Soda Plant in the amount of UZS 23,865,317. This letter of credit accounted for 87% of total Letters of Credit.

As of December 31, 2004, the Bank does not consider any provision is required against these commitments (2003 – nil).

Insurance

In 2004, the Bank’s property was insured and the total amount of insurance coverage as of December 31, 2004, was UZS 7,213,473 (2003 – UZS 5,577,968).

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions.

24. Capital Adequacy

The Central Bank of Uzbekistan requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on UAL. As of December 31, 2004 and 2003, the Bank’s unaudited capital adequacy ratio on this basis exceeded the statutory minimum and was 16.5% and 16.8%, respectively.

The Bank’s international risk based capital adequacy ratio as at December 31, 2004 and 2003, was 10.2% and 10.8%, respectively, which exceeded the minimum ratio of 8% recommended by the Basle Accord.