JOINT-STOCK COMMERCIAL INDUSTRIAL-CONSTRUCTION BANK “UZPROMSTROYBANK”

International Financial Reporting Standards Financial Statements and Independent Auditor’s Report

31 December 2007

CONTENTS

In thousands of Uzbekistan Soums	Note	2007	Restated 2006
Interest income	19	65,590,481	45,394,426
Interest expense	19	(29,729,320)	(25,799,117)
Net interest income		**35,861,161**	**19,595,309**
Provision for loan impairment	9	(13,811,249)	(7,999,172)
Net interest income after provision for loan impairment		**22,049,912**	**11,596,137**
Fee and commission income	20	38,704,904	28,688,740
Fee and commission expense	20	(4,759,347)	(3,366,253)
Gains less losses from trading in foreign currencies		1,880,662	1,821,337
Foreign exchange translation gains less losses		1,251,872	1,175,941
Losses on initial recognition of assets at rates below market	9	(1,924,061)	(1,397,654)
Recovery of impairment/(impairment) of investment securities available for sale	10	279,534	(110,651)
Losses less gains from disposals of investment securities available for sale		(252,774)	(332,043)
Other operating income	21	664,219	193,283
Dividend income		586,960	622,464
Administrative and other operating expenses	22	(43,978,001)	(29,471,007)
Gain from acquisition		-	440,701
Profit before tax		**14,503,880**	**9,860,995**
Income tax expense	23	(2,789,059)	(2,477,988)
Profit for the year		**11,714,821**	**7,383,007**
Earnings per share, basic (expressed in UZS per share)	24	520	498

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INDEPENDENT AUDITOR'S REPORT

To the shareholders and Council of Joint-Stock Commercial Industrial-Construction Bank "UZPROMSTROYBANK":

1. We have audited the accompanying financial statements of Joint-Stock Commercial Industrial-Construction Bank "UZPROMSTROYBANK" (the "Bank") which comprise the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management 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.

Auditor's Responsibility

3. 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.

4. 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 judgement, 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.

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

Opinion

6. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Tashkent, Uzbekistan
4 April 2008

In thousands of Uzbekistan Soums	Note	31 December 2007	Restated 31 December 2006
ASSETS			
Cash and cash equivalents	7	258,178,861	190,603,146
Due from other banks	8	30,701,796	24,458,156
Loans and advances to customers	9	599,445,730	418,631,029
Investment securities available for sale	10	14,287,992	12,655,586
Deferred income tax asset	23	2,202,317	1,587,397
Premises, equipment and intangible assets	11	33,715,932	27,466,391
Other assets	12	14,511,617	5,112,987
Non current assets held for sale	13	8,547,087	3,144,848
TOTAL ASSETS		**961,591,332**	**683,659,540**
LIABILITIES			
Due to other banks	14	63,167,577	7,648,288
Customer accounts	15	611,260,588	435,952,488
Borrowings from government, state and international financial organisations	16	206,518,625	180,273,160
Other liabilities	17	4,365,601	5,816,594
TOTAL LIABILITIES		**885,312,391**	**629,690,530**
EQUITY			
Share capital	18	47,822,616	30,526,495
Fair value reserve for investment securities available for sale		438,429	209,440
Retained earnings		28,017,896	23,233,075
TOTAL EQUITY		**76,278,941**	**53,969,010**
TOTAL LIABILITIES AND EQUITY		**961,591,332**	**683,659,540**

Approved for issue and signed on behalf of the Board of Management on 4 April 2008.

Ulugbek M. Mustafoev
Chairman of the Board

Saidkamol S. Khodjaev
Chief Accountant

O'ZBEKISTON AKSIYADORLIK TIJORAT SANOAT-QURILISH BANKI

In thousands of Uzbekistan Soums	Note	Share capital	Fair value reserve for investment securities available for sale	Retained earnings	Restated Total equity
Previously reported balances at 31 December 2005		**23,843,703**	**-**	**10,618,401**	**34,462,104**
Correction of error	3	-	-	8,345,405	8,345,405
Balance at 1 January 2006		**23,843,703**	**-**	**18,963,806**	**42,807,509**
Fair value gains arising on investment securities available for sale	10	-	252,337	-	252,337
Income tax recorded in equity	23	-	(42,897)	-	(42,897)
Net income recognised directly in equity		-	209,440	-	209,440
Profit for the year (restated)		-	-	7,383,007	7,383,007
Total recognised income for 2006 (restated)		-	209,440	7,383,007	7,592,447
New shares issued	18	6,682,792	-	-	6,682,792
Dividends declared	25	-	-	(3,113,738)	(3,113,738)
Balance at 31 December 2006 (restated)		**30,526,495**	**209,440**	**23,233,075**	**53,969,010**
Fair value gains arising on investment securities available for sale	10	-	263,462	-	263,462
Income tax recorded in equity	23	-	(34,473)	-	(34,473)
Net income recognised directly in equity		-	228,989	-	228,989
Profit for the year		-	-	11,714,821	11,714,821
Total recognised income for 2007		-	228,989	11,714,821	11,943,810
Shares issued and paid	18	11,146,121	-	-	11,146,121
Capitalisation of shares	18	6,150,000	-	(6,150,000)	-
Dividends declared	25	-	-	(780,000)	(780,000)
Balance at 31 December 2007		**47,822,616**	**438,429**	**28,017,896**	**76,278,941**

In thousands of Uzbekistan Soums	Note	2007	Restated 2006
Cash flows from operating activities			
Interest received		62,479,336	38,359,068
Interest paid		(29,433,740)	(24,278,665)
Fee and commission received		39,236,205	28,795,508
Fee and commission paid		(4,662,249)	(3,341,764)
Income received from trading in foreign currencies		1,880,662	1,821,337
Other operating income received		396,309	206,362
Staff costs paid		(19,665,392)	(10,938,355)
Administrative and other operating expenses paid		(18,149,234)	(14,753,054)
Income tax paid		(3,393,226)	(1,530,903)
Cash flows from operating activity before changes in operating assets and liabilities		**28,688,671**	**14,339,534**
Changes in operating assets and liabilities			
Net (increase) / decrease in due from other banks		(6,169,530)	26,670,245
Net increase in loans and advances to customers		(199,478,478)	(82,881,253)
Net increase in other assets		(9,994,976)	(1,112,990)
Net increase / (decrease) in due to other banks		55,515,101	(3,090,522)
Net increase in customer accounts		176,034,548	121,648,519
Net decrease in other liabilities		(2,017,806)	(2,912,635)
Net cash from operating activities		**42,577,530**	**72,660,898**
Cash flows from investing activities			
Acquisition of investment securities available for sale		(9,931,254)	(7,715,494)
Proceeds from disposal of investment securities available for sale		8,788,391	732,088
Acquisition of premises, equipment and intangible assets	11	(11,648,874)	(6,413,746)
Proceeds from disposal of premises, equipment and intangible assets		232,920	687,036
Dividends received from investment securities available for sale		586,960	622,464
Acquisition of subsidiary, net of cash acquired		-	9,476,377
Net cash used in investing activities		**(11,971,857)**	**(2,611,275)**
Cash flows from financing activities			
Proceeds from issue of share capital		11,146,121	2,984,250
Dividends paid		(540,000)	(3,113,738)
Proceeds from borrowings from government, state and international financial organisations		78,868,241	41,618,120
Repayment of from borrowings from government, state and international financial organisations		(52,796,695)	(47,157,496)
Net cash from/ (used in) financing activities		**36,677,667**	**(5,668,864)**
Effect of exchange rate changes on cash and cash equivalents		292,375	244,138
Net increase in cash and cash equivalents		**67,575,715**	**64,624,897**
Cash and cash equivalents as at beginning of the year		190,603,146	125,978,249
Cash and cash equivalents as at the end of the year	7	**258,178,861**	**190,603,146**
Non cash Transactions:			
- capitalisation of shares out of retained earnings	18	6,150,000	-
- non current assets held for sale transferred from loans and advances to customers	13	10,234,817	2,512,119

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2007 for Joint-Stock Commercial Industrial-Construction Bank "Uzpromstroybank" (the "Bank").

The Bank was formed in 1991 as an open joint-stock company limited by shares under the law of the Republic of Uzbekistan and is domiciled in the Republic of Uzbekistan.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Uzbekistan, as well as foreign exchange dealing on international foreign currency markets. The Bank was granted its banking licence #17 issued by the Central Bank of Uzbekistan ("CBU") on 25 January 2003 and license for foreign currency operations # 1 on 29 January 2005. The activities of the Bank are regulated by the Central Bank of Uzbekistan ("CBU").

The Bank participates in the state deposit insurance scheme. The State Deposit Insurance Fund guarantees repayment of 100% of individual deposits up to 100 minimum monthly wages set by legislation and repayment of 90% of individual deposits in excess of 100 minimum monthly wages up to a limit of 250 minimum monthly wages in case of the revocation of a license of a bank.

A significant portion of the Bank's activities are related to its role as a government agent in allocating centralised resources of the government to the strategic industries of economy as oil and gas, power industry, chemicals, manufacturing and mining. These activities represent a significant part of the Bank's assets, funding sources and income generation.

The Bank operates through its Head Office, registered and located in Tashkent, Republic of Uzbekistan, and 48 branches within Uzbekistan (2006: 47 branches). The number of the Bank's employees as at 31 December 2007 was 4,227 (2006: 4,136).

As of December 31, the following shareholders owned more than 4% of the outstanding shares.

	2007 **%**	**2006** **%**
British Glass Group MChJ	16.9%	-
NHC "Uzbekneftegaz	17.2%	24.2%
Absolute Investments Trust MChJ	14.5%	-
Shuhrat-Dang'ara MChJ	4.8%	-
Asset Management Trust MChJ	4.6%	5.2%
Mirobid-Dang'ara MChJ	4.6%	-
Addison Ventures (UK) Ltd.	4.2%	6.0%
Brentwood and Co (UK) Ltd.	4.0%	5.7%
Other	29.2%	58.9%
Total	**100.0%**	**100.0%**

Total number of shareholders as at 31 December 2007 was 35,826, which includes 3,599 legal entities and 32,227 individuals, respectively (2006: 32,272 which includes 3,684 legal entities and 28,588 individuals).

Registered address:

3, Shahrisabz Str, Tashkent, 100000
Uzbekistan

Presentation currency. These financial statements are presented in thousands of Uzbekistan Soums ("UZS thousands").

2 Operating Environment of the Bank

Uzbekistan. Whilst there have been improvements in recent years in the economic situation in the Republic of Uzbekistan, the economy of the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the Republic of Uzbekistan and a low level of liquidity in debt and equity markets.

2 Operating Environment of the Bank (Continued)

Additionally, the banking sector in the Republic of Uzbekistan is particularly impacted by political, legislative, fiscal and regulatory developments in the Republic of Uzbekistan. The prospects for future economic stability in the Republic of Uzbekistan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, regulatory and political developments, which are beyond the Bank's control.

The Bank's financial position and operating results will continue to be affected by future political and economic developments in the Republic of Uzbekistan including the application of existing and future legislation and tax regulations which significantly impact Uzbek financial markets and the economy overall. Management believes that it is not practical to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these financial statements.

In addition, economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for securities, which would be determined in an efficient, active market involving willing buyers and willing sellers.

Recent volatility in global financial markets. Since the second half of 2007 there has been a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors have re-evaluated their exposure to risks, resulting in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. Such circumstances may affect the ability of the Bank to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to similar transactions in recent periods. Borrowers of the Bank may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Management is unable to reliably estimate the effects on the Bank's financial position of any further possible deterioration in the liquidity of the financial markets and their increased volatility.

3 Summary of Significant Accounting Policies

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

Amendments of the financial statements after issue. The Company's shareholders and management have the power to amend the financial statements after issue.

Key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

3 Summary of Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. the Bank`s financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial asset. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; and recognised in equity for assets classified as available for sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Bank considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the bank obtains;

3 Summary of Significant Accounting Policies (Continued)

- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of Management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Credit related commitments. The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At each balance sheet date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank classifies investments as available for sale at the time of purchase.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

3 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soums at 31 December 2005 for assets acquired prior to 1 January 2006, less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost, restated to the equivalent purchasing power of the Uzbekistan Soums at 31 December 2005 for assets acquired prior to 1 January 2006, less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired, premises and equipment are written down to the higher of their value in use or fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in statement of income.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

Buildings and premises	5% per annum;
Furniture and equipment	15-20% per annum;

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable.

Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Non-current assets classified as held for sale. Non-current assets are classified in the balance sheet as 'Non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Both financial and non-financial assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (d) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's balance sheet are not reclassified or re-presented in the comparative balance sheet to reflect the classification at the end of the current period.

3 Summary of Significant Accounting Policies (Continued)

Held for sale premises and equipment as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, it is removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Borrowings from government, state and international financial organisations. Borrowings from government, state and international financial organisations include borrowings from international financial institutions, government and non-government funds and state organisations. The borrowings from government, state and international financial organisations are carried at amortised cost.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Uzbekistan legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Bank. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded in the income statement for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

3 Summary of Significant Accounting Policies (Continued)

When loans and other debt instruments become impaired, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Bank's presentation currency is the national currency of the Republic of Uzbekistan, Uzbekistan Soums ("UZS").

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the CBU at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2007 the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 1,290 (2006: USD 1 = UZS 1,240). Exchange restrictions and controls exist relating to converting UZS into other currencies. At present, the UZS is not a convertible currency outside of the Republic of Uzbekistan.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2006. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2005 are the basis for the carrying amounts in these financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Staff costs and related contributions. Wages, salaries, contributions to the Republic of Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

Segment reporting. A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately. Geographical segments of the Bank have been reported separately within these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

3 Summary of Significant Accounting Policies (Continued)

Change in accounting policy and presentation. Where necessary, corresponding figures have been adjusted to conform with change in accounting policy and in the presentation of the current year amounts.

The effect of reclassifications are as follows:

Cash and cash equivalents. The Bank changed its accounting policy for cash and cash equivalents and now also considers as part of cash and cash equivalents the mandatory reserve deposits with the CBU. The change was made to align the Bank's policies with practices in other countries that apply IFRS in order to enhance comparability of the Bank's financial position. The mandatory balances were calculated on monthly average balances of customer's demand deposits.

Borrowings from government, state and international financial organisations. The Bank changed its accounting policy for borrowings from government, state and international financial organisations and now also includes the payables to international financial organisations as part of borrowings from government, state and international financial organisations. The change was made to align the Bank's policies with practices in other countries that apply IFRS in order to enhance comparability of the Bank's financial position.

Non current assets held for sale. The Bank changed its accounting policy for non current assets held for sale and now also considers these as a separate line in the balance sheet. The change was made to align the Bank's policies with practices in other countries that apply IFRS in order to enhance comparability of the Bank's financial position.

In thousands of Uzbekistan Soums	31 December 2006
Balance sheet lines affected	
Increase in	
Cash and cash equivalents	30,018,286
Borrowings from government, state and international financial organisations	60,741,704
Non current assets held for sale	3,144,848
Decrease in	
Due from Other Banks	(30,018,286)
Due to Other Banks	(60,741,704)
Other assets	(3,144,848)

Loss on initial recognition of assets at rates below market. The Bank changed its presentation for loss on initial recognition of assets at rates below market and now considers these as a separate line in the income statement. The change was made as the Management believes that this presentation is more appropriate for the users of these financial statements.

Gains less losses from trading in foreign currencies. The Bank changed its presentation for gains less losses from trading in foreign currencies and now considers these as a separate line in the income statement. The change was made as the Management believes that this presentation is more appropriate for the users of these financial statements, unless otherwise stated.

In thousands of Uzbekistan Soums	31 December 2006
Income Statement lines affected	
Increase in	
Interest income	1,397,654
Gains less losses from trading in foreign currencies	332,043
Decrease in	
Losses on initial recognition of assets at rates below market	(1,397,654)
Losses less gains from disposals of investment securities available for sale	(332,043)

3 Summary of Significant Accounting Policies (Continued)

Correction of error. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the management of the Bank restated the corresponding figures as at 31 December 2006 in these financial statements.

The effect of adjustments has been recorded in the retained earnings as at 1 January 2006.

Understatement of accrued interest income receivable. The adjustment resulted from recognition of interest income on loans and advances to customers during the grace period. The Management additionally recognised UZS 9,511,397 thousand interest income/receivable for periods until 1 January 2006.

Overstatement of deferred income tax asset. Deferred income tax asset for periods until 1 January 2006 was reduced by UZS 1,165,992 thousand to rectify a factual error in computing deferred income tax as at this date.

The net impact of the above restatements of UZS 8,345,405 thousand to the financial statement figures before 1 January 2006 are tabulated below:

In thousands of Uzbekistan Soums	Previously reported balances	Effect of restatement adjustments	Restated balances
Loans and advances to customers	310,386,195	8,345,405	318,731,600
Retained earnings	10,618,401	8,345,405	18,963,806

Understatement of accrued interest income receivable. The adjustment resulted from recognition of interest income on loans and advances to customers during the grace period. The Management additionally recognised UZS 1,336,354 thousand for the year ended 31 December 2006.

Understatement of fair value gain of investment securities available for sale. The adjustment resulted from recognition of tax effect of fair value gain of investment securities available for sale through equity. The Management additionally recognised UZS 42,897 thousand for the year ended 31 December 2006.

Overstatement of corporate income tax charges. Prior year corporate income tax asset was increased by UZS 1,523,551 thousand to reconcile with the corporate income tax return. After a detailed analysis of the corporate income tax return, the management considered it prudent to decrease the corporate income tax asset.

Overstatement of deferred income tax asset. The Management rectified a factual error in computing deferred income tax UZS 526,296 thousand for the year ended 31 December 2006.

Classification error. Reclassification of comparative figures was made by management for the following balance sheet items:

Corporate income tax asset. After detailed analysis of the corporate income tax asset, management reclassified other tax prepayments UZS of 845,185 thousand to other assets as at 31 December 2006.

Other operating income. After detailed analysis of interest expenses from term deposits of individuals, management reclassified fines and penalties of UZS 95,262 thousand to other operating income for the year ended 31 December 2006.

3 Summary of Significant Accounting Policies (Continued)

Restatement and reclassification impact to the financial statement figures as at 31 December 2006 are tabulated below.

In thousands of Uzbekistan Soums	Previously reported balances	Effect of restatement adjustment	Effect of reclassification adjustment	Restated balances
Balance sheet lines affected				
Loans and advances to customers	407,783,278	10,847,751	-	418,631,029
Investment securities available for sale	12,612,689	42,897		12,655,586
Current income tax asset (Note 12)	2,648,808	(1,523,551)	(845,185)	280,072
Deferred income tax asset	3,279,685	(1,692,288)	-	1,587,397
Other assets	3,987,730	-	845,185	4,832,915
Net impact of restatement and reclassification to the balance sheet lines		**7,674,809**	**-**	
Income Statement lines affected				
Interest income	44,058,072	1,336,354	-	45,394,426
Income tax expense	(471,039)	(2,006,949)	-	(2,477,988)
Interest expense	(25,703,855)	-	(95,262)	(25,799,117)
Other operating income	98,021	-	95,262	193,283
Net impact of restatement and reclassification to the income statement lines		**(670,595)**	**-**	

The net impact of the above restatement and reclassification to the financial statement figures as at 31 December 2006 are tabulated below:

In thousands of Uzbekistan Soums	Previously reported balances	Effect of restatement adjustments	Restated balances
Total assets	675,984,731	7,674,809	683,659,540
Total equity	46,294,201	7,674,809	53,969,010
Net profit	8,053,602	(670,595)	7,383,007

Overstatement of contingencies and commitment. Prior year commitment relating to import letters of credit were decreased by UZS 110,734,829 thousand. After a detailed analysis of the credit related commitments, the management considered to decrease this amount of import letter of credit.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Fair value of available for sale financial assets. The fair values of a available for sale financial assets that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that there would be a one month delay in collecting top 5% of the loans and advances to customers, the provision would be approximately UZS 295,800 thousand (31 December 2006: UZS 245,560 thousand) higher. The top 5% of loans include impaired loans. If such impaired loans were collected one month earlier than currently assumed, the provision would be UZS 60,198 thousand (31 December 2006: UZS 59,326 thousand) lower.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 29.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter.
The business plan is based on Management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan are:

- increase of loan portfolio;
- increase of customer deposits; and
- increase of bank branches.

Borrowings from government, state and international financial organisations. The Bank obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Bank could source the funds from local lenders. As a result of such financing, the Bank is able to advance funds to specific customers at advantageous rates. Management have considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management’s judgement is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgement management also considered that these instruments are a separate market segment.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRS became effective for the Bank from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Bank’s operations and the nature of their impact on the Bank’s accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2006, unless otherwise described below.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity’s key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation.*

The Amendment to IAS 1 introduced disclosures about the level of an entity’s capital and how it manages capital. The new disclosures are made in these financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

Other new standards or interpretations. The Bank has adopted the following other new standards or interpretations which became effective from 1 January 2007:

- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

Effect of Adoption. The new IFRIC interpretations 7 to 10 did not significantly affect the Bank's financial statements. As a result of adoption of IFRS 7, the Bank made certain changes in presentation. The effect of reclassifications was not significant.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2008 or later periods and which the Bank has not early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the standard will have on segment disclosures in the Bank's financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Bank is currently assessing the impact of the amended standard on its financial statements.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Bank expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance. The current standard requires excess losses to be allocated to the owners of the parent, except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses. The revised standard also specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. Any investment retained in the former subsidiary will have to be measured at its fair value at the date when control is lost. The current standard requires the carrying amount of an investment retained in the former subsidiary to be regarded as its cost on initial measurement of the financial asset in accordance with IAS 39, Financial Instruments: Recognition and Measurement. The Bank is currently assessing the impact of the amended standard on its financial statements.

6 New Accounting Pronouncements (Continued)

Amendment to IFRS 2 Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2008). The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Bank is currently assessing the impact of the amended standard on its financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The disclosures required to be made in relation to contingent consideration will be enhanced. The revised IFRS 3 brings in its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Bank is currently assessing the impact of the amended standard on its financial statements.

Other new standards or interpretations. The Bank has not early adopted the following other new standards or interpretations:

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008); and
- IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	2007	2006
Cash on hand	30,575,732	31,125,490
Cash balances with the CBU (other than mandatory reserve deposits)	36,250,078	70,971,355
Mandatory cash balances with CBU	62,301,254	30,018,286
Correspondent accounts and overnight placements with other banks:		
- Uzbekistan	31,726,917	147,858
- Other countries	97,324,880	58,340,157
Total cash and cash equivalents	**258,178,861**	**190,603,146**

Cash balances with the CBU include an overnight deposit of UZS 28,300,000 thousand (2006: UZS 58,300,000 thousand) bearing a fixed interest rate of 0.5% per annum (2006: 0.5% per annum).

Carrying value of each class of amounts due from other banks approximates fair value at 31 December 2007 and 2006. As at 31 December 2007 the estimated fair value of cash and cash equivalents was UZS 258,178,861 thousand (2006: UZS 190,603,146 thousand). Refer to Note 30.

Interest rate analysis of cash and cash equivalents are disclosed in Note 27.

8 Due from Other Banks

In thousands of Uzbekistan Soums	2007	2006
Restricted cash	21,529,647	23,590,294
Short term placements with other banks with original maturities of more than three months	9,172,149	867,862
Total due from other banks	**30,701,796**	**24,458,156**

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Bank in respect of Letters of Credit. The Bank does not have the right to use these funds for the purposes of funding its own activities. The Bank has received restricted deposits from these customers in the same amounts which are recorded in customer accounts.

Amounts due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2007 is as follows:

In thousands of Uzbekistan Soums	Restricted cash	Short term placements with other banks	Total
Current and not impaired			
- Fitch AA	19,931,807	148,350	20,080,157
- Fitch A	749,650	-	749,650
- Fitch BBB	53,763	-	53,763
- Fitch BB	794,427	1,806,000	2,600,427
- Unrated*	-	7,217,799	7,217,799
Total current and not impaired	**21,529,647**	**9,172,149**	**30,701,796**
Total due from other banks	**21,529,647**	**9,172,149**	**30,701,796**

* Unrated banks represent domestic Uzbek banks.

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2006 is as follows:

In thousands of Uzbekistan Soums	Restricted cash	Short term placements with other banks	Total
Current and not impaired			
- Fitch AA	20,818,732	142,600	20,961,332
- Fitch A	2,757,083	-	2,757,083
- Fitch BB	14,479	-	14,479
- Unrated*	-	725,262	725,262
Total current and not impaired	**23,590,294**	**867,862**	**24,458,156**
Total due from other banks	**23,590,294**	**867,862**	**24,458,156**

* Unrated banks represent domestic Uzbek banks.

Carrying value of each class of amounts due from other banks approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of due from other banks was UZS 30,701,796 thousand (2006: UZS 24,458,156 thousand). Refer to Note 30.

Interest rate analysis of due from other banks are disclosed in Note 27.

9 Loans and Advances to Customers

In thousands of Uzbekistan Soums	2007	Restated 2006
Corporate loans	334,860,508	219,678,437
State and municipal organisations	245,499,078	180,473,675
Loans to individuals - consumer loans	46,781,181	39,705,015
Loans to individuals - entrepreneurs	5,469,401	2,892,360
Less: Provision for loan impairment	(33,164,438)	(24,118,458)
Total loans and advances to customers	**599,445,730**	**418,631,029**

As at 31 December 2007 loans issued at interest rates below market through a fund for concessionary lending to small and medium size businesses ("SME") established by the Bank from its internal resources in accordance with the Government decree on support of SME amounted to UZS 22,876,433 thousand (2006: UZS 15,716,085 thousand). Losses on origination of such loans at rates below market in the amount of UZS 1,924,061 thousand (2006: UZS 1,397,654 thousand) are recorded in the income statement.

Loans and advances to customers include loans of UZS 206,518,625 thousand (2006: UZS 180,273,160 thousand) funded by borrowings from international financial institutions as stated in Note 16. Loans and advances to customers include interest of UZS 33,528,347 thousand (2006: 32,479,173 thousand) which is accrued using effective interest rate but not due as at the balance sheet date on project finance loans issued in accordance with the governmental decrees. These project finance loans provide a grace period on interest payments in instalments up to the year 2008.

Movements in the provision for loan impairment during 2007 are as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Provision for loan impairment at 1 January 2007	**19,287,650**	**3,893,577**	**873,510**	**63,721**	**24,118,458**
Provision for loan impairment during the year	6,851,423	6,667,717	235,165	56,944	**13,811,249**
Amounts written off during the year as uncollectible	(336,700)	(159,956)	-	-	**(496,656)**
Transfer to non-current assets held for sale	(4,268,613)	-	-	-	**(4,268,613)**
Provision for loan impairment at 31 December 2007	**21,533,760**	**10,401,338**	**1,108,675**	**120,665**	**33,164,438**

Movements in the provision for loan impairment during 2006 are as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Provision for loan impairment at 1 January 2006	**15,792,348**	**3,160,840**	**583,800**	**42,587**	**19,579,575**
Provision for loan impairment during the year	6,396,977	1,291,351	289,710	21,134	**7,999,172**
Amounts written off during the year as uncollectible	(2,901,675)	(558,614)	-	-	**(3,460,289)**
Provision for loan impairment at 31 December 2006	**19,287,650**	**3,893,577**	**873,510**	**63,721**	**24,118,458**

9 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

In thousands of Uzbekistan Soums	2007 amount	%	Restated 2006 amount	%
Machinery and other manufacturing	305,633,426	48	293,010,256	66
Construction and construction materials	120,135,466	19	39,339,753	9
Trading and food companies	65,610,016	10	30,269,183	7
Individuals	46,781,181	7	39,705,015	9
Transport	35,260,341	6	21,097,674	5
Agriculture	25,538,469	4	8,167,536	2
Utilities	13,395,119	3	490,469	1
Other	20,256,150	3	10,669,601	1
Total loans and advances to customers before impairment provision	**632,610,168**	**100**	**442,749,487**	**100**

At 31 December 2007 the Bank had ten borrowers (2006: ten borrowers) with aggregate loan amounts above UZS 7,000,000 thousand. The total aggregate amount of these loans was UZS 214,557,850 thousand (2006: UZS 226,627,722 thousand) or 34% of the gross loan portfolio (2006: 51%).

Information about collateral at 31 December 2007 is as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Unsecured loans	2,520,771	12,822	119,634	51,444	**2,704,671**
Loans collateralised by:					
- letter of surety	149,064,220	220,521,952	14,712,669	1,677,640	**385,976,481**
- building	89,955,134	5,462,037	10,123,903	1,835,819	**107,376,893**
- equipment	61,608,406	10,355,246	1,740,957	1,161,345	**74,865,954**
- vehicle	15,651,167	616,453	17,292,699	319,411	**33,879,730**
- securities	8,621,117	-	-	175,941	**8,797,058**
- cash deposit	297,552	-	725,421	-	**1,022,973**
- others	7,142,141	8,530,568	2,065,898	247,801	**17,986,408**
Total loans and advances to customers before impairment provision	**334,860,508**	**245,499,078**	**46,781,181**	**5,469,401**	**632,610,168**

Information about collateral at 31 December 2006 is as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Unsecured loans	415,984	2,020,147	419,683	41,227	**2,897,041**
Loans collateralised by:					
- letter of surety	189,714,806	86,071,543	10,736,793	965,785	**287,488,927**
- equipment	10,555,900	37,868,334	1,490,967	675,230	**50,590,431**
- building	4,287,473	39,728,133	-	810,778	**44,826,384**
- vehicle	701,497	6,014,327	26,518,632	122,741	**33,357,197**
- cash deposit	66,941	217,974	409,378	-	**694,293**
- others	13,935,836	8,553,217	129,562	276,599	**22,895,214**
Total loans and advances to customers before impairment provision	**219,678,437**	**180,473,675**	**39,705,015**	**2,892,360**	**442,749,487**

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2007 is as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Current and not impaired					
- good	234,485,823	231,095,017	46,674,291	4,983,051	**517,238,182**
- standard	7,459,275	3,855,243	10,486	436,025	**11,761,029**
- substandard	10,385,584	3,675,140	-	30,325	**14,091,049**
Total current and not impaired	**252,330,682**	**238,625,400**	**46,684,777**	**5,449,401**	**543,090,260**
Past due but not impaired					
- less than 30 days overdue	-	591,966	-	20,000	**611,966**
- 30 to 90 days overdue	650,000	-	96,404	-	**746,404**
- 90 to 180 days overdue	-	5,344,657	-	-	**5,344,657**
- 180 – 360 days overdue	57,820,069	-	-	-	**57,820,069**
Total past due but not impaired	**58,470,069**	**5,936,623**	**96,404**	**20,000**	**64,523,096**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	609,500	-	-	-	**609,500**
- 30 to 90 days overdue	6,321,672	818,958	-	-	**7,140,630**
- 90 to 180 days overdue	13,615,585	118,097	-	-	**13,733,682**
- 180 – 360 days overdue	3,513,000	-	-	-	**3,513,000**
Total individually impaired loans (gross)	**24,059,757**	**937,055**	**-**	**-**	**24,996,812**
Less impairment provisions	**(21,533,760)**	**(10,401,338)**	**(1,108,675)**	**(120,665)**	**(33,164,438)**
Total loans and advances to customers	**313,326,748**	**235,097,740**	**45,672,506**	**5,348,736**	**599,445,730**

The total impairment provision for loans and advances is UZS 33,164,438 thousand (2006: UZS 24,118,458 thousand) of which UZS 13,456,886 thousand (2006: UZS 17,620,469 thousand) represents the individually impaired loans and the remaining amount of UZS 19,707,552 thousand (2006: UZS 6,497,989 thousand) represents the portfolio provision. The credit quality of the portfolio of loans and advances that were current not impaired can be assessed by reference to the internal rating system adopted by the Bank. Refer to Note 27.

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2006 is as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Current and not impaired					
- good	96,108,536	163,334,111	38,307,167	2,503,083	**300,252,897**
- standard	3,913,906	5,214,280	994,670	106,415	**10,229,271**
- substandard	1,012,017	1,398,006	278,178	28,530	**2,716,731**
Total current and not impaired	**101,034,459**	**169,946,397**	**39,580,015**	**2,638,028**	**313,198,899**
Past due but not impaired					
- less than 30 days overdue	3,659,012	7,106,060	125,000	-	**10,890,072**
- 30 to 90 days overdue	1,470,868	21,594	-	254,332	**1,746,794**
- 90 to 180 days overdue	661,874	-	-	-	**661,874**
- 180 – 360 days overdue	62,766,319	-	-	-	**62,766,319**
- over 360 days overdue	5,509,981	1,852,058	-	-	**7,362,039**
Total past due but not impaired	**74,068,054**	**8,979,712**	**125,000**	**254,332**	**83,427,098**
Loans individually determined to be impaired (gross)					
- less than 30 days overdue	4,992,882	-	-	-	**4,992,882**
- 30 to 90 days overdue	10,971,765	-	-	-	**10,971,765**
- 90 to 180 days overdue	28,611,277	1,547,566	-	-	**30,158,843**
Total individually impaired loans (gross)	**44,575,924**	**1,547,566**	**-**	**-**	**46,123,490**
Less impairment provisions	**(19,287,650)**	**(3,893,577)**	**(873,510)**	**(63,721)**	**(24,118,458)**
Total loans and advances to customers	**200,390,787**	**176,580,098**	**38,831,505**	**2,828,639**	**418,631,029**

The primary factors that the Bank considers whether a loan is impaired is its overdue status and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

Past due but not impaired loans represent collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

9 Loans and Advances to Customers (Continued)

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2007 was as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Fair value of collateral - loan past due but not impaired					
- building	8,685,033	1,346,642	125,000	18,750	**10,175,425**
- letter of surety	58,673,830	5,732,758	-	-	**64,406,588**
- inventory	622,321	-	-	-	**622,321**
- equipment	558,911	-	-	2,000	**560,911**
Total fair value of collateral - loans past due but not impaired	**68,540,095**	**7,079,400**	**125,000**	**20,750**	**75,765,245**
Fair value of collateral - individually impaired loans					
- building	5,112,120	45,731	-	-	**5,157,851**
- shares	2,965,200	-	-	-	**2,965,200**
- letter of surety	691,664	-	-	-	**691,664**
- equipment	2,224,499	-	-	-	**2,224,499**
Total fair value of collateral - individually impaired loans	**10,993,483**	**45,731**	**-**	**-**	**11,039,214**
Total	**79,533,578**	**7,125,131**	**125,000**	**20,750**	**86,804,459**

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December 2006 was as follows:

In thousands of Uzbekistan Soums	Corporate loans	State and municipal organisations	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Fair value of collateral - loan past due but not impaired					
- building	4,279,515	2,544,524	-	-	**6,824,039**
- letter of surety	73,724,190	2,658,292	13,800	15,467	**76,411,749**
- finished goods	-	4,126,896	-	2,000	**4,128,896**
- equipment	1,856,636	-	-	-	**1,856,636**
Total fair value of collateral - loans past due but not impaired	**79,860,341**	**9,329,712**	**13,800**	**17,467**	**89,221,320**
Fair value of collateral - individually impaired loans					
- building	12,479,277	177,285	-	-	**12,656,562**
- letter of surety	4,198,678	-	-	-	**4,198,678**
- equipment	7,839,129	-	-	-	**7,839,129**
- other	3,689,050	-	-	-	**3,689,050**
Total fair value of collateral - individually impaired loans	**28,206,134**	**177,285**	**-**	**-**	**28,383,419**
Total	**108,066,475**	**9,506,997**	**13,800**	**17,467**	**117,604,739**

9 Loans and Advances to Customers (Continued)

Carrying value of each class of loans and advances to customers approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of loans and advances to customers was UZS 599,445,730 thousand (2006: UZS 418,631,029 thousand). Refer to Note 30.

Interest rate analysis of loans and advances to customers are disclosed in Note 27. The information on related party balances is disclosed in Note 32.

10 Investment Securities Available for Sale

In thousands of Uzbekistan Soums	2007	Restated 2006
Uzbek government treasury bills	10,929,501	8,630,168
Corporate bonds	307,164	974,358
Total debt securities	11,236,665	9,604,526
Corporate shares – unquoted	3,051,327	3,051,060
Total investment securities available for sale	**14,287,992**	**12,655,586**

Analysis by credit quality of debt securities outstanding at 31 December 2007 is as follows:

In thousands of Uzbekistan Soums	Treasury bills	Corporate bonds	Total
Current and not impaired			
- Treasury bills of Ministry of Finance	10,929,501	-	**10,929,501**
- Large Uzbek corporate	-	307,164	**307,164**
Total current and not impaired	**10,929,501**	**307,164**	**11,236,665**
Debt securities individually determined to be impaired (gross)			
- over 360 days overdue	-	50,000	**50,000**
Total individually impaired debt securities (gross)	**-**	**50,000**	**50,000**
Less impairment provision	**-**	**(50,000)**	**(50,000)**
Total debt securities available for sale	**10,929,501**	**307,164**	**11,236,665**

10 Investment Securities Available for Sale (Continued)

Analysis by credit quality of debt securities outstanding at 31 December 2006 is as follows:

In thousands of Uzbekistan Soums	Treasury bills	Corporate bonds	Total
Current and not impaired			
- Treasury bills of Ministry of Finance	2,630,168	-	**2,630,168**
- CBU bonds	6,000,000	-	**6,000,000**
- Large Uzbek corporate	-	300,000	**300,000**
Total current and not impaired	**8,630,168**	**300,000**	**8,930,168**
Debt securities individually determined to be impaired (gross)			
- 90 to 180 days overdue	-	800,000	**800,000**
- over 360 days overdue	-	280,919	**280,919**
Total individually impaired debt securities (gross)	**-**	**1,080,919**	**1,080,919**
Less impairment provision	**-**	**(406,561)**	**(406,561)**
Total debt securities available for sale	**8,630,168**	**974,358**	**9,604,526**

The primary factor that the Bank considers whether a debt security is impaired is its overdue status. As a result, the Bank presents above an ageing analysis of debt securities that are individually determined to be impaired.

The debt securities are not collateralised.

The movements in investment securities available for sale are as follows:

In thousands of Uzbekistan Soums	2007	2006
Carrying amount at 1 January	**12,655,586**	**4,372,957**
Fair value gains less losses	263,462	252,337
Interest income accrued	595,825	515,086
Interest income received	(396,504)	(557,524)
Purchases	9,931,254	7,715,494
Disposals of investment securities available for sale	(9,041,165)	(1,064,131)
Acquisition of subsidiary, net of cash acquired	-	1,532,018
Recovery of impairment/(impairment) of investment securities available for sale	279,534	(110,651)
Carrying amount at 31 December	**14,287,992**	**12,655,586**

10 Investment Securities Available for Sale (Continued)

At 31 December 2007 the principal equity investment securities available for sale are:

Name	Nature of business	Country of registration	Fair value 2007	Fair value 2006
Qurilish Leasing	Leasing	Uzbekistan	1,579,393	791,623
Microcredit Bank	Banking	Uzbekistan	595,402	1,000,000
Chilonzor Buyum Bozori	Market	Uzbekistan	208,390	182,680
UzCEx	Currency Exchnage	Uzbekistan	495,970	444,691
Madad	Insurance	Uzbekistan	97,247	89,022
"Universal Farm"	Pharmaceutics	Uzbekistan	-	348,530
"Shisha Idish" LTD	Manufacturing	Uzbekistan	-	143,785
Others	Others	Uzbekistan	74,925	50,729
Total corporate shares – unquoted			**3,051,327**	**3,051,060**

At 31 December 2007 investment securities available for sale with a fair value of UZS 10,757,397 thousand (2006: nil) have been pledged to third parties as collateral with respect to term placements of other banks. Refer to Note 14.

Interest rate analysis of investment securities available for sale are disclosed in Note 27.

11 Premises, Equipment and Intangible Assets

In thousands of Uzbekistan Soums	**Building and premises**	**Furniture and Equipment**	**Construction in progress**	**Total premises and equipment**	**Intangible Assets**	**Total premises, equipment and intangible assets**
Cost at 1 January 2006	13,769,885	18,987,238	1,737,335	34,494,458	2,608,569	37,103,027
Accumulated depreciation	(1,817,081)	(10,500,505)	-	(12,317,586)	(584,060)	(12,901,646)
Carrying amount at 1 January 2006	**11,952,804**	**8,486,733**	**1,737,335**	**22,176,872**	**2,024,509**	**24,201,381**
Acquisition of subsidiary	466,667	322,691	-	789,358	-	789,358
Additions	1,150,096	3,103,883	1,222,666	5,476,645	937,101	6,413,746
Disposals	(561,404)	(313,837)	(87,623)	(962,864)	(17,432)	(980,296)
Net transfers	1,308,185	83,331	(1,391,516)	-	-	-
Depreciation charge (Note 22)	(744,797)	(1,767,101)	-	(2,511,898)	(445,900)	(2,957,798)
Carrying amount at 31 December 2006	**13,571,551**	**9,915,700**	**1,480,862**	**24,968,113**	**2,498,278**	**27,466,391**
Cost at 31 December 2006	15,848,889	21,979,360	1,480,862	39,309,111	3,516,273	42,825,384
Accumulated depreciation	(2,277,338)	(12,063,660)	-	(14,340,998)	(1,017,995)	(15,358,993)
Carrying amount at 31 December 2006	**13,571,551**	**9,915,700**	**1,480,862**	**24,968,113**	**2,498,278**	**27,466,391**
Additions	2,519,773	1,025,916	7,405,654	10,951,343	697,531	11,648,874
Disposals	(287,609)	(29,284)	(165,990)	(482,883)	(41,731)	(524,614)
Net transfers	2,236,786	1,751,358	(3,988,144)	-	-	-
Depreciation charge (Note 22)	(757,477)	(3,421,170)	-	(4,178,647)	(696,072)	(4,874,719)
Carrying amount at 31 December 2007	**17,283,024**	**9,242,520**	**4,732,382**	**31,257,926**	**2,458,006**	**33,715,932**
Cost 31 December 2007	20,390,609	23,910,696	4,732,382	49,033,687	4,158,469	53,192,156
Accumulated depreciation	(3,107,585)	(14,668,176)	-	(17,775,761)	(1,700,463)	(19,476,224)
Carrying amount at 31 December 2007	**17,283,024**	**9,242,520**	**4,732,382**	**31,257,926**	**2,458,006**	**33,715,932**

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

12 Other Assets

In thousands of Uzbekistan Soums	2007	Restated 2006
Commission receivable from ordinary customers	341,567	886,975
Less: Provision for other financial assets	(104,767)	(285,877)
Total other financial assets	**236,800**	**601,098**
Prepayments for equipment to be loaned to customers	13,354,765	2,157,804
Prepaid expenses	573,161	1,663,380
Current income tax asset	258,743	280,072
Other	88,148	410,633
Total other non financial assets	**14,274,817**	**4,511,889**
Total other assets	**14,511,617**	**5,112,987**

Movements in the provision for impairment of other financial assets during 2007 and 2006 are as follows

In thousands of Uzbekistan Soums	Notes	2007	2006
Provision for impairment at 1 January		**285,877**	**24,830**
(Recovery of)/provision for impairment during the year	21,22	(181,110)	261,047
Provision for impairment at 31 December		**104,767**	**285,877**

Analysis by credit quality of commission receivable from ordinary customers outstanding at 31 December 2007 and 2006 is as follows:

In thousands of Uzbekistan Soums	2007	2006
Past due but not impaired		
- less than 30 days overdue	138,259	359,028
- 30 to 180 days overdue	98,543	255,895
- 180 to 360 days overdue	54,824	142,366
- over 360 days overdue	49,941	129,686
Total past due but not impaired	**341,567**	**886,975**
Less impairment provision	(104,767)	(285,877)
Total other financial assets	**236,800**	**601,098**

The primary factors that the Bank considers whether a receivable is impaired is its overdue status. As a result, the Bank presents above an ageing analysis of receivables.

Carrying value of each class of other financial assets approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of other financial assets was UZS 236,800 thousand (2006: UZS 601,098 thousand). Refer to Note 30.

13 Non-Current Assets Classified as Held for Sale

Major classes of non-current assets held for sale:

In thousands of Uzbekistan Soums	2007	2006
Equipment	7,948,000	3,144,848
Building	599,087	-
Total non-current assets held for sale	**8,547,087**	**3,144,848**

13 Non-Current Assets Classified as Held for Sale (Continued)

The movement in non-current assets held for sale:

In thousands of Uzbekistan Soums	2007	2006
Total non-current assets held for sale at 1 January	**3,144,848**	**632,729**
Transfer from loans and advances to customers - repossession of collateral	10,685,390	2,580,851
Transfer of provisions from loans and advances to customers (Note 9)	(4,268,613)	-
Disposal of non-current assets held for sale	(450,573)	(68,732)
Provision for non-current assets held for sale (Note 22)	(563,965)	-
Total non-current assets held for sale 31 December	**8,547,087**	**3,144,848**

The assets repossessed in 2007 were repossessed in respect of loans to customers. Management approved a plan to sell these assets in 2008, as these assets are not related to Bank's primary activities. The Bank actively markets these assets and expects the sale to complete within one year.

14 Due to Other Banks

In thousands of Uzbekistan Soums	2007	2006
Current term placements of other banks	61,956,399	6,978,244
Correspondent accounts and overnight placements of other banks	1,211,178	670,044
Total due to other banks	**63,167,577**	**7,648,288**

At 31 December 2007 the Bank had current term placements of other banks - two domestic banks UZS 32,000,000 thousand or 51% of total due to other bank accounts.

Carrying value of each class of due to other banks approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of due to other banks was UZS 63,167,577 thousand (2006: UZS 7,648,288 thousand). Refer to Note 30. Interest rate analysis of due to other banks are disclosed in Note 27.

15 Customer Accounts

In thousands of Uzbekistan Soums	2007	2006
State and public organisations		
- Current/settlement accounts	317,328,961	224,376,236
- Term deposits	59,280,859	35,334,956
Other legal entities		
- current/settlement accounts	101,707,084	66,750,686
- term deposits	10,917,812	7,568,289
Individuals		
- current/settlement accounts	37,218,524	30,349,607
- term deposits	84,807,348	71,572,714
Total customer accounts	**611,260,588**	**435,952,488**

At 31 December 2007 the Bank had seven customers (2006: ten customers) with balances above UZS 6,500,000 thousand. The aggregate balance of these customers was UZS 209,646,081 thousand (2006: UZS 177,484,814 thousand) or 34% (2006: 41%) of total customer accounts.

15 Customer Accounts (Continued)

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 equivalents and inter-bank assets to enable repayment. In order to meet the immediate requirements of clients, the Bank keeps permanent balances on cash and cash equivalents accounts.

At 31 December 2007 included in customer accounts are deposits of UZS 22,907,653 thousand (2006: UZS 21,306,580 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 29.

Carrying value of each class of customer accounts approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of customer accounts was UZS 611,260,588 thousand (2006: UZS 435,952,488 thousand). Refer to Note 30.

Interest rate analysis of customer accounts are disclosed in Note 27. The information on related party balances is disclosed in Note 32.

16 Borrowings from government, state and international financial organisations

In thousands of Uzbekistan Soums	2007	2006
Term borrowings from international financial institutions:		
- Landes Bank Berliner AG	49,108,708	48,059,828
- Industrial and commercial Bank of China ("ICBC")	37,121,117	36,248,170
- Commerzbank AG	14,660,965	13,662,333
- Kreditanstalt fur Wiederaufbau ("KfW")	8,697,459	9,613,585
- European Bank for Reconstruction and Development ("EBRD")	1,956,296	4,022,021
- Dresdner Bank AG	1,640,667	-
- Banca Nazionale del Lavoro ("BNL")	1,071,918	-
Borrowings from Central Bank of Uzbekistan ("CBU")	44,161,510	57,153,509
Borrowings from Uzbekistan Fund for Reconstruction and Development ("UFRD")	40,267,136	-
Borrowings from the Ministry of Finance of Republic of Uzbekistan	5,259,304	8,502,548
Term borrowings from non-budgetary funds	2,573,545	3,011,166
Borrowings from government, state and international financial organisations	**206,518,625**	**180,273,160**

As at 31 December 2007, borrowings from Landes Bank Berliner AG (former Bankgeselschaft Berliner Bank) constitute EURO denominated loan facility totalling EURO 26,448 thousand, currency equivalent of UZS 49,108,709 thousand (2006: UZS 48,059,828 thousand). Rate of interest on this loan facility is EURIBOR+1.125% per annum. The Bank advances this loan in accordance with an inter-governmental cooperation agreement between Uzbekistan and Germany to finance construction of a fiber-glass production plant. Repayment of the principal and payment of interest are to be made semi-annually, with the final maturity of the loan facility scheduled for July 2016. The obligations of the Bank under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan.

As at 31 December 2007, borrowings from ICBC constitute a USD denominated loan totalling USD 28,776 thousand, currency equivalent of UZS 37,121,117 thousand (2006: UZS 36,248,170 thousand), which was advanced by the Bank to finance construction of soda producing plant. The rate of interest on this loan is LIBOR+0.875% per annum. Repayment of the principal and payment of interest are to be made semi-annually, with the final maturity of the loan facility scheduled for March 2014. The obligations of the Bank under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan.

As at 31 December 2007, borrowings from Commerzbank AG constitute a EURO denominated loan totalling EURO 7,896 thousand, currency equivalent of UZS 14,660,965 thousand (2006: UZS 13,662,333 thousand), which was advanced by the Bank to various manufacturing customers. The rate of interest on this loan is EURIBOR+0.95%- EURIBOR+1.125% per annum. Repayment of the principal and payment of interest are made semi-annually and is linked with repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

16 Borrowings from government, state and international financial organisations (Continued)

As at 31 December 2007, borrowings from KfW constitute a EURO denominated loan totalling EURO 4,684 thousand, currency equivalent of UZS 8,697,459 thousand (2006: UZS 9,613,585 thousand), which was advanced by the Bank to various manufacturing customers. The rate of interest on this loan is 3% per annum. Repayment of the principal and payment of interest are made semi-annually and is linked with repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

As at 31 December 2007, borrowings from EBRD constitute USD denominated loan facility totalling USD 1,517 thousand, currency equivalent of UZS 1,956,296 thousand (2006: UZS 4,022,021 thousand). Rate of interest on this loan facility is LIBOR+2% per annum. The Bank advances this loan to various manufacturing and trading customers. Repayment of the principal and payment of interest are to be made semi-annually, with the final maturity of the loan facility scheduled for July 2010. The obligations of the Bank under this loan, including full and punctual repayment of principal, interest and fees, are guaranteed by the Government of Uzbekistan pursuant to guarantee agreements between EBRD and the Ministry of Finance of the Republic of Uzbekistan. In accordance with contractual terms of the agreement between the Bank and EBRD, the Bank is required to maintain certain financial covenants, particularly with regards to its liquidity, capital adequacy and lending exposures. Moreover, in accordance with the terms of loan agreement, the Bank is restricted to declare or pay dividends of more than fifty percent of net income earned in the preceding year. As at 31 December 2007, the Bank was in technical breach of this restrictions (2006: same), which has resulted in the liability to EBRD being classified as "on demand" in the liquidity analysis in Note 27. These technical breaches have not resulted in any cross-accelerated or cross-default as at 31 December 2007 (2006: same).

As at 31 December 2007, borrowings from Dresdner Bank AG constitute a USD denominated loan totalling USD 1,112 thousand, currency equivalent of UZS 1,435,048 thousand (2006: nil) and EURO denominated loan totalling EURO 111 thousand, currency equivalent of UZS 205,619 thousand (2006: nil), which was advanced by the Bank to various manufacturing customers. The rate of interest on this loan is LIBOR+0.95% and EURIBOR+0.9% per annum respectively. Repayment of the principal and payment of interest are made semi-annually and is linked with repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

As at 31 December 2007, borrowings from BNL constitute a EURO denominated loan totalling EURO 577 thousand, currency equivalent of UZS 1,071,918 thousand (2006: nil), which was advanced by the Bank to various manufacturing customers. The rate of interest on this loan is EURIBOR+1.5% per annum. Repayment of the principal and payment of interest are made semi-annually and is linked with repayments of the individual loans made by the Bank. The Bank bears full credit risk for repayment of this loan.

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

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

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

As at 31 December 2007, term borrowings from non-budgetary funds constitute UZS 2,573,545 thousand (2006: UZS 8,502,548 thousand) of loans made by non-budgetary funds at concessionary rates (up to 42% of the CBU refinance rate), which are advanced by the Bank to small and medium size enterprises (SMEs) at Bank's fair interest margin. Such lending is made in accordance with the Government decree on lending to SMEs through the non-budgetary funds.

Carrying value of borrowings from government, state and international financial organisations approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of borrowings from government, state and international financial organisations was UZS 206,518,625 thousand (2006: UZS 180,273,160 thousand). Refer to Note 30.

Interest rate analysis of Borrowings from government, state and international financial organisations are disclosed in Note 27.

17 Other Liabilities

In thousands of Uzbekistan Soums	2007	2006
Settlements with customers	868,850	468,643
Total other financial liabilities	**868,850**	**468,643**
Taxes other than income tax payable	1,364,012	2,305,517
Salary payable	1,327,745	458,801
Deposits for share subscription	317,003	1,447,589
Other	487,991	1,136,044
Total other non financial liabilities	**3,496,751**	**5,347,951**
Total other liabilities	**4,365,601**	**5,816,594**

Carrying value of other financial liabilities approximates fair value at 31 December 2007 and 2006. At 31 December 2007 the estimated fair value of other financial liabilities was UZS 868,850 thousand (2006: UZS 468,643 thousand). Refer to Note 30.

18 Share Capital

In thousands of Uzbekistan Soums except for number of shares	Number of outstanding shares (in thousand)	Ordinary shares	Share premium	Preference shares	Inflation adjustment to share capital	Total
At 1 January 2006	**7,544,805**	**9,517,208**	**-**	**1,800,000**	**12,526,495**	**23,843,703**
New shares issued	4,455,195	6,682,792	-	-	-	6,682,792
At 31 December 2006	**12,000,000**	**16,200,000**	**-**	**1,800,000**	**12,526,495**	**30,526,495**
New shares issued	5,300,000	9,000,000	696,121	1,450,000	-	11,146,121
Capitalisation of shares out of retained earnings	-	5,400,000	-	750,000	-	6,150,000
At 31 December 2007	**17,300,000**	**30,600,000**	**696,121**	**4,000,000**	**12,526,495**	**47,822,616**

The nominal registered amount of the Bank's issued share capital prior to restatement of capital contributions made before 1 January 2006 to the purchasing power of the Uzbekistan Soums at 31 December 2005 is UZS 35,296,121 thousand. (2006: UZS 18,000,000 thousand).

During 2007 the Bank has authorised the 8th issue of preference shares for the nominal amount UZS 600,000 thousand, the 9th issue of ordinary shares for the nominal amount UZS 9,000,000 thousand and preference shares for nominal amount UZS 1,000,000 thousand (2006: 7th issue of ordinary shares for UZS 8,800,000 thousand). The issues were subscribed in cash of UZS 11,146,121 thousand (2006: UZS 2,984,250 thousand and UZS 3,698,542 thousand towards the consideration of business combination).

Additionally, the par value of both the ordinary and preference shares issued and paid in until April 2007 was increased from UZS 1,500 to UZS 2,000 per share as per the approval of the Shareholder's Meeting held in May 2007, by capitalisation from retained earnings of 12,300 thousand shares amounting to UZS 6,150,000 thousand.

At 31 December 2007, all of the Bank's outstanding shares were issued and fully paid in. Each share carries one vote. At 31 December 2007, the number of shares authorised but not issued was 30,000 thousand (2006: nil).

The preference shares have a nominal value of UZS 4,000,000 thousand (2006: UZS 1,800,000 thousand) and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. The preference shares are not redeemable. Preference share dividends are set at 24% p.a. par value of UZS 2,000 (2006: 40% p.a. par value of UZS 1,500) and rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

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

19 Interest Income and Expense

In thousands of Uzbekistan Soums	2007	2006
Interest income		
Loan and advances to customers	50,154,350	37,348,552
Interest income on impaired financial assets	8,633,791	4,067,248
Due from other banks	4,041,737	2,359,714
Correspondent accounts with other banks	2,164,778	1,103,826
Debt investment securities available for sale	595,825	515,086
Total interest income	**65,590,481**	**45,394,426**
Interest expenses		
Borrowings from government, state and international financial organisations	(11,923,991)	(9,779,451)
Term deposits of individuals	(10,302,678)	(12,049,118)
Term deposits of legal entities	(3,279,512)	(1,877,952)
Current/settlement accounts	(2,480,812)	(1,278,109)
Term placements of other banks	(1,742,327)	(814,487)
Total interest expense	**(29,729,320)**	**(25,799,117)**
Net interest income	**35,861,161**	**19,595,309**

20 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	2007	2006
Fee and commission income from:		
- Settlement transactions	29,761,562	21,421,892
- International money transfers	4,730,373	3,740,580
- Foreign currency conversion services	2,350,190	2,425,715
- Letters of credit acceptances	1,412,668	977,561
- Other	450,111	122,992
Total fee and commission income	**38,704,904**	**28,688,740**
Fee and commission expense		
- Cash collection services	2,870,929	2,367,480
- Settlement transactions	1,318,522	701,733
- Plastic card transactions	480,595	235,658
- Other	89,301	61,382
Total fee and commission expense	**4,759,347**	**3,366,253**

21 Other Operating Income

In thousands of Uzbekistan Soums	2007	2006
Recovery of provision for commission receivable from ordinary customers (Note 12)	181,110	-
Fines and penalties	176,087	95,262
Recovery of provision for other assets	86,800	-
Gain on disposal of premises and equipment	79,529	65,324
Other	140,693	32,697
Total other operating income	**664,219**	**193,283**

22 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	2007	2006
Staff costs	20,534,336	11,237,425
Taxes other than income tax	7,609,377	5,039,442
Depreciation (Note 11)	4,874,719	2,957,798
Stationery and Supplies	3,083,813	2,930,962
Security services	2,035,685	1,572,152
Rent and maintenance	1,162,638	1,225,627
Charity	1,110,943	738,646
State Deposit Insurance Fund membership fees	1,007,237	1,147,405
Postage, Telephone and Fax	842,400	794,348
Provision for non-current assets held for sale (Note 13)	563,965	-
Business trip and travel expenses	398,869	490,705
Loss on disposal of fixed assets	291,694	293,260
Professional services	146,419	122,648
Provision for other financial assets (Note12)	-	261,047
Membership fees	106,444	95,489
Other operating expenses	209,462	564,053
Total administrative and other operating expenses	**43,978,001**	**29,471,007**

Included in staff costs are statutory social security of UZS 1,741,633 thousand (2006: UZS 1,034,512 thousand) and pension contributions (unified social tax) of UZS 3,179,147 thousand (2006: UZS 1,907,427 thousand).

23 Income Taxes

Income tax expense comprises the following:

In thousands of Uzbekistan Soums	2007	Restated 2006
Current tax charge	3,438,452	3,754,535
Deferred tax	(649,393)	(1,276,547)
Income tax expense for the year	**2,789,059**	**2,477,988**

The income tax rate applicable to the Bank's income is 17% (2006: 12%). Effective 1 January 2008, the tax rate has been decreased from 17% to 15%. As a 15% income tax rate has been enacted by 31 December 2007, the effect of the change on the opening balance of net deferred tax liability has been recorded in these financial statements. Reconciliation between the expected and the actual taxation charge is provided as follows.

In thousands of Uzbekistan Soums	2007	Restated 2006
IFRS profit before tax	**14,503,880**	**9,860,995**
Theoretical tax charge at statutory rate (2007: 17%; 2006: 12%)	2,465,660	1,183,319
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income tax privileges from increase of term deposits of individuals	(2,212,122)	(967,543)
- Effect of the change in tax rate	259,096	(664,453)
- Dividend income taxed at source	(81,485)	(46,714)
- Non deductible expenses	1,523,786	1,309,883
- Over provision of current tax in prior years	557,235	1,590,901
- Unrecognised tax loss carry forwards	276,889	72,595
Income tax expense for the year	**2,789,059**	**2,477,988**

23 Income Taxes (Continued)

In accordance with current tax regulation the Bank receives certain tax privileges for the amount of increase in term deposits of individuals in arriving at the Bank's taxable profit. The amount of such incentive should not be in excess of current year taxable profit.

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 15% (2006: 17%).

In thousands of Uzbekistan Soums	Restated 2006	Charged/(Credited) to profit or loss	Credited directly to equity	2007
Tax effect of deductible temporary differences				
Loan impairment provision	3,807,091	277,846	-	4,084,937
Accrued interest expense	3,290,872	(531,845)	-	2,759,027
Accrued expenses	999,199	(9,478)	-	989,721
Recognised deferred tax asset	**8,097,162**	**(263,477)**	**-**	**7,833,685**
Tax effect of taxable temporary differences				
Premises and equipment: inflation effect	478,889	(238,841)	-	240,048
Accrued interest income	5,606,024	(535,595)	-	5,070,429
Fair value adjustment of investments available for sale	42,897	-	34,473	77,370
Income accruals	381,955	(138,434)	-	243,521
Recognised deferred tax liability	**6,509,765**	**(912,870)**	**34,473**	**5,631,368**
Total net deferred tax asset	**1,587,397**	**649,393**	**(34,473)**	**2,202,317**

In thousands of Uzbekistan Soums	2005	Charged/(Credited) to profit or loss	Credited directly to equity	Restated 2006
Tax effect of deductible temporary differences				
Loan impairment provision	2,075,588	1,731,503	-	3,807,091
Accrued interest expense	2,571,109	719,763	-	3,290,872
Accrued expenses	255,384	743,815	-	999,199
Recognised deferred tax asset	**4,902,081**	**3,195,081**	**-**	**8,097,162**
Tax effect of taxable temporary differences				
Premises and equipment: inflation effect	545,220	(66,331)	-	478,889
Accrued interest income	3,737,138	1,868,886	-	5,606,024
Fair value adjustment of investments available for sale	-	-	42,897	42,897
Income accruals	265,976	115,979	-	381,955
Recognised deferred tax liability	**4,548,334**	**1,918,534**	**42,897**	**6,509,765**
Total net deferred tax asset	**353,747**	**1,276,547**	**(42,897)**	**1,587,397**

A deferred tax liability of UZS 34,743 thousand (2006: UZS 42,897 thousand) has been recorded directly in equity in respect of the investments securities available for sale.

24 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares held during the year.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

In thousands of Uzbekistan Soums	2007	2006
Profit for the year	11,714,821	7,383,007
Less dividends on preference shares	(780,000)	(720,000)
Net profit attributable to ordinary shareholders	10,934,821	6,663,007
Weighted average number of ordinary shares in issue	21,024,945	13,384,970
Basic earnings per ordinary share (expressed in UZS per share)	**520**	**498**

25 Dividends

	2007		2006	
In thousands of Uzbekistan Soums	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	-	-	-	-
Dividends declared during the year	-	780,000	2,393,738	720,000
Dividends paid during the year	-	(540,000)	(2,393,738)	(720,000)
Dividends payable at 31 December	-	**240,000**	-	-
Dividends per share declared during the year in UZS per share	-	**480**	**270**	**600**

In accordance with Uzbek legislation, the Bank distributes profits as dividends on the basis of financial statements prepared in accordance with Uzbek Accounting Rules. The Bank's profit under Uzbek Accounting Rules at 31 December 2007 are UZS 18,051,116 thousand (2006: UZS 11,416,420 thousand).

All dividends on ordinary and preference shares are declared and paid in Uzbek Soums.

26 Segment Analysis

The Bank's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Bank is organised on a basis of two main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

26 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Bank for the years ended 31 December 2007 and 2006 is set out below:

2007 In thousands of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Other**	**Total**
Total revenues comprise:				
Interest income	4,794,646	60,795,835	-	65,590,481
Fee and commission income	-	38,704,904	-	38,704,904
Other operating income	-	854,869	396,310	1,251,179
Total revenues	**4,794,646**	**100,355,608**	**396,310**	**105,546,564**
Segment result	(30,046,470)	40,994,748	3,555,602	14,503,880
Profit before tax	-	-	-	**14,503,880**
Income tax expense	-	-	-	(2,789,059)
Profit	**-**	**-**	**-**	**11,714,821**
Segment assets	102,333,686	808,827,780	-	911,161,466
Unallocated assets	-	-	-	50,429,866
Total assets	**102,333,686**	**808,827,780**	**-**	**961,591,332**
Segment liabilities	(122,025,872)	(758,920,918)	-	(880,946,790)
Unallocated liabilities	-	-	-	(4,365,601)
Total liabilities	**(122,025,872)**	**(758,920,918)**	**-**	**(885,312,391)**
Other segment items:				
Capital expenditure				11,648,874
Impairment losses recorded during the year in the statement of income	(292,110)	(13,519,139)	-	(13,811,249)
Depreciation of premises, equipment and intangible assets	-	-	-	(4,874,719)

Other segment results represents mainly gains less losses from trading in foreign currencies and foreign exchange translation gains less losses.

26 Segment Analysis (Continued)

2006 In thousands of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Other**	**Total**
Total revenues comprise:				
Interest income	6,852,223	38,542,203	-	45,394,426
Fee and commission income	-	28,688,740	-	28,688,740
Other operating income	-	-	193,283	193,283
Total revenues	**6,852,223**	**67,230,943**	**193,283**	**74,276,449**
Segment result	(13,327,425)	19,364,309	3,824,111	9,860,995
Profit before tax	-	-	-	**9,860,995**
Income tax expense	-	-	-	(2,477,988)
Profit	**-**	**-**	**-**	**7,383,007**
Segment assets	86,221,685	563,228,183		649,449,868
Unallocated assets	-	-	-	34,209,672
Total assets	**86,221,685**	**563,228,183**	**-**	**683,659,540**
Segment liabilities	(101,922,321)	(521,951,615)	-	(623,873,936)
Unallocated liabilities	-	-	-	(5,816,594)
Total liabilities	**(101,922,321)**	**(521,951,615)**	**-**	**(629,690,530)**
Other segment items:				
Capital expenditure				5,624,388
Impairment losses recorded during the year in the statement of income	(310,844)	(7,688,328)	-	(7,999,172)
Depreciation of premises, equipment and intangible assets	-	-	-	(2,957,798)

There is no basis for allocation of capital expenditures and depreciation of premises and equipment between primary segments as the same equipment used for all segments.

Geographical segments. The Bank conducts its operation in Uzbekistan and operations of the bank with their foreign counterparts are disclosed in Note 27.

27 Financial Risk Management

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

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

Credit risk measurement:

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

27 Financial Risk Management (Continued)

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

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

Group's internal ratings scale:

Good	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Standard	2	"Standard" loans are those loans, which are secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay the loan on time. "Good" loans with insufficient information in the credit file or missed information on collateral could be also classified as "standard" loans.
Substandard	3	Substandard loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "substandard" loans, the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "substandard" with the added characteristic that the weakness make collection or liquidation in full, on the basis of currently existing facts, conditions and values highly questionable and improbable.
Loss	5	Loans classified as "loss" are considered to be uncollectible and have such little value that their continuance as bankable assets of the Bank is not warranted. This classification does not mean that the loans have absolutely no chance of recovery, but rather means that it is not practical or desirable to defer writing off these basically worthless assets even thought partial recovery may be effected in the future and the Bank should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

(ii) Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills. For debt securities and other bills, an external rating such as Akhbor Rating's rating or their equivalents are used by the Bank Treasury for managing credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

27 Financial Risk Management (Continued)

Risk limit control and mitigation policies. The Bank manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries.

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 geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Bank Council.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral. The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- letter of surety
- motor vehicle
- building
- insurance policy
- equipment
- inventory
- deposit
- residential

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(c) Concentration of risks of financial assets with credit risk exposure. The Bank's management focuses on concentration risk:

- the maximum exposure per borrower – not more that 25 percent of the bank's tier 1 capital (based CBU regulation);
- the maximum exposure per borrower (unsecured loan) – not more that 5 percent of the bank's tier 1 capital (based CBU regulation);
- total loan amount to related party (based on CBU regulation) - not more that 25% of the bank's tier 1 capital;
- the maximum exposure to economic sector – not more that 25 percent of total loan portfolio;
- total exposure of significant loans – not more than 8 times own capital; and
- the maximum exposure to "Uzbekengilsanoat" group companies – not more then 40 percent of total loan portfolio.

Impairment and provisioning policies. The internal and external rating systems described above focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually higher than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration in the value of collateral.

27 Financial Risk Management (Continued)

The Bank's policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

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

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 29.

The Bank reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers appropriate to provide ageing and other information about credit risk as disclosed in Notes 8, 9, 10 and 12.

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

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at the balance sheet date:

In thousands of Uzbekistan Soums	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
2007			
UZS	489,189,426	(543,027,744)	(53,838,318)
US Dollars	300,521,547	(236,870,714)	63,650,833
Euros	106,643,956	(99,674,939)	6,969,017
Other	3,444,923	(2,242,243)	1,202,680
Total	**899,799,852**	**(881,815,640)**	**17,984,212**
2006			
UZS	338,974,152	(364,007,071)	(25,032,919)
US Dollars	214,037,240	(90,125,604)	123,911,636
Euros	89,528,520	(169,769,559)	(80,241,039)
Other	1,358,043	(440,345)	917,698
Total	**643,897,955**	**(624,342,579)**	**19,555,376**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

27 Financial Risk Management (Continued)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

In thousands of Uzbekistan Soums	2007 Impact on profit or loss	2006 Impact on profit or loss
US Dollars strengthening by 5%	4,105,478	7,682,521
US Dollars weakening by 5%	(4,105,478)	(7,682,521)
Euro strengthening by 5%	647,013	(6,523,155)
Euro weakening by 5%	(647,013)	6,523,155
Other strengthening by 5%	42,284	29,322
Other weakening by 5%	(42,284)	(29,322)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a monthly basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2007						
Total financial assets	306,603,864	124,443,295	140,620,352	328,132,341	61,791,480	**961,591,332**
Total financial liabilities	(386,291,155)	(177,758,530)	(117,496,827)	(200,269,128)	(3,496,751)	**(885,312,391)**
Net interest sensitivity gap	**(79,687,291)**	**(53,315,235)**	**23,123,525**	**127,863,213**	**58,294,729**	**76,278,941**
31 December 2006						
Total financial assets	246,565,595	74,096,975	82,561,029	240,674,356	39,761,585	**683,659,540**
Total financial liabilities	(249,347,266)	(159,252,891)	(75,038,893)	(140,703,529)	(5,347,951)	**(629,690,530)**
Net interest sensitivity gap	**(2,781,671)**	**(85,155,916)**	**7,522,136**	**99,970,827**	**34,413,634**	**53,969,010**

At 31 December 2007, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit for the year would have been lower by UZS 363,199 thousand (2006: UZS 196,906 thousand), mainly as a result of lower interest income on variable interest assets.

If interest rates had been 100 basis points higher, with all other variables held constant, profit would have been higher by UZS 363,199 thousand (2006: UZS 196,906 thousand), mainly as a result of higher interest income on variable interest assets.

27 Financial Risk Management (Continued)

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel as at 31 December 2007 and 2006:

	2007			
In % p.a.	UZS	USD	Euro	Other
Assets				
Cash and cash equivalents	0.5%	-	-	-
Due from other banks	12.7%	2.8%	1.4%	1.8%
Loans and advances to customers	14.9%	8.8%	7.7%	-
Investment securities available for sale	6.4%	-	-	-
Liabilities				
Due to other banks	9.0%	7.6%	8.6%	-
Customer accounts	14.0%	4.7%	5.0%	-
Borrowings from government, state and international financial organisations	7.8%	6.5%	4.9%	-

	2006			
In % p.a.	UZS	USD	Euro	Other
Assets				
Cash and cash equivalents	0.5%	-	-	-
Due from other banks	18.0%	2.1%	1.5%	1.5%
Loans and advances to customers	14.6%	7.6%	8.2%	-
Investment securities available for sale	8.14%	-	-	-
Liabilities				
Due to other banks	8.0%	1.0%	-	-
Customer accounts	11.0%	3.8%	2.0%	-
Borrowings from government, state and international financial organisations	5.4%	6.5%	4.4%	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

Other price risk. The Bank has no exposure to equity price risk.

The Bank is exposed to prepayment risk through providing fixed loans, including mortgages, which give the borrower the right to early repay the loans. The Bank's current year profit or loss and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

27 Financial Risk Management (Continued)

Geographical risk. The geographical concentration of the Bank's assets and liabilities at 31 December 2007 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	Europe	USA	Other	Total
Assets					
Cash and cash equivalents	167,091,183	53,504,657	33,710,409	3,872,612	258,178,861
Due from other banks	7,217,802	23,355,359	74,872	53,763	30,701,796
Loans and advances to customers	599,445,730	-	-	-	599,445,730
Investment securities available for sale	11,236,665	-	-	-	11,236,665
Other financial assets	236,800	-	-	-	236,800
Total financial assets	**785,228,180**	**76,860,016**	**33,785,281**	**3,926,375**	**899,799,852**
Liabilities					
Due to other banks	58,152,680	4,367,039	-	647,858	63,167,577
Customer accounts	611,260,588	-	-	-	611,260,588
Borrowings from government, state and international financial organisations	92,261,492	77,136,016	-	37,121,117	206,518,625
Other financial liabilities	868,850	-	-	-	868,850
Total financial liabilities	**762,543,610**	**81,503,055**	**-**	**37,768,975**	**881,815,640**
Net balance sheet position as 31 December 2007	**22,684,570**	**(4,643,039)**	**33,785,281**	**(33,842,600)**	**17,984,212**
Credit related commitments (Note 29)	**80,587,971**	**22,907,653**	**-**	**-**	**103,495,624**

The geographical concentration of the Bank's assets and liabilities at 31 December 2006 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	Europe	USA	Other	Restated Total
Assets					
Cash and cash equivalents	159,854,218	27,562,803	3,104,299	81,826	190,603,146
Due from other banks	725,263	21,625,309	2,107,584	-	24,458,156
Loans and advances to customers	418,631,029	-	-	-	418,631,029
Investment securities available for sale	9,604,526	-	-	-	9,604,526
Other financial assets	601,098	-	-	-	601,098
Total financial assets	**589,416,134**	**49,188,112**	**5,211,883**	**81,826**	**643,897,955**
Liabilities					
Due to other banks	7,648,288	-	-	-	7,648,288
Customer accounts	435,952,488	-	-	-	435,952,488
Borrowings from government, state and international financial organisations	68,667,223	75,357,767	-	36,248,170	180,273,160
Other financial liabilities	468,643	-	-	-	468,643
Total financial liabilities	**512,736,642**	**75,357,767**	**-**	**36,248,170**	**624,342,579**
Net balance sheet position as 31 December 2006	**76,679,492**	**(26,169,655)**	**5,211,883**	**(36,166,344)**	**19,555,376**
Credit related commitments (Note 29)	**30,442,142**	**9,650,580**	**-**	**-**	**40,092,722**

27 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held. Other includes Asian countries (Note 16).

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Liquidity Committee of the Bank.

The Bank seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates ratio on a monthly basis in accordance with the requirement of the Central Bank of Uzbekistan. This ratio is:

- Current liquidity ratio (H4), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; the ratio was 66% at 31 December 2007 (2006: 60%).

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows liabilities at 31 December 2007 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities at 31 December 2007 is as follows:

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Liabilities					
Due to other banks	11,573,890	47,291,462	6,192,890	-	65,058,242
Customer accounts	461,682,191	84,081,882	65,190,015	14,940,070	625,894,158
Borrowings from government, state and international financial organisations	16,478,895	7,797,505	4,483,664	240,715,369	269,475,433
Total potential future payments for financial obligations	**489,734,976**	**139,170,849**	**75,866,569**	**255,655,439**	**960,427,833**

27 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2006 is as follows:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Due to other banks	7,613,506	465	558	49,696	7,664,225
Customer accounts	322,594,715	78,947,867	28,075,450	14,523,457	444,141,489
Borrowings from government, state and international financial organisations	72,997,156	38,782,654	24,207,034	60,060,462	196,047,306
Total potential future payments for financial obligations	**403,205,377**	**117,730,986**	**52,283,042**	**74,633,615**	**647,853,020**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarised as follows at 31 December 2007:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	258,178,861	-	-	-	258,178,861
Due from other banks	6,250,823	22,496,623	1,954,350	-	30,701,796
Loans and advances to	41,402,318	100,846,573	137,307,746	319,889,093	599,445,730
Investment securities available for sale	535,062	1,100,099	1,358,256	8,243,248	11,236,665
Other financial assets	236,800	-	-	-	236,800
Total financial assets	**306,603,864**	**124,443,295**	**140,620,352**	**328,132,341**	**899,799,852**
Liabilities					
Due to other banks	11,232,013	45,931,361	6,004,203	-	63,167,577
Customer accounts	358,564,586	127,845,643	111,492,624	13,357,735	611,260,588
Borrowings from government, state and international financial organisations	15,625,706	3,981,526	-	186,911,393	206,518,625
Other financial liabilities	868,850	-	-	-	868,850
Total financial liabilities	**386,291,155**	**177,758,530**	**117,496,827**	**200,269,128**	**881,815,640**
Net liquidity gap	**(79,687,291)**	**(53,315,235)**	**23,123,525**	**127,863,213**	**17,984,212**
Cumulative liquidity gap at 31 December 2007	**(79,687,291)**	**(133,002,526)**	**(109,879,001)**	**17,984,212**	

The above analysis is based on expected maturities, therefore the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of portfolio's realisability.

27 Financial Risk Management (Continued)

The analysis by expected maturities may be summarised as follows at 31 December 2006:

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Restated Total
Assets					
Cash and cash equivalents	190,603,146	-	-	-	190,603,146
Due from other banks	19,644,775	4,670,781	142,600	-	24,458,156
Loans and advances to customers	35,576,257	69,426,194	75,224,102	238,404,476	418,631,029
Investment securities available	140,319	-	7,194,327	2,269,880	9,604,526
Other financial assets	601,098	-	-	-	601,098
Total financial assets	**246,565,595**	**74,096,975**	**82,561,029**	**240,674,356**	**643,897,955**
Liabilities					
Due to other banks	7,598,688	-	-	49,600	7,648,288
Customer accounts	208,012,546	157,945,068	56,600,454	13,394,420	435,952,488
Borrowings from government, state and international financial organisations	33,267,389	1,307,823	18,438,439	127,259,509	180,273,160
Other financial liabilities	468,643	-	-	-	468,643
Total financial liabilities	**249,347,266**	**159,252,891**	**75,038,893**	**140,703,529**	**624,342,579**
Net liquidity gap	**(2,781,671)**	**(85,155,916)**	**7,522,136**	**99,970,827**	**19,555,376**
Cumulative liquidity gap at 31 December 2006	**(2,781,671)**	**(87,937,587)**	**(80,415,451)**	**19,555,376**	

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that inspite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customers accounts provide a long-term and stable source of funding for the Bank.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

28 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of Uzbekistan, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel Accord of at least 8%. As of 31 December 2007 and 2006 this ratio was 13.3 % and 14.1% respectively.

At 31 December 2007 the Bank was not in compliance with open currency position. According to CBU requirement open currency position for each currency individually should not exceed 10% and the aggregate of all foreign currency should not exceed 20%.

28 Management of Capital (Continued)

Under the current capital requirements set by the Central Bank of Uzbekistan banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Regulatory capital is based on the Bank's reports prepared under Uzbek accounting standards and comprises:

In thousands of Uzbekistan Soums	2007	2006
Net assets under Uzbek GAAP	72,419,174	51,428,482
Less intangible assets	(2,157,981)	(2,172,710)
Total regulatory capital	**70,261,193**	**49,255,772**

29 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Uzbekistan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Uzbekistan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2007 no provision for potential tax liabilities had been recorded (2006: no provision). The Bank estimates that it has no potential obligations from exposure to other than remote tax risks (2006: no obligations).

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

The Bank engaged in loan agreements dated 1st December 1999 with European Bank for Reconstruction and Development ("EBRD"). In accordance with above agreement, the Bank is obligated to comply with relevant financial covenants based on the financial statements prepared in accordance with International Financial Reporting Standards.

The Bank agreed to maintain following financial covenants as contained in the corresponding loan agreements:

Financial covenants as per Loan agreement dated 1 December 1999 with EBRD

- Asset Liquidity Ratio not less than 25%
- Capital Adequacy Ratio not less than 12%
- Non-interest expense to gross banking income ratio not more than 60%
- Total loans to total deposits ratio not more than 80%
- Private sector loans in arrears for more than 30 days - not more than 10% of all private sector loans
- Loans in arrears for more than 30 days - not more than 5% of all loans
- Loans in favor of any single obligor, or any group of obligors, excluding government guaranteed loans - not exceeding 15% of Paid-in Capital
- Total assets less of Direct Loans not exceeding 12 times of Capital
- Interbank loans not exceeding 15% of total liabilities less of Centralised Funds
- Interbank loans not exceeding 25% of total non-bank deposits of the Borrower
- Total amount extended from the Bank to the Borrower not exceeding 50% of Capital

29 Contingencies and Commitments (Continued)

The Bank is not in compliance with some of the above financial covenants; the loan agreements do not specify early repayment in case of non compliance with the financial covenants. These borrowings are also guaranteed by the Government of Republic of Uzbekistan.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In thousands of Uzbekistan Soums	2007	Restated 2006
Undrawn credit lines	66,159,062	3,435,233
Import letter of credit	22,907,653	21,306,579
Guarantees	14,428,909	15,350,910
Total credit related commitments	**103,495,624**	**40,092,722**

The total outstanding contractual amount of undrawn credit lines, import letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. As at 31 December 2007 the estimated fair value of credit related commitments was UZS 4,674,102 thousand (2006: UZS 413,295 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Uzbekistan Soums	2007	Restated 2006
Uzbekistan Soums	11,244,036	287,180
US Dollars	83,898,976	24,837,436
Euros	8,352,612	14,968,106
Total credit related commitments	**103,495,624**	**40,092,722**

As at 31 December 2007, the Bank does not consider it necessary to have any provision against these commitments (2006: nil).

Assets pledged and restricted. At 31 December 2007 the Bank has the Uzbek government treasury bills for the amount of UZS 10,929,501 thousand pledged as collateral related to current term placements of other banks (2006: nil).

30 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Uzbekistan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or

30 Fair Value of Financial Instruments (Continued)

reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Investment securities available for sale are carried on the balance sheet at their fair value. Fair values were determined based on market prices. Cash and cash equivalents are carried at amortised cost which approximates current fair value. Refer to Notes 7 and 10 for the estimated fair values of cash and cash equivalents and investment securities available for sale, respectively.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

In %	**2007**	**2006**
Due from other banks		
- Short term placements with other banks with original maturities of more than three months	5% to 16% p.a.	5% to 16% p.a.
- Restricted cash	1% to 2.5% p.a.	1% to 2.5% p.a.
Loans and advances to customers		
- Corporate loans	3% to 30% p.a.	3% to 30% p.a.
- State and municipal organisations	5% to 30% p.a.	5% to 30% p.a.
- Loans to individuals - consumer loans	4% to 24% p.a.	4% to 24% p.a.
- Loans to individuals - entrepreneurs	3% to 26% p.a.	3% to 26% p.a.

Refer to Notes 8 and 9 for the estimated fair values of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Notes 14, 15 and 16 for the estimated fair values of due to other banks, customer accounts, and Borrowings from government, state and international financial organisations, respectively.

31 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, Financial Instruments: Recognition of Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets.

31 Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories.

In thousands of Uzbekistan Soums	Loans and receivables	Available-for-sale assets	Other	Total
Assets				
Cash and cash equivalents	258,178,861	-	-	**258,178,861**
Due from other banks				
- Restricted cash	21,529,647	-	-	**21,529,647**
- Short term placements with other banks with original maturities of more than three months	9,172,149	-	-	**9,172,149**
Loans and advances to customers				
- Corporate loans	313,326,748	-	-	**313,326,748**
- State and municipal organisations	235,097,740	-	-	**235,097,740**
- Loans to individuals - consumer loans	45,672,506	-	-	**45,672,506**
- Loans to individuals - entrepreneurs	5,348,736	-	-	**5,348,736**
Investment securities available for sale	-	11,236,665	-	**11,236,665**
Other financial assets	236,800	-	-	**236,800**
Total financial assets	888,563,187	11,236,665	-	**899,799,852**
Non financial assets	-	-	61,791,480	**61,791,480**
Total assets	**888,563,187**	**11,236,665**	**61,791,480**	**961,591,332**

All of the Bank’s financial liabilities are carried at amortised cost.

32 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with shareholders and entities under common control for the year 2007 and 2006 were disclosed as follows:

In thousands of Uzbekistan Soums	2007	2006
Gross amount of loans and advances to customers	88,457,506	177,620,948
Impairment provisions for loans and advances to customers	5,130,391	9,415,388
Customer accounts	196,422,743	224,324,758

The income and expense items with shareholders and entities under common control for the year 2007 and 2006 were disclosed as follows:

In thousands of Uzbekistan Soums	2007	2006
Interest income	10,224,163	14,305,966
Provision for loan impairment	(923,335)	(372,883)
Interest expense	(50,880)	(1,707,343)
Fee and commission income	11,004,228	7,990,427

At 31 December 2007, other rights and obligations with shareholders and entities under common control were as follows:

In thousands of Uzbekistan Soums	2007	2006
Guarantees issued by the Bank during the year	376,702	643,042
Guarantees received by the Bank during the year	107,032,467	673,938,046

32 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by shareholders and entities under common control were as follow:

In thousands of Uzbekistan Soums	2007	2006
Amount lent to related parties during the period	53,356,965	156,875,423
Amount repaid by related parties during the period	(142,520,407)	(78,654,324)

In 2007, the remuneration of members of the Management Board comprised salaries, discretionary bonuses and other short-term benefits totalling to UZS 63,756 thousand (2006: UZS 46,537 thousand).