STATE JOINT-STOCK COMMERCIAL BANK
“ASAKA BANK”

Financial Statements
Prepared in accordance with IFRS and
Auditors’ Report

31 December 2004

Contents

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Council and Shareholders of State Joint-Stock Commercial Bank "Asaka Bank":

1. We have audited the accompanying balance sheet of State Joint-Stock Commercial Bank "Asaka Bank" (the "Bank") as at 31 December 2004, and the related statements of income, of cash flows and of changes in shareholders' equity for the year then ended, all expressed in the equivalent purchasing power of the Uzbekistan Soums at 31 December 2004. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the accompanying financial statements, expressed in the equivalent purchasing power of the Uzbekistan Soums at 31 December 2004 present fairly, in all material respects, the financial position of the Bank as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

4. Without qualifying our opinion, we draw attention to the following:

- As discussed in Note 1 to the accompanying financial statements, the Government of the Republic of Uzbekistan is a significant shareholder of the Bank and thus governmental economic, regulatory and social policies affect the Bank's strategic direction and as such its financial position, results of operations and cash flows.

- As discussed in Note 2 to the accompanying financial statements, the operations of the Bank, and those of similar financial institutions having operations in the Republic of Uzbekistan, have been affected, and may continue to be affected in the foreseeable future, directly or indirectly, by the continuing regulatory, political and economic uncertainties existing for enterprises operating in the Republic of Uzbekistan.

- As discussed in Notes 3 and 4 to the accompanying financial statements, the financial statements have been measured in Uzbekistan Soums and adjusted for inflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" so that all Uzbekistan Soums amounts, including corresponding information, are expressed in terms of the purchasing power of the Uzbekistan Soums as at 31 December 2004. These financial statements have been presented in US Dollars by translating the inflation adjusted Uzbekistan Soums as a matter of arithmetic computation using the official rate of exchange of the Central Bank of the Republic of Uzbekistan as at 31 December 2004 of Uzbekistan Soums 1058.00 to US Dollars 1. The US Dollar amounts presented in these financial statements should not be construed as a representation that the Uzbekistan Soums amounts have been, could be, or will be in the future converted to US Dollars at this rate or at any other exchange rate.

Tashkent, Uzbekistan
22 March 2005

STATE JOINT-STOCK COMMERCIAL BANK "ASAKA BANK"
Balance Sheet as at 31 December 2004
(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

	Note	2004	2003
Assets			
Cash and cash equivalents	5	23,001	23,880
Mandatory balances with the Central Bank of Uzbekistan ("CBU")	5	9,787	4,438
Due from other banks	6	88,657	51,750
Loans and advances to customers	7	326,218	217,598
Investment securities available for sale		3,970	3,407
Other assets, including prepaid taxes		2,338	1,509
Deferred tax asset	16	2,259	428
Premises and equipment	8	31,330	30,014
Total assets		**487,560**	**333,024**
Liabilities			
Due to other banks	9	26,490	12,392
Customer accounts	10	181,642	86,104
Other borrowed funds	11	134,207	91,009
Provisions for losses on credit related commitments	19	-	149
Other liabilities		2,498	857
Deferred tax liability	16	2,846	3,265
Total liabilities		**347,683**	**193,776**
Shareholders' equity			
Share capital	12	34,731	34,731
Capital reserve	13	4,765	4,765
Revaluation reserve for premises	8	11,309	11,714
Retained earnings	13	89,072	88,038
Total shareholders' equity		**139,877**	**139,248**
Total liabilities and shareholders' equity		**487,560**	**333,024**

Signed on behalf of the Board of Management on 22 March 2005.

Mr. Juraev Shokir Jumaevich
Chairman of the Board

Mr. Juraev Kobiljon Olimjonovich
Vice Chairman of the Board

Mrs. Umarova Dilbar Makhkamovna
Chief accountant

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

	Note	2004	2003
Interest income on loans to customers		19,801	17,053
Interest income on due from other banks		995	872
Total interest income		**20,796**	**17,925**
Interest expense on due to other banks		(622)	(838)
Interest expense on customer accounts		(4,260)	(3,581)
Interest expense on other borrowed funds		(3,511)	(2,385)
Total interest expense		**(8,393)**	**(6,804)**
Net interest income		**12,403**	**11,121**
(Provision)/recovery of provision for loan impairment	7	(8,211)	4,904
Net interest income after provision for loan impairment / recovery of provision		**4,192**	**16,025**
Fee and commission income	14	9,567	6,832
Fee and commission expense		(914)	(880)
Gains less losses arising from trading in foreign currencies		1,722	542
Foreign currency translation gains less losses		8,618	2,242
Losses on origination of assets at rates below market	7	(837)	-
Net loss/(gain) arising from investment securities available for sale		(145)	964
Recovery of provision for losses on credit related commitments	19	144	544
Other operating income		461	143
Dividend income		48	41
Profit from operations		**22,856**	**26,453**
Operating expenses	15	(16,953)	(12,580)
Monetary loss		(4,334)	(4,437)
Profit before tax		**1,569**	**9,436**
Income tax	16	(398)	(1,912)
Net profit		**1,171**	**7,524**

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

	Note	2004	2003
Cash flows from operating activities			
Interest received		15,462	15,538
Interest paid		(8,234)	(6,889)
Income received from trading in foreign currencies		1,722	542
Fee and commission received		9,606	6,811
Fee and commission paid		(914)	(880)
Other operating income received		461	143
Operating expenses paid		(13,272)	(9,973)
Income tax paid		(1,648)	(2,033)
Operating profit before changes in operating assets and liabilities		**3,183**	**3,259**
Net cash (increase) / decrease from operating assets and liabilities			
Net increase in mandatory balances with the CBU		(5,612)	(1,854)
Net (increase) / decrease in due from other banks		(36,244)	24,007
Net increase in loans and advances to customers		(101,013)	(71,544)
Net increase in other assets, including prepaid taxes		(949)	(180)
Net increase / (decrease) in due to other banks		14,102	(2,361)
Net increase in customer accounts		96,460	34,190
Net increase / (decrease) in other liabilities		500	(11)
Net cash used in operating activities		**(29,573)**	**(14,494)**
Cash flows from investing activities			
Acquisition of investment securities available for sale		(784)	(811)
Proceeds from disposal of investment securities available for sale		97	2,852
Acquisition of premises and equipment	8	(4,570)	(2,594)
Proceeds from disposal of premises and equipment		154	84
Dividend income received		48	41
Net cash used in investing activities		**(5,055)**	**(428)**
Cash flows from financing activities			
Net proceeds from other borrowed funds		33,792	22,973
Dividends paid		(1,117)	-
Net cash from financing activities		**32,675**	**22,973**
Effect of exchange rate changes on cash and cash equivalents		**1,926**	**658**
Effect of inflation on cash and cash equivalents		**(852)**	**(955)**
Net (decrease) / increase in cash and cash equivalents		**(879)**	**7,754**
Cash and cash equivalents at beginning of the year	5	23,880	16,126
Cash and cash equivalents at the end of the year		**23,001**	**23,880**
Non cash transaction:			
Dividends capitalized	17	-	1,032

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

	Share capital	**Capital reserve**	**Revaluation reserve for premises**	**Retained earnings**	**Total shareholders' equity**
Balance as at 1 January 2003	**34,731**	**3,733**	**-**	**81,546**	**120,010**
Revaluation of premises, net of taxation (Note 8)	-	-	11,714	-	**11,714**
Net profit	-	-	-	7,524	**7,524**
Dividends capitalized (Note 17)	-	1,032	-	(1,032)	**-**
Balance as at 31 December 2003	**34,731**	**4,765**	**11,714**	**88,038**	**139,248**
Transfer of realised revaluation reserve for premises (Note 8)	-	-	(405)	980	575
Net profit	-	-	-	1,171	1,171
Dividends declared and paid (Note 17)	-	-	-	(1,117)	(1,117)
Balance as at 31 December 2004	**34,731**	**4,765**	**11,309**	**89,072**	**139,877**

1. Principal Activities

State Joint-Stock Commercial Bank "Asaka Bank" (the "Bank") was established by decree #424 of the Cabinet of Ministers of the Republic of Uzbekistan as a joint-stock company on 7 November 1995 and was granted its banking licence on 20 January 1996. The primary activities of the Bank are deposit taking and lending within the Republic Uzbekistan, as well as foreign exchange dealing on international foreign currency markets. The activities of the Bank are regulated by the Central Bank of Uzbekistan ("CBU").

The Bank operates through its Head Office, registered and located in Tashkent, Uzbekistan, and 26 branches within Uzbekistan (2003: 24 branches). The number of the Bank's employees as at 31 December 2004 was 1,957 (2003: 1,704).

The Bank is 98.33% owned by the Ministry of Finance of the Republic of Uzbekistan. Substantial amount of its transactions are with, its funding from and its credit exposure to, the Government of Uzbekistan and government controlled enterprises. As such, in line with most of the state owned banks in Uzbekistan, strategic and operational directions of the Bank including the pricing policies are influenced by the policies of the Government of the Republic of Uzbekistan. Such influence is intended to meet the Government's longer term social, fiscal and economic goals.

2. Operating Environment of the Bank

The economy of Uzbekistan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not convertible outside Uzbekistan, restrictive currency controls and a low level of liquidity in debt and equity markets.

Additionally, the banking sector in Uzbekistan is particularly impacted by political, legislative, fiscal and regulatory developments in Uzbekistan. The prospects for future economic stability in Uzbekistan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with tax, 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 Uzbekistan including the application of existing and future legislation and tax regulations which significantly impact Uzbekistan financial markets and the economy overall. Management is unable to predict the extent and duration of such development, 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. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values where considered necessary.

3. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Bank maintains its accounting records in accordance with Uzbekistan banking and accounting regulations. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current year.

3. Basis of Preparation (continued)

Measurement and presentation currency
These financial statements have been measured in Uzbekistan Soums ("UZS") (national currency of the Republic of Uzbekistan) and adjusted for inflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" so that all UZS amounts, including corresponding information, are expressed in terms of the purchasing power of UZS as at 31 December 2004. These financial statements have been presented in US Dollars ("USD") by translating UZS amounts as a matter of arithmetic computation using the official rate of exchange of the CBU of UZS 1,058.00 to USD 1 as at 31 December 2004 for both the current year and corresponding figures since the corresponding figures in UZS have also been restated for inflation in terms of the purchasing power of UZS current as at 31 December 2004. The USD amounts presented in these financial statements should not be construed as a representation that such Uzbekistan Soums amounts have been, could be, or will in the future be converted to USD at this or any other rate of exchange. Refer to Note 4.

These financial statements are presented in USD as the Management believes that this presentation is more appropriate for the users of these financial statements.

4. Significant Accounting Policies

Cash and cash equivalents. Cash and cash equivalents are items, which can be converted into cash within a day. All short term interbank placements, beyond overnight deposits, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory balances with the CBU. Mandatory balances with the CBU represent mandatory reserve deposits which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading securities, investment securities available for sale or held to maturity as appropriate. The corresponding liability is presented within due to other banks or other borrowed funds. Securities purchased under agreements to resell ("reverse repo agreements") are recorded as due from other banks or loans and advances to customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from trading securities in the statement of income. The obligation to return them is recorded at fair value as a trading liability.

Originated loans and advances and provisions for loan impairment. Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down, other than those that are originated with the intent of being sold immediately or in the short-term which are recorded as trading assets, are categorised as originated loans.

Originated loans and advances are recorded when cash is advanced to borrowers. Initially, originated loans and advances are recorded at cost, which is the fair value of the consideration given, and subsequently are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given to originate those loans determinable by reference to market prices at origination date. Third party expenses, such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

Loans originated at interest rates different from market rates are remeasured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the statement of income as gains on origination of assets at rates above market or losses on origination of assets at rates below market. Subsequently, the carrying amount of such loans is adjusted for amortisation of the gains/losses on origination and the related income is recorded as interest income within the statement of income using the effective yield method.

4. Significant Accounting Policies (Continued)

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect the amounts due according to original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the instrument's original effective interest rate.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflect the current economic environment in which the borrowers operate.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in the statement of income.

If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan impairment in the statement of income.

Other credit related commitments. In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. Specific provisions are recorded against other credit related commitments when losses are considered probable.

Investment securities available for sale. This classification includes investment securities which Management 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. Management determines the appropriate classification of its investment securities at the time of purchase.

Investment securities available for sale are initially recorded at cost (which includes transaction costs) and subsequently remeasured to fair value based on quoted bid prices. Certain investment securities available for sale for which there is no available external independent quotation have been fair valued by Management on the basis of current negotiations for disposal of these investments to unrelated third parties, results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Realised and unrealised gains and losses arising from changes in the fair value of investment securities available for sale are included in the statement of income in the period in which they arise. Impairment and reversal of impairment of investment securities available for sale is recorded through the statement of income. An investment security available for sale is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset. Dividends received are included in dividend income within the statement of income.

All regular way purchases and sales of investment securities available for sale are recorded at trade date, which is the date that the Bank commits to purchase or sell the asset.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soum as at 31 December 2004, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises of the Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for premises included in shareholders' equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Buildings and premises have been revalued to market value as at 31 December 2003. The fair value based revaluation was performed by a professional, recognised real estate appraisal company based in Russia. The fair value of premises was determined from market-based evidence. When there was no market-based evidence of fair value because of the specialized nature of the property being valued, an estimate of fair value was determined by an independent appraisal using an income or a depreciated replacement cost approach. The fair value based revalued amount as at 31 December 2003 has been indexed for the changes in general purchasing power of the UZS as at 31 December 2004.

4. Significant Accounting Policies (Continued)

Construction in progress is carried at cost, restated to the equivalent purchasing power of the Uzbekistan Soum as at 31 December 2004, less provision for impairment where required. Upon completion, assets are transferred to premises, and furniture and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

At each reporting date the Bank assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Bank estimates the recoverable amount, which is determined as the higher of an asset's net selling price or its value in use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the statement of income, unless it has previously been revalued, in which case the revaluation surplus is eliminated first and any

additional loss is charged in the statement of income. 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 assets recoverable amount.

Gains and losses on disposal of premises and equipment are determined by reference to the carrying amount and are taken into account in determining profit or loss. Repairs and maintenance are charged to the statement of income when the expenditure is incurred.

Depreciation. Depreciation is applied on a straight line basis over the estimated useful lives of the assets using the following rates:

Buildings and premises:	5% per annum;
Furniture and equipment:	15-20% per annum;
Vehicles:	20% per annum; and
Intangible assets:	20% per annum.

Intangible assets. Intangible assets represent various operational software and are being amortised on a straight-line basis over expected useful lives of 5 years. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Operating leases. Where the Bank is the lessee, the total lease payments, including those on expected termination, are charged by the lessee to the statement of income on a straight-line basis over the period of the lease.

Borrowings. Borrowings are recorded initially at "cost", being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the statement of income over the period of the borrowings using the effective yield method.

Borrowings originated at interest rates different from market rates are remeasured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar borrowings. The difference between the fair value and the nominal value at origination is credited or charged to the statement of income as gains on origination of liabilities at rates below market or losses on origination of liabilities at rates above market. Subsequently, the carrying amount of such borrowings is adjusted for amortisation of the gains/losses on origination and the related expense is recorded as interest expense within the statement of income using the effective yield method.

If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised immediately in the statement of income.

Accrued interest income and accrued interest expense. Accrued interest income and accrued interest expense are included in the carrying values of related balance sheet items.

Dividends. Dividends are recorded in the statement of shareholders' equity in the period in which they are declared. Dividends declared after the balance sheet date are disclosed in the subsequent events note. 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.

4. Significant Accounting Policies (Continued)

Income taxes. Taxation has been provided for in these financial statements in accordance with Uzbekistan legislation currently in force. The income tax charge in the statement of income for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the year, using the tax rates enacted at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income and expense recognition. Interest income and expense are recorded in the statement of income for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is

a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points 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. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recorded based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided/received. Loan commitment fees for loans, which are probable of being drawn down, are deferred (together with related direct costs) and recorded as an adjustment to the effective interest on the loan.

Foreign currency translation. As discussed in Note 3, while the financial statements are presented in USD the Bank's currency of measure is the UZS. Transactions denominated in a currency other than the UZS are recorded at the exchange rate ruling on the transaction date. Foreign currency differences arising from the translation of assets and liabilities and from the settlement of transactions are reflected in the statement of income as foreign currency translation gain/(loss), net.

Monetary assets and liabilities denominated in foreign currency are translated into UZS at the official exchange rate of the CBU at the balance sheet date. Translation differences on monetary financial assets measured at fair value are included in foreign exchange translation gains and losses. As at 31 December 2004 the rate of exchange used for translating major foreign currency balances was UZS 1,058.00 = USD 1 and UZS 1,431.90 = EUR 1 (2003: UZS 980.00 = USD 1, UZS 1,219.81 = EUR 1). Exchange restrictions and controls exist relating to converting UZS into other currencies. At present, the UZS is not a convertible currency outside Uzbekistan. Further, all transactions within Uzbekistan must be settled in UZS and 50% of foreign currency receipts from transactions with foreign entities must be converted into UZS. Future movements in the exchange rate between the UZS and the USD will effect the carrying value of the Bank's UZS denominated monetary assets and liabilities. Such movements may also affect the Bank's ability to realise non-monetary assets represented in USD in these financial statements. Accordingly, any translation of UZS amounts into USD should not be construed as a representation that such UZS amounts have been, could be, or will in the future be converted into USD at the exchange rate shown or at any other exchange rate.

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 recorded amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

4. Significant Accounting Policies (Continued)

Accounting for the effects of hyperinflation. Uzbekistan continues to experience characteristics of a hyperinflationary economy as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). Accordingly, adjustments and reclassifications made for the pur poses of IFRS presentation include the restatement, in accordance with IAS 29, for changes in the general purchasing power of the UZS. 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. IFRS indicates 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 application of IAS 29 results in an adjustment to the statement of income for the loss of purchasing power of the UZS. This gain or loss on net monetary position is calculated as the difference resulting from the restatement of non-monetary assets, shareholders' equity and profit and loss account items. Corresponding figures

for the year ended 31 December 2003 have also been indexed for the changes in the general purchasing power of the UZS as at 31 December 2004.

The restatement was calculated using the conversion factors derived from Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of Uzbekistan. The CPI for the five years ended 31 December 2004 and the respective conversion factors are the following:

	CPI	**Conversion Factor**
31 December 2000	1.28	1.67
31 December 2001	1.27	1.32
31 December 2002	1.22	1.08
31 December 2003	1.04	1.04
31 December 2004	1.04	1.00

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at 31 December 2004. Non-monetary assets and liabilities (items which are not expressed in terms of the monetary unit current as at 31 December 2004) are indexed by applying the relevant conversion factor. The effect of inflation on the Bank's net monetary position is included in the statement of income as a monetary loss.

Premises and equipment have been indexed by the change in the general price index from the date of purchase. An assessment has been made of the potential impairment and diminution in the carrying value of these assets and, where applicable, such assets have been reduced to their recoverable amounts.

Components of equity have been indexed by the change in the general price index from the approximate date of transactions resulting in movement in equity.

Amounts included in the statement of income have been indexed by the change in the general price index based on following assumptions:

- Inflation has occurred evenly over the year; and
- Income and expenditures have accrued evenly over the year except for changes against profit for aggregate movements in provisions for loan impairment. All such movements have been treated, for the purposes of this calculation, as occurring at the year end.

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

Staff costs and related contributions. The Bank's contributions to the Uzbekistan state pension and social insurance funds in respect of its employees are expensed as incurred and included into staff costs.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

5. Cash and Cash Equivalents

	2004	2003
Cash on hand	14,799	16,706
Cash balances with the CBU (other than mandatory balances)	1,696	1,411
Correspondent accounts and overnight deposits with other banks		
-Uzbekistan	1,341	197
-Other countries	5,165	5,566
Total cash and cash equivalents	**23,001**	**23,880**

Under Uzbekistan legislation, the Bank is required to maintain, in the form of non-interest bearing deposits, certain cash reserves with the CBU which are computed as a percentage of the Bank's certain liabilities and are subject to usage restrictions. As at 31 December 2004 such reserves amounting to USD 9,787 thousand (2003: USD 4,438 thousand) are reflected separately in the balance sheet.

Geographical, currency, maturity and interest rate analysis of cash and cash equivalents are disclosed in Note 18. The relevant information on related parties is disclosed in Note 20.

6. Due from Other Banks

	2004	2003
Short term placements with the CBU	50,130	4,778
Restricted cash	19,150	9,335
Current term placements with other banks	18,597	37,643
Reverse sale and repurchase agreements with other banks	780	-
Less: Provision for impairment	-	(6)
Total due from other banks	**88,657**	**51,750**

Short term placements with the CBU consist of UZS denominated short term placement currency equivalent of USD 50,095 thousand, placed on 31 December 2004, at interest rate of 0.5 percent, and maturing on 3 January 2005.

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Bank as collateral on import 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.

Current term placements with other banks include placements of a short term nature in the amount of USD 15,331 thousand placed on 30 and 31 December 2004 and maturing on 3 and 6 January 2005 (2003: USD 22,093 thousand).

As at 31 December 2004 the estimated fair value of due from other banks was USD 88,657 thousand (2003: USD 51,750 thousand). Refer to Note 21.

Geographical, currency, maturity and interest rate analysis of due from other banks are disclosed in Note 18. The relevant information on related party deposits and related interest income is disclosed in Note 20.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

7. Loans and Advances to Customers

	2004	2003
Current loans	332,756	219,418
Rescheduled loans	13,321	13,072
Overdue loans	2,315	986
Less: Provision for loan impairment	(22,174)	(15,878)
Total loans and advances to customers	**326,218**	**217,598**

As at 31 December 2004 current loans include loans issued at concessionary interest rates to small and medium size businesses ("SME") in accordance with a Government decree to support of SMEs. The total amount of such loans amount to USD 5,938 thousand (2003: USD 1,560 thousand). Losses on origination of such loans at interest rates below market in the amount of USD 837 thousand (2003: Nil) had been recorded in the statement of income.

Movements in the provision for loan impairment are as follows:

	2004	2003
Provision for loan impairment as at 1 January	15,878	21,591
Provision/(recovery of provision) for loan impairment during the year	8,211	(4,904)
Loans and advances to customers written off during the year as uncollectable	(1,348)	(161)
Effect of inflation	(567)	(648)
Provision for loan impairment as at 31 December	**22,174**	**15,878**

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

	2004		2003	
	Amount	**%**	**Amount**	**%**
Light and textile industry	118,937	34%	54,263	23%
Trade	43,354	12%	20,780	9%
Pharmaceuticals	40,517	12%	27,807	12%
Automobile	37,753	11%	30,997	13%
Consumer loans	31,255	9%	17,828	8%
Utilities	20,572	6%	16,905	7%
Services	18,625	5%	10,901	5%
Transportation	9,636	3%	13,694	6%
Agriculture	8,193	2%	5,798	2%
Hotels	8,161	2%	8,445	4%
Construction	6,543	2%	20,743	9%
Mining	3,298	1%	-	0%
Other	1,548	1%	5,315	2%
Total loans and advances to customers (aggregate)	**348,392**	**100%**	**233,476**	**100%**

Included in loans and advances to customers as of December 31, 2004 are loans amounting to USD 49,362 thousand (2003: USD 41,048 thousand), principal and interest repayments of which, are secured by guarantees from the Ministry of Finance of Republic of Uzbekistan (Note 21). No provision has been created in respect of these loans as of December 31, 2004 (2003: Nil).

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

7. Loans and Advances to Customers (Continued)

As a state owned bank, the Bank continues to finance the light and textile sector within Uzbekistan economy in accordance with the government's priority economic reforms. This has significantly increased the Bank's concentration to this industry sector. However, the concentration risk is mitigated by diversification of loans by the number of borrowers.

As at 31 December 2004 the Bank had two borrowers with aggregated loan amounts above 10% of the Bank's shareholders' equity. The total aggregate amount of these loans was USD 39,122 thousand or 11% of the gross loan portfolio (2003: Nil).

As at 31 December 2004 the estimated fair value of loans and advances to customers was USD 325,845 thousand (2003: USD 266,392 thousand). Refer to Note 21.

Geographical, currency, maturity and interest rate analysis of loans and advances to customers are disclosed in Note 18. The relevant information on related party loans and related interest income is disclosed in Note 20.

8. Premises and Equipment

	Buildings and Premises	Furniture and Equipment	Vehicles	Intangible assets	Construction in progress	Total
Net book amount at 31 December 2003	**25,303**	**3,740**	**332**	**249**	**390**	**30,014**
Book amount at cost or valuation						
Opening balance	25,303	7,865	723	870	390	35,151
Additions	299	1,220	87	87	2,877	4,570
Transfers	2,822	135	-	-	(2,957)	-
Disposals	(266)	(63)	(26)	-	(29)	(384)
Closing balance	**28,158**	**9,157**	**784**	**957**	**281**	**39,337**
Accumulated depreciation						
Opening balance	-	4,125	391	621	-	5,137
Depreciation charge (Note 15)	1,333	1,264	134	183	-	2,914
Disposals	(15)	(9)	(20)	-	-	(44)
Closing balance	**1,318**	**5,380**	**505**	**804**	**0**	**8,007**
Net book amount at 31 December 2004	**26,840**	**3,777**	**279**	**153**	**281**	**31,330**

In accordance with alternative accounting treatment under IAS 16 "Property, Plant and Equipment", buildings and premises were independently valued as at 31 December 2003. The valuation was carried out by a Russian based independent firm of valuers, "FBK OOO". The basis used for the appraisal was market value. As a result thereof, accumulated depreciation as at 31 December 2003 was eliminated against gross carrying amount of buildings and premises and the net amount was restated to their revalued amount. As at 31 December 2004 included in the net book value of premises and equipment is USD 13,305 thousand representing revaluation surplus relating to the Bank's buildings and premises and a cumulative deferred tax liability of USD 1,996 thousand (2003: USD 2,571 thousand) recorded directly to equity in accordance with IAS 12 "Income taxes", refer to Note 16. As at 31 December 2004 the carrying amount of premises would have been USD 13,582 thousand had the assets been carried at cost less depreciation.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

8. Premises and Equipment (Continued)

The revaluation reserve for premises included in the shareholders' equity is transferred to retained earnings when the surplus is realised, as discussed in Note 4. As at 31 December 2004 this transfer comprises:

	Revaluation reserve for premises	Retained earnings	Total
Depreciation of premises in use	(607)	607	-
Revaluation surplus relating to premises disposed	(226)	226	-
Deferred tax with regard to depreciation and premises disposed included above	-	147	147
Effect of the change in income tax rate to revaluation reserve	428	-	428
Transfer of realised revaluation reserve for premises	**(405)**	**980**	**575**

The above realisation of revaluation reserve for premises affected release in the deferred tax liability of USD 575 thousand (Note 16).

As required by IAS 16 "Property, Plant and Equipment" the Bank assessed whether any indicators of change in fair value of buildings and premises exist as of 31 December 2004. As a result of such an assessment, the Bank estimated that the carrying amount of buildings and premises is not less than their fair value.

As required by IAS 36 "Impairment of Assets", the Bank assessed whether any indicators of impairment of premises and equipment exist as of 31 December 2004. As a result of such an assessment, the Bank estimated that the recoverable amount of those assets is not less than their carrying amount.

9. Due to Other Banks

	2004	2003
Current term placements of other banks	25,815	11,802
Correspondent accounts of other banks	675	590
Total due to other banks	**26,490**	**12,392**

Current term placements of other banks include deposits of a short term nature in the amount of USD 20,671 thousand placed on 31 December 2004 and maturing on 3 January 2005.

As at 31 December 2004 the Bank had concentration to one bank whose balances exceeded 10% of total due to other banks. The total value of these borrowings as at 31 December 2004 amounted to USD 14,182 thousand (2003: USD 9,605 thousand).

As at 31 December 2004 the estimated fair value of due to other banks was USD 26,490 thousand (2003: USD 12,392 thousand). Refer to Note 21.

Geographical, currency, maturity and interest rate analysis of due to other banks are disclosed in Note 18.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

10. Customer Accounts

	2004	2003
State and public organizations		
- Current/settlement accounts	31,099	15,177
- Time deposits	5,064	5,964
- Savings deposits	144	89
Other legal entities		
- Current/settlement accounts	105,700	46,623
- Time deposits	26,730	7,231
- Savings deposits	205	113
Individuals		
- Current/demand accounts	1,983	1,905
- Time deposits	8,782	6,324
- Savings deposits	1,935	2,678
Total customer accounts	**181,642**	**86,104**

As at 31 December 2004 the Bank had concentration to one customer (2003: two customers) whose deposits and current accounts exceeded 10% of the total customer accounts. Both the Bank and this customer are state controlled entities, and the relevant decision on change of the servicing bank is made at the government level. The Management believes that this customer will continue its relations with the Bank for the foreseeable future. This concentration was as follows:

	2004	2003
Uz Daewoo Auto (related party)	99,081	20,257
UzInterimpex (related party)	4,488	15,558
Total	**103,569**	**35,815**

As at 31 December 2004 the estimated fair value of customer accounts was USD 181,642 thousand (2003: USD 86,104 thousand). Refer to Note 21.

Geographical, currency, maturity and interest rate analysis of customer accounts are disclosed in Note 18. The relevant information on related party deposits is disclosed in Note 20.

Economic sector concentrations within customer accounts are as follows:

	2004		2003	
	Amount	**%**	**Amount**	**%**
Joint ventures	107,154	59%	41,776	49%
State enterprises	28,273	16%	18,234	21%
Private companies	22,286	12%	10,828	13%
Individuals	12,700	7%	10,907	13%
Government	8,033	4%	2,996	3%
Others	3,196	2%	1,363	1%
Total customer accounts	**181,642**	**100%**	**86,104**	**100%**

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

11. Other Borrowed Funds

	2004	2003
Term borrowings from international financial institutions:		
- Bank Gesellschaft	30,135	16,246
- Commerzbank	25,981	11,775
- Asian Development Bank	12,749	9,789
- European Bank for Reconstruction and Development	11,273	16,212
- Societe Generale	10,373	7,999
- Instituto De Credito	10,373	7,999
- Dresdner Bank	7,801	-
- Bayerische Hypo-und Vereinsbank Aktiengesellschaft	6,107	-
- Banco Santander Central Hispano	5,985	6,270
- International Finance Corporation	5,967	6,783
Borrowings from the Ministry of Finance of Republic of Uzbekistan	3,229	3,257
Borrowings from the CBU	3,029	3,150
Other borrowings	1,205	1,529
Total other borrowed funds	**134,207**	**91,009**

Borrowings from Bank Gesellschaft in amount of USD 30,135 thousand represent an outstanding balance, as at 31 December 2004, in connection with five Euro denominated loan facilities totalling 35,823 thousand, currency equivalent of USD 48,482 thousand and one Swiss Frank denominated loan facility totalling to 22,739 thousand, currency equivalent of USD 19,906 thousand. The Swiss Frank denominated loan is guaranteed by the Ministry of Finance of Republic of Uzbekistan. Rate of interest on these loan facilities is EURIBOR+0.875% per annum. These loan facilities are advanced by the Bank to small and medium size enterprises (SME's) for financing of purchase of equipment for production of consumer goods at the above rate of interest plus the Bank's fixed interest margin. Maturity is dependent on each sub loan, which the Bank issues from these funds, and repayment is to be made in eleven equal semi-annual instalments, commencing six months after the ultimate borrowers' start of production.

Borrowings from Commerzbank in amount of USD 25,981 thousand represent a drawn down portion of five Euro denominated loan facilities totalling 20,666 thousand, currency equivalent of USD 27,970 thousand. Rate of interest on this loan facility is EURIBOR+0.95% per annum. These loan facilities are advanced by the Bank to SME's for financing of purchase of equipment for production of consumer goods and of reconstruction of premises for rendering services, at the above rate of interest plus the Bank's fixed interest margin. Maturity is dependent on each sub loan the Bank issued from these funds, and repayment should be made in ten equal semi-annual instalments, commencing six months after the ultimate borrowers' start of production or rendering services.

On 9 March 2001 Government of Uzbekistan signed with the Asian Development Bank an agreement for a USD denominated long term loan of 50,000 thousand, for financing of SME's in Uzbekistan through the Bank and two other local commercial banks. The Government of Uzbekistan has entered into a sub loan agreement with the Bank for relending USD 15,000 thousand, of the total loan facility amount. As at 31 December 2004 of outstanding balance of USD 12,749 thousand the amount of USD 6,087 thousand, was issued at a Pool Based Single Currency Loan rate of interest of 6.31% per annum, and USD 6,593 thousand, at interest rate of LIBOR+0.6% per annum. The final maturity date of this loan facility is 15 October 2015. Principal and interest repayments of this loan are guaranteed by the Ministry of Finance of Republic of Uzbekistan.

Borrowings from European Bank for Reconstruction and Development in amount of USD 11,273 thousand represent an outstanding balance as at 31 December 2004, in connection with a USD denominated long term loan facility of 30,000 thousand, at the annual rate of interest of LIBOR+1%. In accordance with the loan agreement this loan facility is used by the Bank to provide SME's at the above rate of interest plus the Bank's fixed interest margin. Repayment of principal and interest are to be made in eleven equal semi-annual instalments, starting two years, after each tranche is drawn down. Principal and interest repayments of this loan are guaranteed of the Ministry of Finance of Republic of Uzbekistan.

Borrowings from Societe Generale in amount of USD 10,373 thousand represent a drawn down portion of a Euro denominated loan facility of 8,689 thousand, currency equivalent of USD 11,760 thousand. The rate of interest on this loan facility is EURIBOR+0.7% per annum, with final maturity date of 23 December 2012. This loan facility was advanced to the government owned utility entities at the above rate of interest plus the Bank's fixed interest margin. Principal and interests repayments of this loan are guaranteed by the Ministry of Finance of Republic of Uzbekistan.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

11. Other Borrowed Funds (Continued)

Borrowings from Instituto De Credito in amount of USD 10,373 thousand represent a drawn down portion of a Euro denominated loan facility totalling 8,689 thousand, currency equivalent of USD 11,760 thousand. The rate of interest on this loan facility is 0.3% per annum, with final maturity date of 20 May 2033. This loan facility was advanced to the government owned utility entities at the above rate of interest plus the Bank's fixed interest margin. Principal and interests repayments of this loan are guaranteed by the Ministry of Finance of Republic of Uzbekistan.

Borrowings from Dresdner Bank in amount of USD 7,801 thousand represent a drawn down portion of a Euro denominated loan facility totalling 5,733 thousand, currency equivalent of USD 7,759 thousand. Rate of interest on this loan facility is EURIBOR+0.65% per annum. This loan facility is advanced by the Bank to SME's for financing of purchase of equipment for production of consumer goods and of reconstruction of premises for rendering services at the above rate of interest plus the Bank's fixed interest margin. Maturity of this borrowing is dependent on each sub loan, which the Bank issues from these funds, and repayment of principal and interest are to be made in ten equal semi-annual instalments starting not later than 15 June 2005.

Borrowings from Bayerische Hypo-und Vereinsbank Aktiengesellschaft in amount of USD 6,107 thousand represent a drawn down portion of a Euro denominated long term loan facility totalling 15,359 thousand, currency equivalent of USD 20,787 thousand. As at 31 December 2004, the amount of EUR 3,850 thousand, currency equivalent of USD 5,210 was issued at interest rate of EURIBOR+1.1%, with principal and interest repayable in eleven semi-annual instalments starting 30 May 2005, and amount of EUR 638 thousand, currency equivalent of USD 864 thousand was issued at interest rate of EURIBOR+0.95% with principal and interest repayable in ten semi-annual instalments starting 30 December 2005.

Borrowings from Banco Santander Central Hispano in amount of USD 5,985 thousand represent a drawn down portion of a Euro denominated loan facility totalling 6,798 thousand, currency equivalent of USD 9,200 thousand. The rate of interest on this loan facility is 4.34% per annum. This loan facility is advanced by the Bank to SME's for financing of purchase of equipment for production of consumer goods and of reconstruction of premises for rendering services at the above rate of interest plus the Bank's fixed interest margin. Maturity is dependent on each sub loan, which the Bank issues from these funds, and repayment of principal and interest to be made in seventeen equal semi-annual instalments. Principal and interests repayments of this loan are guaranteed by the Ministry of Finance of Republic of Uzbekistan.

Borrowings from International Finance Corporation in amount of USD 5,967 thousand represent an outstanding balance, as at 31 December 2004, in connection with two USD denominated long term loan facilities of 10,000 thousand and 5,000 thousand. The rates of interest on these loan facilities are LIBOR+4% per annum and LIBOR+5%, with final maturity date of 15 February 2007 and 15 May 2010, respectively. These loan facilities were advanced by the Bank to SME's at the above rates of interest plus the Bank's fixed interest margin.

Borrowings from the Ministry of Finance of Republic of Uzbekistan and the CBU are used for project finance loans issued by the Bank in accordance with governmental directives. The credit risk in relation to these project finance loans is borne by the Bank.

As at 31 December 2004 the estimated fair value of other borrowed funds was USD 134,207 thousand (2003: USD 91,009 thousand). Refer to Note 21.

Geographical, currency, maturity and interest rate analysis of other borrowed funds are disclosed in Note 18. The relevant information on borrowings from related parties is disclosed in Note 20.

12. Share Capital

Statutory capital authorised, issued and fully paid comprises:

	2004			2003		
	Number of shares	**Nominal Amount (thousands of UZS)**	**Inflation adjusted amount**	**Number of shares**	**Nominal Amount (thousands of UZS)**	**Inflation adjusted amount**
Ordinary shares	54,750	5,475,000	34,731	54,750	5,475,000	34,731
Total share capital	**54,750**	**5,475,000**	**34,731**	**54,750**	**5,475,000**	**34,731**

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

12. Share Capital (Continued)

Each ordinary share has a nominal value of UZS 100,000 per share, ranks equally and carries one vote. The above stated nominal amount of UZS 5,475,000 thousand is equivalent of USD 150,000 thousand at historical rates, significant part of which was contributed in USD amounting to USD 108,050 thousand.

13. Capital Reserve and Retained Earnings

Capital Reserve. Capital Reserve in the amount of USD 4,765 thousand represents the amounts of dividends in respect of the years 1999, 2000, 2001 and 2002, which were agreed to be capitalised by the shareholders; however, no shares were issued in respect of such capitalisation.

Retained Earnings. In accordance with the Uzbekistan Law on Banks and Banking Activity, the Bank must distribute all profits as dividends or transfer them to capital reserve on the basis of financial statements prepared in accordance with Uzbekistan Accounting Rules. The Bank's reserves under Uzbekistan Accounting Rules as at 31 December 2004 are USD 132,094 thousand including balance of statutory revaluation of premises and equipment of USD 4,299 thousand (2003: USD 118,822 thousand and USD 4,868 thousand, respectively).

14. Fee and Commission Income

	2004	2003
Fee and commission income from:		
- Foreign currency conversion services	2,733	1,937
- Payment services	2,688	1,639
- Import letters of credit	1,785	1,331
- Cash related services	1,830	1,176
- Other services	531	749
Total fee and commission income	**9,567**	**6,832**

15. Operating Expenses

	2004	2003
Staff costs	6,031	4,145
Taxes other than on income	3,262	1,908
Depreciation (Note 8)	2,914	2,534
Maintenance and rent	1,338	703
Representation and charity expenses	1,003	1,796
Communication expenses	696	502
Office supplies and stationery	401	297
Membership fees	386	139
Travel and accommodation	215	172
Marketing and entertainment	172	146
Other	535	238
Total operating expenses	**16,953**	**12,580**

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

16. Income Taxes

Income tax expense comprises of the following:

	2004	2003
Current tax charge	2,072	1,646
Deferred taxation movement due to:		
- Origination and reversal of temporary differences	(2,807)	2,837
- Deferred tax liability recorded directly to equity (Note 8)	575	(2,571)
- Effect of the change in tax rate	456	-
- Inflation effect on deferred tax balance as at the beginning of the year	102	-
Income tax expense for the year	**398**	**1,912**

In accordance with the Uzbekistan tax legislation each branch of the Bank is treated as a separate taxpayer.

The income tax rate applicable to the Bank's income is 18 percent (2003: 20 percent). Effective 1 January 2005, the tax rate has been decreased from 18 percent to 15 percent.

been recognized in these financial statements. A reconciliation between the expected and the actual taxation charge is provided below.

	2004	2003
IFRS profit before taxation	**1,569**	**9,436**
Theoretical tax charge at the applicable statutory rate	282	1,887
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income tax privileges from increase of term deposits of individuals	(683)	(421)
- Interest income on GKO's	(48)	(12)
- Interest income on concessionary loans to small and medium enterprises	(134)	(24)
- Unrealised translation gain due to revaluation of foreign currency denominated equity	(1,434)	(212)
- Non deductible expenses	1,077	1,425
- Non temporary elements of monetary loss	780	935
Movement in not recognised deferred tax asset	-	(1,666)
Effect of the change in tax rate	456	-
Inflation effect on deferred tax balance as at the beginning of the year	102	-
Income tax expense for the year	**398**	**1,912**

In accordance with current tax regulation the Bank receives tax privileges for the amount of increase in term deposits of individual in arriving to 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 certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 15 percent (2002: 18 percent), except for certain tax free income.

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

16. Income Tax (continued)

	2002	Movement	2003	Movement	2004
Tax effect of deductible temporary differences					
Loan impairment provision	2,826	(2,463)	363	1,465	1,828
Provision on amounts due from other banks	2	-	2	(1)	1
Investment securities available for sale	-	-	-	195	195
Premises and equipment – inflation effect	-	23	23	(23)	-
Provision for losses on credit related commitments	171	(145)	26	(27)	(1)
Other accruals	380	(366)	14	222	236
Gross deferred tax asset	**3,379**	**(2,951)**	**428**	**1,831**	**2,259**
Deferred tax asset not recognized	(1,665)	1,665	-	-	-
Total net deferred tax asset	**1,714**	**(1,286)**	**428**	**1,831**	**2,259**
Tax effect of taxable temporary differences					
Investment securities available for sale	-	153	153	(153)	0
Premises and equipment – inflation effect	-	-	-	59	59
Buildings and premises – revaluation effect (Note 8)	-	2,571	2,571	(575)	1,996
Other accruals	1,714	(1,173)	541	250	791
Gross deferred tax liability	**1,714**	**1,551**	**3,265**	**(419)**	**2,846**
Net deferred tax liability	**-**	**(2,837)**	**(2,837)**	**2,250**	**(587)**

In the context of the Bank's current structure, whereby each branch, including head office is a separate tax payer, tax losses and current tax assets of different branches can not be offset against current tax liabilities and taxable profits of other branches and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, a deferred tax asset of one branch of the Bank cannot be offset against a deferred tax liability of another branch.

17. Dividends on Ordinary Shares

All dividends are declared and paid in UZS. Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation in the Republic of Uzbekistan.

Pursuant to the shareholders resolutions, dividends in equivalent of USD 1,117 thousand were declared and paid in respect of the year ended 31 December 2003 (2003: USD 1,032 thousand declared and capitalised to Capital Reserve).

18. 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 counterparty will be unable to pay all amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and industry sector are approved regularly by the Board of Management.

18. Financial Risk Management (continued)

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and state, corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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. In addition, the Bank generally covers its credit risk for off-balance sheet financial instruments by obtaining state or corporate counter guarantees.

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 by the treasury department of the Bank on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Geographical analysis. The geographical concentration of the Bank's assets and liabilities as at 31 December 2004 was as follows:

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

18. Financial Risk Management (continued)

	Uzbekistan	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	17,836	4,958	207	23,001
Mandatory balances with the CBU	9,787	-	-	9,787
Due from other banks	67,497	21,160	-	88,657
Loans and advances to customers	326,218	-	-	326,218
Investment securities available for sale	1,639	-	2,331	3,970
Other assets, including prepaid taxes	2,338	-	-	2,338
Deferred tax asset	2,259	-	-	2,259
Premises and equipment	31,330			31,330
Total assets	**458,904**	**26,118**	**2,538**	**487,560**
Liabilities				
Due to other banks	26,409	-	81	26,490
Customer accounts	181,642	-	-	181,642
Other borrowed funds	7,465	126,742	-	134,207
Other liabilities	2,498	-	-	2,498
Deferred tax liability	2,846	-	-	2,846
Total liabilities	**220,860**	**126,742**	**81**	**347,683**
Net balance sheet position	**238,044**	**(100,624)**	**2,457**	**139,877**
Credit related commitments (Note 19)	**418,706**	**-**	**-**	**418,706**

The geographical concentration of the Bank's assets and liabilities as at 31 December 2003 is set out below:

	Uzbekistan	OECD	Non OECD	Total
Net balance sheet position	**173,495**	**(38,659)**	**4,412**	**139,248**
Credit related commitments (Note 19)	**266,421**	**-**	**-**	**266,421**

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

18. Financial Risk Management (Continued)

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2004. Included in the table below are the Bank's assets and liabilities at carrying amounts, categorised by currency. As at 31 December 2004, the Bank has the balances in UZS, United States Dollars, Euros, Swiss Francs and other currencies. Other currencies represent mainly amounts in Russian Roubles.

At 31 December 2004, the Bank has the following positions in currencies:

	UZS	USD	EUR	CHF	Other currencies	Total
Assets						
Cash and cash equivalents	2,260	15,198	5,030	-	513	23,001
Mandatory balances with the CBU	9,787	-	-	-	-	9,787
Due from other banks	51,909	36,748	-	-	-	88,657
Loans and advances to customers	84,482	143,102	94,061	4,573	-	326,218
Investment securities available for sale	120	3,850	-	-	-	3,970
Other assets, including prepaid taxes	2,338	-	-	-	-	2,338
Deferred tax asset	2,259	-	-	-	-	2,259
Premises and equipment	31,330	-	-	-	-	31,330
Total assets	**184,485**	**198,898**	**99,091**	**4,573**	**513**	**487,560**
Liabilities						
Due to other banks	22,898	3,590	1	-	1	26,490
Customer accounts	119,629	61,619	388	-	6	181,642
Other borrowed funds	7,465	30,507	91,556	4,573	106	134,207
Other liabilities	2,498	-	-	-	-	2,498
Deferred tax liability	2,846	-	-	-	-	2,846
Total liabilities	**155,336**	**95,716**	**91,945**	**4,573**	**113**	**347,683**
Net balance sheet position	**29,149**	**103,182**	**7,146**	**-**	**400**	**139,877**
Credit related commitments	**-**	**418,706**				**418,706**

At 31 December 2003, the Bank has the following positions in currencies:

	UZS	USD	EUR	CHF	Other currencies	Total
Net balance sheet position	**27,522**	**103,304**	**8,248**	**-**	**174**	**139,248**
Credit related commitments	**-**	**266,421**	**-**	**-**	**-**	**266,421**

The Bank had significant USD net currency position as at 31 December 2004 and 31 December 2003, mainly due to contribution of the Bank's share capital being in USD (Note 12).

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

18. Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The liquidity risk is managed by the Asset/Liability Committee of the Bank. The table below shows assets and liabilities as at 31 December 2004 by their remaining contractual maturity. Some of the assets, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

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.

The liquidity position of the Bank as at 31 December 2004 is set out below.

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	23,001	-	-	-	-	23,001
Mandatory balances with the CBU	8,262	334	32	1,159	-	9,787
Due from other banks	85,869	2,200	0	588	-	88,657
Loans and advances to customers	1,569	32,788	28,376	263,485	-	326,218
Investment securities available for sale	-	-	-	-	3,970	3,970
Other assets, including prepaid taxes	-	2,338	-	-	-	2,338
Deferred tax asset	-	-	-	2,259		2,259
Premises and equipment	-	-	-	-	31,330	31,330
Total assets	**118,701**	**37,660**	**28,408**	**267,491**	**35,300**	**487,560**
Liabilities						
Due to other banks	23,045	1,445	2,000	-	-	26,490
Customer accounts	153,338	6,192	602	21,510	-	181,642
Other borrowed funds	740	8,055	7,639	117,773	-	134,207
Other liabilities	-	2,498	-	-	-	2,498
Deferred tax liability	-	-	-	2,846	-	2,846
Total liabilities	**177,123**	**18,190**	**10,241**	**142,129**	**-**	**347,683**
Net liquidity gap	**(58,422)**	**19,470**	**18,167**	**125,362**	**35,300**	**139,877**
Cumulative liquidity gap as at 31 December 2004	**(58,422)**	**(38,952)**	**(20,785)**	**104,577**	**139,877**	
Cumulative liquidity gap as at 31 December 2003	**3,680**	**11,507**	**23,290**	**108,082**	**139,248**	

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

18. Financial Risk Management (Continued)

The cumulative negative liquidity gap as at 31 December 2004 between assets and liabilities with a maturity of less than one month and continuing up to twelve months represents a considerable risk to the Bank's short-term liquidity position. Management believes that despite a substantial portion of customer accounts being on demand, the past experience of the Bank would indicate that these deposits provide a long-term and stable source of funding for the Bank. Moreover, the Management believes that adequate liquidity can be maintained by borrowing within a short timeframe at the interbank money markets.

Maturity of more than one year generally refers to assets and liabilities maturing within the period of less than five years. Overdue assets are allocated based on their expected maturity.

Interest rate risk. The Bank is exposed to interest rate price risk, principally as a result of lending and advances to customers and other banks, at fixed interest rates, in amounts and for periods, which differ from those of term deposits and other borrowed funds at fixed interest rates.

The following table summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non interest bearing**	**Total**
Assets						
Cash and cash equivalents	23,001	-	-	-	-	23,001
Mandatory balances with the CBU	8,262	334	32	1,159	-	9,787
Due from other banks	85,869	2,200	-	588	-	88,657
Loans and advances to customers	1,569	82,594	113,384	128,671	-	326,218
Investment securities available for sale	-	-	-	-	3,970	3,970
Other assets, including prepaid taxes	-	2,338	-	-	-	2,338
Deferred tax asset	-	-	-	-	2,259	2,259
Premises and equipment	-	-	-	-	31,330	31,330
Total assets	**118,701**	**87,466**	**113,416**	**130,418**	**37,559**	**487,560**
Liabilities						
Due to other banks	23,045	1,445	2,000	-	-	26,490
Customer accounts	76,854	6,192	602	21,510	76,484	181,642
Other borrowed funds	773	110,110	267	23,057	-	134,207
Other liabilities	-	2,498	-	-	-	2,498
Deferred tax liability	-	-	-	-	2,846	2,846
Total liabilities	**100,672**	**120,245**	**2,869**	**44,567**	**79,330**	**347,683**
Net sensitivity gap	**18,029**	**(32,779)**	**110,547**	**85,851**	**(41,771)**	**139,877**
Cumulative sensitivity gap as at 31 December 2004	**18,029**	**(14,750)**	**95,797**	**181,648**	**139,877**	
Cumulative sensitivity gap as at 31 December 2003	**3,680**	**17,239**	**29,022**	**108,082**	**139,248**	

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

18. Financial Risk Management (Continued)

The table below summarises the effective interest rates by major currencies for monetary financial instruments. The analysis has been prepared based on period-end effective rates used for amortisation of the respective assets/liabilities.

	2004				2003		
	UZS	**USD**	**EURO**	**CHF**	**UZS**	**USD**	**EURO**
Assets							
Cash and cash equivalents (correspondent accounts)	-	0.83%	1.02%	-	-	0.97%	1%
Due from other banks	0.99%	0.7%	-	-	0%	1%	1%
Loans and advances to customers	19.7%	9.1%	5.4%	4.28%	24%	9%	6%
Liabilities							
Due to other banks	15.27%	3.42%	0%	-	11.6%	2.7%	-
Customer accounts:							
- current and settlement accounts							
Legal entities	0.5%	0.5%	-	-	0.5%	0.5%	-
Individuals	6%	0.3%	0.3%	-	6%	-	-
- term deposits							
Legal entities	11.27%	2.76%	-	-	20%	1.5%	1.2%
Individuals	32%	4%	4.3%	-	32%	4%	-
Other borrowed funds	6.6%	4.31%	2.85%	4.03%	7.5%	2.98%	2.53%

Within the customer accounts are balances in UZS, USD and EUR with aggregate amount of USD 76,484 thousand. These balances represent customer accounts opened for import letters of credit, as well as for conversion into foreign currencies at the Currency Exchange, on which the Bank pays no interest.

19. Contingencies and Commitments

Insurance. The Bank does not have full coverage for its premises and equipment or business interruption. As at 31 December 2004 premises and equipment totalling USD 15,684 thousand (2003: USD 15,553 thousand) was insured. The maturities of insurance policies range from one to twelve months. There is a policy to rollover insurance policies on their expiration and conclude insurance agreements for new premises and equipment.

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

Tax legislation. Due to the presence in Uzbekistan commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, Management's judgement of the Bank's business activities may not coincide with the interpretation of the same activities by tax authorities. If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for three years. However, it is possible that transactions and activities that have not been challenged in the past may be challenged.

The Bank's management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency and customs positions will be sustained. Accordingly as at 31 December 2004 no provision for potential tax liabilities has been recorded (2003: no provision).

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

19. Contingencies and Commitments (continued)

Credit related commitments. The credit related commitments comprise import letters of credit opened, unused lines of credit and guarantees issued by the Bank. Import letters of credit opened are generally fully collateralised with cash deposits and accordingly the Bank normally assumes minimal credit risk. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. 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. In general, all of the Bank's guarantees are issued to those clients of the Bank that maintain good credit standards and/or whereby the Bank obtains counter-guarantees to adequately cover risks of loss.

The total outstanding contractual amount of import letters of credit, undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Outstanding credit related commitments are as follows:

	2004	**2003**
Import letters of credit	265,437	207,740
Commitments to extend credit	134,854	22,502
Guarantees issued	18,415	36,328
Less: Provision against credit related commitments	-	(149)
Total credit related commitments	**418,706**	**266,421**

A significant portion of the Bank's import letters of credit have been opened on behalf of UzDaewooAuto and its related companies. Details of those import letters of credit outstanding as at 31 December 2004 are summarised as follows:

	2004	**2003**
Current import letters of credit	116,218	121,666
Overdue import letters of credit	82,108	35,608
Total	**198,326**	**157,274**

Of the above import letters of credit to UzDaewooAuto and its related companies, the amount totalling USD 126,868 thousand are guaranteed by the Ministry of Finance of Republic of Uzbekistan (2003: USD 157,274 thousand) and the remaining amount of USD 71,458 thousand (2003: Nil) is covered by customer deposit in USD and UZS equivalent. In the event that the customer is unable to effect the payment under the import letters of credit, the Ministry of Finance of Republic of Uzbekistan guarantees the customer's obligation to the Bank, including interest and other charges payable under the import letters of credit.

Overdue import letters of credit represents part of a contract to supply of spare parts to UzDaewooAuto. Management does not expect any third party claims under these overdue import letters of credit, as adequacy of performance of the suppliers under these letters of credit are currently being negotiated by the parties involved.

The outstanding balance of commitments to extend credit as at 31 December 2004 include a commitment to extend credit to Asia Invest Bank of USD 40,000 thousand, (2003: Nil), opened as per the decision of the Board of Management. However, as at 31 December 2004 the Bank's net exposure on this commitment amounted to USD 10,000 thousand, due to setting a credit limit by the Board of Management in relation to this commitment. Furthermore, commitments to extend credit also include Japanese Yen denominated loan commitment to two borrowers amounting to 9,536,000 thousand, currency equivalent of USD 84,773 thousand, funded by Japanese Bank for International Cooperation ("JBIC"), which is guaranteed by the Ministry of Finance of the Republic of Uzbekistan (2003: Nil).

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

19. Contingencies and Commitments (continued)

The outstanding balance of guarantees issued at 31 December 2004 includes a guarantee issued to State Joint Stock Foreign Trade Company "Uzinterimpex" amounting to USD 13,001 thousand, of which USD 1,300 thousand was collateralised by demand deposit. The outstanding balance also includes a guarantee issued to UzDaewooAuto amounting to USD 5,290 thousand, which was fully collateralised by demand deposit. As of 31 December 2004, the Bank's net exposure on these two guarantees amounted to USD 11,701 thousand. However, no provision was created against this net exposure, since these state controlled customers have sufficient funds on their current and term deposits to cover this exposure. (2003: one customer amounting to USD 26,702 thousand, of which USD 9,337 thousand was guaranteed by the Ministry of Finance of Republic of Uzbekistan and USD 2,943 thousand was collateralized by the customer's deposit. As of 31 December 2003, the Bank's net exposure on this guarantee amounted to USD 14,421 thousand).

Movements in the provision for losses on credit related commitments are as follows:

	2004	**2003**
Provision for losses on credit related commitments as at January 1	149	720
Provision for losses on credit related commitments during the period	(144)	(544)
Effect of inflation	(5)	(27)
Provision for losses on credit related commitments as at December 31	**-**	**149**

20. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party can exercise control or significant influence over the operating policies of another party, to the extent that one of the parties may be prevented from fully pursuing its own separate interests as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are generally entered into in the normal course of business with significant shareholders. These transactions include settlements, loans, deposit taking, trade finance and foreign currency transactions. These transactions are priced predominantly at market rates. For the purposes of these financial statements, the following parties are considered to be related:

- Ministry of Finance of Republic of Uzbekistan – shareholder
- Uzautosanoat association – shareholder
- UzDaewooAuto – entity controlled by shareholder (Uzautosanoat)
- Uzautosanoatservice – entity controlled by shareholder (Uzautosanoat)
- The CBU – a state owned entity
- National Bank of Republic of Uzbekistan ("NBU") – entity controlled by the shareholder (Ministry of Finance of Republic of Uzbekistan)
- Asia Invest Bank – entity controlled by NBU
- Davlat Belgisi – state owned entity
- UzInterimpex – state owned entity
- MarkazImpex –state owned entity
- Board members of the Bank

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

20. Related Party Transactions (Continued)

The outstanding balances at the year end and income and expense as well as other transactions for the year with related parties are as follows:

	2004		
	Shareholders	**Entities under common control**	**Total**
Correspondent Accounts and Overnight Deposits	-	1,240	**1,240**
Mandatory Balances with the CBU	-	9,787	**9,787**
Due from Other Banks	-	65,130	**65,130**
Loans and Advances to Customers			
Loans and advances to customers (contractual interest rates from 4% to 20%)	5,428	15,479	**20,907**
Provision for impairment of loans and advances to customers as at the year end	-	2,029	**2,029**
Interest income for the year	955	136	**1,091**
Customer Accounts			
Current/settlement accounts as at year end	17,030	81,853	**98,883**
Term deposits outstanding as at year end in UZS at (contractual interest rates from 10% to 17%)	4,726	20,794	**25,520**
Interest expense	260	400	**660**
Due to Other Banks			
Term deposits outstanding as at year end in UZS (contractual interest rate 17%)	-	14,178	**14,178**
Correspondent accounts and overnight placements of other banks	-	56	**56**
Interest expense	-	7	**7**
Other Borrowed Funds			
Borrowings from the Ministry of Finance of Republic of Uzbekistan (contractual interest rate 7.5%)	3,131	-	**3,131**
Borrowings from the Ministry of Finance of Republic of Uzbekistan (contractual interest rate UZIBOR+0.5%)	98	-	**98**
Borrowings from the CBU (contractual interest rate 7.5%)	-	3,029	**3,029**
Interest expense	240	231	**471**
Commitments to extend credit	-	40,000	**40,000**
Guarantees issued by the Bank as at year end	-	18,291	**18,291**
Guarantees received by the Bank as at year end	354,868	3,853	**358,721**
Import letters of credit as at year end	-	198,326	**198,326**
Fee and commission income for the year	24	4,198	**4,222**

(Expressed in thousands of US Dollars for presentational purposes only - Note 3)

20. Related Party Transactions (Continued)

	2003		
	Shareholders	**Entities under common control**	**Total**
Correspondent Accounts and Overnight Deposits	-	78	**78**
Mandatory Balances with the CBU	-	4,438	**4,438**
Due from Other Banks	-	6,699	**6,699**
Loans and Advances to Customers			
Loans and advances to customers (contractual interest rate 9%)	7,944	11,374	**19,318**
Provision for impairment of loans and advances to customers as at the year end	2,828	-	**2,828**
Interest income for the year	1,549	70	**1,619**
Customer Accounts			
Current/settlement accounts as at year end	96	9,470	**9,566**
Term deposits outstanding as at year end in UZS (contractual interest rate 20%)	-	10,875	**10,875**
Interest Expense	1	467	**468**
Other Borrowed Funds			
Borrowings from the Ministry of Finance of Republic of Uzbekistan (contractual interest rate 7.5%)	3,257	-	**3,257**
Borrowings from the CBU (contractual interest rate 7.5%)	-	3,150	**3,150**
Interest expense	242	-	**242**
Guarantees issued by the Bank as at year end	-	26,702	**26,702**
Guarantees received by the Bank as at year end	258,584	10	**258,594**
Import letters of credit as at year end	-	157,274	**157,274**
Fee and commission income for the year	-	2,334	**2,334**

21. 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 a quoted market price.

In accordance with the requirement of IAS 32 "Financial Instruments: Presentation and Disclosure" the Bank has performed an assessment of its financial instruments to determine whether it is practicable within constraints of timeliness and cost to determine their values with sufficient reliability. Based on its assessment, Management has concluded that due to the lack of liquidity in the Uzbekistan markets, and the fact that many of its investments are of a very specialized nature, it is not possible to determine the fair value of investment securities available for sale. The estimated fair values of other 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. As described in more detail in Note 2, Uzbekistan continues to display characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments, which would be determined in an effective, active market involving willing buyers and willing sellers. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Financial instruments carried at fair value. Cash and cash equivalents are carried on the balance sheet at their fair value.

Loans originated carried at amortised cost less provision for impairment. The fair value of floating rate instruments is 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. Refer to Notes 6 and 7 for the estimated fair value of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortised cost. The fair value of instruments with a quoted market price is based on quoted market prices. The estimated fair value of instruments with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest rate instruments without a quoted market price is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 9, 10, and 11 for the estimated fair values of due to other banks, customer accounts, and other borrowed funds, respectively.