

ANNUAL REPORT
OF THE NATION BANK OF UZBEKISTAN
2005 YEAR

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FOREWORD OF THE BOARD CHAIRMAN

Dear partners, colleagues, friends!

Hereby I present to your attention the 2005 Annual Report of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan.

In 2005, effective and dynamic reformation measures of the President and the Government of the Republic of Uzbekistan in the economic sphere were further developed. The subsequential conduction of the market reformations is giving its fruits: multiformal economics is activively being formed, where the leading role is given to private entrepreneurship and small business. Increase of the financial stability, development of market services, expansion of mortgage and consumer forms of lending resulted in increasing the role of commercial banks in deepening the market reforms.

In such conditions, the National Bank, by orienting to international standards of banking and successfully conducting own business strategy that includes reasonable conservatism, suspension, compliance of thought-out risk with necessary profitability, is standing on a leading position in the banking sector of Uzbekistan.

In previous year, the National Bank managed to increase the number of the served corporate and retail clients thanks to the taken wide range of measures on optimizing bank services as well as reliable lending policy. This is the best grade for its activity results.

We highly appreciate the trust of our customers. The activity of the Bank would not be fruitful without their confidence and the reliability of the Bank.

The National Bank makes a reasonable contribution to deepen the integration process of the Republic of Uzbekistan to the world economy. In the framework of foreign economic activity, the Bank pays an important attention to the development of cooperation with foreign banks and international financial institutions.

Expansion of corporate, retail and investment related directions of business are still in the list of priority given tasks of the National Bank in this year. We, in cooperation with foreign partners, are activity preparing to privatize the Bank, which is planned to be done in 2009.

The mentioned – is the only major milestones of the Bank's activity in 2005. I will emphasize the main point – The National Bank is acting as a unique debugged mechanism directed to gaining a maximum commercial effectiveness and the activity results of the National Bank in this year let us to continue developing with optimism and confidence and sincerely hope for further support of our respectable customers and partners.

S. Rakhimov

**Boar Chairman
The National Bank for Foreign Economic Activity**

MAJOR RESULTS OF THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF UZBEKISTAN IN 2005

2005, the fourteenth year of independence of the Republic of Uzbekistan, became the next milestone in the path of deepening the economic reforms, creation of a strong democratic state, speeding-up the rates of economic development, establishing an open civil society, forming multistructured economy and other priority given tasks. In 2005, there were continued positive tendencies in the macroeconomic sphere, which were outlined in the previous years of independent development of Uzbekistan.

It can be noted that the most important events in 2005 were publications of Provisions of the President of the Republic of Uzbekistan directed to taking measures on further reformation of the banking system with emphasis on strengthening the financial stability, decreasing the problematic credit portfolio, increasing cadre potential and implementing privatization measures of the commercial banks of the Republic. A special attention is paid to increasing trust of the population on commercial banks, decreasing circulation of cash out of the bank and attracting the physical and legal bodies to use banking instruments in settling their accounts. The economic freedom of businesses is gradually expanding and the state interruption into their activity is decreasing. In previous year, there were created additional incentives and privileges for active performance of private business, are being developed institutions of market infrastructure. The leaving year has become remarkable for deepening the principles of entrepreneurship in rural areas, where unprofitable shirkats started to transform into farms functioning with a commercial view to their own business.

In the reporting period the GDP increased to 7%, the industrial output increased to 7.8%, the agriculture output – to 6.2%, consumer goods output to 17.7%. The state budget is performed with surplus for 0.1% of GDP against proposed deficit for 1%. The fact that the main sources were resulted in stable economic growth rates were unfavorable external factors and world prices for hydrocarbon raw materials and resources, and firstly the results of deeply thought-out models and long-term programs of market reforms and country modernization.

In the production structure of GDP it observed a growth of industry from 17.5% up to 20.7%, which was provided by increase in production output – 7.3% due to a considerable increase of machine construction output – 29.7%, construction materials output – 11.0%, light industry output – 12% and output of chemicals and gas and oil sector – 9.6%.

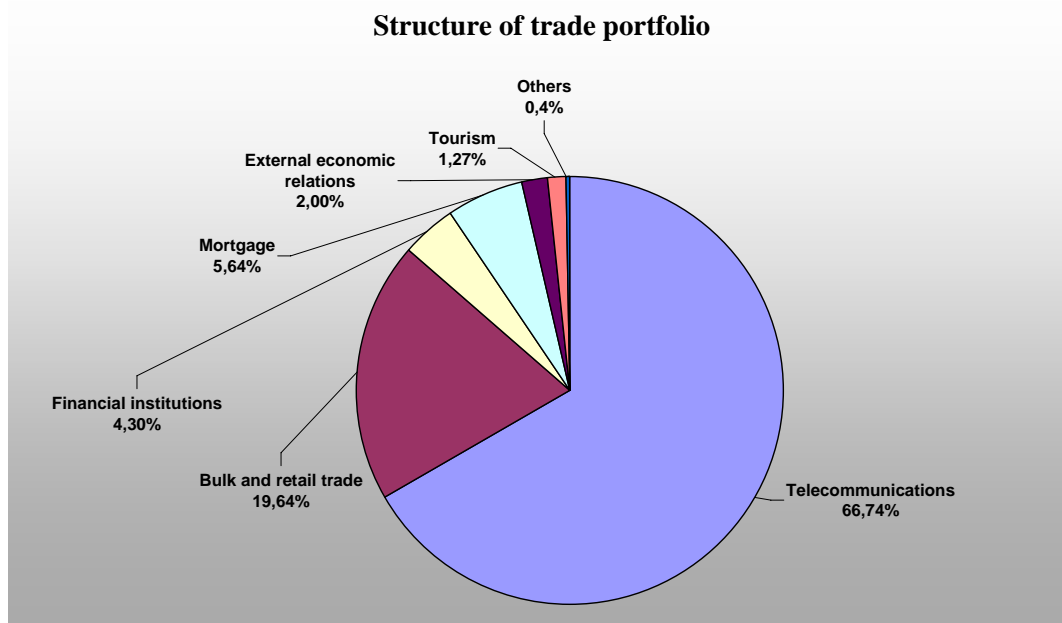
In the structure of using GDP, the master factor of the changes in the industrial structure of GDP was the tendency of a high demand for exported goods. This can be explained by the growth of the world economy and consumption of population in the countries that are trade partners of our country. Due to a favorable conjecture in the world markets and taken measures on liberalizing the foreign trade the export has increased for 11.5% (in general due to increase of the machine construction 1.3 times, export of cotton fibers 1.2 times and chemical products 1.2 times). This resulted in increase of the cotton in GDP (from 7.4% to 9.7%).

The most important consequence of the carried out reforms and gained results in the modernization of the economy was the export increase of the production in 2005 for 11.5%, where over the half of the amount in the structure of the export is in the portion of finished products and services. The portion of the finished products and services in the export exceeded 50% of its amount. The highest balance within the period of independence is obtained in the amount of 1.3 billion USD, the gold-currency reserves increased 1.3 times which firstly implies to an increased stability of our economy against changes in the foreign market.

The positive factor of the export increase in 2005 was a favorable conjuncture of prices for major exported goods of the Republic. During 2005, the further growth of the world prices for cotton fiber is

still going on, which is due to decrease of the world cotton output and increase of its consumers. The price for gold has increased by December up to 536.5 USD per ounce, which was a record quotation for the past 24 years.

Due to optimal regulation of the money and credit policy, the inflation in 2005 made up 7.8%. In 2005 the salary of the budget field workers, pensions, scholarships and allowances have increased at average for 40%. The real income of the population has increased for 22%.

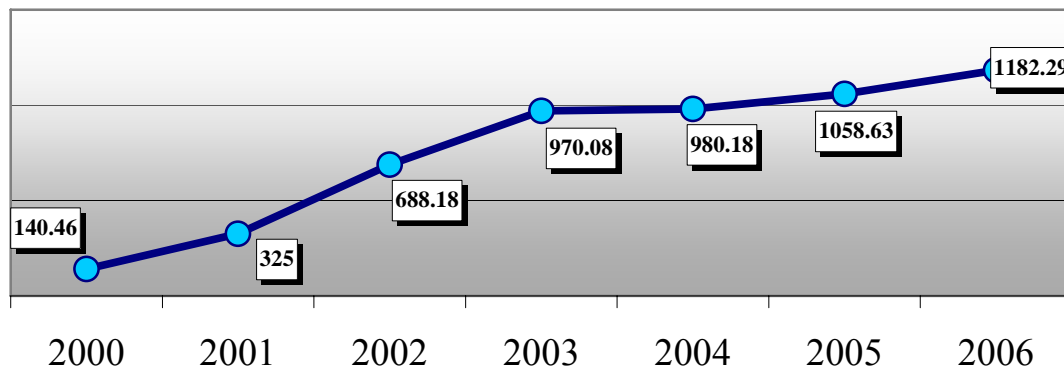


In 2005, the public budget income policy was directed to further decreasing tax burden to the economy, simplifying the taxation order, improving the tax administration system.

The major results of budget and tax reforms were:

- Decrease of the tax burden. Decrease of the tax rate for profit of legal bodies from 18% to 15%, of a unique social tax from 33% to 31%. As a result the fiscal withdrawals to the public budget has decreased up to 22% against DGP;
- The introduction of a single tax payment has decreased tax burden to entities of small entrepreneurship, the amount of the documents submitted by the taxpayers to the tax organs has decreased 10-12 times.

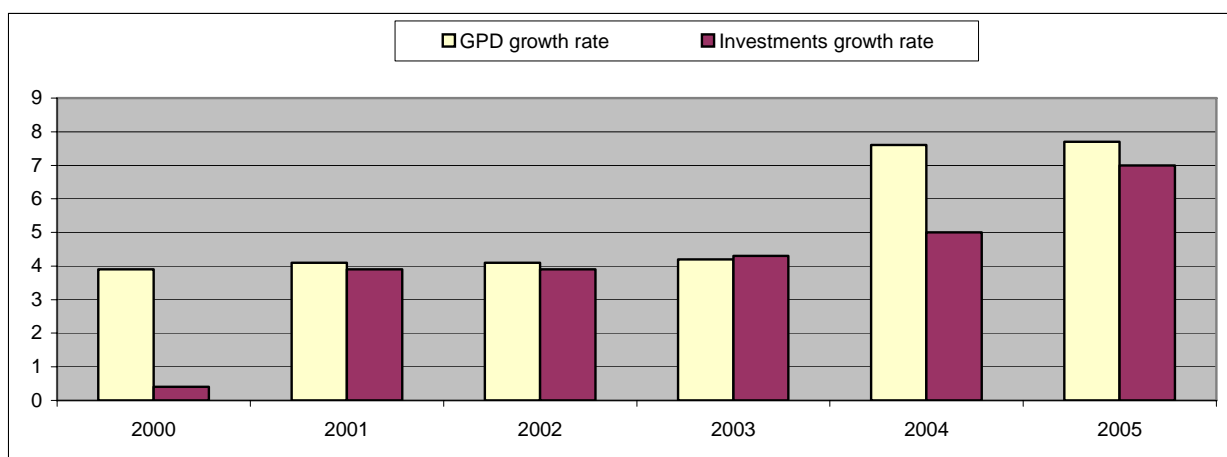
Dynamics of the official exchange rate of USD against soum, fixed by the Central Bank of RU (in the beginning of 2000-2006)



On the background of decrease of the centralized extent, there is sharp increase of private investments of enterprises and population, active attraction of direct foreign investments and resources of commercial banks. The portion of the centralized resources of investments made up 76.5% in 2005 whereas direct foreign investments and loans increased about 1.5 times.

Consequent structural reforms and modernization of the economy provided the activation of investment processes. The amount of the investment to the fixed capital in 2005, from the account of financing sources, made up 3012.9 billion soums. The growth rate made up 107.0%, which is 1.8 times more than in 2004. The share of the investment in GDP is determined at the rate of 19.8% against 20.2% in 2004. The continuing dynamics, existing in the investment sphere has significantly influenced the economic growth.

Dynamics of the GDP and capital investments growth rates.



Source: State Statistical Committee of the Republic of Uzbekistan

At the general investments growth, there were observed changes and distribution of them according to forms of ownership. The share of the investments directed to the state sector has decreased for 5.2 points and has made up 36.2% of the total value. The share of the investments directed not to the state sector has accordingly increased up to 63.8%. Such positive movements are connected with implementation of the State Investment Program where there are significant decreases of investment projects to state forms of ownership (table 3).

Table 3. The structure of investment distribution to the fixed capital according o the forms of ownership (in %).

	04/I	04/I-II	04/I-III	2004	05/I	05/I-II	05/I-III	2005
Investments to the fixed capital	100	100	100	100	100	100	100	100
State ownership	40,8	43,7	42,8	41,4	32,3	40,3	39,8	36,2
Private ownership	59,2	56,3	57,2	58,6	67,7	59,7	60,2	63,8

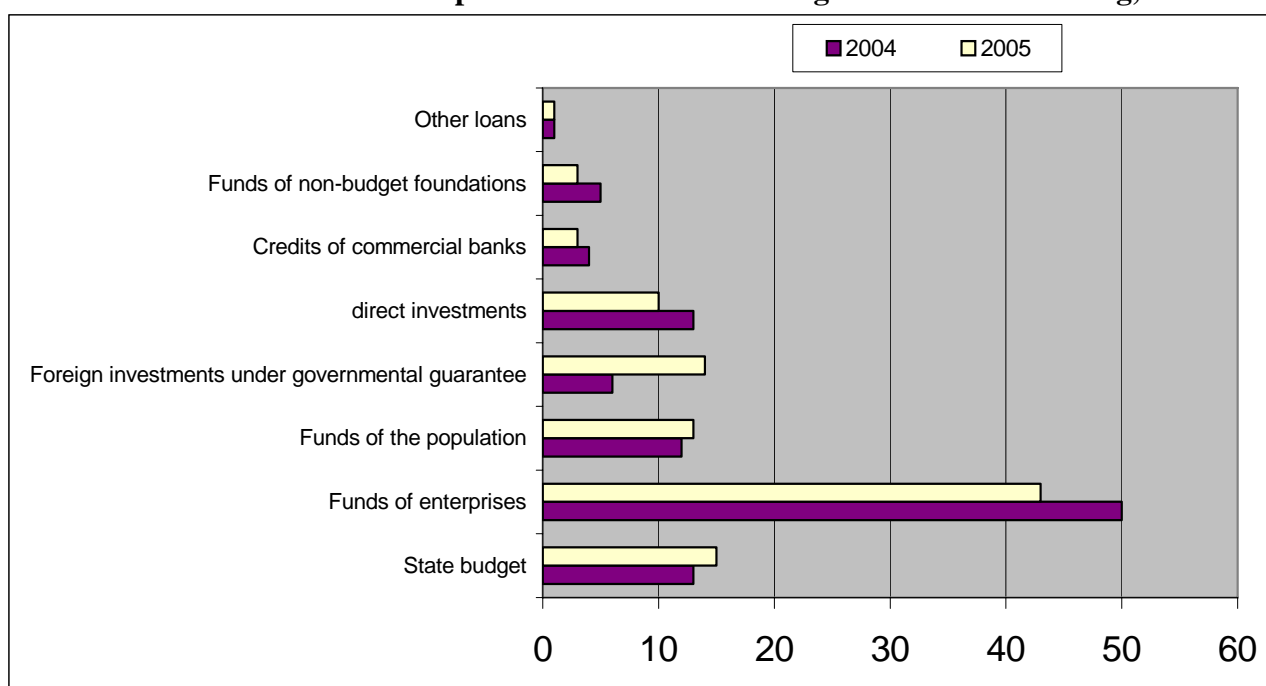
Source: State Statistical Committee of the Republic of Uzbekistan

The positive event in this year was the activation of the non-budget funds for financing investment projects. The share of their funds in the structure of capital investments has increased up to 4.7% of the total volume, i.e. for 2.3 points. The resources of the non-budget funds, including The Republican Road Fund, were extended for construction and reconstruction of motor roads and railways of state and local use.

Because of the taken measures on reforming and liberalizing the bank sector, decreasing rates for short-term and long-term loans the share of the commercial bank has increased in investing into the real sector of economy up to 2.9%, which is for 0.6 point more than the same level of the previous year.

The conducted in the country administrative reforms directed to decreasing the role of state participation in the investment processes has resulted in decrease of the amount of the centralized funds. The amount of investment from the account of the budget funds in 2005 was within the limits of 384.2 billion soums, and that of the foreign investments under the governmental guarantee was 180.8 billion soums. The share of the funds financed directly from the budget into the structure of capital investments has decreased for 2.1 points and the share of foreign investments under the governmental guarantee for 8.5 points, and in 2005 correspondingly amounted to 12.8% and 6.0% of the total amount of investments (chart 4)

Chart 4. The structure of capital investments according to source of financing, %



Source: State Statistical Committee of the Republic of Uzbekistan

There were definite movements in the structure of distributing foreign capital along sectors of economy. Its value in 2005 amounted to 581.2 million USD. It has increased for 3.5 points of it share in the production or up to 86.2% of the total investment amount. The industry is becoming a more and more attractive field for investing. The investment of foreign capital into the fields of industry has increased for 9.2 points. The transport and communication sectors are still highly attractive sectors for foreign investors. The share of the foreign investments in the total value of the foreign capital directed to the development of that field amounted to 30.2% (table 4).

Table 4. The structure of foreign investments into the fixed capital according to the fields of economy. %

	04/I	04/I-II	04/I-III	2004	05/I	05/I-II	05/I-III	2005
Total	100	100	100	100	100	100	100	100
Directed to production	81,8	78,7	73,6	82,7	90,6	90,6	88,7	86,2
Industry	45,1	37,5	39,3	39,0	65,3	54,4	57,6	48,2
Agriculture	0,2	0,1	0,3	0,7	2,0	1,8	1,8	2,4
Construction	-	-	-	0,0	0,7	0,3	0,3	0,2
Transport and communication	26,3	33,0	28,6	37,9	21,9	33,7	28,8	30,2
Trade and public catering	-	-	-	0,3	-	-	0,1	0,1
Other fields	10,2	8,1	5,4	4,8	0,7	0,4	0,1	5,0
Not directed to production	18,2	21,3	26,4	17,3	9,4	9,4	11,3	13,8

Source: State Statistical Committee of the Republic of Uzbekistan

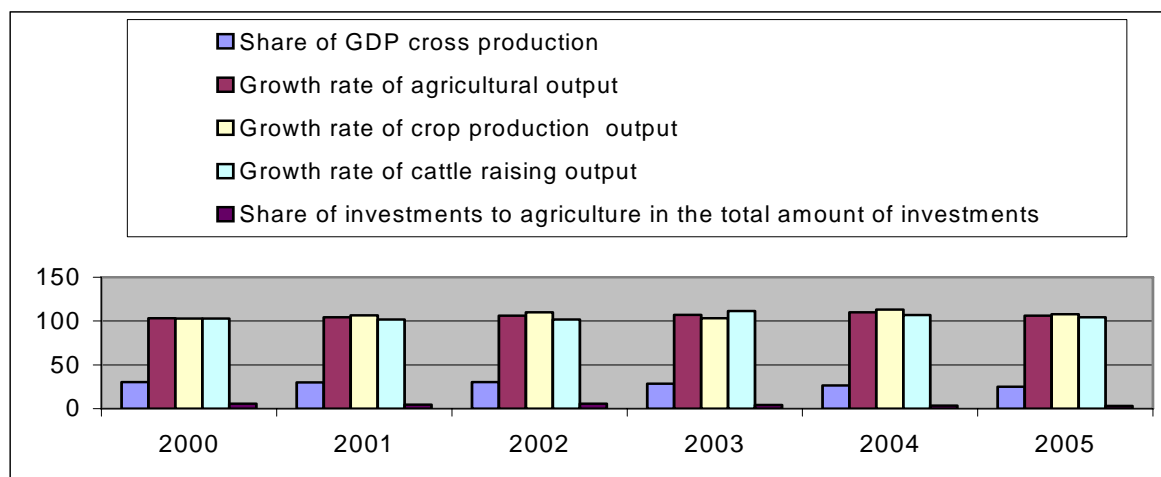
In 2005, the main role was given to the development of small business and private entrepreneurship. Because of targeted stimulation, in 2005, the number of the small businesses has increased for 31.5 thousand and made up over 310 thousand, the share of the small entrepreneurship in GDP has made up 38.2%. 65% of all engaged in the economy are engaged in this field. 85% of the newly created workplaces are in the small business.

For supporting and developing the small business, private entrepreneurship as well as dekhan societies and farms there were extended loan resources in the amount of 792 billion soums in 2005, in 2004 there were extended for such purposes 423 billion soums. In 2005, there were taken measures on development of credit unions, which is directed to strengthen concurrence in the financial markets of the country, creation of a system of new financial establishments, expansion of possibilities of receiving loans by the entrepreneurs.

The reforms in the financial and bank fields has been continued. Because of taken measures on liberalization and deepening reforms in the bank system, the volume of the gross capital, assets and credit investments of banks has increased. The gross capital of the commercial banks has increased for 13%, the sum of their gross assets – for 12.5%.

In the agrarian sector of the economy there were observed movements thanks to the conducted structural reformations, growth of the number and activation of performance of farms, implementation of mechanisms of their privileged crediting, on time financial support as well increase of effectiveness of using material and technical resources. In 2005, the amount of the gross agricultural output has increased from 4521.8 billion soums in 2004 up to 5395.5 billion soums in 2005 (surplus for 6.2%) (look at chart)

Chart. Major indicators of agricultural development.



Source: State Statistical Committee of the Republic of Uzbekistan

MAJOR ACTIVITY RESULTS OF THE BANK IN 2005

In 2005, the activity of the National Bank for Foreign Economic Activity has been carried out on the background of dynamic development of the economy and deepening the market economy process in Uzbekistan. Favorable macroeconomic conditions provided a wide range of opportunities for a successful Bank performance. By maximally making use of them, the National Bank for FEA of RU has finished the year 2005 with considerable results that strengthened the reputation of the bank as a leading crediting and financing institution not only in the Republic of Uzbekistan but also in Central Asia.

The customer base increased by 49% and exceeded 898.8 thousand corporate and retail customers.

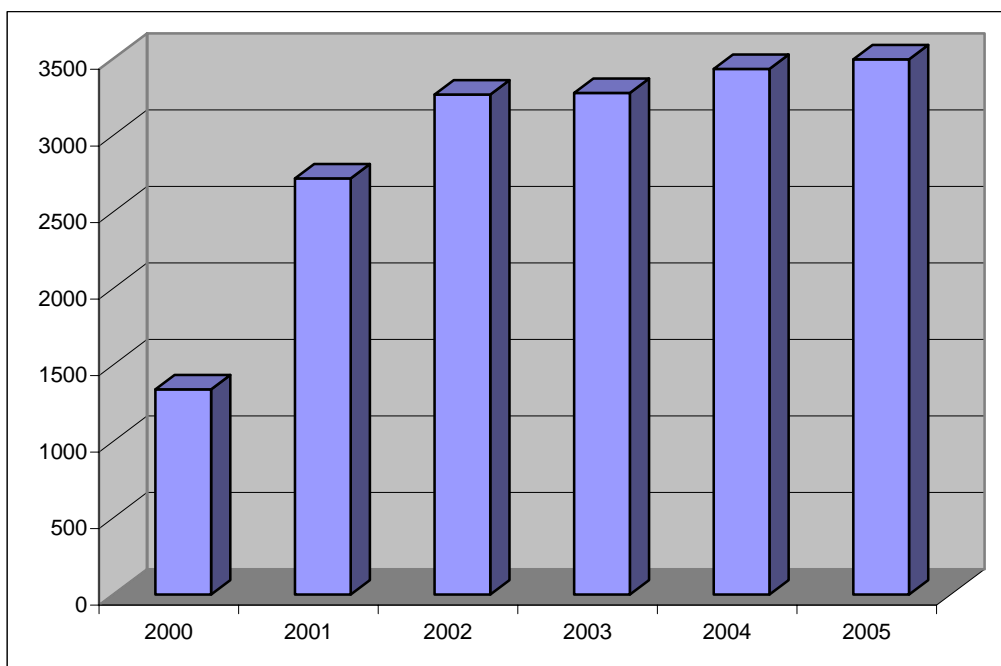
The consolidated balance of the National Bank in terms of soums amounted to 3 492 billion soums.

For the reporting period, the Bank capital increased by 52 billion soums and amounted to 470 billion soums.

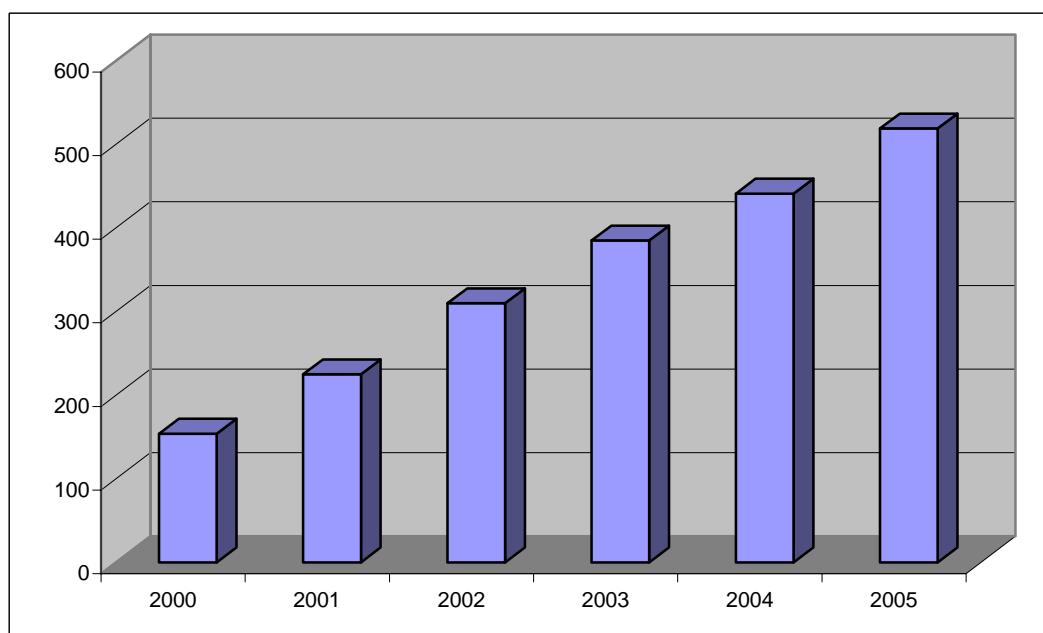
The credit portfolio extent made up 2 399.7 billion soums as of 01.01.2006. Whereas, the credit portfolio mainly consists of long-term loans, the specific weight of which made up 73.5%.

In 2005, the National Bank has attracted over 65 million USD of foreign loans for financing priority given sectors of economy. The credit lines of Export-Import Bank of China and a number of European Banks are very distinguished among the others.

The consolidated balance of the National Bank in terms of national currency for the period between 2000-2005 increased for 2 156 billion soums or 2.6 times.



The capital of the National Bank in terms of national currency for the same period increased by 3 times.



The balance of the Bank's operations in the national currency is constantly growing. From 2000 to 2005 the growth was by 3.4 times. Including 118% in 2005.

Despite the considerable growth of transaction volumes in national currency, the National Bank, thanks to high level of capitalization, continues to maintain a considerable reserve for the expansion of its customer base.

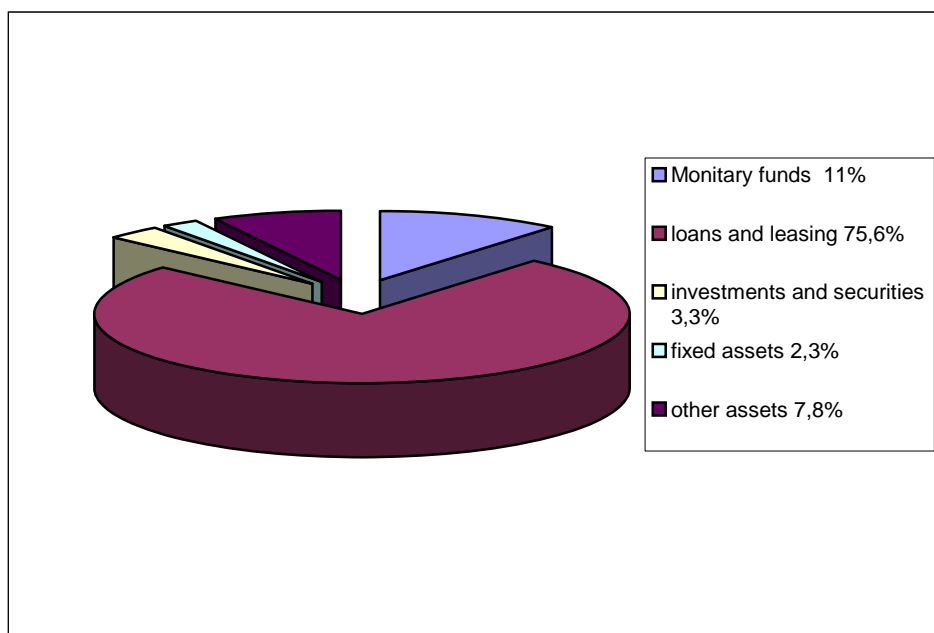
From the organizational point of view the management of assets and liabilities is based on the separation of the strategic and operational management functions in the management of attracted and allocated resources, including segregation of analytical, supervisory and operational functions.

Strategic tasks of the Bank's policy of assets and liabilities management is to increase and maintain the bank margin; provide reliability; manage credit resources placement according to their risk level, forms of securing the loans repayment; protect from the risk of changes in the interest rates; maintain equilibrium between assets sensitive to change of interest rates and liabilities sensitive to changes of interest rates.

In order to settle these tasks is required flexibility and operative reaction to changes in micro and macro sphere of the Bank, as well as changes in macroeconomic situation in the country and in the world financial system, in some cases – to make non-standard decisions.

Management of assets and liabilities by applying the method of balanced management of liquidity gives the Bank a set of tools for protection of deposits and loans from the influence of fluctuations of the business activity cycles and seasonal fluctuations as well as means for forming a portfolio of assets that would facilitate the implementation of the Bank's objectives.

**The structure of the assets of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan
According to the results of the 2005 fiscal year**



In the structure of the assets of the National Bank, the considerable amount of the specific weight accounts for credit operations, the specific weight of which made up in 2005 75.6% of all assets of the National Bank.

The high specific weight of the credit operations implies to importance of the National Bank in the market of financial services, the main task of which is to develop basic sectors of economy, export oriented and import replacing production process and small business.

The branch network of the National Bank is formed in 1999 and the share of the fixed assets in the overall structure of the assets has stabilized at the level of 2.3%.

The specific weight of the funds and their equivalents that provide liquidized state of the bank balance makes up 11%.

One of the factors that characterize the quality of the National Bank's activity is the indicator of adequacy of the own capital (the relation of the Bank capital to the sum of assets, weighted by taking into consideration the risk), that shows what reserves the Bank has for protection of the depositors' interests and adequacy of their amount.

As per national standards, the indicator of the capital adequacy is considerably higher from the required minimum value of (10%) and for the period of time from 2000 to 2005 made up:

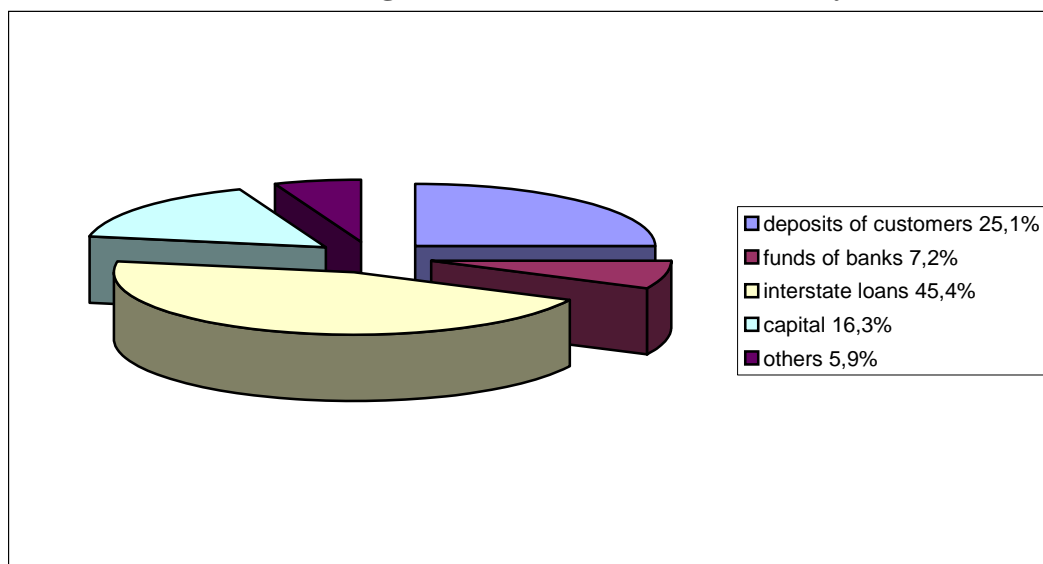
2000	2001	2002	2003	2004	2005
40,4%	34,8%	34,0%	31,0%	26,0%	29,0%

A great amount of share of refinanced loans under the guarantee of the Government of the Republic in the structure of balance assets is the main reason of a less amount of share of risky assets. However, event with a 100% risk of balanced assets and liabilities out of balance of the bank, the coefficient of capital adequacy was over 11%.

The policy of the National Bank with respect to high level of the capital adequacy is justified, because it provides the reputation of the stable financial institution and creates enough reserves for attraction of customers and basic expansion in order to increase the balance.

The resources of the National Bank are formed from the own capital and loans. The share of the own funds (capital) in the consolidated balance of the bank in terms of national currency as per the results of 2005 amounts to 16.3%, that of the attracted resources amounts to 83.7%.

**The structure of the liabilities
of the National Bank for Foreign Economic Activity
of the Republic of Uzbekistan
According to the results of the 2005 fiscal year**



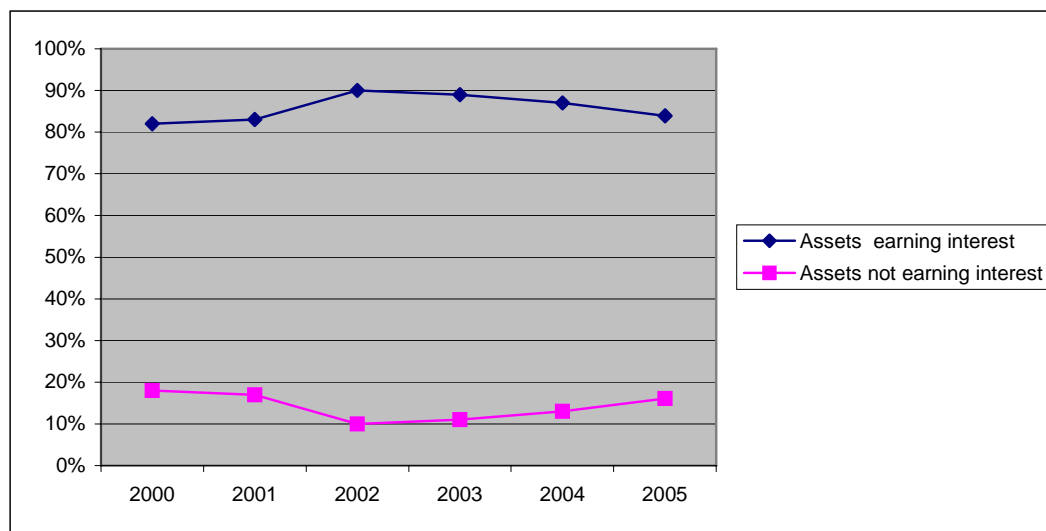
A remarkable particularity of the liabilities structure of the bank is related with its role as an agent of the Government of the republic on attracting foreign investments and loans into the economy of Uzbekistan. That is why the high specific weight of 25.4% is taken by interstate loans. The share of deposits of customers and banks amounts to 32.3%.

The assets and liabilities management is inseparably connected with the price policy of the bank. On the basis of the business plan, taking into account the economic factors, are taken decisions on the amounts of the basic interest rates on deposits and loans.

The management of assets and liabilities, their interest sensibility, that provide adequate level of interest margin is one of the most important tools of managing the bank balance.

The share of interest earning assets of the Bank is traditionally very high, and according to the result of the 2005 financial year amounted to 87% of the whole assets.

The change of shares of the interest earning assets for the period between 2000 and 2005 is given in the chart.



While reviewing the issues of investing funds, the bank pays attention not only to development plans but also to regulative requirements of the Central Bank of the Republic of Uzbekistan.

Moreover, the bank in its activity is governed by its own systems of establishing and controlling risks limit in such spheres as limits to one borrower and to a group of mutually related borrowers, to corresponding banks, to operations of the money market, to trade financing, open currency positions, to operations with SCO and trade portfolio, to investment portfolio and others.

THE BANK ON THE INTERNATIONAL SCENE

«By relying on conservative, thought-out policy, the Bank develops effective mechanisms of management and the growth strategy. This lets it to confidently and dynamically develop by getting a stable reputation as a professional financial institution, a reliably partners of its customers. Nowadays the National Bank for FEA of RU is a “visiting card” of the banking system of the country in international financial markets.

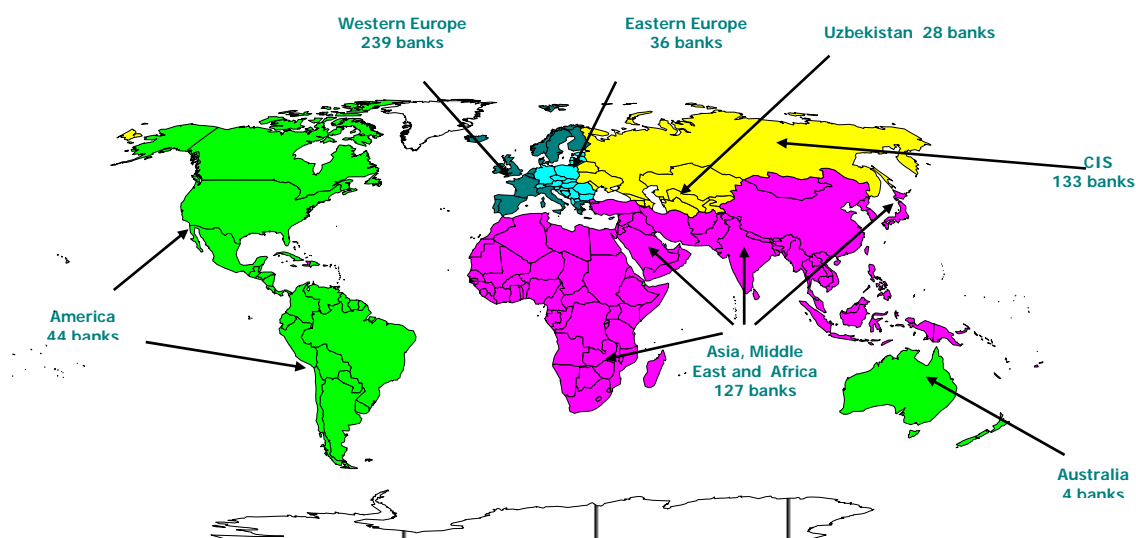
By consequently developing foreign relations the Bank actively facilitates the integration of the Republic of Uzbekistan into international financial community.

D.Khidoyatov
Head of main department
for cooperation with financial institutions

In accordance with the entrusted tasks to the National Bank on deepening economic relations of the republic with foreign states, increasing interest of the foreign capital in economic reforms carried out in Uzbekistan, attracting investments and modern technologies to the economy of the country, its foreign economic activity was directed to further developing and deepening cooperation with foreign banks and international financial institutions.

For the reporting period a number of negotiations with leading banks and financial institutions of Europe, Russia, China, India and CIS countries were conducted.

The optimization of corresponding network of the Bank has a great essence in strengthening relations with foreign banks which as of end 2005 includes 628 banks including 600 foreign from 72 countries and 28 banks of Uzbekistan.



In the reporting period, within the framework of cooperation with International financial institutions there has been conducted work on further expanding the activity on cooperation with IFI, such as IDB, ADB, IFC, Fund OPEC and others.

The provision of exchangeability of the national currency, consequently liberalization of the currency market and customs control had a considerable influence on expansion of the National Bank's cooperation with foreign banks and financial institutions. As the volume of payment operations by the National Bank with foreign counter partners in 2005 has increased for 10.4% when compared with results in 2004 and amounted in terms of USD to 59.6 billion, the volume of documentary operations of the Bank's customers with foreign partners made up 1.3 billion USD.

From 1993 the National Bank is in the list of 1000 biggest banks of the world, which is determined by the publication "The Banker"

The National Bank is a member of intergovernmental commission and in many cases represents the Republic of Uzbekistan in issues of attracting funds of foreign banks and financial institutions into the economy of the republic, improving inter-bank operations, developing new directions of cooperation with foreign banks and others.

The cooperation of the Republic of Uzbekistan with Islamic Development Bank (IDB) had considerably activated in 2005. It should be mentioned that Uzbekistan is actively and

fruitfully cooperating with IDB, which is shown by maximum level of approved limit of financing and assistance in attraction of investments.

A framework loan agreement with EximBank of Malaysia for the amount of 20 million USD, and inter-bank agreement with the Bank of China on serving interstate grants and loans for the total amount of 100 million Yuan, as well as with EximBank of Korea and India providing for extension of credit lines for trade financing in the total amount of 20 million USD were signed in 2005.

Such agreements let successfully improve mutually beneficial cooperation between banks and support export and import operations under the lines of project and trade financing.

CORPORATE BANKING

‘The national Bank of Uzbekistan, carries out all forms of accounts in accordance with widely accepted international standards, provides competitive bank services, tariffs and qualified consultations by ascertaining its authority as a stable partner among corporative bank customers.

This in tern is a result of conservative and well-thought policy of serving the consumers”.

**M. Rakhimjanov,
Head of the Main Department
for servicing the corporative customers**

The National bank of Uzbekistan maintains a leading position in the market of services to corporative customers. The number of the corporative customers served by the bank made up above 54.148 enterprises and organizations that serve a considerable part of economies of country.

Last years the Bank has greatly developed its co-relations between the Bank and the Corporative customers conforming to the rule of individual approach and offering banking structured services. As a result, the number of the National Bank’s customers after stable spread reached the growth for 11% in 2005. The most significant Bank customers are such enterprises as:

- Textile and food industry, nonmaterial;
- Oil producing and oil processing industry;
- Ferrous metallurgy;
- Logistics;
- Non-ferrous metallurgy;
- Mining industry;
- Electricity;

Serving the enterprises of the National Bank is related with a high reputation of the Bank, quality of customer services and with the wide range of services offered by the bank such as: financing the working and fixed capital, conversion services, the corporate securities underwriting, intermediate and brokerage services with any securities, project and trade investment, the distant service system “Bank-Customer” and others.

THE NETWORK OF BRANCHES

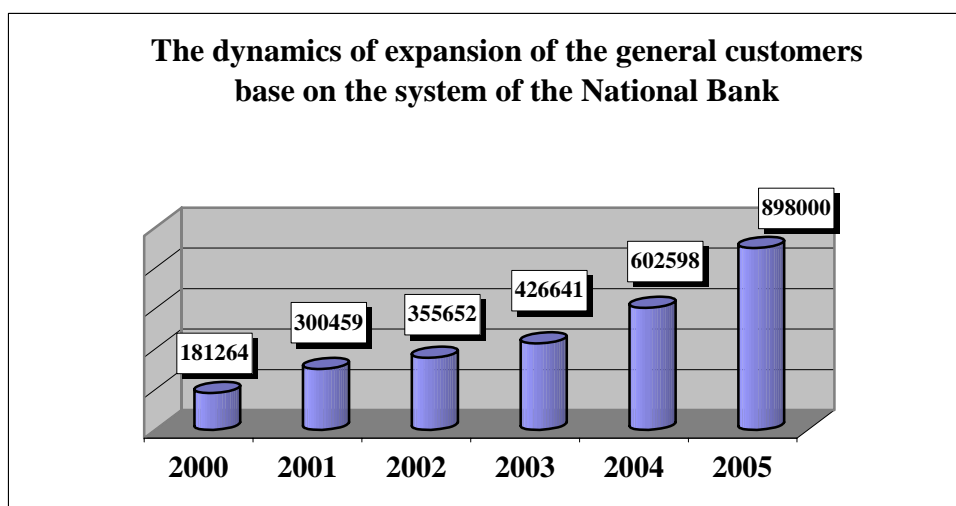
The prior strategy of the Banks' activity in 2005 was reforming the network of Branches and in particular, expansion of Mini-banks network. The reforms in this sphere based on gained experience both in the republic and foreign bank systems is the main condition for the Bank's stability and competitiveness.

**A. Mirsoatov,
Director of the Branches Department**

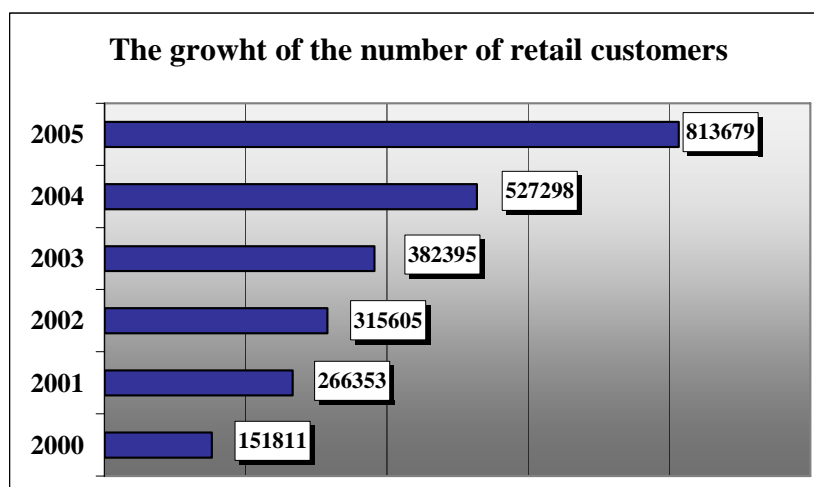
Dynamic development and branches network managing are the prior goals of the Bank's activity. Presently 93 bank branches on the whole territory of the republic provide wide range of up-to-date banking accommodations.

The year of 2005 has become the period further modernization and development of branches. By implantation of the newest bank products the Bank aimed to upgrade the quality of serving.

Functioning of the permanent branches allowed expanding the number of customers to 898 thousands or for 49.2%



Significant increase of the number of served customers is on retail customers whose quantity has increased from 527.3 thousands in 2004 up to 813.679 thousands or for 54.3% in 2005.



The availability of its own resource base, correct diversification of the credit portfolio, the deeper examination of perspective income sources and a widest range of bank products that meet the strictest customer's demands allows the bank to keep a leading position in the market of financial-credit markets by facilitating the development of overall sector of the republic.

Aiming to satisfy a wide range of customers, create additional conveniences, the Bank further carried out establishment and improvement of mini-banks network. In addition to network of 64 mini-banks that are functioning 106 specialized cash-offices, 36 of which act in Tashkent. By their activities mini-banks stimulate the creation of solid competitive Banks status, and could really influence market reformation speed which takes place in different regions particularly distant from industrial hubs.

Besides, as one of the measures, which support money-market development at its liberalization, the Bank's branches expand their currency exchanges offices which amount exceeded 236. Whereas, the National Bank Exchange Offices undertake sale not only US dollars, but also other foreign currencies such as the UK pounds, EURO, Japanese Yen, Swiss Franks and others. The Exchange Offices also provide a possibility to use American Express road checks, foreign currency cash collecting, and performance of international money transfers.

CREDIT ACTIVITIES

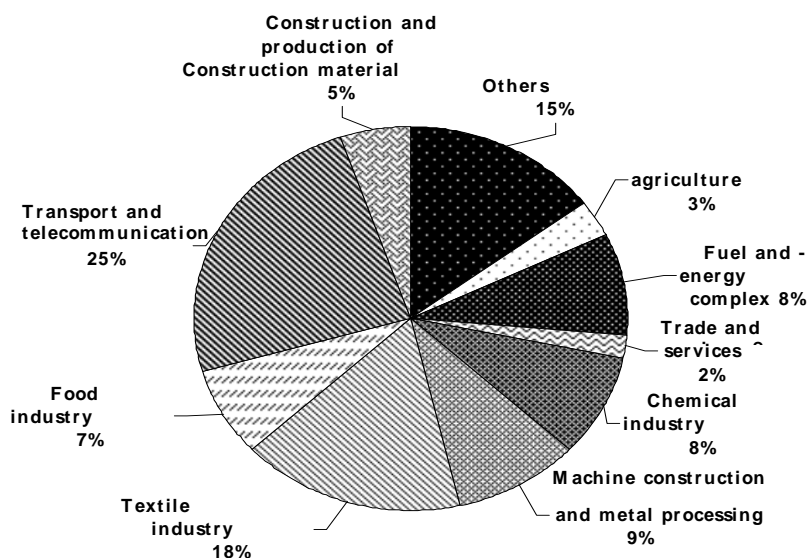
Credits and investment are vitally important to support and to develop the key industries of the country's economics. They are one of the most priority given tools for creation of economical stability.

M. Tsoi,
Head of Main Credit Department

The major policy of the Bank is to credit domestic enterprises. Traditionally the Bank adheres to the policy of rational conservatism in the field of crediting. As a ground of that, the Bank uses scrupulous knowledge about the Borrower's financial standing, his crediting history, well understanding of all the problems he faced, his interests, goals, economical activity strategy and the ratio of the risks assessment of unbiased and subjective outlooks.

The work with an impetus to attract new borrowers as well as expansion of crediting amounts for permanently borrowing customers is carried out during the whole year. Investment of credits is performed mainly into the most profitable industries and perspective projects of the republic.

The structure of the credit portfolio as of January 1, 2006



The most solid borrowers in 2005 were such enterprises and organization as: “Uzbekistan Khavo Yullari” National Airlines, stock company of “Uzneftmakhsulot”, stock company “Uzdonmakhsulot”, Joint-stock of “Uzexside”, “Uzprommashimpex”, stock company “Uzavtosanoat”, public corporation of “Uzbekugol”, Uzbekistan Television and Radio Company, and others.

The basic target of the Bank according to crediting activities direction in 2005 was the expanding of credit amount with minimal credit risks. The volume of credit amount amounted to 2.399.7 billion Uzbek Sums.

The main portion of the credit portfolio contains of long-term credits, the specific weight of which as of January 1, 2006 is amounted to 62.9%.

Project financing small business and private enterprises crediting as well as for the time being expansion of consumers’ crediting are considered the most important in the crediting operations depending on the services rendered to the customers.

During 2005, the Bank continues development of the scheme of export contracts’ financing by means of giving factoring service at the expense of export letters from the account of earnings received from the export letters of credits for the favor of enterprises. The practice showed by applying this scheme the turnover of the currency funds is fastened, is increased the currency exchange of enterprises and exchange earnings to the republic.

The provision of a guarantee is continued and being expanded as a tool of trade financing. The main number of guarantees is placed at warranties of paying off prepayments under export contracts. There exists in practice the issue of such guarantees as payment warrants, performance bonds, and tender warrants. The practice of using such warrants is expanding.

PROJECTS FINANCING

“Economic development of a country bases upon enforcing of investment projects guaranteeing the process of reproduction on an enlarged scale, that creates new costs, launches new desks and new manufacturing and consumer demand. The most important of factor of efficient achievement (and often the same possibility to complete) of investment project is its financing ability i.e. the project’s possibility to attract necessary financial sources with adoptable (competitive) conditions and to guarantee to give them back with the fixed norm of benefit that is adequate of the project’s risk.

The investment’s organizing by means of project financing gives firstly much larger possibility than that of common crediting that is the consequence of using schemes’ flexibility and multiformity. Schemes combining in a number of cases allows to insure creditors’ and their investors’ risks by any means, and to form a project’s securing and guaranteeing out of line of borrows from the state budget. It owns a bulk importance if there’s sharp need in investment or budgeted deficit takes place whenever.”

**U. Mukhamedov,
Director of the Project Financing Center**

A long term experience and highly skilled staff allows bank to secure financing of national investment projects on the highest rank.

To achieve the goals defined by the state’s government the Bank unites its efforts in financing all the projects for reconstruction and technical upgrading of operating manufactures and placing the newest bodies.

For instance, during the 1993-2005 years the National Bank has been participating in financing of 179 significant investment project with total cost of \$ 5.1 billion in the frameworks of foreign credit lines and centralized its own resources. Their sectoral structure is shown below:

No	The sector's name	Projects amount	Projects' total cost	The cost of NBU Credits	In(%)ratio to total sum of given credits
	Total:	179	7487.6	5087.3	100
	Including the sectors:				
1	Fuel and energy complex	7	1559.1	762.2	14.98
2	Metallurgy complex and mining industry	12	372.6	193.2	3.79
3	Chemical industry and chemical fertilizers producing	10	407.0	374.2	7.36
4	Textile industry	18	647.5	402.9	7.92
5	Agricultural complex	23	652.6	596.0	11.72
6	Constructing materials	8	126.3	101.1	1.99
7	Transportation	21	1 786.7	1306.4	25.68
8	Servise&Tourism	21	617.8	412.4	8.11
9	Medicine and Pharmaceutics	10	97.0	77.3	1.52
10	Logistics and Electronics	17	528.5	423.5	8.32
11	Paper and printing industries	10	205.0	131.6	2.59
12	Mechanical engineering	5	278.3	153.2	3.01
	Other sectors	4	136.6	107.8	2.12

Presently there are 140 acting credits by 115 investment projects in the total amount of \$ 3.50 billion at the National Bank.

In 2005, financing for the following projects was opened:

1. The acquisition of excavators, dozers and shrews to upgrade land-reclamation and increase water-usage of irrigating territories of the Republic of Karakalpakstan and Khorezm region in the amount of \$ 14.8 million.
2. Reconstruction and widening of Navoi Airfield in the credit's amount of \$ 39.9 million.
3. Reconstruction and developing of Stock Company Uzbektelecom telecommunication network in the credit's amount of \$ 8 million.
4. Particular re-equipment of the Television and Radio Company of Uzbekistan system at the cost of \$ 2.55 million

Besides, the National Bank has signed a number of loan agreements with the foreign banks by projects aiming at development of agricultural complex, telecommunications and Hi-Tech, Health, financing of which will be carried out forthcoming years.

SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP LENDING

“Since establishment of new, so called ‘Uzbek’ development conception which strategic base is creation of multiform economy, the priority was given to small business and private property. As the President of the Republic of Uzbekistan Islam A. Karimov says, “The peculiarity of our land, high redundancy of workers, developed agriculture and raw materials base and our residents’ traditions and mentality faces us necessity to strikingly develop the small and medium business and private entrepreneurship”.

The small and medium business is universally recognized as the most widespread flexible and sensitive sphere of a market oriented to satisfying bread-butter-issues of the residence; this is the basic power of an entrepreneurship. One of the significant advantages of small economical enterprises is their possibility to fathom into disadvantageous for the bulk companies sectors of the economics.

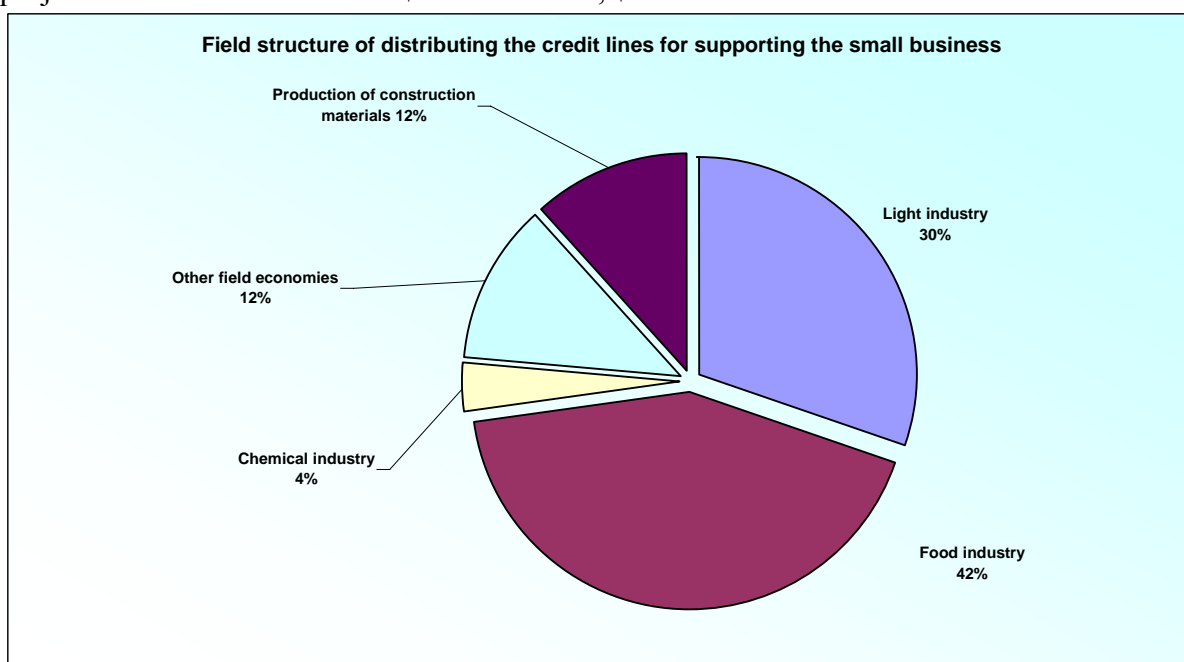
For the time being in small business projects, financing commerce banks play increasingly key role, which are the universal institutes. For the National Bank for Foreign Economic Activity of the Republic of Uzbekistan the absolute priority in its activity is to support the small and medium business. The bank successfully utilized the credit lines of EDRB, ADB, IFC, KFB, and OPEC Fund, opened to finance investment projects in the sphere of the small and private business and copes with funds undertaken by Islamic Development Bank”.

D. Gulyamov,
Head of Main Department for Small Business

Thanks to active measures taken by the Government macroeconomic and business environment in which the small business and private entrepreneurship functioning nowadays has greatly improved.

Support to the small business always occupied the main place at the National Bank activities. In 2005 bank actively incarnated to credit the small and private enterprises and to support entrepreneurship initiative. As that stated above, prevailing share of managing subjects amid the National Bank’s customers are small and private enterprises having the prior status at the Bank’s credit amount.

The National Bank acts as basis traffic to attract foreign funds for developing small business and private entrepreneurship. In the frameworks of EDRB, ADB, IFC, KFB, OPEC Fund, IDB and a number of exporting-crediting agencies the Bank has received for financing 146 projects in the total amount of \$ 422.4 million, \$ 235.6 millions of which are loans.



Co-relations between the National bank of Uzbekistan and Islamic Development Bank have greatly activated. Under the IDB's line of financing the National Bank has received line of financing of IDB at the amount of 10.2 million Islamic Dinars (that's equal to \$ 15.0 million), the main line of which is to stimulate the homeland sectors of private and small businesses. The distinguished feature of this line concludes with usage of fundamentally new mechanism of financing of the small business – the leasing, which is new for the National Bank of Uzbekistan. On behalf of Islamic Development Bank could be undertaken the machines and technological equipment aiming at goals of services and production. Besides, of the leasing operations a mechanism of installment selling and istisna also in use inside the frameworks of hereby line. Installment of leasing differs from the leasing; firstly a law of property to purchasing equipment passes to a Consumer immediately after the dealing object's delivery. With leasing a Consumer becomes an owner solely after paying the last proper fee. Istisna is a mechanism meaning financing of any good manufacturing (for instance, industrial equipment, vehicles, pipelines etc.) in correspondence with defined contract features by the fixed price and by the exact date of delivery)

The maximal sum in the frameworks of IDB financing line cannot exceed 3.5 million Islamic Dinars, and cannot be less than 35 thousands Islamic Dinars.

There're stipulated by the terms of lines of financing a grace period, that is necessary for manufacturing, delivery and installation of equipment, that cannot exceed 3 years since the contract comes into force. The maximal financing period including privileged period is 12 years.

The markup to the projects financing by hereby line aggregates 6% of annual incomes, however there's a discount of 15% given by Islamic Development Bank on existing markup in the event that a borrower pays his fee off just in time or much earlier than fixed paying off schedule. The markup stays fixed during the whole period of a leasing/sale by installment/istisna.

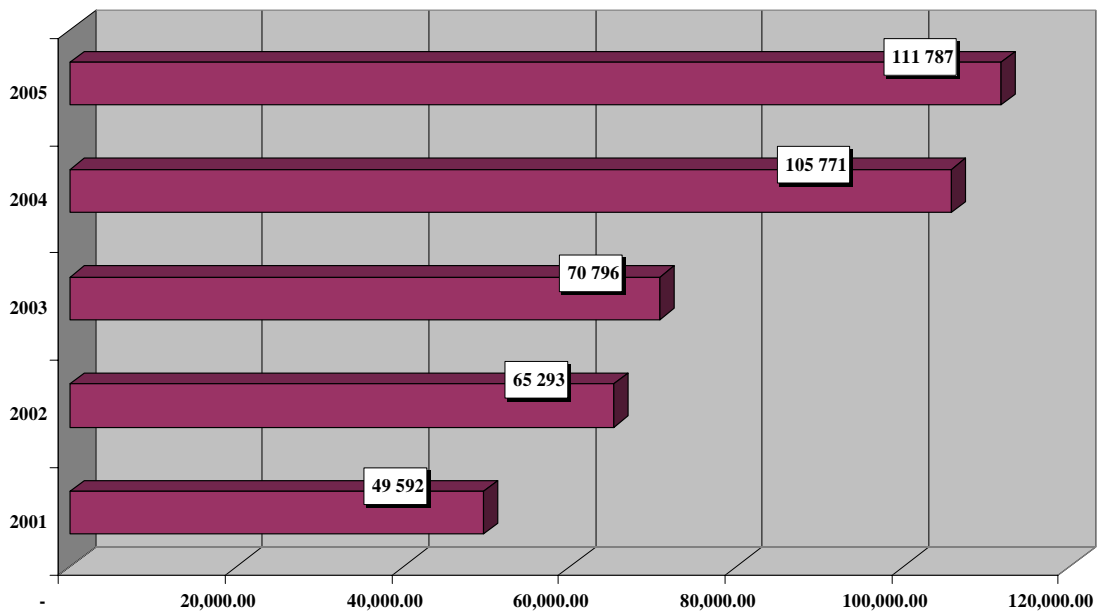
The basic demand, which could be made to a borrower's enterprise, is its correspondence to the guideline of small enterprise and private firm's property, as well as its absolute ability to cover or to guarantee 25% of a project cost by own funds.

Essential simplification of the managing subjects' access to exchange resources was possible due to accepted by Uzbekistan obligations to keep convertible the national currency by the functioning operations' amounts. The procedure of currency exchange operations was also maximally simplified, as well as a number of limitations in the field of contracts' registration and customs control were abolished.

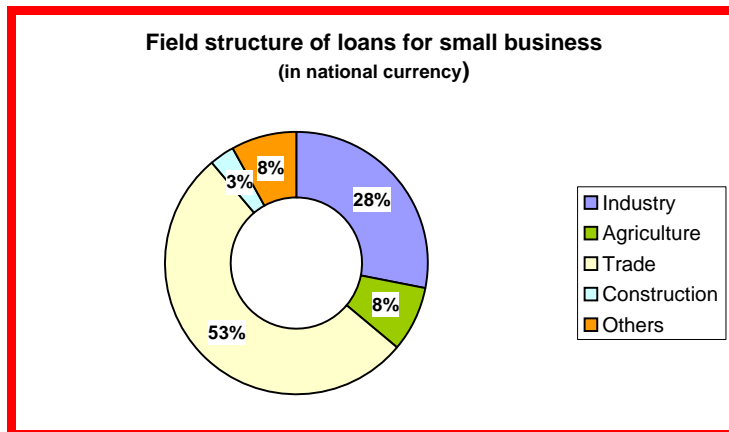
Thus, by the present days all the favorable conditions for homeland commodity producers in the field of currency-economical relations were created, and the best evidence of that is increase in foreign trade operations of the country's small business and private entrepreneurship. Owing to its own and partly attracted funds, including privilege based sums, the National Bank has investment patterns for entrepreneurship support to the sum of 111.8 billion Uzbek Sums, thus creating for about 7 thousands of workplaces.

The National Bank's micro credits directed to development of the sectors of manufacturing, servicing, constructing are in great demand amidst the entrepreneurs. During the year of 2005 there were 2250 micro credits to the sum of 3.8 billion of Uzbek Sums, allocated by the National Bank with attraction of all financing sources. This type of bank service in especial popularity at the rural areas, where it is in use of rural and dekhkan farming. Thus, during the stated period the national bank has undertaken this sector micro credits to the sum of 987.3 billion of Uzbek Sums.

Small business lending (mln.soums)



Thereby, the micro credits cooperate to development of marketing structure in rural economics, and expand the new owners' class.



The results of National bank's participating in the State Program for Small Business and private entrepreneurship development support can be focused on counters of our stores where the goods of local manufacturing easily crowd out the foreign ones, as well as in expanding servicing sphere of the first-class ranking.

RETAIL BANKING

“Actively attracting the local funds to the deposits, the bank secures the most stable share of capital reserve base, directing to credit the real sector of economics.

Scaling the retail calculations that are carried out by means of plastic cards, the bank cooperated to securing of their transparency, and, conformably, to strengthening on the country’s currency.

Realizing the program of retail clients attraction, the Bank has planted a number of products and services for them, including new types of deposits, its own system of fast exchange earnings, overdraft crediting by plastic cards issued in national currency, the services by performance of protracted errands in association with trade-servicing enterprises with the various undertaking of discounts in goods’ and services’ purchase (royalty, discount etc.), during the last year”.

L. Bodyagina,
Head of the Main Department for Currency

In 2005 the Bank continued to successfully develop retail business. Due to diversification of goods and services, offering to the natural persons, the customers’ base was enlarged, and the amount of the funds attracted to the local deposits, is increased also/

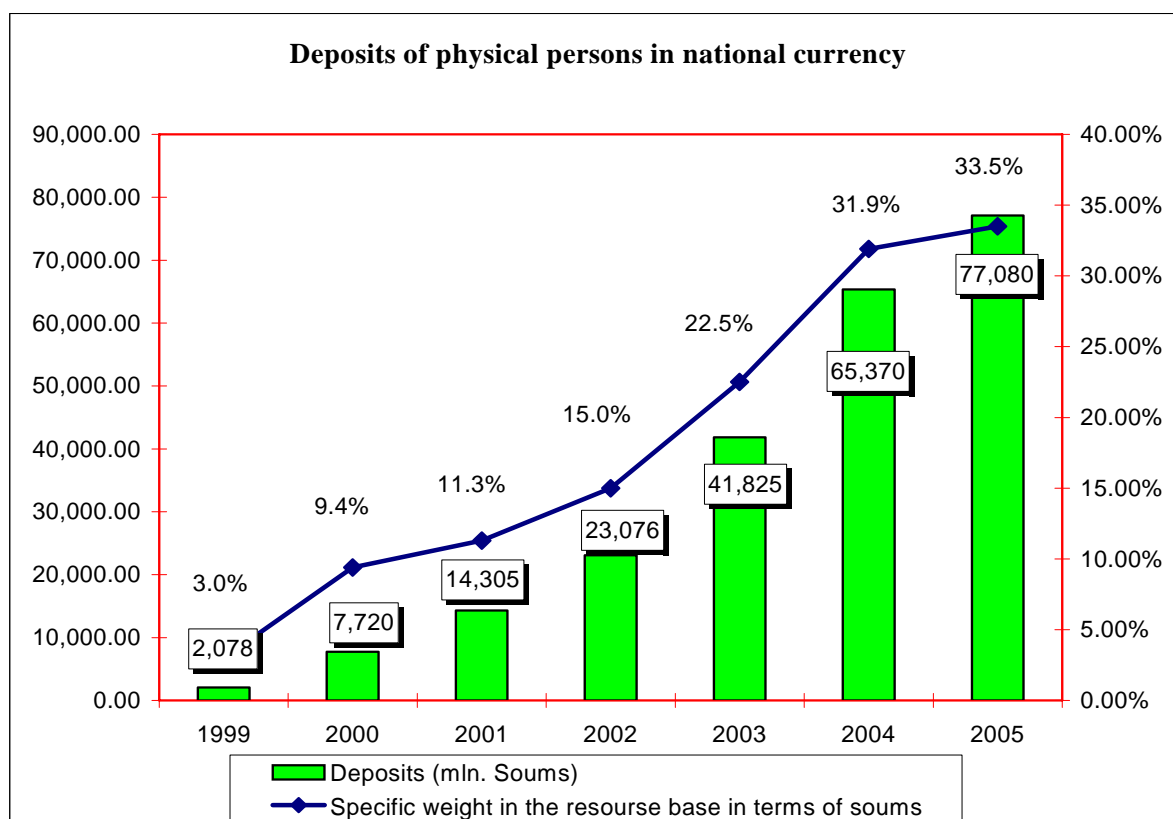
For the time being the National Bank offers to the natural persons a manifold service list, which contains: reception of deposits in national and foreign currencies, computation and cash servicing, American Express’ cheques realization, giving the credits to buy superior goods, Uzbek Sum’s and international plastic cards operating, money transfers, implementation of currency-exchanging operations and a great deal of another services.

Actively attracting free local funds, the Bank expands its resource base for crediting of subjects of economy, thus cooperating to decrease out banking currency.

OPERATIONS WITH DEPOSITS

During the last year inhabitants of the republic have being offered 11 types of the deposits in the national currency and 10 in foreign one. That allowed them to select a deposit with the most appropriate terms to accumulate the free funds and incomes rate by that.

The rest of local deposits in the Uzbek Sum equivalent during the hereby year formed 126.5 million of Uzbek Sums, that aggregated 27% of total value of all the deposits in common by the republic’s commercial banks. The share of the bank in deposits and foreign currency permanently grows and presently aggregates 34%.



It includes the remainder in national currency to the amount of 77 billion of Uzbek Sums, and in foreign currency - \$ 41.9 millions.

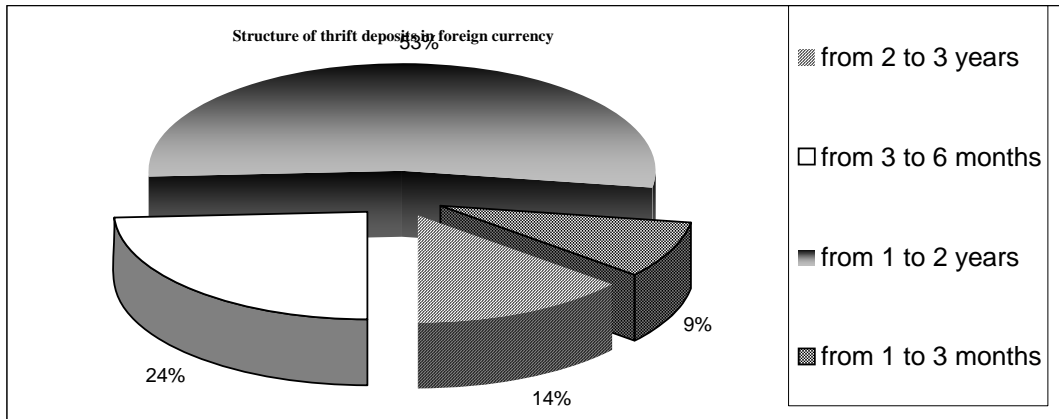
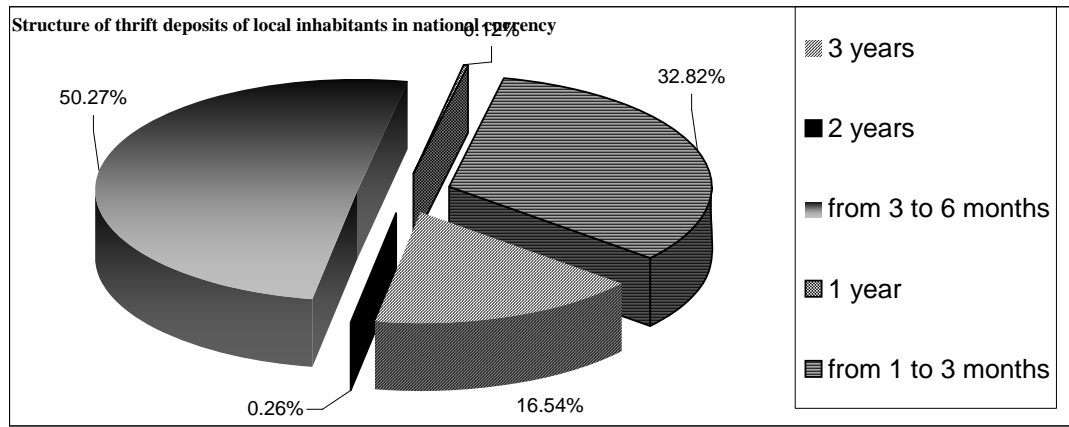
The quantity of all the depositors having the accounts in national and foreign currency has increased almost 27 times as much during 1998-2005, including 1.5 times as much in 2005 and holds its position on 822 thousands customers since January 1, 2006.

Achieved range was possible due to widening of service list to the retail customers, undertaking of products' packet including new types of the deposits both in national and in foreign currencies, with taking the needs of various groups and categories of the citizens into account, rising of servicing range, using of fresh to get customers' interests by means of drawing of the lottery by deposits and by Sum's plastic cards.

On occasion of the Independence Day there was a lottery by thrift deposit of "Tatil", in which participated about 14 thousands of deposits. The total sum of winnings aggregated 3735 thousands of Uzbek Sums.

The National Bank has put into operation 11 new deposits, 7 of them in foreign and 4 in the national currencies in 2005.

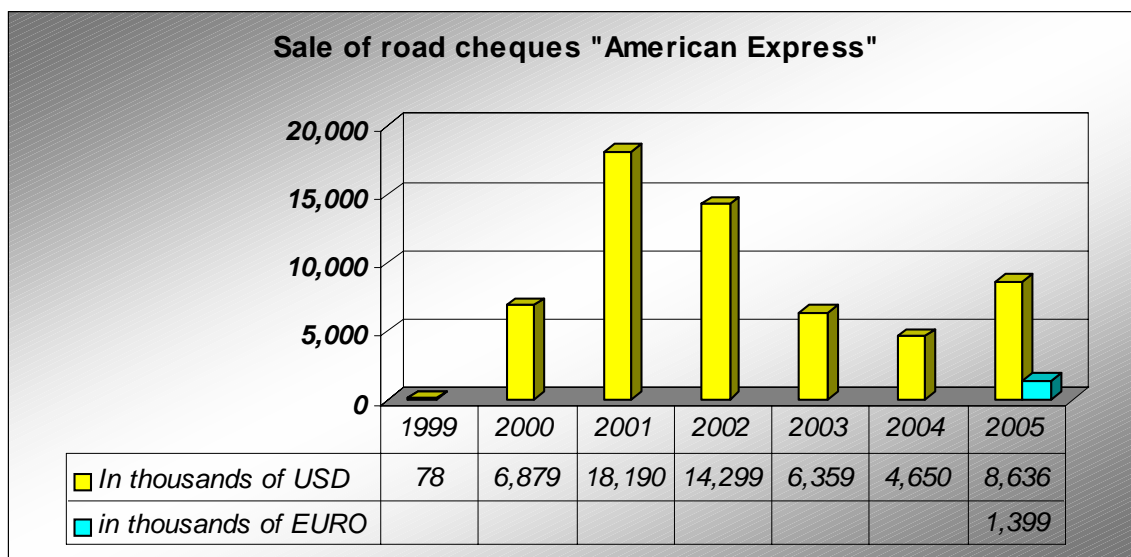
The structure or thrift deposit of natural persons in national and foreign currencies at January 1, 2006 was the following:



In 2005 the Bank's branch activated their work not only to attract the deposits, but to receive municipal fees from the inhabitants. The amount of annual funds aggregated 21.6 billion of Uzbek Sums, that 4 times as much than in 2004.

During the last year the activity for undertaking natural persons the credits to buy UzDAEWOOauto car was continued by the bank. As a result the bank has given 10 billions of Uzbek Sums for credits, thus 6.4 billion was attracted on the "Niyat" pawn deposit.

In 1999 cooperation to sales and receiving to pay the cheques between the national bank and American Express was planted. Since 2004 the American Express's cheque for home keeping realizes by the National Bank. Since starting of that project a great many of cheques to the total sum of \$59 million were sold by the National bank branches, including the quantity of cheques to the sum of \$8.6 million during 2005. Apart from that, the cheques in EURO were also sold at the cost of 1.4 millions since March of 2005.



Since 2002 the national bank has started to offer fast money transfers according to Western Union system out of interbanks transfers. To the rest of 2005 the quantity of national bank's bodies connected to hereby system aggregated to 87. The number of serviced at these branches customers is 300 thousands.

In the final analysis of 2005 the national Bank Samarqand Branch was nominated "The largest holder of money transfers" at the "Best Staff of Western Union Financial Services GmbH Local Branch"

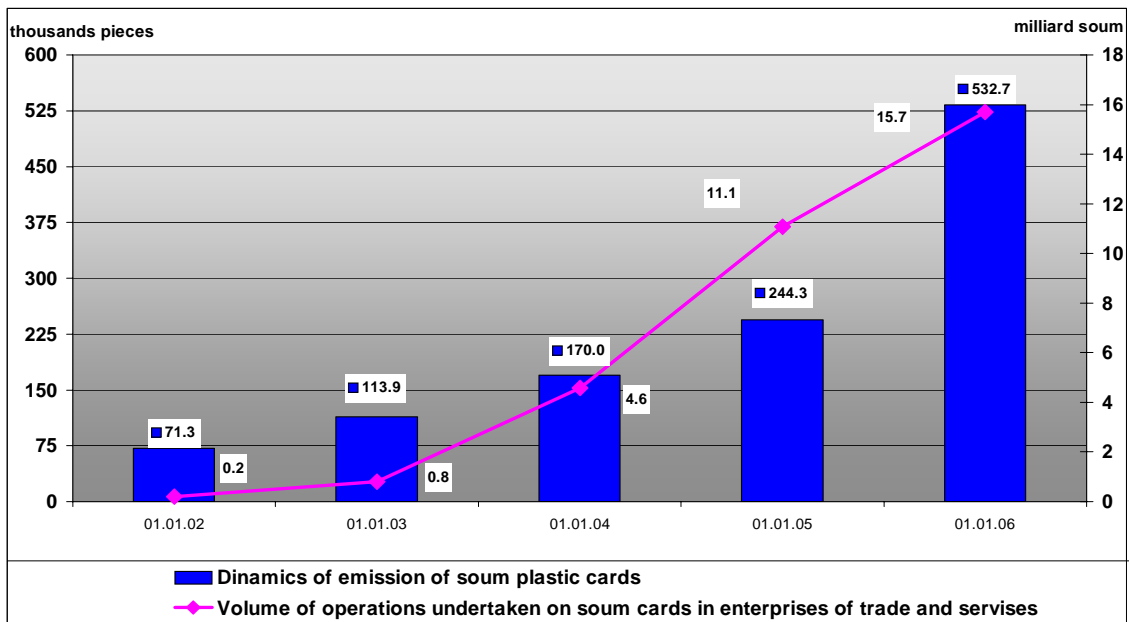


PLASTIC CARDS

The Bank continued its work to further scaling and developing of calculation by plastic cards.

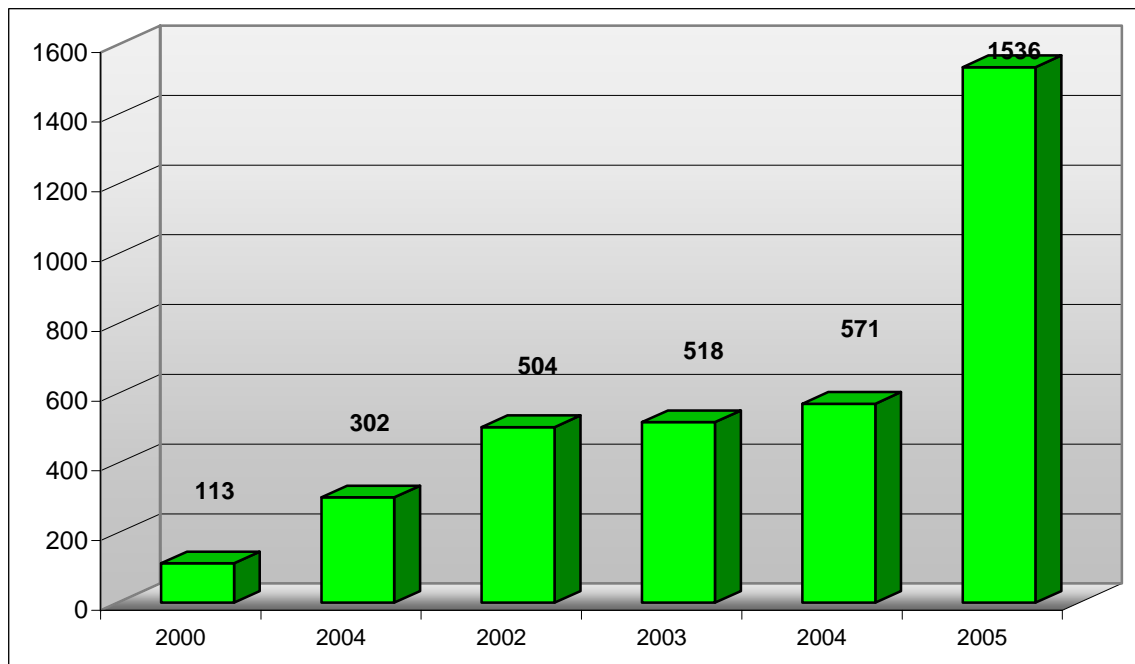
The National Bank strongly holds dominating place at the plastic cards market with servicing range expanding and upgrading for its holders by cashless form. Annually the quantity of emitted cards had an augment of 2 times as much, and in 2005 the national bank has produced 302 thousands of cards. As a result their total amount aggregated 546 thousands units including the cards in the national currency - more than 532 thousands. It forms more than 26% of total produced cards quantity made by all the banks of the republic.

*Emission of soum cards and value of non-cash operation,
undertaken trade-service enterprises*



Developing plastic cards' business and taking into the account sharp increase of the cards' holders, the National Bank has invested significant funds into developing of service infrastructure. In 2005 the Bank has planted additional 1015 terminals that formed their total number to 1644 points, mounted at 1536 of chemist's shops, refueling stations, cell-connection operators and at the public catering places.

*The dynamics of growth of the number of trade-service enterprises,
Accepting plastic cards for payments*



The total quantity of cashless operations by Sum cards has constituted 15.7 billion of Uzbek Sums. More than a third of all the cashless turnover is by the national bank's cards.

The national bank also continued an implantation of paying a salary by plastic cards at the large-scale enterprises and organizations of Uzbekistan. Total quantity of salary projects was 851 and 470 of them were realized in 2005.

In 2005 the national bank started to put into operations the cards with magnetic stripe in Uzbek Sums under the patronage of VISA International payments system. Hereby cards called to complete any operations in national currency all over the territory of Uzbekistan.

As a new product and service the holders were also offered revolver-overdraft cards as well as the service to do Customer's permanent order of carrying any payment out, such as municipal fees, the rent and mobile links etc.

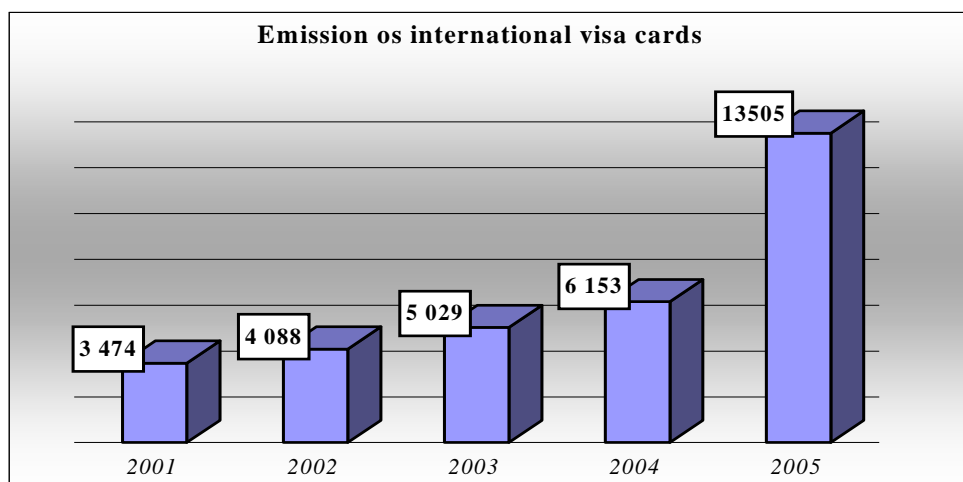
In 200 the national bank has realized a number of organizing-technical renewals that sharply increased the speed of cards' manufacturing.

There's the Inter-banks Purchasing System which contains 18 banks, in which the national bank is the Clearance Office.

The VISA Cards manufacturing also was going on. The total quantity of all the cards made at the national bank exceeded 13.5 thousands pieces. More than 100 Trade and Service enterprises, receiving as an instrument of payments the VISA Cards, are equipped with terminals and imprinters of the national bank. The turnovers by international cards at NBU Network constituted \$12 million per 2005.

And, the turnovers of the VISA Cards emitted by the national bank overseas exceeded \$ 5.5 million.

The bank gave its services to the VISA Cards holders not only by Trade-Servicing enterprises and branches of the bank, but by means of automatic tellers network.



In 2005 the bank has increased the quantity of the points where the client could be paid of cash from his Eurocard/Mastercard cards, in addition, according to signed contract with American express company the work to attract local service enterprises for the company's cards operation was going on.

THE INVESTMENT BANK

“The public assurance in meeting the bank’s engagements is the main bank fund that can attract new clients and deposits at cut-throat competition on the financial market. The Bank’s policy to manage assets and liabilities aimed at strong and absolute performance of all the obligations given to our customers, securing necessary level of capital adequacy and liquidity, to reach the maximum of the incomes and minimum of the risks strengthening of the bank’s positions as one of the largest banks of the Central Asia and CIS, and as one of leading banks that exercises all the types of export-import and trade operations in international financial markets.

For homeland equity market’s development purposes and, being vast financial institute, the national bank gradually piled up the operations’ amount within the equity market, strengthening its own positions as the leading investment bank in the country”

A.Tadjiev
The head of the Board of Treasury

In 2005 the Bank’s turnover with State Securities (SS) constitutes more than 96. billion of Uzbek Sums including 4.1 billion by investors’ operations.

In January 1, 2006 the amount of securities holdings of the National Bank constituted 3.447 billion of Uzbek Sums.

The National Bank holds the leading position in the corporate bonds market by underwriting amount, which is equal 9 billion Uzbek Sums with all investments to the sum of more than 6 billions.

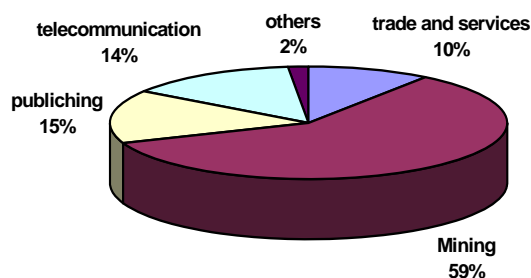
During the hereby year the work to undertake underwriting services for printing out the corporate bonds to enterprises and companies will be also go on. At the beginning of the year the placement of POLYSPECTR Ltd. Bonds was successfully completed. In 2005 the bounded debt for Uzbektelecom Stock Company start emission to the sum of 2 billions of Uzbek Sums was organized with the turnover of exclusive underwriting of the National Bank of Uzbekistan.

The Uzbektelecom bonds of nominal cost of 100 thousands Sums per a bond were placed amidst the wide range of investors. The quarterly incomes payment does from accounting of fixed loan interest rate of 22% annual payments at the first year of bonds turnover and floating rate of interest, which is equal to the roll-over mark of the National Bank of Uzbekistan plus the mark of 6% for 2nd and 3rd years. The emission is secured by money pawn at the issuer of Aloka Bank’s deposits.

According to the company’s investment policy, the main share of funds attracted from the placement of bonds should be directed towards financing the program “The Development of the Wireless Access Network for Uzbektelecom Mobile Company”, in particular, towards establishment of wireless cellular network of the CDMA 450 standard. The remaining share of funds can be invested in upgrading and expansion of Internet Network on the branch’s base of UzNet.

For diversification purpose of investing in equities and effective usage of funds of interest the bonds portfolio of the Bank allocated as the following:

The structure of the Bank's investment in corporate bonds



The Bank actively participates in depositary receipt market. In hereby period two depositary receipts' emissions to the total sum of 27.2 billion of Uzbek Sum were successfully carried out. Also the 3rd bank receipt of 15 billion of Uzbek Sums was registered. Presently receipts to the sum of 6.93 billion were realized, and 2.6 billion of them were paid off. In 2006 a number of investment and trade operations in external Dept Instruments markets are in prognosis.

At January 1, 2006 total national bank's investment into enterprises bonds has increased 3 times as much in comparison to the same period of the last year and constituted 74 billion Uzbek Sums, and \$ 56.7 million and 7167 million Uzbek Sums.

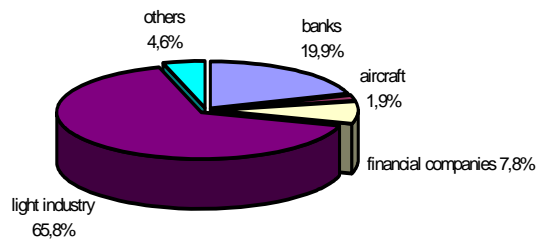
In the frameworks of its own investment expanding the National Bank also is the Founder of Uzbekleasing Stock Company, Uzavialeasing and Kurilishleasing Companies, which undertake leasing services various enterprises of the local economy. Besides, for the purposes of insurance business developing, the National Bank also continues its so-operations with such companies as: Uzbekinvest, UzaIG, Madad. In addition, the bank is the stockholder of the State Stock Company of TAPOiCh, and Uzmetkombinat.

One of important event in the Bank's activity in supporting of the real sector of economy was the sharing of the bank at Toshkent Toitepa Textile Ltd. And at Ferghana Textile Ltd, the value of the Bank's investments in authorized capital stocks was, accordingly \$ 21.3 and \$19.5 million. Thus, the National bank actively participates in developing of homeland textile industry in association with other founders.

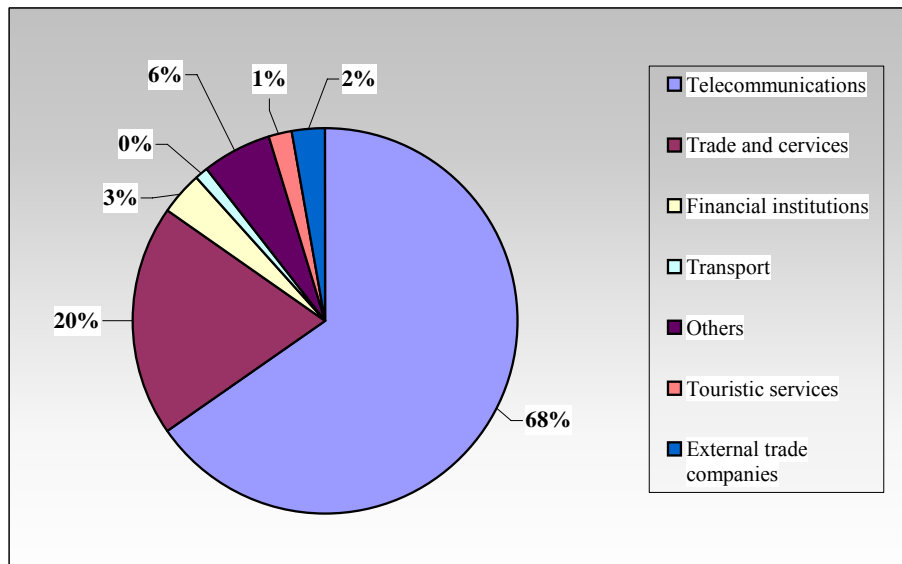
In the sphere of banking-financing system the National Bank of Uzbekistan is also the Founder of ABN AMRO Bank, UzDAEWOObank Ltd, as well as branch establishment of Asia-Invest Bank (Moscow).

For the purposes of the Republic of Uzbekistan's strategically important enterprises supporting by means of participating in their authorized capital stocks as a stock-holder (the Founder), the National Bank has formed the strategic an investment and shared investment portfolio whose look is shown below:

Structure of the investment portfolio



On level with the forming of investment portfolio, the National Bank also forms short-term trade securities holdings to the total sum of 775.5 million of Uzbek Sum. The hereby bank's investments are, mainly to gain the benefit of the jobber's turn from purchase of an exchange.



THE MANAGING OF THE RISKS

It is not a mystery that development of the bank systems all over the world suffers significant improving at the direction of a demand to a capital adequacy, to the basic financial indicators, and, as especial, to the wide range of risks which are the custom for the daily banking activity. Therefore, adopted by the Basel Committee the Second Demands' Round is such a very important possibility of the National Bank to re-examine its financing position if root.

Before the adoption of the Basel Committee's new demands, the National Bank strongly stood on their basic parameters, which allowed to effectively allocating existing with keeping stable and liquid position. For the time being the Bank works for two main directions to define and destroy a risk - this is the strong and conservative management of the credit risks and efficient rule of assets and liabilities of the Bank.

The credit's risk managing is the vital condition for a bank to survive in changing economic environment.

Being highly modernized, the banking business is much sensitive to all the changes both in macro- and in micro levels, therefore a bank's credit risk managing related matters that are cannot be postponed, influence how effectively a bank works and how stable is functioning of the country's all banking system, have the great importance at new conditions.

The base of stable credits' risks managing lies defining existing and potential problems inherent to credit operations.

Neatly formulated and policy and especial parameters that are taken by the National Bank into action to encounter hereby type of the risks allow to control the risks and to rule them are the following:

- Stating the limitations to concentrate a credit and to effect a transaction for one borrower, one region for a credit product, the vast scaled transactions and the mutually connected persons' transactions.
- Regular credit risk classification and gradation for the level of a risk
- Forming the sources and reserves that are adequate to defined risks
- Establishment of effective procedures by credit administration.
- Modernizing and upgrading of the software that is necessary for carrying out efficient control for the Bank's credit portfolio and for the level of a credit risk in that.

Operative risk – the risk of direct and indirect damages stimulated by any errors or by imperfection of processes, by breaking of domestic control and corporate behavior or by errors of false staff qualification or unfavorable external event of non-financial essence, for instance, a fraud or natural cataclysms.

The goal of operative risk management is to secure and to guarantee necessary functioning of domestic procedures and politics aimed to minimize these risks.

The permanent controls under the operation risk level and qualitable management of that risk are one of the head directions of the bank's leadership.

The management of operation risk at the national bank is being accomplished by means of following:

- Upgrading of the domestic procedures, orders and job descriptions system that is in use of the Bank's department and branches for correct focusing of banking operations and minimization of the errors in business accounting.
- Realization of a banking operations such as money transfers, cash operations, credit operations by several bank staffs (the person in charge, controller, the launcher), i.e. the solely man does not realize an operation to the end.
- Realization of audit and domestic control under the observance of normative demand and managing decisions, domestic orders and procedures; raising the level of staff's skill.
- Realization of addition control under correct fees calculation by departments and branches for the purpose of non-admission of addition tax expenses.
- Upgrading of the Bank's software, vehicles for communications and transition of information. To minimize any coercions there're computer-based bank systems with sufficiently high security level.

The basic instrument of the market risks is the limitation to the volume of financial operation i.e. operation size is always being limited with acceptable risk level.

At that there's systematic and regular analysis and control over the limits stated by the bank at countries, respondent banks, products and currency position of free of charge specter that does exist to minimize all possible damages. The control can be carried out in several levels: in real-time mode by specialized system, after transaction's complete at authorization moment and on balance-sheet reports level; it can allow to effectively manage the bank's monetary reserves with minimal risk for the bank.

For the long-term outlook of the risks' controlling there could take place an analysis of loan interest rate's changing as well as the risks related to loan interest's rates changing, basic political and economical reforming on international currency markets. The Reuters information reports are used to analyze that. Also permanently analyzing the list of currencies, carrying out the monitoring of open currency stand of the bank for the purpose of minimizing of possible damages. Control over open currency stand of the bank is also being carried out for the purposes of economical normative stated by the Central Bank of Uzbekistan for open currency stand as well as over the risks related to changes of the rate of exchanges in international financial markets. Reports are being formed about done operations daily.

THE BANK PERSONNEL

“The staff management has become one of the many factors to upgrade the competitiveness of the bank. The knowledge, skills, work attainment and motivation to work are one of strategic resource of banking system. Shifting of the human element in an organization’s development has put into the forefront the staffs’ management.”

**U. Matkarimov,
Director of the Staff Department**

There're more than 6.000 high-skilled experts and managers. Well adopted system of vacancies announcement can replenish the bank staff with new workers who are able to assimilate with contemporary banking technologies on the ground of brilliant examining of a candidate's characteristics.

The Bank system staff is graduated mainly with economics.

The staff training system is being carried out by the National Bank by means of:

- The training of experts on the ground of Banking-Financing Academy with the signed contract to train the National Bank's personnel. During the hereby period a number of seminars for the Management Staff were held, and 132 expert from the number of branches' personnel such as deputy directors, credit departments' heads and lord high fixers of Front-Office Departments were educated.
- 41 expert has participated at international bank seminars, training courses international conferences and in probation period at foreign banks and financial institutes during hereby period. This system allows to elaborate all the conditions to increase staff skills as the term of developing of their career grounding the bank's strategic interests.
- Creation of possibilities to upgrade the working skills of the staff as the term of their career development. Annually a share of the National Bank staff does their practical work at State and Social Construction Academy, Business Higher School, and at Bank Financial Academy of the Republic of Uzbekistan. That can create reserves of career upgrading indeed.
- Equally to that the Bank is in permanent quest of talent youth. The Bank trains them and educates in the best bank spirit. There're 18 graduates of foreign schools at the National Bank of Uzbekistan, educated upon the line of Istedod Foundation.

In August 2005 taking into account the needs and demands of modern banking business and business culture the Centre for Raising the Staff's skills was established; its main purpose is to raise the staff's skills and to educate the Bank's staff how to service a customer, raising the servicing culture and working ethics in cooperation with the partners, to form and to upgrade the staff's dealing characteristics.

There're study classes, cashiers training class, equipped with modern tools as well as the library with national and Russian periodic press and the books for all directions of banking activity.

The classes at the Centre are being held by eminently qualified the National Bank Head Office's experts; there were about 500 hours of lecture and practical classes during hereby year.

Besides, the Bank Leadership in association with Tashkent State Economical University has launched the project within which the 4-year graduates of International Economic Relations faculty could have their theoretical and practical training for the purposes of further prolonging their career at the Bank's departments.

During hereby period the courses of export-import accounting operations, currency exchange organizing, book-keeping, retail services money turnovers, the bank's assets and liabilities managing etc.

To guarantee the program of social protection of the staff the Bank Administration entered into practice their collective insurance in 1998. To do that the Bank annually holds the competition amidst Uzbekistan's insurance companies to select the most appropriate and stable partner.

The Bank Trade Union Committee also plays the great role in securing the staff's relax, health and social protection.

And, the social protection of its staff is the prior activity of the National Bank.

Out of line of basic activity, the Bank holds children's drawing competitions with participation of an old-people's home and sponsoring children's home.

THE GALLERY OF INVENTIVE ART OF THE REPUBLIC OF UZBEKISTAN

“The National Bank of the Republic of Uzbekistan is not only the leading financial structure of the state, but the organization in which great attention to mental and culture life of our country, new generation development support and culture treasury, are in prior. During the period of its activity the National Bank has held a lot of exhibition projects, has published the painting and numismatics catalogs. Establishment of the Picture Gallery has become one of the most significant activities of the Bank in culture life.

The Gallery's technical support, its displays and its common activity deserves the best public evaluation.

For the short period of time the Gallery occupied an exciting position in the country's culture life”.

**R. Tashmatov,
The Gallery's Director**

In the Independence Day's eve of 2004 the opening ceremony of the Picture Gallery of Uzbekistan was held in Tashkent. The Gallery was built at the expense of the national Bank of Uzbekistan under the patronage of the republic President.

The base of the Gallery has become drawing and graphics collection in 1992. In 1994 the Picture Gallery at the national Bank was organized. Thus the National Bank of the Republic of Uzbekistan is not only the leading financial structure of the state, but the organization in which great attention to mental and culture life of our country, new generation development support and culture treasury, are in prior. During the period of its activity the National Bank has held a great deal of exhibition projects, has published the 8 painting and 4 numismatics catalogs. The constructing of the Picture Gallery has become one of the most precious activities of the Bank in culture life.

The Gallery, owning the most brilliant national drawings and graphics collection of the 20th Century of all the schools and styles. The canvases of such masters as N. Karahan, A. Volkov, A.

Usto Mumin, M. Kurzin P. Benkov, N. Kashina, Ch. Akhmarov, who are the founders of the art of Uzbekistan. On level with them there also exhibited the works of such national artists as B. Jalalov, Akmal Nur, J. Umarbekov, G. Baymatov, A. Mirzaev, R. Gaglova, Y. Taldykin, M. Kagarov, J. Usmanov, G. Kadyrov, I. Shin and a many of others. Nowadays the drawings and graphics collection contains more than 1000 exhibits as well as 2500 unique coins.



The legal proud of the Gallery is its rich numismatics collection. The most ancient coins of different periods of antiquity were displayed here. Hereby collection has the vast cultural, historical and scientific value.

Apart from bulk show-room of 15 halls, the Gallery also equipped with the modern treasury, conference hall, photo laboratory the library and the café.

CHALLENGES FOR 2006

The year of 2005 has become one of the many grades to deepen the reforms in the national banking and financial system. It is focused on in adoption of common programs and measures to improve the capital base of commercial banks, to develop retail network services, to strengthen the cash turnovers and the quality of undertaking servicing. In addition, the cut-throat competition demands from the National bank to take immediate measures to keep its own positions and dynamic development.

The capitalization, enlarge of collective and turnover funds are in question.

For the time being, it is necessary to tactfully respond to all the changes in the banking and financial sector, to convoy and to take into account growing needs of the Bank's clientele.

Taking that into consideration the National bank has defined the main development goals for 2006:

- Prior developing of retail business with new and diversified attitude to every customer and with usage of new bank products stimulates the inhabitants' demand.
- Well moderation of the branches network and the wide-spreading of mini banks network which can service on-the-fly and everywhere all over the republic's territory with minimal damages and full servicing complex.

- Active carrying out the pre-privatization measures and balancing of the Bank's credit portfolio./
- To enlarge of the Bank's role in financial projects investment that can be an impetus to develop the national economy and its exporting potential with close cooperation with Uzbekistan Reconstruction and Development Foundation.
- Significant expansion of services amount to the small and private entrepreneurship
- - And, finally, to carry out the Bank's active marketing policy with taking a client's need into consideration.

The National bank will effectively use its own concurrent advantages that include positive image and traditionally quality of service for corporate and individual customers.