

Joint Stock Commercial Bank “Alokabank”

Independent Auditors’ Report

Financial Statements

For the year ended 31 December 2003

JOINT STOCK COMMERCIAL BANK "ALOKABANK"

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management Board of Joint Stock Commercial Bank "Alokabank":

We have audited the accompanying balance sheet of the Joint Stock Commercial Bank "Alokabank" (hereinafter - the "Bank") as of 31 December 2003 and the related consolidated profit and loss account and statements of cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of 31 December 2002 and the year then ended were audited by another auditor, whose report dated 20 March 2003 expressed an unqualified opinion with regard to those financial statements.

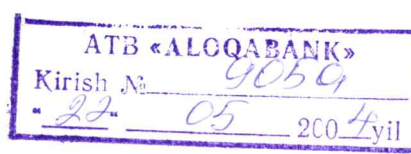
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2003, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 20 of the accompanying financial statements. As further discussed therein, operations in Republic of Uzbekistan entail significant uncertainties that could affect the Bank in the foreseeable future. As the ultimate outcome of this matter cannot presently be determined, the accompanying financial statements do not include any adjustments that might result from these uncertainties. Such adjustments, if any, will be reported when they become known and estimable.

DELOITTE & TOUCHE

2 April 2004
Tashkent,
Republic of Uzbekistan



JOINT STOCK COMMERCIAL BANK "ALOKABANK"

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

(Thousands of Uzbek Soums in purchasing power as of 31 December 2003)

| | Notes | 2003 | 2002 |
|--|-------|-----------------------|-------------------------|
| Interest income | 4, 21 | 2,028,608 | 1,455,405 |
| Interest expense | 4, 21 | <u>(410,210)</u> | <u>(305,688)</u> |
| NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES | | <u>1,618,398</u> | <u>1,149,717</u> |
| Provision for loan losses | 5 | <u>(323,512)</u> | <u>(424,915)</u> |
| NET INTEREST INCOME | | <u>1,294,886</u> | <u>724,802</u> |
| Net gain on foreign exchange operations | 6 | 51,321 | 261,596 |
| Fees and commissions income | 7 | 1,683,191 | 1,336,676 |
| Fees and commissions expense | 7 | (209,634) | (239,685) |
| Dividend income | 21 | 13,968 | 7,654 |
| Other operating income | | <u>16,983</u> | <u>7,976</u> |
| NET NON-INTEREST INCOME | | <u>1,555,829</u> | <u>1,374,217</u> |
| OPERATING INCOME | | 2,850,715 | 2,099,019 |
| OPERATING EXPENSES | 8 | <u>(1,746,102)</u> | <u>(1,405,257)</u> |
| PROFIT BEFORE OTHER PROVISIONS, INCOME TAX AND LOSS ON NET MONETARY POSITION | | 1,104,613 | 693,762 |
| Provision for losses on other transactions | 5 | (9,405) | (254,377) |
| Provision for impairment on fixed assets | | <u>(147,896)</u> | <u>(30,748)</u> |
| PROFIT BEFORE INCOME TAX AND LOSS ON NET MONETARY POSITION | | <u>947,312</u> | <u>408,637</u> |
| Income tax expense | 9 | <u>(247,849)</u> | <u>(298,077)</u> |
| PROFIT BEFORE LOSS ON NET MONETARY POSITION | | <u>699,463</u> | <u>110,560</u> |
| Loss on net monetary position due to inflation effect | | <u>(25,251)</u> | <u>(377,021)</u> |
| NET PROFIT/(LOSS) | | <u><u>674,212</u></u> | <u><u>(266,461)</u></u> |

On behalf of the Management Board

Fakhritdin Yuldashev
Chairman of the Board

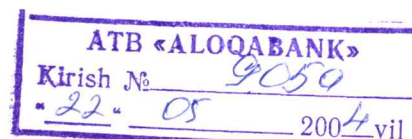


Khudoyar Buranov
Chief Accountant



2 April 2004

The notes on pages 7 to 38 form an integral part of these financial statements. The Independent Auditors' Report is presented on page 1.



JOINT STOCK COMMERCIAL BANK "ALOKABANK"

BALANCE SHEET

AS OF 31 DECEMBER 2003

(Thousands of Uzbek Soums in purchasing power as of 31 December 2003)

| | Notes | 2003 | 2002 |
|---|-------|-------------------|-------------------|
| ASSETS: | | | |
| Cash and balances with the Central Bank of the Republic of Uzbekistan | 10 | 3,152,473 | 4,035,655 |
| Loans and advances to banks | 11 | 2,995,532 | 4,329,256 |
| Trading securities | 12 | 35,316 | 232,666 |
| Loans and advances to customers, less allowance for loan losses | 13 | 9,598,614 | 4,128,322 |
| Securities available for sale, less allowance for impairment | 14 | 534,931 | 394,453 |
| Fixed and intangible assets, less accumulated depreciation | 15 | 2,108,848 | 1,456,249 |
| Deferred income tax assets | 9 | 61,816 | - |
| Other assets | 16 | 421,340 | 105,621 |
| Total assets | | <u>18,908,870</u> | <u>14,682,222</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Deposits and loans from banks | 17 | 965,264 | - |
| Customer accounts | 18 | 14,162,005 | 11,582,265 |
| Income tax liabilities | 9 | 2,278 | 44,249 |
| Other liabilities | | 100,474 | 59,597 |
| Total liabilities | | <u>15,230,021</u> | <u>11,686,111</u> |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | 19 | 4,360,257 | 3,842,124 |
| Reserves | | 868,840 | 501,847 |
| Accumulated deficit | | (1,550,248) | (1,347,860) |
| Total shareholders' equity | | <u>3,678,849</u> | <u>2,996,111</u> |
| Total liabilities and shareholders' equity | | <u>18,908,870</u> | <u>14,682,222</u> |
| FINANCIAL COMMITMENTS AND CONTINGENCIES | 20 | 281,225 | 492,438 |

On behalf of the Management Board

Fakhritdin Yuldashev
Chairman of the Board

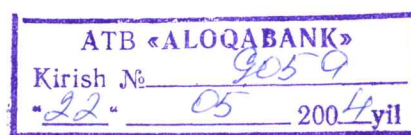


Khudoyar Buranov
Chief Accountant



2 April 2004

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JOINT STOCK COMMERCIAL BANK "ALOKABANK"

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

(Thousands of Uzbek Soums in purchasing power as of 31 December 2003)

| | Share capital | Share premium reserves | Non - distributable reserves | Accumulated deficit | Total shareholders' equity |
|-------------------------|------------------|------------------------|------------------------------|---------------------|----------------------------|
| 31 December 2001 | 3,307,289 | 6,368 | 252,970 | (122,135) | 3,444,492 |
| Share capital increase | 160,805 | 5,189 | - | - | 165,994 |
| Dividends capitalised | 374,030 | - | - | (374,030) | - |
| Dividends declared | - | - | - | (347,914) | (347,914) |
| Transfers | - | - | 237,320 | (237,320) | - |
| Net loss for the year | - | - | - | (266,461) | (266,461) |
| 31 December 2002 | 3,842,124 | 11,557 | 490,290 | (1,347,860) | 2,996,111 |
| Share capital increase | 70,049 | - | - | - | 70,049 |
| Net profit for the year | - | - | - | 674,212 | 674,212 |
| Dividends capitalised | 448,084 | - | - | (448,084) | - |
| Dividends declared | - | - | - | (61,523) | (61,523) |
| Transfers | - | - | 366,993 | (366,993) | - |
| 31 December 2003 | 4,360,257 | 11,557 | 857,283 | (1,550,248) | 3,678,849 |

On behalf of the Management Board

Fakhritdin Yuldashev
Chairman of the Board

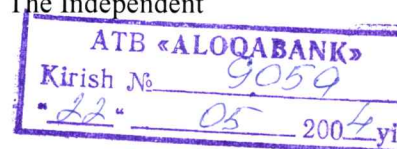


Khudoyar Buranov
Chief Accountant



2 April 2004

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JOINT STOCK COMMERCIAL BANK "ALOKABANK"

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003**

(Thousands of Uzbek Soums in purchasing power as of 31 December 2003)

| | Notes | 2003 | 2002 |
|--|-------|--------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Profit before income taxes and loss on net monetary position | | 947,312 | 408,637 |
| Adjustments for: | | | |
| Provision for loan losses | | 323,512 | 424,915 |
| Provision for losses on other transactions | | 9,405 | 254,377 |
| Provision for impairment of fixed assets | | 147,896 | 30,748 |
| Depreciation and amortization | | 240,469 | 240,113 |
| Dividend income | | 13,968 | 7,654 |
| Net change in accruals | | <u>(52,806)</u> | <u>(569,359)</u> |
| Cash flow from operating activities before changes in operating assets and liabilities | | <u>1,629,756</u> | <u>797,085</u> |
| Changes in operating assets and liabilities | | | |
| (Increase)/decrease in operating assets: | | | |
| Loans and advances to banks | | (233,802) | 1,957,707 |
| Trading securities | | 197,350 | (33,467) |
| Loans and advances to customers | | (5,737,041) | (1,947,669) |
| Other assets | | (315,721) | (56,507) |
| Increase/(decrease) in operating liabilities: | | | - |
| Deposits from banks | | 963,000 | - |
| Customer accounts | | 2,587,571 | 4,620,772 |
| Other liabilities | | <u>(271,387)</u> | <u>(250,772)</u> |
| Cash (outflows)/inflows from operating activities | | <u>(1,180,274)</u> | <u>5,087,149</u> |
| Income tax paid | | <u>(39,371)</u> | <u>(462,598)</u> |
| Net cash (outflows)/inflows from operating activities | | <u>(1,219,645)</u> | <u>4,624,551</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of fixed and intangible assets | | (1,266,345) | (719,098) |
| Proceeds on sale of fixed and intangible assets | | 225,381 | 249,970 |
| (Purchase)/sale and redemption of securities available-for-sale | | (163,850) | 199,166 |
| Net cash outflows from investing activities | | <u>(1,204,814)</u> | <u>(269,962)</u> |

JOINT STOCK COMMERCIAL BANK "ALOKABANK"

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)
(Thousands of Uzbek Soums in purchasing power as of 31 December 2003)**

| | | | |
|---|----|-------------------------|-------------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Share capital increase | | 67,498 | 160,805 |
| Share premium received | | - | 5,189 |
| Net proceeds from promissory note issued | | - | 817,304 |
| Dividends paid | | (61,523) | (347,914) |
| | | <u>5,975</u> | <u>635,384</u> |
| Net cash inflows from financing activities | | | |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (2,418,484) | 4,989,973 |
| INFLATION EFFECT ON CASH (INCLUDING CHANGE IN VALUATION ALLOWANCES) | | (56,476) | (745,818) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 10 | <u>6,735,461</u> | <u>2,491,306</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 10 | <u><u>4,260,501</u></u> | <u><u>6,735,461</u></u> |

Interest paid and received by the Bank in cash during the year ended 31 December 2003 amounted to UZS 409,742 thousand and UZS 1,922,687 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2002 amounted to UZS 670,788 thousand and UZS 1,668,936 thousand, respectively.

On behalf of the Management Board

Fakhritdin Yuldashev
Chairman of the Board



- Khudoyar Buranov
Chief Accountant



2 April 2004

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