

**ANNUAL REPORT
OF THE NATION BANK OF UZBEKISTAN
2007 YEAR**

Contents:

FOREWORD OF THE CHAIRMAN OF THE BOARD.....	2
KEY RESULTS OF THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF UZBEKISTAN IN 2007.....	4
KEY PERFORMANCE RESULTS OF THE BANK IN 2007.....	9
BANK ON THE INTERNATIONAL SCENE	13
CORPORATE BANKING.....	15
<u>BRANCH NETWORK.....</u>	16
<u>LENDING</u>	17
<u>PROJECT FINANCE.....</u>	19
<u>LENDING OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP</u>	19
RETAIL BANKING.....	22
<u>DEPOSIT OPERATIONS.....</u>	22
<u>BANK CARD BUSINESS.....</u>	29
INVESTMENT BANKING	31
PRIVATIZATION OF THE BANK.....	33
BANK PERSONNEL.....	34
ART GALLERY OF UZBEKISTAN.....	36
CHALLENGES FOR 2007.....	37

FOREWORD OF THE CHAIRMAN OF THE BOARD

Dear clients and partners,

Even at the initial stage of its activity, the National Bank has been recognized as the largest investment institution in the Central-Asian region and, on the whole, one of the largest ones in the post Soviet territory. It made international settlements bore obligations on the efficient disposal of the foreign currency reserves of the government, attraction of foreign investments and rendering a wide range of banking services to its clients.

Actively involved in the implementation of economic transformations, the National Bank has not once initiated perspective projects and functionally pioneered new financial boundaries.

Bank's dynamic development and reputation of a serious partner promoted growth of its assets, expansion of clientele and correspondent relations network.

Every year of the National Bank's activity has been unique in its way. They have not simply been enriched with new experience but also with the achievements beneficial for the country.

Today, despite stringent competition, the Bank continues to intensify its presence in all priority segments of the financial market in Uzbekistan.

The National Bank successfully combines several functions, i.e. of the project-financing bank serving credit lines of the international financial institutes and foreign export-import banks and functions of the universal commercial, investment and savings banks.

Significant resource base, capital and assets allow the National Bank to render large and long-term credits and keep up steady positions in the international financial market for raising investments.

Investment projects financially supported by the National Bank participate in the deep structural transformations of such sectors of national economy like fuel industry, power industry, metallurgical complex, aircraft production industry, motor-car industry, machine building, chemical industry, extraction industry (gas, oil, precious metals and other valuable mineral resources), light and textile industry, food industry.

Consistently developing cooperation with the foreign banks and international financial institutes the National Bank is actively promoting integration of the Republic of Uzbekistan with the international financial community. The Bank presses towards operative identification of economic interests of its partners for cooperation with Uzbekistan and uses its tooth-and-nail to support them

During the reporting year, the National Bank was twice ranked by the Moody's international rating agency and rating agency 'Expert RA'; this testifies for its dominant role in the attraction and management of foreign investments for the country, and in the servicing international trade operations.

It is also worth mentioning that the Bank attaches great attention to the spiritual and cultural aspects of life in the country, to support and development of its artistic property.

During its existence, the NBU Picture Gallery has arranged a great number of large exhibition projects, published over 10 catalogues on fine arts and numismatics, as well as scientific works.

All said above highlights only the major milestones of Bank's activity. It is necessary to point out the main thing - the National Bank acts as a single tooled mechanism aimed to achieve

maximum commercial efficacy. Performance results of the National Bank permit to optimistically and assuredly continue development and sincerely hope for the further support of our esteemed clients and partners.

Allow me on behalf of the Board of the National Bank thank all NBU clients and partners for mutually beneficial cooperation, standing trust and support.

Sincerely yours,

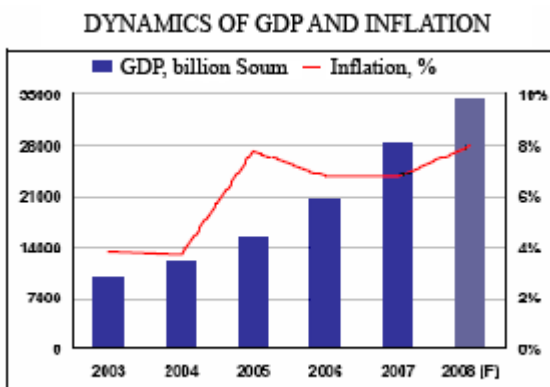
S.Rakhimov
Chairman of the Board

KEY RESULTS OF THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF UZBEKISTAN IN 2007

In 2007, high sustainable growth and macroeconomic stability of the economy were ensured, and the work on further structuring, modernization, technical and technological production updating continued.

Country's GDP growth rate made up 9.5% against last year 7.3%; industrial production volume increased by 12.1%, agricultural – by 6.1%. The State Budget has the positive balance of 1.1% to GDP. Inflation did not exceed the benchmark of 6.8% as provided by money supply regulation carried out in the country by the Central Bank and the Ministry of Finance.

Not the extensive factors, increase of extraction of hydrocarbon raw materials in the conditions of steadily high world prices for oil, gas and other raw material resources, ensure the sustainable growth of the economy of Uzbekistan. It is principally important that the economic growth be provided primarily by the consistent implementation of the comprehensively thought-out policy of systemic market-oriented reforms and attraction of foreign investments, deep structural transformations in the economy, modernization and renewal of production, creation of new export-oriented sectors and enterprises, accelerated development of business and private entrepreneurship.

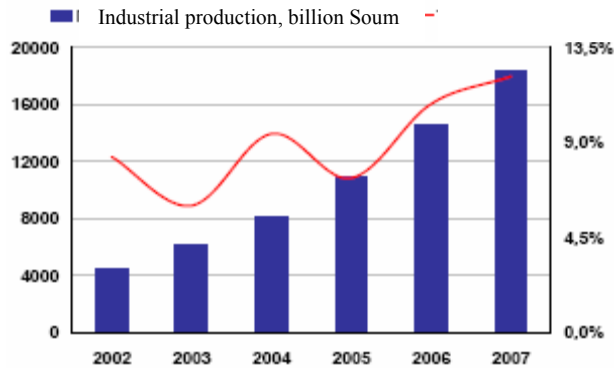


Advanced growth rates characterize industry, construction, communications and services areas. Today industrial share in GDP reaches 25%, the weight of services makes up 43%, and of small business – 46%.

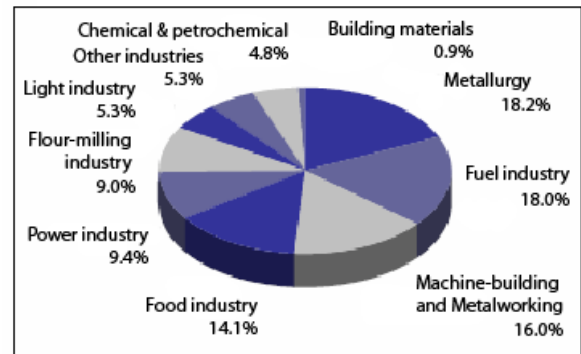
Compared with the previous year analogous indicators, industrial production has grown by 12.1%, volumes of agricultural production by 6.1%, consumer goods by 18.8%, and retail goods turnover - by 21%.

The machine building and metalworking sector shows the most dynamic growth for the second successive year and covers about 16% of total industrial output, and production of the consumer goods that has increased by 18.8%. Sector of timber and woodworking industry is noticeably growing but its volumes have not yet been so high.

Industrial Production



Industrial Production Structure



The fuel and energy complex has the largest share in the industrial output where about 18% are made up by the oil-gas-coal segment and 9.4% by the electric power industry. The second place belongs to ferrous and non-ferrous metallurgy, the former makes up about 2.3%, and the latter about 15.8%.

Purposive work is undertaken to reform agriculture. Reorganization of shirkats into farms has been almost accomplished. Private farms have really become the basic form of agricultural production, the main driving force promoting its sustainable and effective development.

Today, the Republic has over 215 thousand farms engaging 1.6 million workers or about 90% of all employed in the sector; nearly 85% of the entire sown area in agriculture have been secured for them. Farm's share in cotton production made up almost 99%, in grain production – 82%. Farms and dekhkan households produce nearly 94% of the Republican agricultural output.

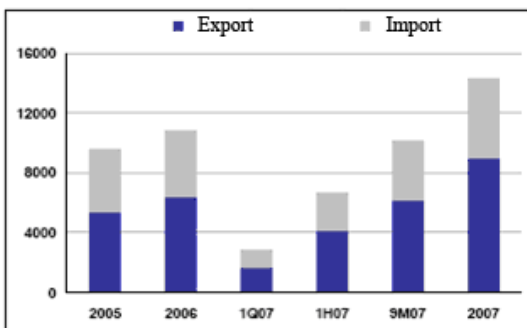
Crucial qualitative changes in agriculture resulted in the record high yields and production volumes of crops, first and foremost of cotton and grain, received during the past years.

Last year volume of raw cotton output exceeded 3 million 650 thousand tons, of grain – 6 million 250 thousand tons.

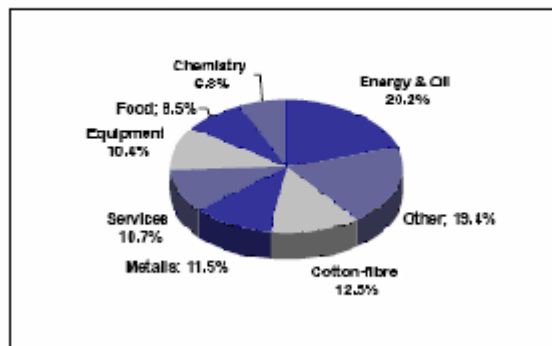
Serious structural changes taking place in the economy of the country have been reflected in the concrete foreign economy indicators.

In 2007 export volumes of products increased by 40.7% greatly outpacing dynamics of imports. This allowed to achieve in the end of the year the positive foreign trade turnover balance exceeding USD 3.5 billion and raise the gold and foreign currency reserves of the country by 1.5 times.

EXPORT / IMPORT

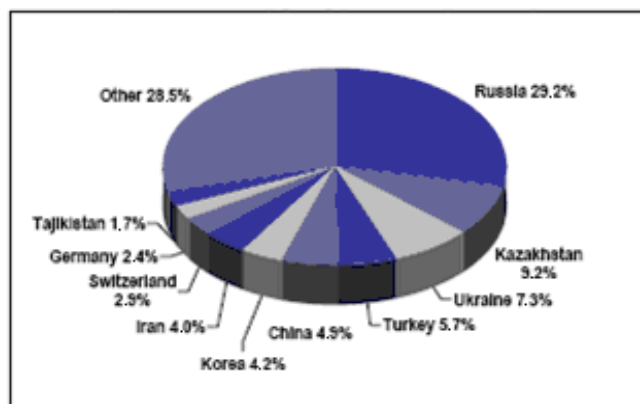


EXPORTS STRUCTURE



Share of finished products in the exports volume has significantly grown during the past period and made up over 38% today. Primarily it regards machinery and equipment, petrochemical products, mineral fertilizers, cotton yarn and fabrics, hosiery items, goods of flavoring industry, cable and conductor products, building materials.

COUNTRY STRUCTURE OF GOODS TURNOVER



It is worth noting growth of the CIS countries share in the goods turnover structure of Uzbekistan (49.2% against 42.5% in 2006). This is primarily accounted for the growth of goods turnover with Russia (28.4% of total goods turnover), Kazakhstan (8.4%) and the Ukraine (7.5%).

For the past years, the largest among the non-CIS partners have been Turkey, China, Korea and Iran.

In 2007 the largest turnover growth related to Switzerland, mutual trade with which increased by 6.4 times. Growth rates of foreign trade turnover with France (by two times) and Afghanistan (by 2.4 times) were also very high.

Certain measures have been taken on the optimization of foreign trade cargo shipments related to the introduction of new transportation corridors and sharp growth of the transit capacity of the Republic.

In 2007, due to the implementation of the localization program 270 projects were implemented, over 60 types of new products were introduced, costs were significantly reduced and production volumes increased. About a thousand of new job places were additionally created.

Total investments in the economy last year increased by 23% and made up over USD 4.3 billion equivalent. These are the highest indicators for all previous years. Over 70% of all investments have been directed to the industrial construction objects, including technical and technological upgrading - about 50%.

Within the framework of the Investment Program over 300 large investment projects were accomplished in 2007, it particularly concerns commissioning of the booster station on 'Zevardy' deposit, three devices of accompanying gas utilization on 'Kokdumalak' deposit, commissioning of 142 km gas pipeline and 184 km electric line. Construction of the Rezaksai water reservoir was also finished. The international airport in Navoi was reconstructed.

In textile industry out of 66 enterprises included in the program of development, modernization, technical and technological re-equipment 34 enterprises started production of finished goods, and 20 are finishing construction works and supply of the equipment. Production volume at the modernized enterprises increased by 1.5 times during rather a short period.

Following the program of road construction approved for 2007, 245 km of automobile roads were constructed and rehabilitated; over 1 thousand 750 km of international and state highways were put into operation after overhaul and mid-life repairs.

In 2007, over 700 new enterprises were created with the involvement of foreign investments. So far, the share of enterprises with the involvement of foreign investments makes up one third of the foreign trade turnover of the Republic; export volume of their produce increased by 62% last year.

Cooperation with international financial institutes continues its active development. Last year about USD 330 million privileged credits and USD 46 million grants were attracted to implement strategic projects in the fields of education, healthcare, agriculture, water economy and financial management.

Liberalization processes and encouragement of private entrepreneurship development continued in 2007. Much has been done on the strengthening of the legislature on the protection of private property rights and private entrepreneurship and formation of the market infrastructure. Procedures of registration, voluntary closure and liquidation of business, as well as issue of licenses and permissions for doing some types of business have been simplified and streamlined.

Tax rates have been unified and reduced. In particular, single tax rate for small enterprises has been reduced from 13 to 10 percent.

In 2007 approaches to denationalization and privatization of state-owned property were fundamentally revised, decisions were taken on the crucial reduction of state participation in the equity of the enterprises, the work is carried on the liberalization of the normative base regulating evaluation and further sale of the state-owned property into private possession.

Total amount of the agreements on state-owned property sales concluded with the foreign and domestic investors conditioned by their undertaking of investment and other obligations has

grown by 3-4 times and made up USD 310 million and 57 billion Soums. Private sector share in GDP in 2007 reached 85 percent. It produces nearly 80% of the industrial output, the entire volume of agricultural produce and retail goods turnover.

Our attention has been yet attached to the issues of deepening and expansion of the scope of the reform in the banking-and-finance system. Primarily it concerns provision of financial stability, further growth of the capitalization level and strengthening of the commercial banks independence. Measures taken in the past year brought in almost a twofold growth of the commercial banks authorized funds; their total capital increased compared with 2006 by over 40% and reached the level of 1.5 trillion Soums.

Banking incorporation process is active, during the year the number of shareholders increased by 12.5 thousands, and by the beginning of the current year their number made up about 200 thousands, at that 68% of total number of shareholders comprise natural entities (individuals).

Three commercial banks – The National Bank for Foreign Economic Activity, Pakhtabank and Hamkorbank – were among the first to be internationally assessed by the leading rating companies.

Particular significance is attached to the involvement of banking structures in the implementation of projects regarded to modernization, technical and technological upgrading of the economic entities. During the past year, about 2.0 trillion Soums were directed to these purposes. Credits issued by the banks to provide financial support to small business entities and private entrepreneurs by 36% during the year; volumes of micro-credits issued to entrepreneurs and private entities grew by 70%.

Leasing, insurance and factoring services market was actively developing during 2007.

Among the important events, there can be mentioned two minimum wage and other payments increases and pension increase by one minimum wage that would require additionally budgetary payments of USD 16.0 millions to be made before the end of the current year.

Based on the government data, average salary in the country makes up about USD 210, during the year it increased by 47.2%, and real monetary incomes grew approximately by 27%.

KEY PERFORMANCE RESULTS OF THE BANK IN 2007

In 2007 the National Bank aimed its activity at the fulfillment of the tasks set up by the President of the Republic of Uzbekistan I.Karimov in the report dedicated to the perspectives of economic development of the country in 2007 by providing maximum support to the state in the implementation of the Republican Investment Program, Small Business Development Program and domestic export. It was developing modern banking technologies allowing provision of banking services meeting the international standards.

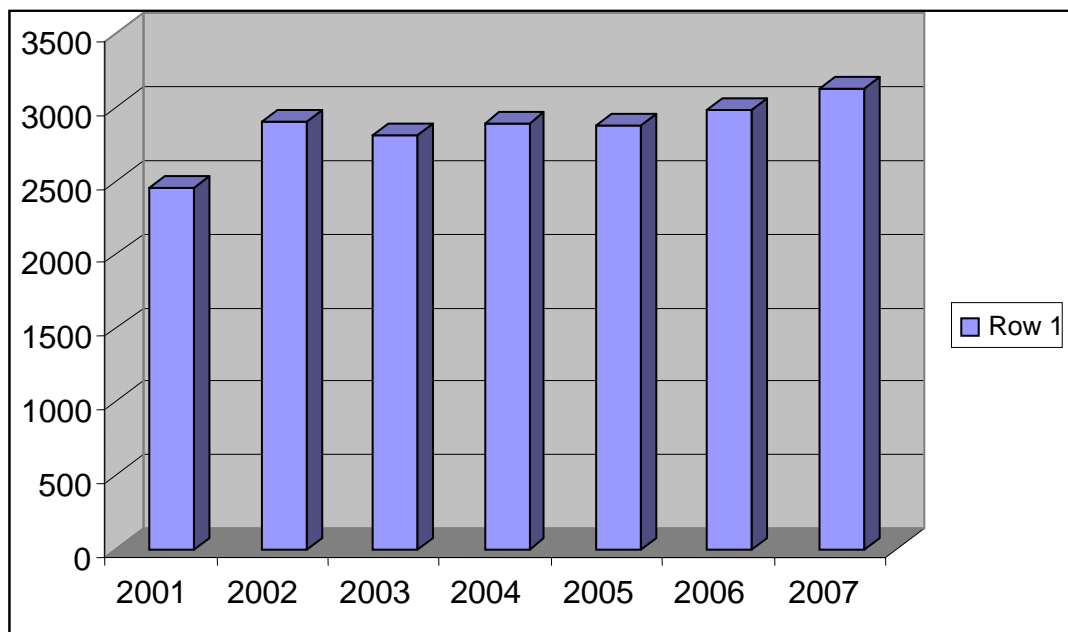
The clientele base has grown by 24.1% and totaled 1.5 million of corporate and retail clients.

The National Bank consolidated balance in terms of equivalent to the national currency made up 4 208 billion Soums.

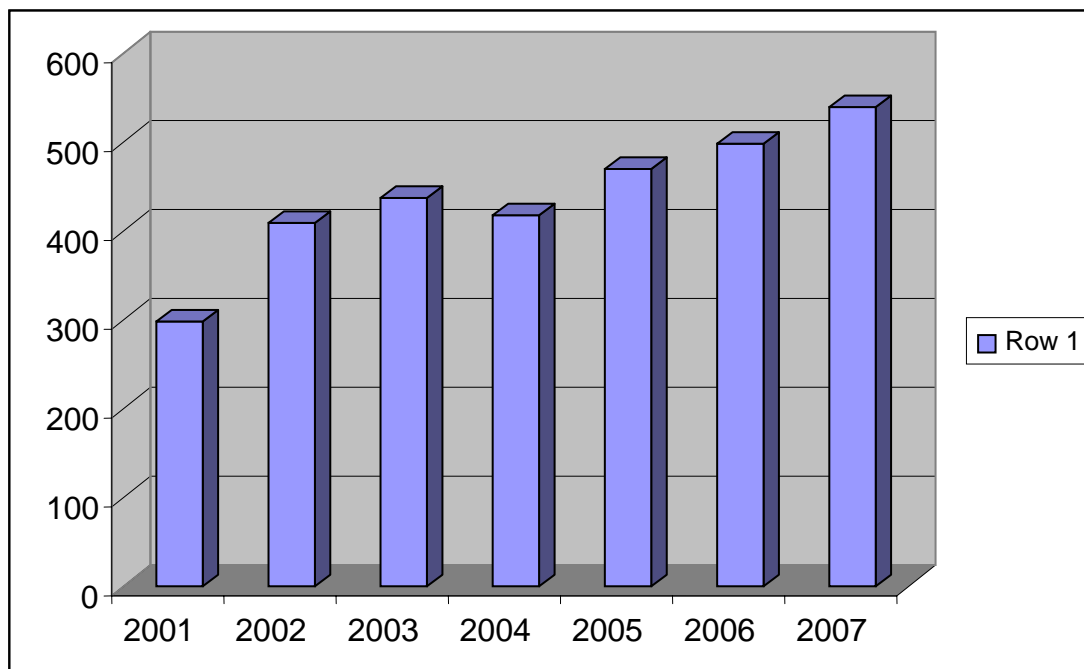
As for 1 January 2008, Bank's capital comprised 539 billion Soums. Bank's credit portfolio made up 2 036.8 billion Soums; at that the major share of credit portfolio falls on the long-term loans; their weight in bank's lending made up 57.9%.

In 2007, in view of financing priority sectors of the economy the National Bank signed agreements raising foreign credits totaling the amount of USD 294.4 millions. Credit lines of the Korean Export-Import Bank, Chinese State Development Bank and a number of European banks stand out among them.

According to IFRS in terms of equivalent to the national currency – Soum - Bank's consolidated balance increased by 633 billion Soums from 2001 to 2007:



Capital grew by 207 billion Soums:



Despite the significant growth of volumes, the National Bank due to its high capitalization keeps on a sizable reserve for the expansion of its clientele base.

ASSET AND LIABILITY MANAGEMENT

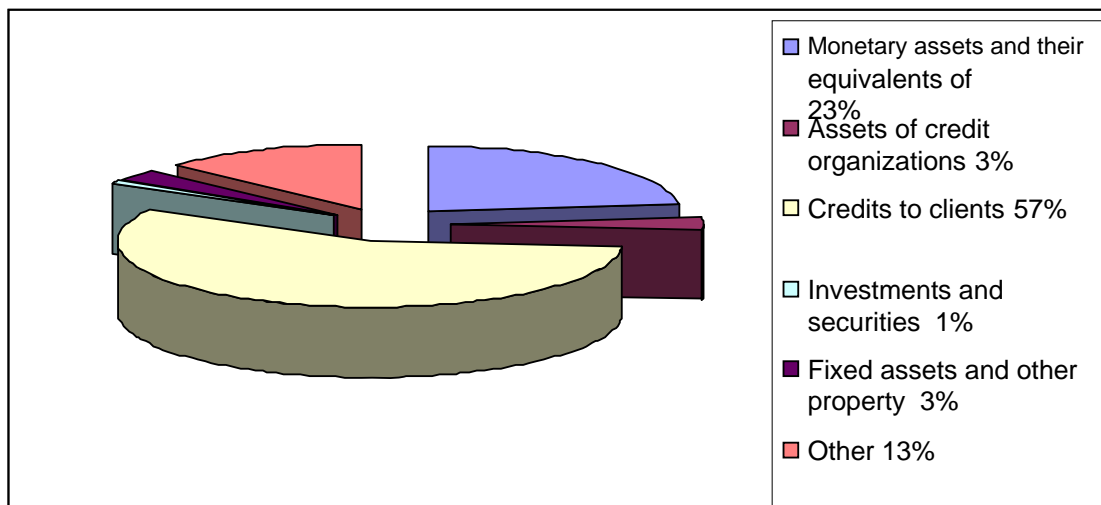
Asset and liability management policy of the Bank is mainly aimed at satisfying every client's needs in high quality and reliable banking services; ensuring stable functioning of the banking system of Uzbekistan; saving deposits and investments in the economy; promotion of the economic development of the Republic; fulfillment of the strategic goals of the Bank by means of management and control of the risks generated by the external environment and asset/liability structure; maintenance of the necessary liquid balance; capital adequacy; diversification of risks and maximization of the Bank's profit.

The Bank accomplishes the set up goals by solving the following tasks:

- Perfection of the working ideology with clients based on the combination of standard technologies and individual approach to any client;
- Enforcement of the interest rate and tariff policy based on the efficiency of operations and assessment of market conditions;
- Relying on the broad clientele base, ensure the balanced structure of resources and placements;
- Improvement of the Bank management system on the basis of the economic instruments of management and optimal system of authorities distribution;
- Perfection of the risk management system;
- Effective utilization of competitive advantages including clients credibility, history, traditions and service experience;

- Possibility of the operative redistribution of the resources, complex servicing of multidivisional clients and the like.

Assets structure by the results of 2007, %



Assets structure of the National Bank is significantly predominated by the lending operations weighting 57% of total net assets of the National Bank.

The high weight of lending operations speaks for the National Bank's magnitude in the financial services market aimed at the development of the base sectors of national economy, export-oriented and import-substituting productions and small business.

Bank's share of fixed assets and property in total assets structure has stabilized at the level of 3%.

The weight of monetary assets and their equivalents providing liquid balance position of the Bank makes up 23%.

Placement of the deposits in the money markets, both domestic and international, is carried out within the risk limits set up for the countries, banks and banking products.

One of the factors characterizing the quality of the National Bank performance is the bank's own capital adequacy indicator. According to the national standards, its capital adequacy ratio is much higher than the needed minimum value (10%); during the period from 2001 to 2007, it comprised:

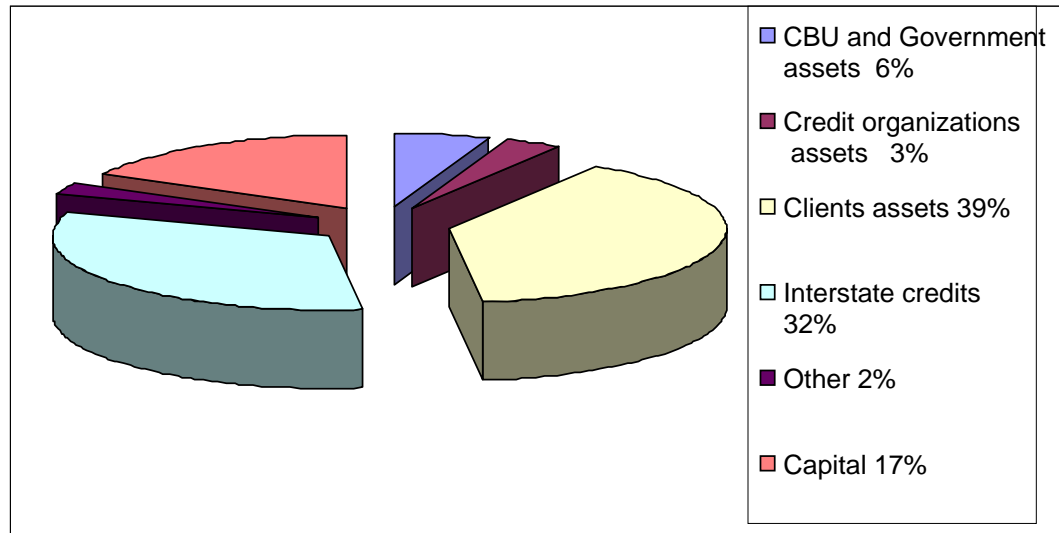
2001	2002	2003	2004	2005	2006	2007
34.8%	34.0%	31.0%	26.0%	29.0%	31.2%	29.2%

High-level capital adequacy ratio policy of the National Bank is justified as it provides the reputation of sustainability and creates the adequate reserve for client's attraction and expansion of the Bank's base for balance growth.

Nationa Bank resources comprise its own capital and attracted assets.

By the results of 2007 the own assets share in the consolidated balance of the Bank in terms of the national currency – Soum – equivalent comprise 17%; share of the attracted resources makes up 83 %.

NBU Liabilities Structure by the Results of 2007



Peculiarity of Bank's liabilities structure is accounted for its role of the agent of the Government of the Republic for attracting foreign investments and loans in the Uzbekistan economy. Interstate credits make up 32% of total liabilities of the Bank. Client's assets comprise 39%, the CBU and Government assets comprise 6%, credit organizations assets make up 3% and capital comprises 17%.

Asset/liability management is inseparable from the pricing policy of the Bank. Decisions on the sizes of the base interest rates for deposits and credits are taken based on the business plan and consideration of the macroeconomic factors.

Management of assets/liabilities and their interest rate sensitivity provide adequate level of interest margin and serve one of the important instruments of bank balance management.

In the course of consideration of fund placement issues, besides the development plans the Bank takes into account the regulatory requirements of the Central Bank of the Republic of Uzbekistan.

Besides that, the Bank is guided by its own systems of determination and monitoring of risk limits in such areas like limits for one borrower and group of interrelated borrowers, for correspondent banks, for money and foreign exchange operations, trade finance, for operations with GKO (State Treasury Bonds) and GSKO (SCTB), CBU bonds, for trade and investment portfolios, open foreign currency positions and etc.

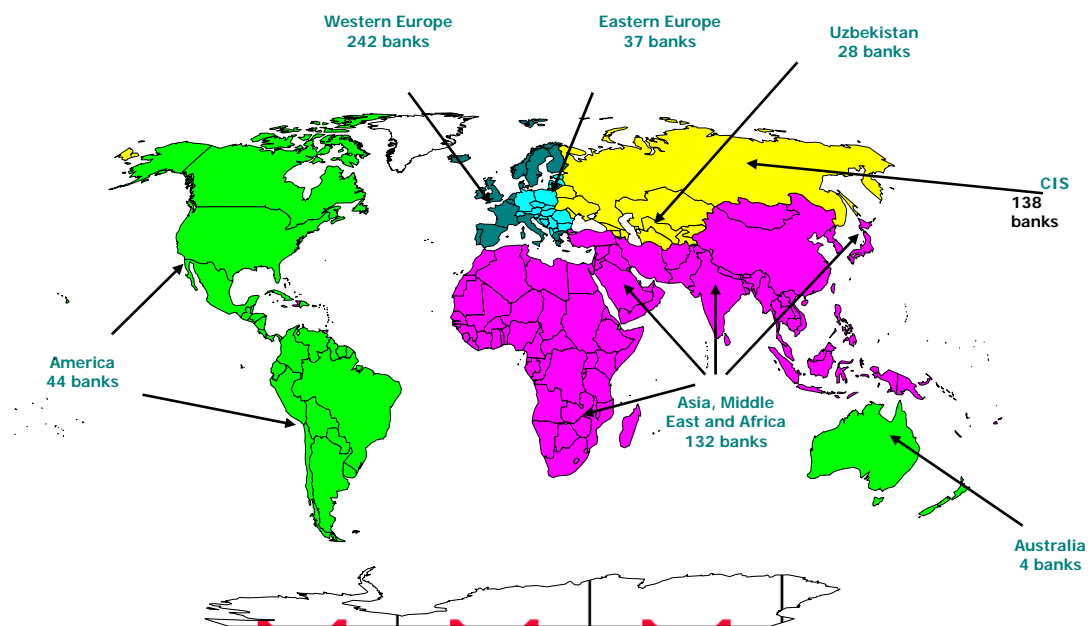
The National Bank maintains the necessary level of the economic norms set up by the requirements of the Central bank of the Republic of Uzbekistan.

BANK OF THE INTERNATIONAL SCENE

Following the tasks vested upon the National Bank regarding deepening of the economic relations of the Republic with the foreign countries, raise of foreign capital interest to the economic reforms implemented in Uzbekistan, attraction of the investments and advanced technologies into country's economy, its foreign activity was aimed at further development and deepening of cooperation with foreign banks and international financial institutes.

A number of negotiations were held during the reporting period with the leading banking and finance institutes of Europe, Russia, China, South Korea and Singapore; cooperation has been established with the banking institutions of Indonesia, Egypt and United Arab Emirates.

Optimization of *the Bank's correspondent network* is greatly important for strengthening links with the foreign banks. As of 31 December 2007, it comprised 625 banks including 597 foreign banks from 75 countries of the world and 28 banks of Uzbekistan.



Within the framework of *cooperation with the International Financial Institutes*, the efforts were taken to further expansion of cooperation with such IFIs like IDB, ADB, IFC and others.

Since 1993, the National Bank has been rated among Top 1000 Largest Banks of the world ranked by the 'The Banker' publication.

The National Bank is the member of intergovernmental commissions and in many cases represents the Republic of Uzbekistan in the issues related to the attraction of funds from the foreign banks and financial institutes into Republican economy, perfection of interbank operations, development of new areas of cooperation with foreign banks etc.

In 2007, cooperation between Uzbekistan and Islamic Development Bank (IDB) was seriously activated. It is worth mentioning that the Republic of Uzbekistan is actively and fruitfully cooperating with the IDB, and the maximum level of the approved financing limit and assistance in the investment attraction proves this. Availability of working experience with the NBU, faultless diligence in external payments and other factors contributed to the issuance of the second credit line of USD 15 million by the Islamic Bank for small business project financing.

In 2007, the Bank activated its cooperation with the financial institutes of Asia and the Pacific. With this purpose the Bank signed the Agreement on Trade Finance with the Korean Export-Import Bank for USD 30 million, and the Agreement with the State Development Bank of China on issuing credit line of USD 60 million to finance small business and private entrepreneurship projects; individual credit Agreements with the Eximbank of China totaling USD 193.63 million aimed to finance investment projects in Uzbekistan both within the export credit line of the CPR Eximbank amounting to USD 300 million and within the framework of the CPR government credit line for SOC country-members amounting USD 900 million.

Similar agreements allow successful developing of mutually beneficial cooperation among the banks and carrying out support of export-import operations in the field of project and trade financing, acknowledgement and strengthening of recognition of foreign banks and financial organizations.

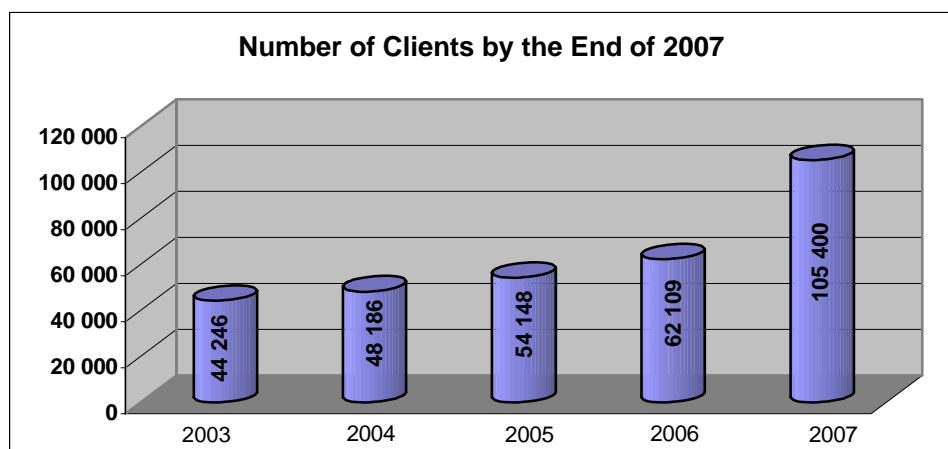
CORPORATE BANKING

The National Bank occupies leading positions in the Uzbekistan market of corporate clients servicing. Number of corporate clients served by the Bank made up 105.4 thousand economic entities.

Bank's motto of the work with the corporate is "Not client for the Bank, but the Bank for client". The Bank builds up its relations with corporate clients on the individual approach and offering of structured banking products. As a result, the number of corporate clients of the National Bank is constantly growing, and in 2007, it grew by over 9.0%.

Enterprises of the following sectors stand out among the largest clients:

- Ferrous metallurgy;
- Non-ferrous metallurgy;
- Mining industry;
- Power industry;
- Construction;
- Oil production, oil processing;
- Transport;
- Textile and food industries, retail trade.



Enterprises switch over to the National Bank servicing is accounted for its good reputation, servicing quality of clients and wide range of offered banking services like financing of the working and fixed capital, conversion services, investment services, credit lines, trade finance, 'Bank-Client' distant servicing system and etc.

In 2007, the Council responsible for the development of relations with the corporate clients of the Bank continued its work. The Council's work directed its attention to the individual approach to strategically important corporate clients, to raising efficiency and quality of the offered banking products and services, timely resolution of the problems and challenges concerned with the different aspects of cooperation of the Bank and client.

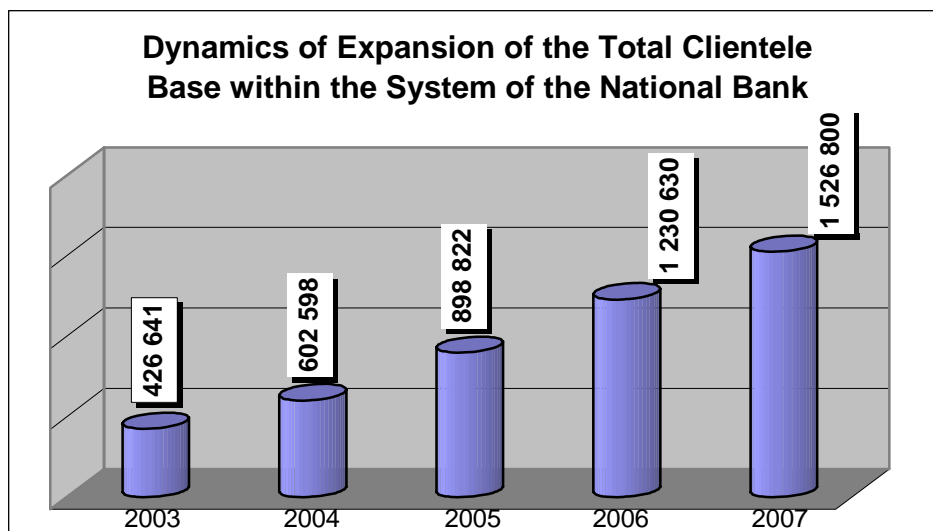
Expanded authorities of the branch network of the Bank concerned with providing services to significant corporate clients, as well as target groups of clients (by the size of credit risk, establishment of the tariff rates for certain client's operations) provided strengthening of the clientele base.

BRANCH NETWORK

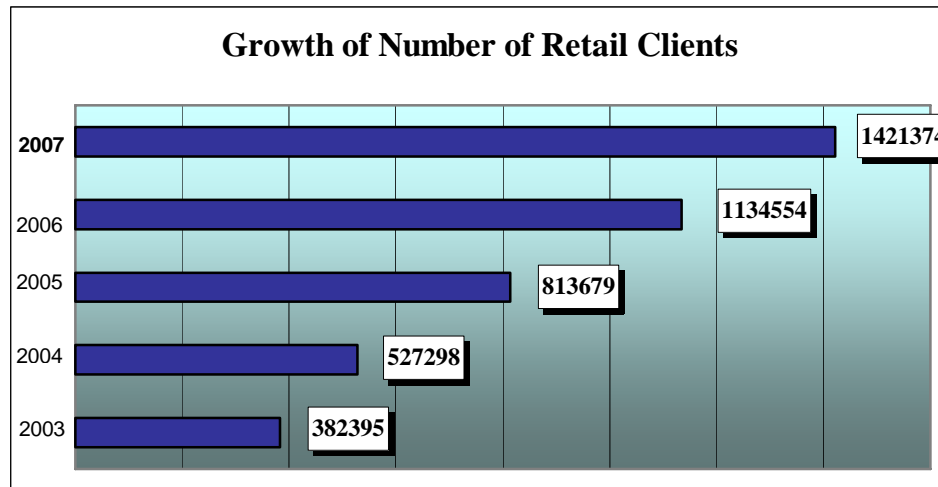
Dynamic development and management of the branch network are priority areas in the activity of the National Bank for FEA RUz. So far there are **93** functioning branches and affiliates located in all regions of the Republic that provide the wide range of modern отделения и филиала Банка, расположенные во всех регионах республики, обеспечивая тем самым широки banking servicing for corporate and retail clients.

Year 2007 became the period of further modernization and development of the branch network. By introducing new banking products the Bank strived to improve quality of the services offered to the clients.

Continuous working of branches in 2007 allowed significant expansion of the clientele base by bringing total number of clients to **1.526 million** or increasing by **24.1%** compared with the same period of the last year.



Significant growth of served clients refers to retail clients whose number increased from



Presence of the own resource base, proper diversification of credit portfolio, in-depth study of perspective sources of income and the wide range of banking products satisfying stringent requirements of the clients permit the Bank to occupy the leading position in the market of financial-and-lending services promoting development of the entire economic sector of the Republic.

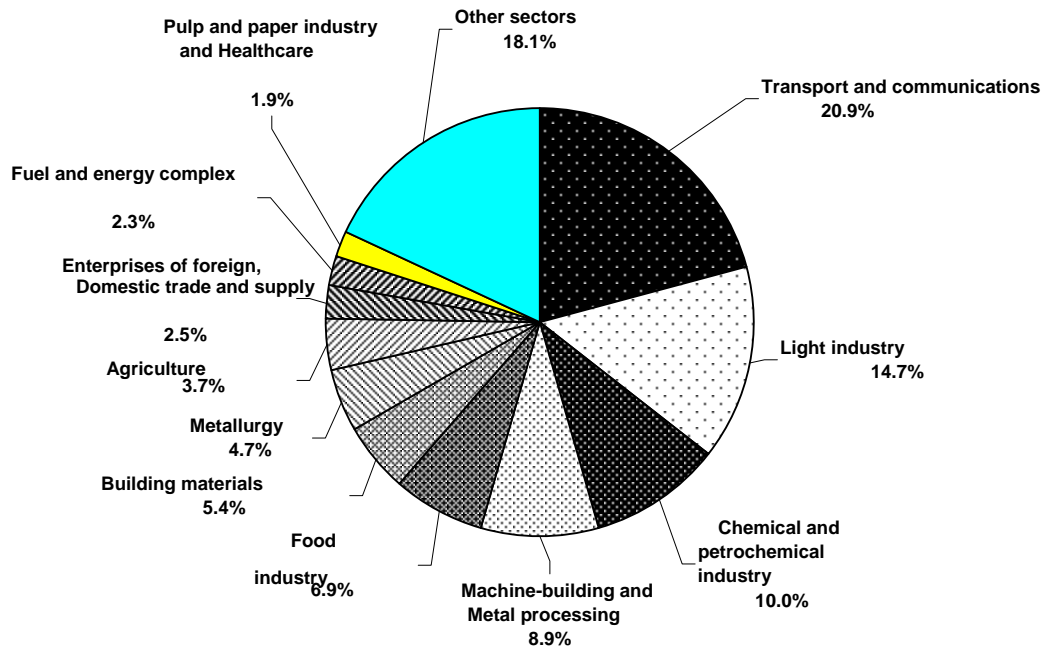
To satisfy the wide range of client's requirements and create additional conveniences, the Bank continued establishment and improvement of mini-banks network. So far 72 mini-banks and 104 specialized pay-desks in the territory of the Republic that receive payments from the population; of them 34 specialized pay-desks are situated in the Tashkent City. Establishment of the mini-banks primarily aims to activate the economic activity of enterprises and organizations engaged in industry, agriculture, trade and services, as well as to develop private entrepreneurship and meet the demand of population for quality banking servicing. Besides that, developed network of mini-banks allows to strengthen competitive positions of the Bank in different segments of the market of financial and lending services and operatively respond to the proposals and wishes of its clients.

LENDING

Lending of domestic enterprises has been the general direction of the National Bank's policy.

Pursuant to the credit policy of the Bank in 2007, issued credits were directed to the development of priority sectors of the economy, financing of measures on the modernization of the existing and introduction of new high-effective productions, small business support, creation and development of import-substituting productions of the consumer goods based on processing local raw material resources.

Credit Portfolio Structure as for January 1, 2008



According to 2007 year results the larger borrowers comprised such enterprises like NAC 'Uzbekistan Airways', OJSS 'Ferganaazot', Fergana Furan Compounds Chemical Plant, JV 'Hobos TAPC', OJSS 'Bolalar Taomlari Holding', Navoi SMM, JV 'Oksaroi Tukimachi', JV 'Chinoz Tukimachi', SJSFTC 'Uzprommashimpex'.

As of 1 January 2008 credit portfolio volume made up 2 036.8 billion Soums, long-term credits weighted at 57.95% among the issued credits made up the core share Bank's credit portfolio.

To fulfill the tasks set up for the banks by the President of Uzbekistan regarding growth of capitalization and recovery of credit portfolio, in 2007, the Bank issued loans to real sector of the economy and priority areas, including mortgage and consumer loans providing access to banking resources for young families, low-income and wide layers of population.

Project lending and financing from the refinanced sources of the foreign banks took place in the following areas: funding projects by utilizing opened credit lines, attraction of new ones, servicing of leasing agreements, factoring operations, execution of the financial agent's functions of the foreign banks and financial provision of projects included in the Investment Program of the Republic of Uzbekistan.

Issuing of guarantees continues to be developed and widely used as a trade finance instrument. The major part of guarantees refers to the guarantees of return of the advance payments on the export contracts. There exists the practice of issuing such guarantees like payment

guarantees, contract implementation guarantees, and tender guarantees. Usage of such guarantees in the domestic market is widening.

PROJECT FINANCING

Project finance is one of the more complicated types of banking. The National Bank has accumulated great experience and stands as a financing organizer of many both large investment projects and small business projects. Project financing ensures restructuring of the economy and is guided by the principles of economic expediency and repayment.

Following the address program of the investment projects for 2007 implemented *with the attraction of foreign credits against the guarantee of the Government of the Republic of Uzbekistan financing* was opened for 4 projects totally requiring credits of USD **71.6** million:

- Equipment of general schools with training computer classes;
- Construction of hydrometallurgical enterprise of NGMK based on the sulfide ore deposits of Строительство гидromеталлургического предприятия на базе сульфидных руд 'Kokpatas' and 'Daughyztau';
- Construction of the Akhangaran MHES in the Tashkent Region;
- Construction of the Andijan HES-2 in the Andijan region.

Following the address program of the investment projects for 2007, implemented *with the attraction of foreign credits against the guarantee of the Government of the Republic of Uzbekistan financing* was opened for 5 projects totally requiring credits of USD **38.0** million:

- Creation of the spinning factory at the JV 'Yadem Textile';
- Technical refurbishment at the OJSS 'Poitut';
- Establishment of the JV 'Tagus Textile' to produce cotton yarn and hosiery items on the basis of the JSS 'Izboskan Shoyi Tukur';
- Technical refurbishment of the JSS 'Yerkishlok';
- Technical refurbishment of the JSS 'Samo'.

Besides that, in 2007, the National Bank concluded a number of loan and interbank agreements with the foreign banks on the projects aimed at the development of the agro-industrial complex, telecommunications and computer technologies, healthcare, financing of small and private business projects.

LENDING OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

Small business development support has always been prioritized in the activity of the National Bank. Following the program of small business development support the National Bank carries out the active work considering and approving projects to be financed from the disbursements of credit lines opened by a number of foreign banks and financial institutes, non-budgetary funds of the Republic and own assets of the Bank. Within the framework of foreign credit lines project financing the Bank approved for financing 152 projects with the total cost of USD 445.1 million, of which credit amount makes up USD 259.0 millions.

The National Bank opened financing for six projects with the credit amount of USD 19.85 million from the credit line provided by the KDB for small business funding.

In August 2007 during the sitting of IBO of the SOC countries in Bishkek the National Bank and the Chinese Development Bank signed the Loan Agreement on the second credit line amounting USD 60.0 million for medium and long-term special projects or investment programs aimed at the establishment, modernization and expansion of the industrial and production capacities or companies, including procurement of the imported materials and raw materials.

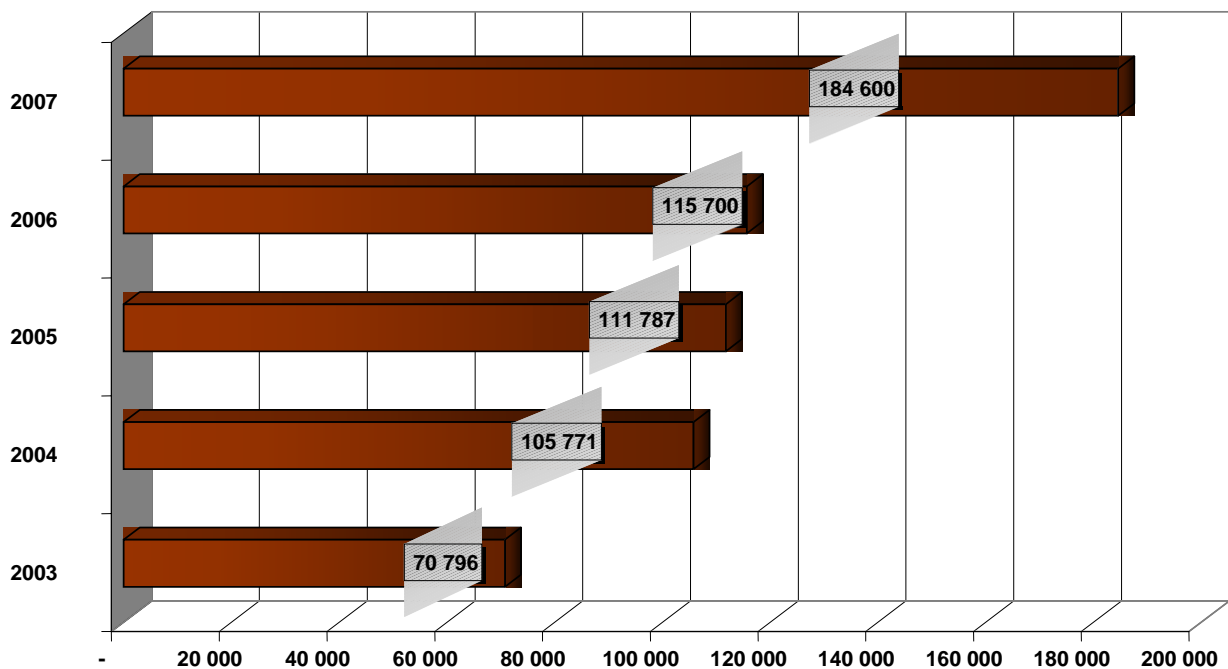
Along with this, the Bank is actively working upon the attraction of the second IDB financing line of USD 15 millions to provide a larger number of entrepreneurs with credit resources.

The National Bank is actively lending individual entrepreneurs, dekhkan entities, farms and other small business entities carrying their activity both with the formation of legal entity or not. As of 1 of January 2008, credits issued in terms of national currency by the National Bank to small and private business entities totaled 184.6 billion Soums, including those from the own assets made up 181.2 billion Soums or 85.5 billion Soums in excess to the current year forecast, i.e. 68.1 billion Soum growth compared with the same period of 2006.

Since the beginning of 2007 over 22.5 thousand new job places have been created at the expense of the national currency credits issued for small business entities. It is by 14.5 thousand or by 2.8 times higher compared with the same period of the last year.

Totally the National Bank directed to support entrepreneurship **184.6 billion** Soums of its own and attracted assets, including those attracted on the privileged basis.

Small Business Lending



Entrepreneurs display particular demand for micro-credits issued by the National Bank for the development of production facilities, services and construction. As of 01.01.2008, the National Bank issued at the expense of all credit sources over 6.5 thousand micro-credits totaling about 9.5 billion Soums.

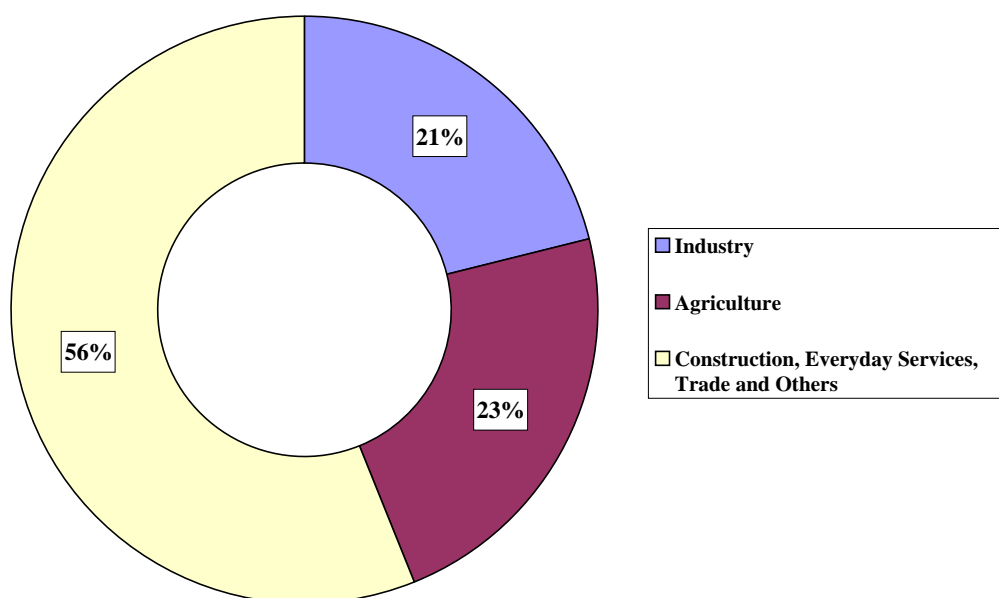
In view of execution of the Resolution issued by the President of the Republic of Uzbekistan on 23 March 2006 ‘On the Encouragement Measures for the Livestock Growth in Households, Dekhkan Entities and Farms’, as well as for the achievement of the projected parameters set up following this Resolution, as of 01.01.2008, the National Bank has totally issued 5.5 billion Soum micro-credits at the expense of all sources of lending, exceeding the forecast by 1.7 billion Soums.

To fulfill the Ordinance of the President of the Republic of Uzbekistan dated 25 May 2004 ‘On Additional Measures Aimed to Support the Activity of the Women's Committee of Uzbekistan’, as of 01.01.2008 the National Bank issued at the expense of all credit sources totally 12.4 billion Soums to women-entrepreneurs; compared with 2006 the growth made up 5.4 billion Soums.

In view of execution of the Resolution issued by the President of the Republic of Uzbekistan on 17 April 2006 ‘On the Measures Accelerating Development of the Services Sphere in the Republic of Uzbekistan in 2006-2010’, as well as execution of the projected parameters set up following this 2.5 billion Soums of micro-credits to small business entities or exceeding the forecast by 0.9 billion Soums.

Micro-credits issued to households and individual entrepreneurs promote development of family business by raising living standards of the population especially in the districts remote from the industrial centers. Micro-credits also help to preserve skills and traditions of artisanship and national applied arts. Loans covering the needs of the farming entities assist development of new social and economic structure in the rural area by creating new job places and new class of the proprietors.

Structure of Small Business Lending by Sectors (In terms of national currency)



We see the results of the National Bank participation in the all-state program of small business and private entrepreneurship development support in the shops where locally produced goods are fearlessly substituting imported ones, and in the widening sphere of first-class services.

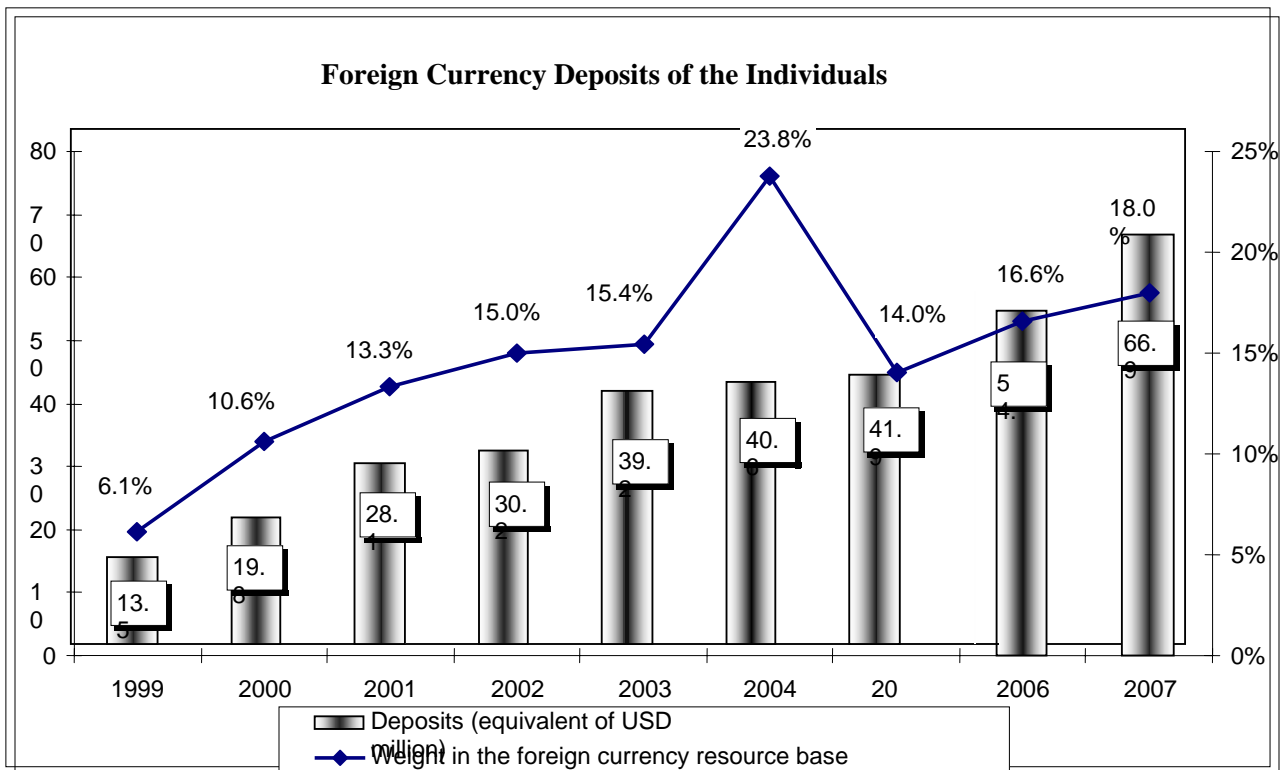
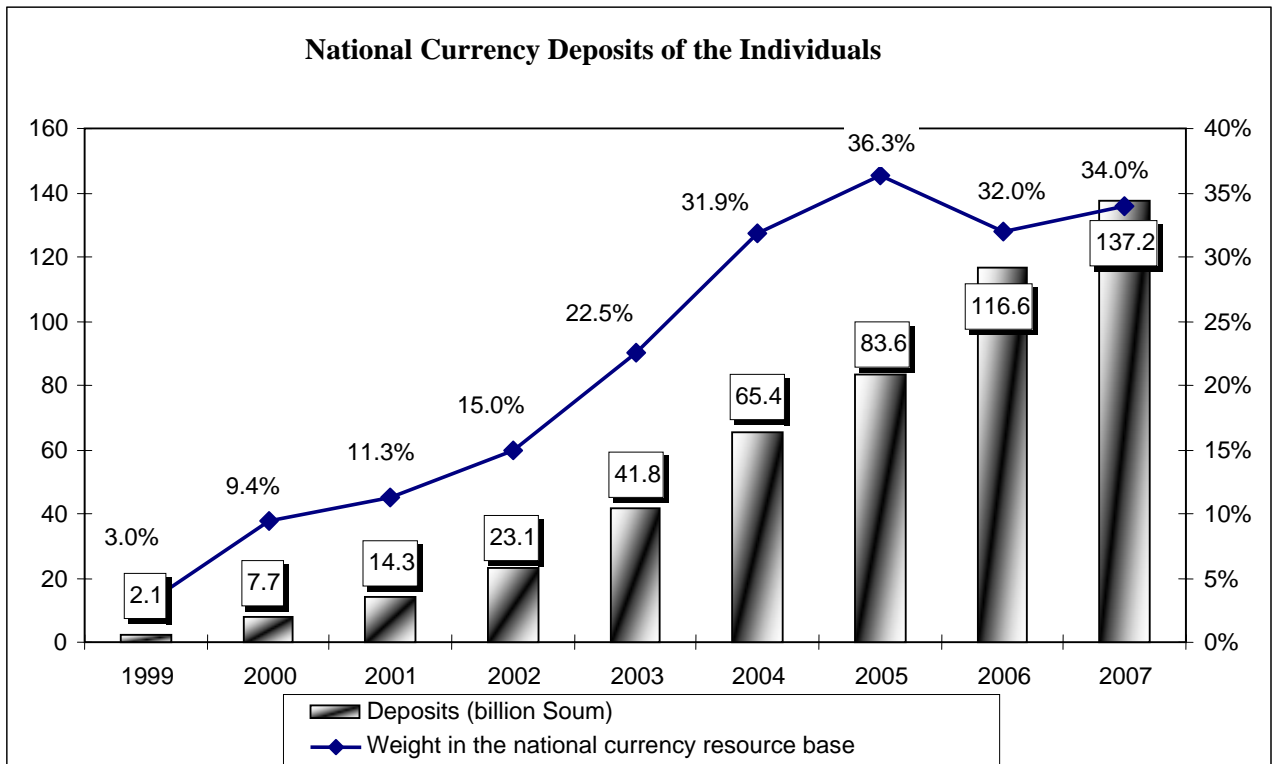
RETAIL BANKING

In the conditions of changing economic environment, the Bank focused its activity on maximum satisfaction of growing needs of the economic entities and individuals in high quality banking services. By active attraction of the population's assets, the Bank expands its resource base for economic entities lending and contributes to the decrease of the off-banking monetary circulation.

At present, the National Bank offers private persons a diverse list of services, namely, national and foreign currency deposits, settlement and clearing service, sale of foreign currency 'American Express travelers cheques', consumer credit rendering, servicing of the Soum and international plastic cards, money transfers, foreign currency exchange operations and many other ones.

DEPOSIT OPERATIONS

Deposit balance of the population in terms of Soum equivalent on 1 January 2008 made up 223.5 billion Soums – it is the fourth part of the total deposit volume with the commercial banks of the Republic. Among these, national currency deposits comprised 137.2 billion Soums, foreign currency deposits – 86.3 billion Soums or USD 66.8 millions.



Deposit volume growth has not been only the consequence of the expansion of the services offered by the Bank through its branches and affiliates, targeted work on the optimization of the terms and conditions of offered deposits, development and introduction of new deposits, improved

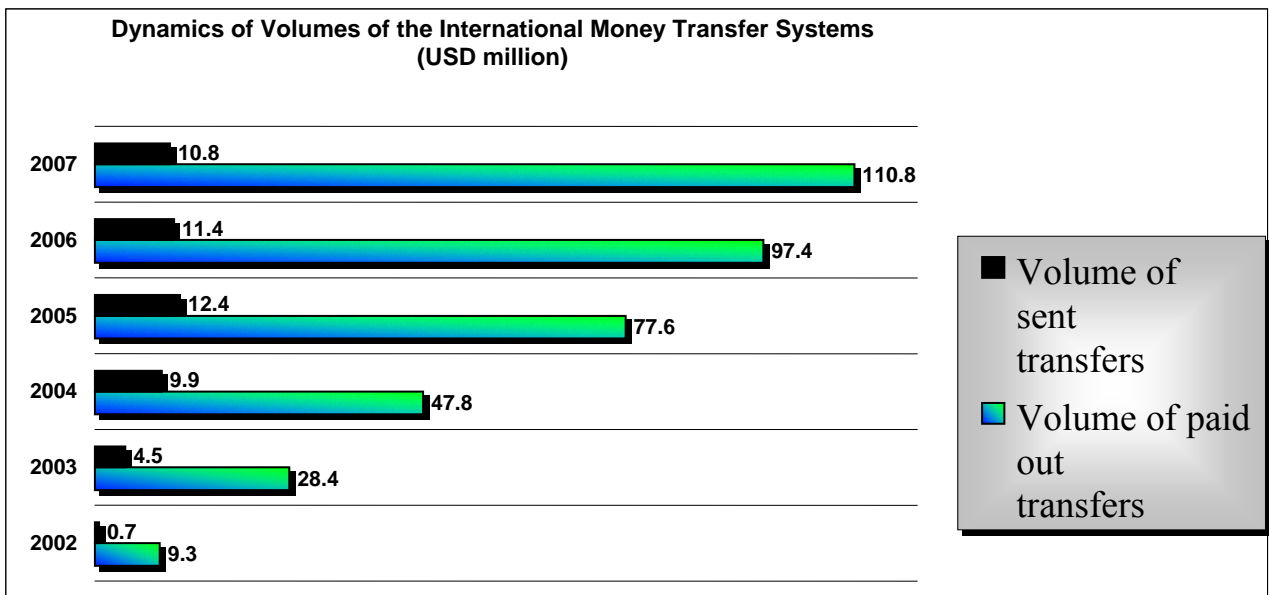
quality of the offered services, but the natural reflection of the raised confidence of the Republican population in the National Bank as one of the most reliable banking institutions in the Republic.

The number of national and foreign currency deposit accounts has grown for the past 6 years by almost 6 times, including growth by 1.4 times in 2007 and by 1 January 2008 reached 1552 thousands.

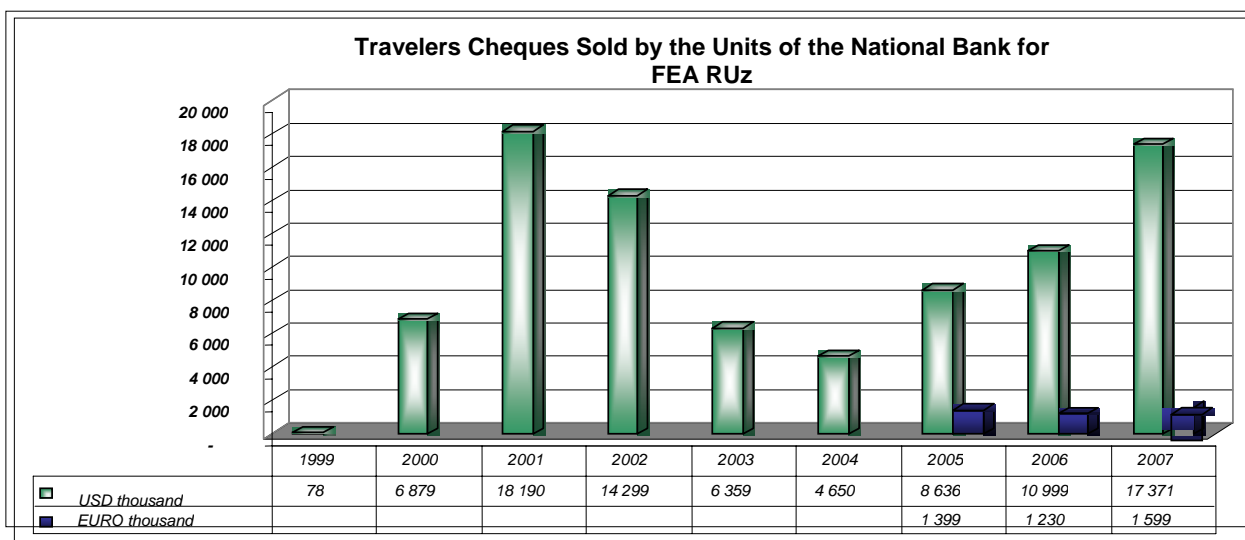
To activate the work on the attraction of citizen's assets to the deposit accounts, in 2007, the National Bank introduced 15 new types of national currency deposits for individuals with different maturities and annual interest rates and three USD deposits. Two collateral deposits were opened against issued consumer's and mortgage credits.

Since 2002 the Bank has been offering its individual clients a new type of service – acceptance of the communal and other payments through the network of the specialized cash desks, the number of which by the 1st of January 2008 reached 94 plus 10 mini-banks implementing such operations. In 2007, the Bank accepted communal and other payments amounting to nearly 45 billion Soums; it exceeds the figure of 2006 by 1.4 times.

The National Bank is carrying out operations on sales and acceptance of travelers checks issued by the American Express Company. Since the starting point of this project, branches of the NBU for FEA RUz have sold the cheques for the amount exceeding USD 87.5 millions, including USD 17.4 millions in 2007. Since 2005, the Bank has started sales of Euro travelers cheques, in 2007, it sold cheques for Euro 1.6 million.



Besides interbank transfers since 2002, the National Bank started offering its clients fast international transfers through 'Western Union' system. By the end of 2007, the number of the National Bank's units switched on this system reached 114. During 6 years, Bank's points served about 681 thousand clients, total volume of conducted transactions made up about USD 415 millions.



In April 2005, the National bank together with the CJSS ‘Asia-Invest Bank’ (Moscow) introduced their own money transfer system for individuals – ‘Asia Express’. In 2007, money transfers were made through 46 points switched on this system involving bank correspondent network “CONTACT”. About 6.5 thousand clients were served during 2 years, total volume of transfers comprised about USD 4.5 millions.

Based on the Agreement concluded with the JSCB “European Trust Bank” (Moscow) on the implementation of accelerated transfers of non-trading character, National Bank’s units started conduct of operations through «MIGOM» system since April 2007. About 2.0 thousand clients were served during this period; transfers exceeded the amount of USD 1.6 million.

In view of further expansion of the retail clientele, the Bank will take measures to make this range of services rather diverse; all were attractive to clients and beneficial for the Bank. Following this, in 2008, Bank’s activity concerned with the development of the retail services will be aimed both at the improvement of the enforced services and, mainly, at the introduction of new products and services through carrying respective work on the creation of necessary technical and other prerequisites for their implementation, namely:

- Development and introduction of new types of deposits in terms of both national and foreign currencies and etc.;
- Enforcement of other foreign currency time deposits besides the USD time deposits including Euro deposits;
- Development of the network of points of international money transfer systems service, as well as switching on the new systems;
- Development of the network of mini-banks and specialized cash desks, including those accepting communal payments in view of attraction of additional retail clientele and perfection of the servicing level of the existing one.

PLASTIC CARDS

During past 16 years of the dynamic work with the clients, the Bank proved to be an innovator in the introduction of new technologies and banking products for the population, as well

as a stable and reliable partner that always comes to meet client's wishes and builds up its policy in the interests of each other.

The National Bank strongly holds dominating positions in the plastic cards market by expanding and improving the range of services rendered to their holders in cashless form.

Steady rise of the NBU plastic card holders, both in terms of the national and foreign currencies, testifies for the correctly selected marketing policy of the Bank in the banking services market and active introduction of modern banking products and equipment, regular material and technical re-equipment of its branches and affiliates, and continuous qualification improvement of the Bank's staff.

To raise attractiveness of its services for both permanent and potential clients, strengthening of confidence of population in the cashless settlement system, the Bank regularly develops and offers a variety of new plastic card services develops clients servicing infrastructure and forms its own pricing and tariff policy considering dynamically changing economic and technological factors.

During the last year, the Bank provided growth of scope in all areas of card business, raised efficiency of the plastic card cashless settlement system and quality of services offered on them.

Number of cards issued by the Bank by 1 January 2008, exceeded 1135 thousand pieces, including almost 1095 thousand pieces in national currency. Total volume of operations carried out through payment terminals and Bank's ATMs made up over **104 billion Soums**, which is by **1.9** times higher than the analogous indicator for the last year and operations on the VISA cards issued by the National Bank in the foreign currency they made up USD **6.8 million** beyond the borders of Uzbekistan.

Soum Plastic Cards Issue and Volumes of Transfer Operations Carried out through them by the Trading and Servicing Enterprises

Taking into consideration the permanent growth of Soum plastic cards holders, the National Bank continues investing significant assets in the development of their servicing infrastructure. In 2007, the Bank additionally installed 780 terminals that allowed to bring their total number to 2951 pieces placed within the Bank's units and in 2653 retail trade and servicing enterprises, including supermarkets, retail shops, drug-stores, fuelling stations, cellular communications companies, hotels, public catering enterprises and etc.

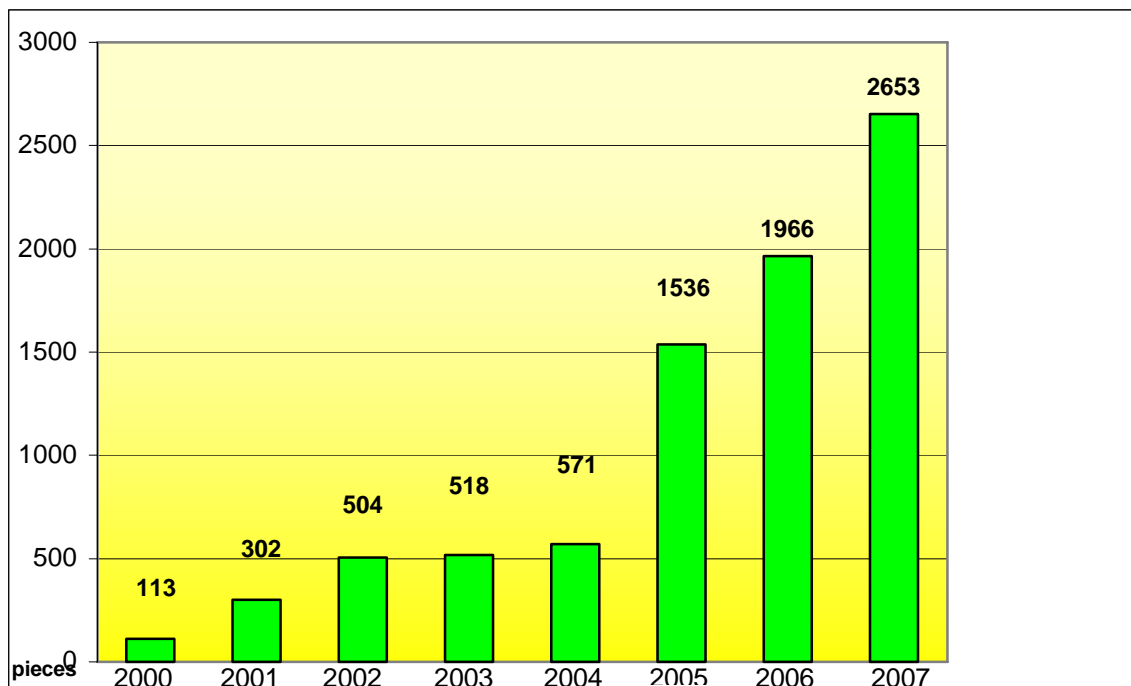
Volume of national currency card transfer operations implemented in the trading and servicing enterprises in 2007 made up 63.4 billion Soums, that is by 2.2 times exceeds the last year.

The National Bank continues introduction of new projects salary payments at large enterprises and organizations of Uzbekistan through Soum cards. Their number totaled 1941, of which 537 projects were implemented in 2007.

Consistent targeted expansion of the servicing infrastructure for plastic cards holders brought in certain results. So far, the National Bank has achieved the main goal the retail cashless settlement system, when the share of the volume of the operations held on the plastic cards within the trading-and-servicing system exceeded the cash flow received on them; their relation was defined as 61% to 39%.

Total number of ATMs made up 97 devices exceeding 50% of total ATM Park in the Republic.

Dynamics of Growth of Trading and Servicing Enterprises Accepting Soum Plastic Cards Payments



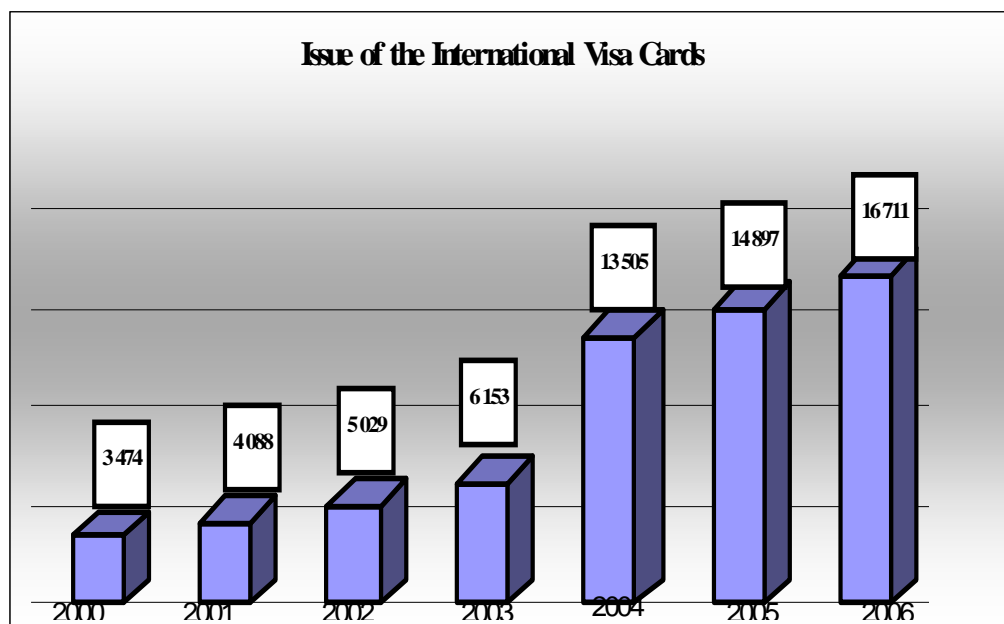
Along with the convenient service on the momentous issue of the card and account assets accessibility immediately after paying at the Bank's cash-desk, to create favorable conditions for plastic card usage and raise of their attractiveness among the population, based on one of the units in the capital city, the Bank established the Support Center for the holders of plastic cards issued by the NBU regional processing centers. This Center made accessible for the cardholders one very important free of charge service – implementation of the remote operations: «unblocking of passwords», «extension of the validity period», «authorization» and so on.

During the year, the cardholders were actively offered new banking services:

- overdraft lending on plastic cards. The Bank developed and approved four credit schemes allowing to consider individual needs of different layers of the population. In 2007, credit amounts issued on Soum credit cards exceeded 3 billion Soums;
- service on the execution of the long-term and single orders of the clients, direct payments from the special card accounts to enterprises providing communal and human services.

The Bank continued issuing and servicing of the international plastic cards Visa Classic and Visa Electron. As of 1 January 2008, the number of such cards issued into circulation by the National Bank exceeded the number of 16.7 thousand pieces. Over 100 trading and servicing enterprises accepting international Visa cards payments have been equipped with the terminals and imprinters of the National Bank. Turnovers on the international cards within the NBU servicing network (trading-and-servicing enterprises, ATMs and encashment points) for 2007 comprised USD 19.9 millions. In addition, the external turnovers on the Visa cards issued by the National Bank comprised USD 6.8 millions. The Bank rendered services to the international Visa cards holders not

only through trading-and-servicing enterprises and Bank's units, but also through the ATM networks.



The National Bank serves the Clearing Bank for 18 banks-members of the Interbank Payment System of the Republic of Uzbekistan. In view of further development and perfection of the efficiency of electronic settlements by plastic cards, Bank's specialists have developed and introduced the new system of mutual settlements on interbank transactions involving plastic cards.

The Bank actively implements the strategy focusing on the principle of the optimization of card servicing infrastructure, raising effectiveness of the applied equipment and software to increase profitability of the issue program and servicing of the credit cards.

In 2008, priority tasks for the development of cashless settlements with plastic cards were set up as following:

- Increase of the issue of credit cards for enterprise/organization employees within the framework of the salary payment projects;
- Implementation of the regional complex programs of transition of the retail payments to cashless form of settlements through plastic cards;
- Introduction of a new service – acceptance of payments through self-servicing devices (ATMs, information-and-payment desks);
- Participation in the project of creation of the single Republican electronic data base of receivers of the communal and other payments to provide any plastic card holder with the opportunity to pay for the communal and other services at any ATM or information desk;
- Provision of the Bank's clients and visitors of its Internet web-site with the interactive on-line services;
- Introduction of such new services like SMS-banking, Internet-banking, money transfers to the card and others for the retail card holder-clients;
- Modernization of the processing center of the Bank within the framework of transition to EMV chip technology for the international Visa card;

- Introduction of the incentive, bonus and discount programs for bank plastic card holders that carry out cashless settlements in the EMPS 'UZKART' infrastructure;
- Expansion of the specter of card products, including credit cards with the repayment schedule up to 5 years (not overdraft) and grace period;
- Modernization and expansion of the ATM park;
- Program-and-technical modernization of the processing systems of cashless settlements through credit cards;
- Further expansion of the clearing-issuing centers of the Bank.

Solution of these tasks will allow providing further development and perfection of the cashless settlement system based on the bank plastic cards by their general introduction in the everyday life of the citizens of the Republic. This will significantly strengthen population's confidence in banks and raise attractiveness of banking plastic cards as a more modern and safe method of cashless settlements.

Mortgage and Consumer Credits

Following Decree of the President of the Republic of Uzbekistan 'On Additional Measures for Material and Moral Support of Young Families' №ПФ-3878 of 18 May 2007, the decision was taken to issue credits to young families for construction, reconstruction and acquisition of housing, consumer credits and micro-credits on privileged terms and conditions.

To execute the 'Provision on the Order of Issuing Privileged Credits to the Young Families by the Commercial Banks' (Reg. by MOJ №1697 of 18.07.07):

- Micro-credits shall be issued to young families for the establishment of family business without a legal entity status, for the formation of the starting capital of micro-firms, small enterprises, farms and dekhkan farms with a legal entity status.

- Interest rate on micro-credits issued from the own assets of the Bank shall be set up within the enforced refinancing rate, for micro-credits issued from the Fund of privileged lending at 50% of the refinancing rate of the CBRUZ.

Currently the National Bank established the interest rate on micro-credits to young families in the size of 14%.

Mortgage loans for construction and acquisition of a house – up to 3000-fold size of minimum wage; for reconstruction of a house and acquisition of a flat in the apartment house – up to 2500-fold size of minimum wage.

A three-year grace period for principal debt repayment has been established for mortgage loans to young families.

Mortgage loans have maturity of up to 15 years.

Interest rate on the mortgage loans to young families is established not higher than the refinancing rate of the CBRUZ.

So far, the National Bank currently established the following interest rates on mortgage loans for young families:

Size of the pledge deposit to mortgage amount	0%	15%	25%	35%
Annual interest rate (%)	14%	11%	10%	9%

Consumer credits are issued to young families at the interest rate established depending on the pledge deposit, but no higher than the refinancing rate of the CBRUz.

A six-month grace period for principal debt repayment has been established for consumer loans to young families.

So far, the National Bank currently established the following interest rates on consumer loans for young families:

Term of credit from 1 to 3 years	Size of the pledge deposit			
	25%	30%	40%	50%
Interest rate on pledge deposit	2%	3%	4%	5%
Loan interest rate	14%	13%	12%	11%

Limit on the loans issued to young families established for the National Bank for 2007 made up 30.0 billion Soums, including that on the mortgage loans – 22.77 billion Soums, on consumer loans – 3.86 billion Soums, on micro-credits – 3.37 billion Soums.

Actually during the year the Bank issued to young families 2 560 loans totaling 30.32 billion Soums (execution comprised 101.1%), including:

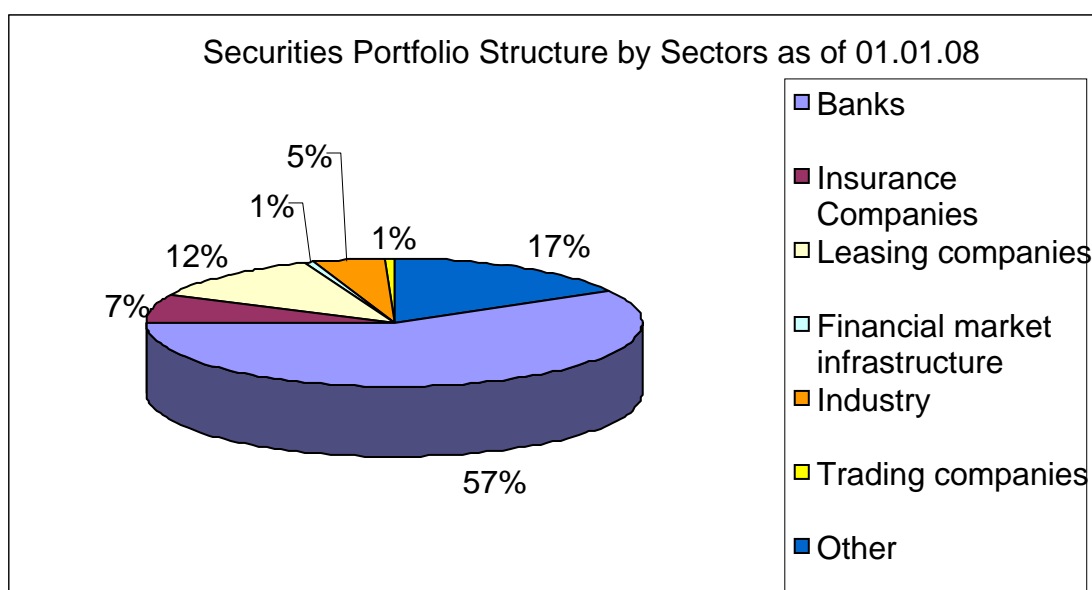
- Mortgage loans were planned at the amount of 22.77 billion Soums - 972 loans amounting to 23.74 billion Soums have been issued;
- Consumer loans were planned at the amount of 3.86 billion Soums - 905 loans amounting to 3.34 billion Soums have been issued;
- Micro-credits were planned at the amount of 3.37 billion Soums - 683 loans amounting to 3.22 billion Soums have been issued.

INVESTMENT BANKING

Being the large financial institute, the National Bank for REA of the Republic of Uzbekistan occupies the leading position in the banking system of the Republic of Uzbekistan by the scopes of operations implemented in the securities market. The Bank provides various types of services, such as brokerage, underwriting, formation of the portfolios of state and corporate securities, issue of Bank's own securities.

The Bank participates with its capital in the investment processes, modernization, technical and technological refurbishment of enterprises in different sectors of the economy becoming a shareholder of the strategically important enterprises in the Republic.

As of the 1st of January 2008, total investments of the Bank aimed at the acquisition of equities and shares of enterprises comprised 31.3 billion Soums against 28.06 billion Soums compared with 01.01.07. Investment portfolio growth in the reporting year made up 3.24 billion Soums.



Great attention is attached to the dynamic development of the financial market institutes, banks, insurance and leasing companies. Thus, to support development of the banking sector in the Republic of Uzbekistan, creation of the competitive environment in the market of banking services, provision of economic ties of the Republic of Uzbekistan beyond its borders, equity investments were made in the authorized capitals of the domestic and joint venture banks, including foreign banks.

Besides that the Bank invested in the shares of the domestic companies of aircraft production and metallurgy, being the shareholder of such enterprises like SJSC 'TAPC', OJSC 'Uzavialeasing' and JSPC 'Uzmetcombinat'.

The Bank is taking active part in the development of securities market infrastructure in the Republic of Uzbekistan. In particular, in view of development of the secondary stock market and attraction of free monetary assets of the population into this sector, 'Elsys- Savdo' and 'Elsys-Clearing' Companies were created by the joint efforts with other commercial banks. These

companies serve the organizers of electronic bidding in the secondary securities market and carry out mutual settlements upon the results of the concluded deals. This allowed significantly facilitate accessibility to this market for individual investors, physical entities.

In the course of investments in the securities and shares, Bank's investment policy envisages along with the expansion of scope of this activity, attraction of additional clients, as a major criterion provision of stock portfolio revenue. Total revenue received on the securities portfolio in 2007 comprised 2094 million Soums.

Moreover, the Bank carries out at its own expenses operations in the State securities market and broker's operations in the name and at the expense of the Bank's clients. Current portfolio of the Bank amounts to 1.676 billion Soums, total volume of Bank's clients portfolio comprises 550 million Soums.

Since the beginning of the year, total revenue from the operations with the state securities has made up 143.5 million Soums, of which 136.7 million Soums from operations with the SCTB (GSKO), including 73.7 thousand Soums received as commissions on broker's operations with clients.

The National Bank actively participates in the development of the deposit certificate market. In the current year, certificates of deposits were issued to legal entities at the amount of 30 billion Soums, and bearer deposit (savings) certificates to individuals at the amount of 100 million Soums.

Along with this, Resolution of the President of the Republic of Uzbekistan of 7 November 2007 PP-726 'On Measures of Further Development of the Banking System and Involvement of Free Monetary Assets in Circulation' approved the program of deepening reformation and development of the banking system of the Republic of Uzbekistan for 2007-2010, it envisages incorporation of the National Bank.

Bank's Council approved the 'Schedule of Measures on the Incorporation of the National Bank for FEA RUz' envisaging Bank's transformation into open joint-stock bank already in 2008.

DEVELOPMENT OF BANKING TECHNOLOGIES

The NBU possesses developed information infrastructure meeting all modern international requirements and standards applied to the information systems of such level. Automated banking system allows managing resources of the Bank by concentrating financial resources in the needed areas, operatively managing all units of the Bank. Reliability of the basic systems of the Bank has been achieved due to backing up based on cluster decisions. It ensures functionality even in case of failure of one or several servers.

Nevertheless, taking into account information development trends in the world, Bank's specialists are implementing new projects to improve information systems of the Bank. First of all this refers to the following:

- Implementation of the third completion stage of the creation of the corporate network of data transfer (CSDT) of the NB FEA RUz, allowing creation of the single information space and significant expansion of the capacity of the on-line electronic exchange of information among all branches and affiliates of the Bank. Creation of CSDT has greatly increased efficiency of usage of all information servers, that, in its turn, greatly reduced the costs of the Bank connected with their maintenance.
- Improvement of the qualitative composition of the computer park due to modern personal computers, printers and servers. This brought in the raise in the efficiency of all units of the Bank in the course of clients servicing.
- ABS Globus tuning in works for switching on the new branches and affiliates have been finished. It will allow simplifying the integration process of the new branches and affiliates with the new banking system, providing centralization of business implementation and reception of the reporting materials.

Team of high quality professionals provides the work of the Bank's information systems and introduction of more perspective technologies and software tools guaranteeing high competitiveness of the National Bank.

BANK'S PERSONNEL

Over 6000 qualified specialists and managers are working with the National Bank. Proved system of competitive selection of candidates for vacant positions allows based on the multifaceted study of the candidate's qualities replenish Bank's collective with new employees capable of short-term familiarization with modern banking technologies.

The National Bank FEA RUz personnel stand out for its professionalism, ability to see a problem and find the correct solution. Specialist working with the Bank's system have higher economic education, of 6299 staff members (01.01.2008) 12 have the PhD, over a 1000 specialists of the Bank graduated higher educational institutions with the Master's Degree.

Expansion of banking services and their quality improvement, mastering of new modern banking products, bringing equipping and automation of banking services to the international level requires attraction and training of qualified personnel, as well as strengthening of the regional network staff.

Staff training system of the National Bank implies advanced training for specialists in different areas of banking; over 200 NBU employees improved their qualification during the reporting period.

At present, work with the personnel means creation of optimum conditions for the disclosure of gifted personalities, maximum utilization of staff's capabilities. Successful activity in many respects depends on the consistent, prospectively targeted human resource management necessary for the fulfillment of Bank's tasks with efficiently and with the optimum number of employees.

Personnel training policy of the Bank orients at the wide-scope reforms of the system of personnel training and continuous education implemented in the Republic of Uzbekistan conducted in line with the National Personnel Training Program. Therefore, development of the educational system and bringing up of the young generation become the priority directions in the personnel policy developed by the National Bank.

Personnel training strategy of the NBU specialists in 2007 was aimed at further development the Bank's personnel training and retraining. The National Bank builds up its personnel training system depending on the operational needs and strategic interests of the Bank.

The National Bank for Foreign Economic Activity carries out its personnel training in different fields of banking: arrangement of business trips abroad in view of strengthening cooperation with foreign partners, training at the RBTC courses, training at the Academy of State and Public Construction under the president of the republic of Uzbekistan, at the Banking-and-Finance academy of the republic of Uzbekistan, at specialized short-term workshops organized by the UBA, CBU RUz and other organizations for qualification improvement purposes.

In August 2005, taking account of the world practice requirements on the development of business ethics and business-culture, the Bank established the Advanced Training Center for NBU specialists. Its main tasks are to improve qualification of Bank's employees, teach specialists work with the clients, and improve the servicing culture and ethics in working with partners, formation and perfection of business characteristics based on the study of modern management methods

In 2007, the Advanced Training Center continued its work on the improvement of bank's staff qualification.

In the reporting year, the ATC arranged courses in all fields of banking business based on the accumulated experience and practical work of the Bank's specialists.

Training has been held in 26 courses mostly actual for the Bank; **609** specialists of all levels from clerks to branch and affiliate managers:

«Credit Portfolio Management»

«Legal Support to Small Business»

«Organization of Work in the OTC Foreign Currency Market»

«Banking Bookkeeping and Accounting»

«Organization of Monetary Circulation. Monitoring of Cash Payments»

«Branch Balance Sheet Managements»

«Organization of Work with Debit, Corporate and Credit Plastic Cards; Introduction of the Incentive Systems on Bank's Terminals ('Loyalty') and Salary Projects Implementation»

«Introduction of the Integrated Information-Analytical System (IIAS)» and others.

Both grouped and individual classes in the course of «Modern Banking» were organized for Bank's specialists reserved for promotion to nomenclature positions (managers and chief accountants of branches and affiliates).

Besides them, regional traveling workshops were organized for credit committee members of branches and affiliates.

To prepare the fourth –year most talented graduates from the faculty of «International Economic Relations» of the Tashkent State University of Economics for the work within the NBU network, the work was continued on the implementation of their joint project on teaching students in the «Banking group» at the NBU Advanced Training Center.

ARTS GALLERY OF THE REPUBLIC OF UZBEKISTAN

On the eve of the Independence Day in 2004, the President of the Republic of Uzbekistan Islam Karimov opened the Arts Gallery established on his own initiative.

Arts and graphics collection of the National Bank started in 1992 served the foundation for this gallery. The National Bank is not only the leading financial structure of the state, but also the organization which by all its activity attaches much attention to spiritual, cultural and historical life of the country, support and development of its artistic heritage, education and formation of the young generation. During its existence, the National Bank has implemented many exhibition projects, published 7 arts catalogues and four numismatic catalogues, released a number of scientific publications. The Arts Gallery construction became one of the most remarkable links in the artistic activity of the National Bank.

Establishment of the Arts Gallery of Uzbekistan is an important event in the development of the visual arts of the Uzbek people but also in the process of growth of its identity, preservation of its historical and cultural heritage.

The Resolution 'On the Issues of Organization of the Activity of the Arts Gallery of Uzbekistan' has clearly set up its goal as "creation of the conditions to preserve art of the Uzbek people and deepen the work on raising awareness of the public of the rich culture of our country and its visual arts by means of broaden exhibition activity".

Gallery's primary task is formation and preservation of the collection of visual arts, decorative, applied arts of Uzbekistan, numismatic and archeological items presented in the stocks of the Bank, and the Gallery based on the scientifically justified concept of development. It also implies familiarization of the peoples of Uzbekistan with the works of visual, decorative and applied arts, possessions of the artistic heritage of Uzbekistan and promotion of the best achievements of modern masters of Arts by the arrangement of exhibitions. To achieve some of these goals, the Gallery actively cooperates with the Ministry of Arts and Sports of the RUz, with the Uzbekistan Academy of Arts and Academy of Sciences.

Another aspect of Gallery's activity is the promotion of development of modern conceptual art in Uzbekistan by familiarizing residents of our country with the creative work of foreign artists and development trends of the world visual arts at the example of the advanced experience of the foreign countries and arrangement of exhibitions. In view of this within its concept, the Gallery closely cooperates with the foreign organizations. During the reporting period, it jointly organized measures with the embassies of Czech Republic, Switzerland, Indonesia, India, Bulgaria, Japan, Russia, Germany and Korea. In particular, it arranged together with the Goethe Institute it held exhibitions of such world known artists like Gerhard Richter and Max Ernst; together with the Women's Committee of the Tashkent region - boutiques exhibition; together with the Soglom Avlod Uchun Fund and SANVIKT – exhibition dedicated to the International Day of Child Protection; together with the Arts Academy of Uzbekistan – personal exhibitions of some painters.

To promote and develop visual arts of Uzbekistan, the Gallery organizes conferences, seminars, symposia, presentations, 'round table talks', and lectures on the artistic culture problems focusing on the younger generation of the country.

Only in 2007 about 30 000 people visited the Gallery, and since its opening about 84 801 visited the Gallery testifying the great interest of public to arts, creative work and craftsmanship processes in the Republic.

CHALLENGERS FOR 2008

Course for liberalization, consistent implementation of basic principles of free economic functioning are bringing home tangible results expressed in high-level development of the base sectors, stable growth of macroeconomic indicators and, in the end, raise of the welfare of the Republican population.

Today, the National Bank, the largest bank of the Republic is assuredly looking into future and, can, guided by its experience, build up the proper strategy of its further financial growth.

The National Bank has identified the following priorities for its development in 2008:

- Strengthening of Bank's investment activity in the core sectors of the Republic;
- Further growth of Bank's capitalization;
- Further activation of cooperation with the international financial institutes and leading banks of the world;
- Expansion of the range of the provided services;
- Preservation of the leading positions and promotion of new retail services, steady raising of volumes and profitability of the existing retail business;
- Development of the investment business of the Bank;
- Arrangement of joint pre-privatization measures with the foreign partners for raising investment attractiveness of the Bank.