CLOSED JOINT STOCK COMPANY
“Astanaeximbank”

Independent Auditors’ Report

Consolidated Financial Statements
Year Ended 31 December 2004

CLOSED JOINT STOCK COMPANY “ASTANAEXIMBANK”

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Closed Joint Stock Company "Astanaeximbank":

We have audited the accompanying consolidated balance sheet of Closed Joint Stock Company "Astanaeximbank" ("the Bank") and its subsidiaries as of 31 December 2004 and the related consolidated profit and loss account and statements of cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2004, 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 35, describing uncertainties currently existing in the economic environment in the Republic of Belarus.

Without qualifying our opinion, we also draw attention to Note 3, describing the fact that comparative information for 2003 was restated to include effect of consolidation of subsidiary.

Deloitte & Touche

11 July 2005

CLOSED JOINT STOCK COMPANY "ASTANAEXIMBANK"

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004
(in millions of Belarusian Roubles)

	Notes	2004	2003 (restated)
Interest income	4	3,475	3,018
Interest expense	4,30	(1,104)	(571)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES		2,371	2,447
Provision for loan losses	5	(429)	(1,245)
NET INTEREST INCOME		1,942	1,202
Revenue from services to agricultural sector	9,30	2,623	1,271
Net (loss)/ gain on securities held for trading	6	(18)	45
Net gain/(loss) on foreign exchange operations		1,055	(92)
Fees and commission income	7,30	395	514
Fees and commission expense	7	(118)	(130)
Net gain on securities available for sale	8	79	101
Other income	11,30	120	2,743
NET NON-INTEREST INCOME		4,136	4,452
OPERATING INCOME		6,078	5,654
OPERATING EXPENSES	10,30	(4,757)	(2,025)
OPERATING PROFIT		1,321	3,629
Provision for losses on other transactions	5	(16)	(193)
PROFIT BEFORE INCOME TAXES AND LOSS ON NET MONETARY POSITION		1,305	3,436
(Loss)/ gain on net monetary position due to inflation effect		(612)	381
PROFIT BEFORE INCOME TAXES		693	3,817
Income tax expense	12	(235)	-
PROFIT AFTER TAX		458	3,817
MINORITY INTEREST	28	23	(23)
NET PROFIT		481	3,794

On behalf of the Board

Acting Chairman **Chief Accountant**

The notes on pages 7 to 44 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 1.

CLOSED JOINT STOCK COMPANY "ASTANAEXIMBANK"

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2004
(in millions of Belarusian Roubles)

	Notes	2004	2003 (restated)
ASSETS:			
Cash and balances with the National Bank of the Republic of Belarus	13	1,173	1,187
Loans and advances to banks, less allowance for loan losses	14	12,215	5,674
Securities held for trading	15	1,452	728
Loans and advances to customers, less allowance for loan losses	16	13,144	15,380
Securities available for sale, less allowance for impairment	17	429	377
Fixed and intangible assets, less accumulated depreciation	18	13,204	11,308
Other assets, less allowance for losses	19,30	2,603	1,624
TOTAL ASSETS		44,220	36,278
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Loans and advances from banks	20,30	9,587	7,463
Customer accounts	21,30	3,217	2,217
Debt securities issued	22	516	180
Obligations under finance lease	23,30	8,691	6,690
Provisions	24	106	252
Deferred tax liability	12	235	-
Other liabilities	25	316	256
Subordinated debt	26	4,340	2,466
Total liabilities		27,008	19,524
MINORITY INTEREST	28	3	26
SHAREHOLDERS' EQUITY:			
Share capital	27	12,727	12,727
Retained earnings		4,482	4,001
Total shareholders' equity		17,209	16,728
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		44,220	36,278
FINANCIAL COMMITMENTS AND CONTINGENCIES	29	978	1,277

On behalf of the Board

Acting Chairman **Chief Accountant**

The notes on pages 7 to 44 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 1.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

(in millions of Belarusian Roubles)

	Share capital	Retained earnings	Total shareholders' equity
31 December 2002 (restated)	**10,982**	**530**	**11,512**
Share capital increase	395	(395)	-
Net profit	-	3,794	3,794
Effect of translation to presentation currency	1,350	72	1,422
31 December 2003 (restated)	**12,727**	**4,001**	**16,728**
Net profit	-	481	481
31 December 2004	**12,727**	**4,482**	**17,209**

On behalf of the Board

Acting Chairman **Chief Accountant**

The notes on pages 7 to 44 form an integral part of these financial statements. The Independent Auditors' Report is on page 1.

CLOSED JOINT STOCK COMPANY "ASTANAEXIMBANK"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004
(in millions of Belarusian Roubles)

	2004	2003 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income taxes, gain/ (loss) on net monetary position and minority interest	1,305	3,436
Adjustments for:		
Provision for loan losses	429	1,245
(Recovery of provision)/ provision for impairment of investments	(14)	11
Provision for losses on other transactions	30	182
Fair value adjustment on securities available for sale	-	(14)
Gain on own debt securities issued	-	(2,740)
Depreciation charge on fixed and intangible assets	1,326	285
Loss on disposal of fixed assets	33	-
Net change in interest accruals	(4)	168
Cash flow from operating activities before changes in operating assets and liabilities	3,105	2,573
Changes in operating assets and liabilities		
(Increase) /decrease in operating assets:		
Minimum reserve deposit with the National Bank of the Republic of Belarus	11	(120)
Loans and advances to banks	(10,191)	1,779
Loans and advances to customers	2,206	(8,276)
Securities available for sale	(37)	(265)
Other assets	(878)	(444)
Increase/(decrease) in operating liabilities:		
Deposits from banks	2,124	6,436
Customer accounts	1,000	1,346
Other liabilities	60	256
Cash (outflow)/ inflow from operating activities before income taxes	(2,600)	3,285
Income taxes paid	-	-
Net cash (outflow)/ inflow from operating activities	(2,600)	3,285
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(861)	(5,585)
Proceeds on sale of fixed and intangible assets	18	-
Net cash outflows from investing activities	(843)	(5,585)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from minority	-	3
Repayment of obligation on finance lease	(691)	-
Subordinated debt received	1,874	2,466
Gain on debt securities issued	-	2,740
Proceeds of debt securities issued, net	335	180
Net cash outflows from financing activities	1,518	5,389

CLOSED JOINT STOCK COMPANY "ASTANAEXIMBANK"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)
(in millions of Belarusian Roubles)

	Notes	2004	2003 (restated)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,925)	3,089
INFLATION EFFECT ON MONETARY ITEMS		(903)	381
EFFECT OF CHANGES IN EXCHANGE RATES (INCLUDING CHANGE IN VALUATION ALLOWANCES)		-	7
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	13	5,753	2,276
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	2,925	5,753

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to BYR 1,066 million and BYR 3,433 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to BYR 569 million and BYR 2,990 million, respectively.

The notes on pages 7 to 44 form an integral part of these financial statements. The Independent Auditors' Report is on page 1.

(in millions of Belarusian Roubles)

1. ORGANISATION

CJSC "Astanaeximbank" (the "Bank") is a closed joint-stock bank, which was incorporated in the Republic of Belarus on 25 July 2002. The Bank was registered by the National Bank of the Republic of Belarus as a closed joint-stock bank with a foreign investment. The address of its registered office is 20 Khoruzhey Str., Minsk, Belarus.

The Bank's activity is regulated by the National Bank of the Republic of Belarus (the "NB RB") and it conducts its business under license for banking operations number 65, general license for foreign currency operations number 65 and the license of Securities Committee of Council of Ministers of the Republic of Belarus for professional and dealing activities in securities market of the Republic of Belarus.

The Bank's primary business consists of processing payments, originating loans to customers, foreign currencies operations in its own right and on behalf of its customers, operations with securities for trading and investment purposes.

The Bank is a parent company of the Group (the "Group") which consists of the following enterprises which are consolidated in the financial statements as of 31 December 2004 and 2003:

Name	Country of operation	The Bank ownership interest 2004	The Bank ownership interest 2003	Type of operation
LLC Agrodelo	*Republic of Belarus*	*90%*	*90%*	*Services to the agricultural sector*
UE Astanainvest	*Republic of Belarus*	*100%*	*n/a*	*Finance lease services, investment projects*

LLC Agrodelo was formed as a limited liability company under the laws of the Republic of Belarus on 16 July 2003. The company's principal activity is outsourcing services to the agricultural farms in the Republic of Belarus.

UE Astanainvest was formed as a unitary enterprise under the laws of the Republic of Belarus on 15 July 2004. The company's principal activity is providing finance lease services to customers in the Republic of Belarus.

The number of employees of the Group as of 31 December 2004 and 2003 was 119 and 75, respectively.

As of 31 December 2004 and 2003, the share capital of the Bank was owned by the following shareholders:

Shareholder	2004 %	2003 %
JSC "Bank TuranAlem" (the Republic of Kazakhstan)	49	-
Interfunding Facilities Limited (Great Britain)	24	-
ZRL Beteiligungs GmbH (Austria)	24	-
World Grain LLC (Arab Emirates)	1	-
Limited Liability Partnership "APK Invest", (the Republic of Kazakhstan)	1	70
Individual (the Republic of Kazakhstan)	1	30
Total	100	100

These financial statements were authorized for issue by the management of the Bank on 4 July 2005.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in millions of Belarusian Roubles ("BYR"), unless otherwise indicated. These financial statements are prepared on the accrual basis and on the historical cost basis modified for the measurement at fair value of available for sale securities, financial assets and financial liabilities held for trading, and according to International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

The Group maintains its accounting records in accordance with the Belarusian law. These financial statements have been prepared from the Belarusian statutory accounting records and have been adjusted to conform to IFRS.

Measurement currency

In 2004 the Bank changed the measurement and presentation currency of the financial statements from the US Dollar ("USD") to Belarusian Rouble. Management of the Bank determined the measurement and presentation currency in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and Interpretations of the Standing Interpretations Committee 19 and 30 ("SIC 19" and "SIC 30"). The change of measurement currency was caused by the changes in the pattern of the Bank's transactions in 2004. In the year ended 31 December 2004 significant part of the Bank's transactions was denominated and completed in the national currency - Belarusian Rouble, most of management reports and operational decisions made by the management are based on Belarusian Rouble. Management believes that changing a measurement currency leads to a fairer presentation of the financial position and results of its operations. Respectively, all other currencies are treated as foreign currencies.

Since financial statements for the year ended 31 December 2003 were prepared using US Dollar as measurement and presentation currency, comparative information in financial statements for the year ended 31 December 2004 was translated for presentation purposes from US Dollars to Belarusian Roubles to achieve consistency in presentation in accordance with SIC 30 and were restated for inflation of 2004 as required by IAS 29.

Measurement and presentation currency of the financial statements of subsidiaries consolidated in these financial statements is Belarusian Rouble starting from the date of their foundation.

Foreign currency transactions

Foreign currency transactions are translated into the Bank's measurement currency as follows:

- monetary assets and liabilities are translated at closing rate;
- non-monetary assets and liabilities are translated at rate as of an asset purchase date or date when a liability arises;
- income and expense items are translated at exchange rates at the dates of transactions;
- all resulting exchange differences are recorded as gain/(loss) on foreign exchange operations in the profit and loss account.

Hyperinflationary accounting

The economy of the Republic of Belarus is hyperinflationary. Under IAS 29 the accompanying financial statements have been adjusted to reflect the effects of the diminution of the purchasing power of the Belarusian Rouble. Such hyperinflation adjustments have been made using the consumer price index ("CPI") calculated and published by the Ministry of Statistics and Analysis of the Republic of Belarus. The indices were as follows:

Year	**% change**
2004	14%
2003	25%
2002	35%
2001	46%
2000	108%

All amounts in these financial statements, including corresponding figures, are stated in the measuring unit (i.e. Belarusian Rouble) current as of 31 December 2004. Monetary assets and liabilities as of 31 December 2004 are not restated because they are already expressed in the monetary unit current as of 31 December 2004. Non-monetary assets and liabilities and shareholders' equity for the year ended 31 December 2004 are restated by applying a relevant conversion factor starting from 1 January 2004 or the date of addition/contribution if later. The effect of inflation on the Bank's net monetary position is reflected in the profit and loss account as a loss or gain on net monetary position.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) and are prepared annually for the period ending 31 December. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Belarus (the "NB RB") and central banks of other countries and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD") with maturity within 90 days, as well as government debt securities included in trading portfolio and precious metals in vault, which may be converted to cash within a short period of time. The minimum reserve deposit required by the National Bank of the Republic of Belarus is not treated as a cash equivalent due to restrictions on its availability.

Loans and advances to banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for losses.

Securities held for trading

Securities held for trading represent debt and equity securities held for trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Securities held for trading are initially recorded at cost, which approximates fair value of the consideration given and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's securities held for trading. Accrued interest receivable is included in the market price of the securities. When reliable market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. The fair value adjustment on securities held for trading is recognized in the profit and loss account for the period.

Originated loans

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Bank with fixed maturities are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loans are issued as initial recognition adjustment and included in the profit and loss account. The amortized cost of loans at inception is measured by discounting of future cash flows based on market rates at inception. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest rate method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for loan losses.

Write off of loans and advances

Loans and advances are written off against allowance for loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities to collect amounts due to the Bank and to receive all available collateral. In accordance with the statutory legislation and the Bank's Charter, loans may only be written off with the approval of the general shareholders' meeting of the Bank.

Non-accrual loans

Loans are placed on non-accrual status when interest is delinquent for a period in excess of 30 days. Interest income is not recognized if recovery is doubtful and it is accrued on respective off-balance sheet accounts. Subsequent payments by borrowers are applied first to principal and then to delinquent interest. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowance for losses

The Bank establishes an allowance for losses on financial assets when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of financial assets, which are carried at cost or amortized cost. The allowance for losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral.

The determination of the allowance for losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the risk assets. Provisions are made as a result of a detailed appraisal of risk assets.

The change in the allowance for losses is charged to profit or losses and the total amount of the allowance for losses is deducted in arriving at assets as shown in the balance sheet. Management's evaluation of the allowance is based upon analysis of known and inherent risks in the risk assets, adverse situations that may affect the debtor's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be noted that estimate of allowance for losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which may be higher than the allowance for losses, it is the judgment of management that the allowance for losses is adequate to absorb losses inherent in the risk assets.

Securities available for sale

Securities available for sale are debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such re-measurement included in the profit and loss account. The Bank uses quoted market prices to determine the fair value for the securities available for sale. Accrued interest receivable is included in the market price of the securities. If such quotes do not exist, management estimation is used. Realised and unrealised gains and losses arising from changes in the fair value of securities available for sale are included in the profit and loss account in the period in which they arise as gain/(loss) on securities available for sale. Interest earned on securities available for sale is reflected in profit and loss account as interest income on securities available for sale. Dividends received are included in other income in the profit and loss account. Non-marketable securities that do not have fixed maturities are stated at cost less allowance for impairment unless there are other appropriate and workable methods to reasonably estimate their fair value.

Fixed and intangible assets

Fixed and intangible assets are carried at historical cost restated for inflation less accumulated depreciation and any accumulated impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use. Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	1%
Agricultural equipment	9-20%
Computer equipment	20-23%
Vehicles	12-14%
Furniture and other office equipment	2-23%
Intangible assets	20-50%

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Impairment loss

If the recoverable amount of an asset is less that its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference representing an impairment loss is recognized as an expense in the profit and loss account in the year it arises.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Group as lessee **-** The Group recognizes finance leases as liabilities in the balance sheet at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capital costs incurred to maintain or improve assets received under finance lease are capitalized and reported as leasehold improvements and are amortized over the term of the assets' useful lives.

Group as lessor **-** The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

Operating leases

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases.

Group as lessee **-** Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Group as lessor **-** The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognized in profit and loss account on a straight-line basis over the lease term as other operating income.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, if any, can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The Republic of Belarus also has various other taxes, which are assessed on the Group’s activities. These taxes are included as a component of operating expenses in the profit and loss account.

Deposits from banks and customers

Customer and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent promissory notes, certificates of deposit and debentures issued by the Bank. They are accounted for according to the same principles used for customer and bank deposits.

Provisions

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

Share capital

Share capital is recognized at restated cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Preferred shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" (IAS 10) and disclosed accordingly.

Retirement and other benefit obligations

The Group does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Republic of Belarus, the Group withholds pension contributions from employee salaries and transfers them into state pension fund. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the state pension fund.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis. The recognition of interest income is suspended when loans become overdue by more than 30 days. Other income is credited to profit and loss account when the related transactions are completed. Commission income/expenses are recognized on an accrual basis.

Rates of exchange

The exchange rates at the year-end used by the Group in the preparation of the financial statements are as follows:

	31 December 2004	**31 December 2003**
BYR/USD	2,170.00	2,156.00
BYR/EUR	2,955.65	2,695.22
BYR/RUR	77.91	73.19

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately.

Restatement of comparative information

The financial statements prepared under IFRS for 2003 did not reflect the consolidation of the financial statements of the subsidiary company LLC Agrodelo, the investment in which was accounted for on the cost basis. In 2004 management decided that the financial statements of the subsidiary should be consolidated and in preparing the Group's financial statements for 2004 restated comparative information for 2003 in order to include the consolidation effect retrospectively. The effect of restatement is as follows:

(in BYR millions)	Before restatement	Adjustments on consolidation	As restated
Retained earnings as of 31 December 2003	3,517	484	4,001
Net profit for the year ended 31 December 2003	2,915	879	3,794

4. NET INTEREST INCOME

Net interest income comprises:

	2004	2003 (restated)
Interest income		
Interest on loans and advances to customers	2,621	2,465
Interest on loans and advances to banks	512	384
Interest on debt securities	342	169
Total interest income	**3,475**	**3,018**
Interest expense		
Interest on loans and advances from banks	539	280
Interest on finance lease	495	166
Interest on customer accounts	68	99
Interest on debt securities issued	2	26
Total interest expense	**1,104**	**571**
Net interest income	**2,371**	**2,447**

5. ALLOWANCE FOR LOSSES AND IMPAIRMENT, OTHER PROVISIONS

The movements in allowance for losses on interest earning assets were as follows:

	Loans and advances to banks	Loans and advances to customers	Total
31 December 2002 (restated)	68	353	421
(Recovery)/ Provision	(15)	1,260	1,245
31 December 2003 (restated)	53	1,613	1,666
Provision	117	312	429
Gain on net monetary position	(15)	(241)	(256)
31 December 2004	**155**	**1,684**	**1,839**

The movements in allowances for losses on other assets and risks were as follows:

	Securities available for sale	Receivables on agricultural services	Guarantees and other similar commitments	Total
31 December 2002 (restated)	4	-	70	74
Provision	11	-	182	193
31 December 2003 (restated)	15	-	252	267
(Recovery)/Provision	(14)	152	(122)	16
Gain on net monetary position	(1)	(10)	(24)	(35)
31 December 2004	**-**	**142**	**106**	**248**

Allowances for losses on assets are deducted from the related assets. Provisions for guarantees and other commitments are recorded in other liabilities.

6. NET LOSS/ GAIN ON SECURITIES HELD FOR TRADING

Net loss/ gain on securities held for trading for the years ended 31 December 2004 and 2003 comprises net loss/ gain on trading with debt securities.

7. FEES AND COMMISSION INCOME AND EXPENSE

Fees and commission income and expense comprise:

	2004	2003 (restated)
Fees and commission income:		
Service fees on operations with customers	289	437
Commission on transactions with banks	81	35
Commission on foreign exchange transactions	21	23
Commission on transactions with securities	4	19
Total fees and commission income	**395**	**514**

	2004	2003 (restated)
Fees and commission expense:		
Commission on foreign exchange transactions	64	77
Commission on transactions with banks	47	45
Commission on transactions with securities	7	8
Total fees and commission expense	**118**	**130**

8. NET GAIN ON SECURITIES AVAILABLE FOR SALE

Net gain on investments securities includes results from operations with debt securities available for sale and comprises:

	2004	2003 (restated)
Net gain on derecognition of securities available for sale	79	87
Fair value adjustment on securities available for sale	-	14
Total net gain on securities available for sale	**79**	**101**

9. REVENUE FROM SERVICES TO AGRICULTURAL SECTOR

Revenue from services to agricultural sector for the years ended 31 December 2004 and 31 December 2003 represents revenue earned by the Bank's subsidiary LLC Agrodelo for sugar-beets cropping and harvesting services rendered to farms in the Republic of Belarus.

10. OPERATING EXPENSES

Operating expenses comprise:

	2004	2003 (restated)
Depreciation charge on fixed and intangible assets	1,326	285
Staff costs	1,039	595
Material expenses	646	25
Taxes, other than income tax	427	365
Social security contributions	340	194
Rent, utilities and repairs	117	77
Software use fees	97	81
Professional services fees	93	97
Transportation expenses	88	47
Office expenses	70	17
Communication expenses	52	56
Security	41	57
Loss from fixed assets disposal	33	-
Other	388	129
Total operating expenses	**4,757**	**2,025**

11. OTHER INCOME

Other income comprises:

	2004	2003 (restated)
Rent income	99	-
Other	21	2,743
Total other income	**120**	**2,743**

Other income for the year ended 31 December 2003 includes gains on transactions with a related party amounting to BYR 2,740 million arising from penalties charged for early repurchase of the Bank's promissory notes issued to the related party (see Note 30).

12. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Belarusian tax legislation. The tax rates used for the deferred tax calculation as of 31 December 2004 and 2003 were 30% for the republican tax for the Bank and 24% for the subsidiaries and 4% for the municipal tax for the Bank and subsidiaries. The 4% municipal tax rate was enforced in 2004 (in 2003 – 5%). The republican and municipal tax rates were charged successively. The combined effective rate was 32.8% for the Bank and 27.04% for the subsidiaries. In 2003 the combined effective rate was 33.5% for the Bank and 27.8% for the subsidiaries.

The Bank is subject to certain permanent tax differences due to the tax-free regime under local tax regulations. Belarusian tax legislation stipulates an income tax exemption for a 3 year period for banks with foreign investments of more than 30% of the share capital, provided that they meet certain other statutory requirements. The Bank was income tax-exempt for the first three profitable years of operations. Starting from August 2005, the Bank's profits will be taxed at the common tax rate.

During the year ended 31 December 2003 the Bank's subsidiary LLC Agrodelo was enjoying an exemption from income tax, stipulated for certain companies in agricultural sector. During the year ended 31 December 2004 the Bank's subsidiaries incurred statutory loss and were not subject to income taxes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The components of income tax for the year ended 31 December 2004 and 2003 were as follows:

	2004	**2003 (restated)**
Current income tax expense	-	-
Deferred tax expense	235	-
Income tax expense	**235**	**-**

As of 31 December 2004 and 2003 the major constituents of the deferred tax assets and liabilities were as follows:

	2004	**2003 (restated)**
Deferred tax assets arising from:		
Allowance for doubtful accounts receivable	38	-
Exchange rate differences	106	209
Allowance for losses on loans to banks and customers	362	182
Allowance for losses on guarantees and other commitments	35	13
Fixed assets	112	-
Other	3	-
Deferred tax assets	656	404
Less valuation allowance	(446)	(314)
	210	90
Deferred tax liability arising from:		
Fixed assets	354	83
Trade receivables	24	7
Accrued interest income	67	-
Deferred tax liability	445	90
Net deferred tax position	**(235)**	**-**
Comprising of:		
Deferred tax asset	-	-
Deferred tax liability	235	-
	(235)	**-**

The movement on the deferred tax liability during the year ended 31 December 2004 was as follows:

Deferred tax liability as of 31 December 2003	-
Deferred tax charge	235
Deferred tax liability as of 31 December 2004	235

The charge for the years ended 31 December 2004 and 31 December 2003, respectively, can be reconciled to the income before tax per income statement as follows:

	2004	**2003 (restated)**
Profit before tax	693	3,817
Statutory tax rate	32.8%	33.5%
Tax at statutory tax rate	227	1,279
Tax effect of different tax rate of subsidiaries	-	(13)
Permanent differences	(124)	(1,580)
Change in valuation allowances	132	314
Income tax expense	**235**	**-**

13. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF BELARUS

Cash and balances with the NB RB comprise:

	2004	**2003 (restated)**
Cash on hand	530	426
Balances with the NB RB	643	761
Total cash and balances with the NB RB	**1,173**	**1,187**

The balances with the NB RB as of 31 December 2004 and 2003 include BYR 217 million and BYR 228 million, respectively, which represent the minimum reserve deposit required by the NB RB. The Bank is required to maintain the reserve balance at the NB RB at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	2004	**2003 (restated)**
Cash and balances with the NB RB	1,173	1,187
Loans and advances to banks in OECD countries	517	4,066
Government securities held for trading	1,452	728
Less minimum reserve deposit with the NB RB	(217)	(228)
Total cash and cash equivalents	**2,925**	**5,753**

14. LOANS AND ADVANCES TO BANKS, LESS ALLOWANCE FOR LOAN LOSSES

Loans and advances to banks comprise:

	2004	2003 (restated)
Loans to banks	4,384	4,285
Advances to banks	7,984	1,441
Accrued interest income on loans and advances to banks	2	1
	12,370	5,727
Less allowance for loan losses	(155)	(53)
Total loans and advances to banks, net	**12,215**	**5,674**

Movements in allowances for loan losses for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

As of 31 December 2004 and 2003 the Bank had exposures to 3 banks and 1 bank, totaling BYR 8,986 million and BYR 3,697 million, respectively, which individually exceeded 10% of the Bank's equity.

15. SECURITIES HELD FOR TRADING

Securities held for trading comprise:

	2004	2003 (restated)
Short-term government bonds (GKO)	199	728
Long-term government bonds (GDO)	1,253	-
Total securities held for trading	**1,452**	**728**

GKO are Belarusian Rouble denominated government securities with short-term maturities that are sold at discount to nominal value by the Ministry of Finance of the Republic of Belarus. The nominal value of GKO is BYR 100 thousand.

GDO are Belarusian Rouble denominated government securities with coupon income and maturity of one year that are issued by the Ministry of Finance of the Republic of Belarus. The nominal value of GDO is BYR 1 million.

16. LOANS AND ADVANCES TO CUSTOMERS, LESS ALLOWANCE FOR LOAN LOSSES

Loans and advances to customers comprise:

	2004	2003 (restated)
Originated loans	14,394	16,834
Net investment in finance leases	234	-
Accrued interest income on loans and advances to customers	200	159
	14,828	16,993
Less allowance for loan losses	(1,684)	(1,613)
Total loans and advances to customers, net	**13,144**	**15,380**

	2004	2003 (restated)
Loans collateralized by equipment and goods in turnover	5,626	7,616
Loans collateralized by real estate	1,527	494
Loans collateralized by lien over equipment	901	1,956
Loans collateralized by lien over receivables	-	215
Loans collateralized by securities	-	31
Loans collateralized by corporate guarantees	541	-
Loans collateralized by other types of collateral	192	30
Unsecured loans	5,607	6,492
Total loans and advances to customers	**14,394**	**16,834**

Movements in allowances for loan losses for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

As of 31 December 2004 included in loans and advances to customers are non-accrual loans amounting to BYR 759 million. There were no non-accrual loans as of 31 December 2003.

As of 31 December 2004 and 2003 the Bank had exposures to 3 borrowers totaling BYR 6,465 million and BYR 6,888 million, respectively, which individually exceeded 10% of the Bank's equity.

All loans were granted to companies having their registered offices in the Republic of Belarus.

Analysis by industry	2004	2003 (restated)
Trade	12,379	14,342
Manufacturing	1,129	2,366
Private entrepreneurs	432	-
Construction	202	6
Individuals	194	48
Transport	186	72
Other	106	-
Accrued interest income on loans and advances to customers	200	159
	14,828	16,993
Less allowance for loan losses	(1,684)	(1,613)
Total loans and advances to customers, net	**13,144**	**15,380**

Net investment in finance leases as of 31 December 2004 comprises the following:

	2004
Total minimum lease and maintenance payments	336
Less: unearned finance income	(102)
Net investment in finance leases	**234**
Current portion	84
Long-term portion	150
Net investment in finance leases	**234**

The future minimum lease payments due from customers under finance leases as of 31 December 2004 are as follows:

	2004
Not later than one year	139
Later than one year not later than five years	197
Later than five years	-
Total future minimum lease payments	**336**

17. SECURITIES AVAILABLE FOR SALE, LESS ALLOWANCE FOR IMPAIRMENT

Securities available for sale comprise:

	2004	2003 (restated)
Promissory notes of Belarusian banks	429	392
Less allowance for impairment	-	(15)
Total debt securities available for sale, net	**429**	**377**

Movements in allowances for impairment for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

Promissory notes of Belarusian banks in the Bank's portfolio are Belarusian Rouble denominated debt securities purchased with discount to nominal value with maturities ranging from 1 to 3 months.

18. FIXED AND INTANGIBLE ASSETS, LESS ACCUMULATED DEPRECIATION

	Building	Agricultural equipment	Computer equipment	Office furniture and other fixed assets	Total
At restated cost					
31 December 2003 (restated)	3,875	6,805	375	559	**11,614**
Additions	88	2,682	169	334	**3,273**
Disposals	-	-	-	(63)	**(63)**
31 December 2004	3,963	9,487	544	830	**14,824**
Accumulated depreciation					
31 December 2003 (restated)	-	187	40	79	**306**
Charge for the period	39	1,098	91	98	**1,326**
Disposals	-	-	-	(12)	**(12)**
31 December 2004	39	1,285	131	165	**1,620**
Net book value					
31 December 2004	**3,924**	**8,202**	**413**	**665**	**13,204**
Net book value					
31 December 2003 (restated)	**3,875**	**6,618**	**335**	**480**	**11,308**

As of 31 December 2004 and 2003 agricultural equipment with net book value of BYR 6,544 million and BYR 5,042 million, respectively, was leased under finance lease arrangements. Amounts payable under the finance leases are disclosed in Note 23.

19. OTHER ASSETS, LESS ALLOWANCE FOR LOSSES

Other assets comprise:

	2004	2003 (restated)
Taxes receivable, other than income tax	1,541	1,292
Receivables on services to agricultural sector	610	39
Prepaid expenses and other debtors	372	125
Materials and inventory	203	52
Settlements on capital investments	1	58
Other	18	58
	2,745	1,624
Less allowance for losses	(142)	-
Total other assets less allowance for losses	**2,603**	**1,624**

Movements in allowances for losses for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

Taxes receivable as of 31 December 2004 and 31 December 2003 include VAT amounts of BYR 1,325 million and BYR 1,020 million respectively, that relate to payables of subsidiary under finance lease , which it intends to offset against VAT liabilities arising on its revenue.

20. LOANS AND ADVANCES FROM BANKS

Loans and advances from banks comprise:

	2004	2003 (restated)
Time deposits	9,585	7,461
Accrued interest expense on deposits from banks	2	2
Total deposits from banks	**9,587**	**7,463**

As of 31 December 2004, included into loans and advances from banks was BYR 4,340 million from JSC "Kazcommerzbank" (the Republic of Kazakhstan) and BYR 3,255 million from JSC "Bank TuranAlem" (the Republic of Kazakhstan) which represent respectively 45% and 34% of total deposits from banks.

As of 31 December 2003, included into loans and advances from banks was BYR 1,850 million with JSC "Priorbank" (the Republic of Belarus) which represented 25% of total deposits from banks.

21. CUSTOMER ACCOUNTS

Customer accounts comprise:

	2004	2003 (restated)
Repayable on demand	2,258	1,508
Time deposits	959	709
Total customer accounts	**3,217**	**2,217**

Analysis of customer accounts by industry:

	2004	2003 (restated)
Trade	2,291	870
Manufacturing	341	384
Transport and communications	173	79
Insurance	163	595
Construction	53	23
Individual entrepreneurs	37	222
Non-for-profit organizations	9	17
Other	150	27
Total customer accounts	**3,217**	**2,217**

As of 31 December 2004 and 2003, customer accounts amounting to BYR 1,569 million (49% of total customer accounts) and BYR 1,482 million (67%), respectively, were due to 5 and 3 customers, respectively, which represented significant concentration.

22. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	2004	2003 (restated)
Interest bearing promissory notes	480	-
Interest free promissory notes	35	180
Accrued interest expense on debt securities issued	1	-
Total debt securities issued	**516**	**180**

As of 31 December 2004 interest rate on promissory note denominated in Belarusian Roubles was 18% per annum. There were no promissory notes denominated in foreign currencies.

During the years 2004 and 2003 the Bank issued interest free promissory notes used by its customers in commercial settlements. Nil interest rates on such promissory notes approximate market rates for similar financial instruments.

23. OBLIGATIONS UNDER FINANCE LEASE

Obligations under finance lease comprise:

	2004	2003 (restated)
Present value of lease obligations	8,460	6,496
Accrued interest on finance lease	231	194
Total obligations under finance lease	**8,691**	**6,690**

Amounts payable under finance leases as of 31 December 2004 and 31 December 2003 comprise the following:

	2004	2003 (restated)
Not later than one year	3,404	1,312
Later than one year not later than five years	6,707	6,187
Later than five years	-	523
Total minimum lease and maintenance payments	10,111	8,022
Less: future finance charges	(1,651)	(1,526)
Present value of lease obligations	**8,460**	**6,496**
Not later than one year	2,663	776
Later than one year not later than five years	5,797	5,322
Later than five years	-	398
Present value of lease obligations	**8,460**	**6,496**

It is the Group's policy to lease certain of its agricultural equipment under finance leases. The average lease term is 5 years. The lessor on the leases outstanding as of 31 December 2004 and 31 December 2003 is JSC "Gorodeya Sugar Refinery", the minority shareholder of the Bank's subsidiary LLC Agrodelo. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

24. PROVISIONS

Provisions comprise:

	2004	2003 (restated)
Provisions for guarantees	26	19
Provisions for credit commitments	80	233
Total other liabilities	**106**	**252**

Movements in allowances for losses on guarantees and credit commitments for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

25. OTHER LIABILITIES

Other liabilities comprise:

	2004	2003 (restated)
Trade payables	220	-
Taxes payable, other than income taxes	75	240
Other	21	16
Total other liabilities	**316**	**256**

26. SUBORDINATED DEBT

As of 31 December 2004 and 31 December 2003 the Bank had subordinated debt from "Lateco Bank" (Latvia) amounting to BYR 4,340 million and BYR 2,466 million, respectively.
As of 31 December 2003 the debt comprised a loan amounting to USD 1,000,000 with contracted maturity on 12 November 2008 and interest rate of 5% per annum. In 2004 the Bank attracted another loan amounting to USD 1,000,000 with contracted maturity on 17 August 2009 and interest rate of 5% per annum. However, in February 2005 the entire debt to Lateco Bank was settled as discussed in Note 36.

27. SHARE CAPITAL

As of 31 December 2004 and 2003 the authorized, issued and fully paid share capital comprised of 100 ordinary shares with a par value of BYR 110,700,000 and BYR 93,500,000 each, respectively (at historical cost). All shares are ranked equally and carry one vote.

28. MINORITY INTEREST

The movement in minority interest during the year ended 31 December 2004 and 31 December 2003 comprise:

31 December 2002 (restated)	**-**
Share of owners' capital	3
Share of net profit of subsidiary	23
31 December 2003 (restated)	**26**
Share of net loss of subsidiary	(23)
31 December 2004	**3**

29. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risks in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for the balance sheet operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2004 and 2003 the nominal or contract amounts and risk weighted amounts were:

	2004		**2003 (restated)**	
	Nominal Amount	**Risk Weighted Amount**	**Nominal Amount**	**Risk Weighted Amount**
Contingent liabilities and credit commitments				
Guarantees issued	109	109	102	102
Commitments on credits and unused credit lines	869	7	1,175	72
Total contingent liabilities and credit commitments	**978**	**116**	**1,277**	**174**

Provisions made by the Bank against commitments under guarantees issued and commitments on credits as of 31 December 2004 and 2003 are disclosed in note 24. Movement in these provisions is disclosed in note 5.

Capital commitment – The Bank had no material commitments for capital expenditures outstanding as of 31 December 2004 and 2003.

Operating leases – The Bank had no commitments for operating leases outstanding as of 31 December 2004 and 2003.

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

Pensions and retirement plans **–** Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As of 31 December 2004 and 2003, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

30. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 "Related Party Disclosures", are those counterparties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates – enterprises in which the Bank has significant influence and which are neither subsidiaries nor joint ventures of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. As of 31 December 2004 and 2003 the Bank had the following transactions outstanding with related parties:

	2004		**2003 (restated)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Receivables on services to agricultural sector, gross	292	610	-	39
Loans and advances from banks	3,255	9,587	-	7,463
Customer accounts	40	3,217	-	2,217
Obligations under finance lease	8,691	8,691	6,690	6,690

During the year ended 31 December 2004 the Bank attracted loans and advances from banks - related parties amounting to BYR 12,782 million, and repaid loans and advances of BYR 9,294 million. During the year ended 31 December 2004 the Bank received account placements from customers - related parties amounting to BYR 100 million, and wrote off the accounts BYR 57 million.

Included in the profit and loss account for the years ended 31 December 2004 and 2003 are the following amounts which arose due to transactions with related parties:

	2004		**2003 (restated)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest expense	497	1,104	166	571
Management remuneration	103	1,039	85	595
Revenue from services to agricultural sector	692	2,623	-	1,271
Commission income	-	395	188	514
Other income	10	120	2,740	2,743

Transactions with related parties entered into by the Group during the years ended 31 December 2004 and 2003 and outstanding as of 31 December 2004 and 2003 were mostly made in the normal course of business and under arm's length conditions except as discussed below.

Other income for the year ended 31 December 2003 includes gains on transactions with a related party arising from penalties charged for early repurchase of the Bank's promissory notes issued to the related party amounting (see Note 11). The penalties amounted to 25-30% of the face value of the notes. These transactions were not carried out on the arm's length basis.

31. SEGMENT REPORTING

The Group uses business segments as the basis for reporting of primary segment information.

The Group is organised on the basis of two business segments:

- Banking and finance – includes mainly services to corporate customers (current accounts, deposits, loan and other credit facilities, foreign currency transactions), finance lease services and proprietary trading in securities. Segment is represented by the Bank and subsidiary UE "Astanainvest".
- Services to agricultural sector – includes services to agricultural farms in cropping and harvesting of sugar-beets. Segment is represented by the Bank's subsidiary LLC "Agrodelo".

Transactions between the business segments represent finance lease granted by the Bank to the subsidiary and subsidiary's deposits in the Bank. These transactions are on normal commercial terms and conditions. There are no other material items of income or expense between the business segments.

Segment information about these businesses is presented below.

	Banking and finance BYR mln	Agricultural services BYR mln	Eliminations BYR mln	2004 Consolidated BYR mln
External revenues	5,747	2,625	-	8,372
Revenues from other segments	132	9	(141)	-
Total revenues	5,879	2,634	(141)	8,372
Costs and expenses	(3,623)	(3,585)	141	(7,067)
Profit/ (loss) from operations	2,256	(951)	-	1,305
(Loss)/ gain on net monetary position	(1,576)	960	4	(612)
Profit before tax	680	9	4	693
Income tax expense	-	(235)	-	(235)
Profit/ (loss) after tax	680	(226)	4	458
Minority interest	-	23	-	23
Net profit/(loss)	680	(203)	4	481
Total assets	35,019	10,561	(1,360)	44,220
Total liabilities	17,821	10,529	(1,342)	27,008
Other segment items				
Capital expenditure	(571)	(2,702)	-	(3,273)
Depreciation expense	(222)	(1,104)	-	(1,326)

	Banking and finance BYR mln	Agricultural services BYR mln	Eliminations BYR mln	2003 Consolidated BYR mln **(restated)**
External revenues	7,189	1,273	-	8,462
Revenues from other segments	56	2	(58)	-
Total revenues	7,245	1,275	(58)	8,462
Costs and expenses	(3,661)	(1,423)	58	(5,026)
Profit/ (loss) from operations	3,584	(148)	-	3,436
Gain on net monetary position	-	381	-	381
Profit before tax	3,584	233	-	3,817
Income tax expense	-	-	-	-
Profit after tax	3,584	233	-	3,817
Minority interest	-	(23)	-	(23)
Net profit	3,584	210	-	3,794
Total assets	29,875	8,509	(2,106)	36,278
Total liabilities	13,357	8,251	(2,084)	19,524
Other segment items				
Capital expenditure	(4,172)	(6,833)	-	(11,005)
Depreciation expense	(97)	(188)	-	(285)
Gains on own bills issued	2,740	-	-	2,740

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2004 and 2003 the following methods and assumptions were used by the Bank to estimate the fair value of each class of financial instrument for which it was practicable to estimate such value:

Cash and balances with the NB RB – For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Loans and advances to banks – As of 31 December 2004 and 2003 the carrying amount of deposits and advances given is a reasonable estimate of their fair value.

Securities held for trading **–** As of 31 December 2004 and 2003 securities held for trading are stated at fair value, determined with reference to an active market.

Loans and advances to customers – The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for loan losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees and collateral obtained. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities available for sale **–** As of 31 December 2004 and 2003 securities available for sale are stated at fair value or at cost, less allowance for impairment, which approximates its fair value. Fair value of securities available for sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and maturity. If such quotes do not exist, management estimation is used. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment.

Deposits from banks **–** As of 31 December 2004 and 2003 the carrying amount of deposits from banks and due to the NB RB is a reasonable estimate of their fair value.

Customer accounts **–** As of 31 December 2004 and 2003 the carrying amount of term deposits and current accounts of the Bank's customers is a reasonable estimate of their fair value.

Debt securities issued – Debt securities issued are stated at cost, adjusted for amortization of premium or discounts, which approximates fair value.

Obligations under finance lease – As of 31 December 2004 and 2003 the fair value of the Group's lease obligations approximates their carrying amount.

Subordinated debt – As of 31 December 2004 and 2003 the carrying amount of subordinated debt is a reasonable estimate of their fair value.

33. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Bank's provisions for the principal risks.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the NB RB
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
100%	Guarantees issued
0%	Letters of credit secured by customer funds

The Group's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual amount in BYR million	For capital adequacy purposes amount in BYR million	Ratio for capital adequacy purposes %	Minimum required ratio %
As of 31 December 2004				
Total capital	17,209	21,552	67.48%	8%
Tier 1 capital	17,209	17,212	53.89%	4%
As of 31 December 2003 (restated)				
Total capital	16,728	19,220	62.19%	8%
Tier 1 capital	16,728	16,754	54.26%	4%

As of 31 December 2004 and 2003 the Group included in the computation of total capital for Capital adequacy purposes the subordinated debt, limited to 50% of tier 1 capital (Note 26).

34. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates, prices of financial instruments and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

In order to manage liquidity risk, the Economic department of the Bank performs daily calculations and analysis of liquidity ratios, minimal ratios of highly-liquid and total assets and control of compliance with the requirements set forth by the National Bank of the Republic of Belarus. Maintenance of optimal balances on correspondent accounts is ensured by forecasting of exposure in national and foreign currency. Transactions that could affect materially the current state of liquidity or the financial results of operations of the Bank must be approved by the Economic department.

The following tables present an analysis of interest rate risk and liquidity risk on balance sheet. Interest bearing assets and liabilities generally have relatively short maturities.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity un-defined (incl. allowance for losses and impairment)	2004 BYR million Total
ASSETS								
Interest bearing assets:								
Loans and advances to banks, less allowance for loan losses	4,384	-	-	-	-	-	-	4,384
Securities held for trading	1,452	-	-	-	-	-	-	1,452
Loans and advances to customers, less allowance for loan losses	3,319	6,640	2,263	1,647	-	-	(925)	12,944
Securities available for sale, less allowance for impairment	429	-	-	-	-	-	-	429
Total interest bearing assets	9,584	6,640	2,263	1,647	-	-	(925)	19,209
Non interest bearing assets:								
Cash and balances with the NB RB	956	-	-	-	-	-	217	1,173
Loans and advances to banks, less allowance for loan losses	7,984	-	-	-	-	-	(155)	7,829
Loans and advances to customers, less allowance for loan losses	-	-	-	-	-	759	(759)	-
Interest accrued on interest bearing assets	180	1	4	17	-	-	-	202
Fixed and intangible assets, less accumulated depreciation	-	-	-	-	-	-	13,204	13,204
Other assets, less allowance for losses	520	50	551	1,435	-	189	(142)	2,603
Total non interest bearing assets	9,640	51	555	1,452	-	948	12,365	25,011
TOTAL ASSETS	19,224	6,691	2,818	3,099	-	948	11,440	44,220
LIABILITIES								
Interest bearing liabilities:								
Loans and advances from banks	9,368	217	-	-	-	-	-	9,585
Customer accounts	839	-	120	-	-	-	-	959
Debt securities issued	480	-	-	-	-	-	-	480
Obligations under finance lease	222	444	1,997	5,797	-	-	-	8,460
Subordinated debt	-	-	-	4,340	-	-	-	4,340
Total interest bearing liabilities	10,909	661	2,117	10,137	-	-	-	23,824
Non interest bearing liabilities:								
Customer accounts	2,258	-	-	-	-	-	-	2,258
Debt securities issued	35	-	-	-	-	-	-	35
Interest accrued on interest bearing liabilities	234	-	-	-	-	-	-	234
Deferred tax liability	-	-	-	-	-	-	235	235
Provisions	-	-	-	-	-	-	106	106
Other liabilities	39	277	-	-	-	-	-	316
Total non interest bearing liabilities	2,566	277	-	-	-	-	341	3,184
TOTAL LIABILITIES	13,475	938	2,117	10,137	-	-	341	27,008
Liquidity gap	5,749	5,753	701	(7,038)	-			
Interest sensitivity gap	(1,325)	5,979	146	(8,490)	-			
Cumulative interest sensitivity gap	(1,325)	4,654	4,800	(3,690)	-			
Cumulative interest sensitivity gap as a percentage of total assets	-3%	11%	11%	-8%	-			

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity un-defined (incl. allowance for losses and impairment)	2003 BYR million Total (restated)
ASSETS								
Interest bearing assets:								
Loans and advances to banks, less allowance for loan losses	4,520	-	-	-	-	-	(51)	4,469
Securities held for trading	728	-	-	-	-	-	-	728
Loans and advances to customers, less allowance for loan losses	1,145	5,198	9,047	1,373	-	71	(1,613)	15,221
Securities available for sale, less allowance for impairment	371	21	-	-	-	-	(15)	377
Total interest bearing assets	6,764	5,219	9,047	1,373	-	71	(1,679)	20,795
Non interest bearing assets:								
Cash and balances with the NB RB	959	-	-	-	-	-	228	1,187
Loans and advances to banks, less allowance for loan losses	1,206	-	-	-	-	-	(2)	1,204
Interest accrued on interest bearing assets	156	-	-	-	-	4	-	160
Fixed and intangible assets, less accumulated depreciation	-	-	-	-	-	-	11,308	11,308
Other assets, less allowance for losses	335	137	70	1,082	-	-	-	1,624
Total non interest bearing assets	2,656	137	70	1,082	-	4	11,534	15,483
TOTAL ASSETS	9,420	5,356	9,117	2,455	-	75	9,855	36,278
LIABILITIES								
Interest bearing liabilities:								
Loans and advances from banks	7,214	247	-	-	-	-	-	7,461
Customer accounts	159	550	-	-	-	-	-	709
Obligations under finance lease	65	129	582	5,322	398	-	-	6,496
Subordinated debt	-	-	-	2,466	-	-	-	2,466
Total interest bearing liabilities	7,438	926	582	7,788	398	-	-	17,132
Non interest bearing liabilities:								
Customer accounts	1,508	-	-	-	-	-	-	1,508
Debt securities issued	180	-	-	-	-	-	-	180
Interest accrued on interest bearing liabilities	196	-	-	-	-	-	-	196
Provisions	-	-	-	-	-	-	252	252
Other liabilities	72	184	-	-	-	-	-	256
Total non interest bearing liabilities	1,956	184	-	-	-	-	252	2,392
TOTAL LIABILITIES	9,394	1,110	582	7,788	398	-	252	19,524
Liquidity gap	26	4,246	8,535	(5,333)	(398)	75		
Interest sensitivity gap	(674)	4,293	8,465	(6,415)	(398)	71		
Cumulative interest sensitivity gap	(674)	3,619	12,084	5,669	5,271	5,342		
Cumulative interest sensitivity gap as a percentage of total assets	-2%	10%	33%	16%	15%	15%		

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Group's liquidity and its susceptibility to fluctuations in interest rates and exchange rates.

Currently, a considerable part of the Bank's customer deposits are repayable on demand. However, the fact that these deposits are diversified and the Bank's previous experience indicate that these deposits are a stable and long-term source of finance for the Bank.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. As of 31 December 2004 and 2003 average effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group. Interest rate policy is monthly analyzed and approved by the Management Board of the Bank.

	31 December 2004		31 December 2003	
	BYR	Foreign currencies	BYR	Foreign currencies
ASSETS				
Loans and advances to banks	23%	7%	26%	8%
Trading securities	20%	-	30%	-
Loans and advances to customers	25%	15%	35%	14%
Investment securities available for sale	26%	-	25%	-
LIABILITIES				
Deposits from banks	27%	7%	37%	6%
Customer accounts				
- demand deposits	0.08%	-	0.09%	0.07%
- term deposits	17%	8%	25%	8%
Debt securities issued	18%	-	3%	6%
Obligations on finance lease	12%	8%	10%	8%
Subordinated debt	-	5%	-	5%

The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Management Board of the Bank sets monthly exposure limits by currency. These limits also comply with the minimum requirements of the National Bank of the Republic of Belarus. All decisions on currency exposure optimization are agreed with the Finance Committee.

The Bank's exposure to foreign currency exchange rate risk is presented in the tables below:

	BYR	USD 1USD= 2,170 BYR	EUR 1EUR= 2,955.65 BYR	RUB 1RUB= 77.91 BYR	Other currency	Currency undefined (incl. allowance for losses and impairment)	2004 BYR million Total
ASSETS							
Cash and balances with the NB RB	1,056	61	12	44	-	-	**1,173**
Loans and advances to banks, less allowance for loan losses	2,602	8,326	472	967	3	(155)	**12,215**
Securities held for trading	1,452	-	-	-	-	-	**1,452**
Loans and advances to customers, less allowance for loan losses	483	13,685	660	-	-	(1,684)	**13,144**
Securities available for sale, less allowance for impairment	429	-	-	-	-	-	**429**
Fixed and intangible assets, less accumulated depreciation	13,204	-	-	-	-	-	**13,204**
Other assets, less allowance for losses	2,743	2	-	-	-	(142)	**2,603**
TOTAL ASSETS	**21,969**	**22,074**	**1,144**	**1,011**	**3**	**(1,981)**	**44,220**
LIABILITIES							
Loans and advances from banks	-	7,813	1,774	-	-	-	**9,587**
Customer accounts	2,358	303	107	448	1	-	**3,217**
Debt securities issued	516	-	-	-	-	-	**516**
Obligations under finance lease	2,802	-	5,889	-	-	-	**8,691**
Provisions	-	-	-	-	-	106	**106**
Deferred tax liability	-	-	-	-	-	235	**235**
Other liabilities	316	-	-	-	-	-	**316**
Subordinated debt	-	4,340	-	-	-	-	**4,340**
TOTAL LIABILITIES	**5,992**	**12,456**	**7,770**	**448**	**1**	**341**	**27,008**
OPEN POSITION	**15,997**	**9,618**	**(6,626)**	**563**	**2**		

	BYR	USD 1USD= 2,156 BYR	EUR 1EUR= 2,695.22 BYR	RUB 1RUB= 73.19 BYR	Other currency	Currency undefined (incl. allowance for losses and impair-ment)	2003 BYR million Total (restated)
ASSETS							
Cash and balances with the NB RB	1,043	120	22	2	-	-	**1,187**
Loans and advances to banks, less allowance for loan losses	1,030	4,017	384	296	-	(53)	**5,674**
Securities held for trading	728	-	-	-	-	-	**728**
Loans and advances to customers, less allowance for loan losses	167	16,096	730	-	-	(1,613)	**15,380**
Securities available for sale, less allowance for impairment	392	-	-	-	-	(15)	**377**
Fixed and intangible assets, less accumulated depreciation	11,308	-	-	-	-	-	**11,308**
Other assets, less allowance for losses	1,618	6	-	-	-	-	**1,624**
TOTAL ASSETS	**16,286**	**20,239**	**1,136**	**298**	**-**	**(1,681)**	**36,278**
LIABILITIES							
Loans and advances from banks	-	4,934	2,529	-	-	-	**7,463**
Customer accounts	949	698	84	486	-	-	**2,217**
Debt securities issued	170	10	-	-	-	-	**180**
Obligations under finance lease	270	-	6,420	-	-	-	**6,690**
Provisions	-	-	-	-	-	252	**252**
Other liabilities	256	-	-	-	-	-	**256**
Subordinated debt	-	2,466	-	-	-	-	**2,466**
TOTAL LIABILITIES	**1,645**	**8,108**	**9,033**	**486**	**-**	**252**	**19,524**
OPEN POSITION	**14,641**	**12,131**	**(7,897)**	**(188)**	**-**		

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to market risks of its products which are subject to general and specific market fluctuations. Operating management of marketable securities portfolio is performed by means of daily analysis of yields per category of securities, credit and liquidity risks and overall market information.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of investments in risk-bearing assets. Limits on the level of credit risk by type of operations and limits for unsecured transactions with correspondent banks and customers are approved by the Management Board. Placements in credit risk bearing assets are carried out in compliance with the economic requirements set forth by the National Bank of the Republic of Belarus and on the basis of analysis of financial performance and reputation of borrowers and counterparties. Most of loans to customers originated by the Bank are secured with collateral or corporate and personal guarantees.

Commitments to extend credit represent unused portions of credit in the form of loans as well as issued guarantees. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Belarus	Other CIS countries	OECD countries	Other non-OECD countries	Undefined (incl. allowance for losses and impairment)	2004 Total BYR million
ASSETS						
Cash and balances with the NB RB	1,173	-	-	-	-	**1,173**
Loans and advances to banks, less allowance for loan losses	4,464	5,310	517	2,079	(155)	**12,215**
Securities held for trading	1,452	-	-	-	-	**1,452**
Loans and advances to customers, less allowance for loan losses	14,828	-	-	-	(1,684)	**13,144**
Securities available for sale, less allowance for impairment	429	-	-	-	-	**429**
Fixed and intangible assets, less accumulated depreciation	13,204	-	-	-	-	**13,204**
Other assets, less allowance for losses	2,745	-	-	-	(142)	**2,603**
TOTAL ASSETS	**38,295**	**5,310**	**517**	**2,079**	**(1,981)**	**44,220**
LIABILITIES						
Loans and advances from banks	1,773	7,597	-	217	-	**9,587**
Customer accounts	3,092	40	85	-	-	**3,217**
Debt securities issued	516	-	-	-	-	**516**
Obligations under finance lease	8,691	-	-	-	-	**8,691**
Provisions	-	-	-	-	106	**106**
Deferred tax liability	-	-	-	-	235	**235**
Other liabilities	316	-	-	-	-	**316**
Subordinated loan	-	-	-	4,340	-	**4,340**
TOTAL LIABILITIES	**14,388**	**7,637**	**85**	**4,557**	**341**	**27,008**
NET BALANCE SHEET POSITION	**23,907**	**(2,327)**	**432**	**(2,478)**		

	Belarus	Other CIS countries	OECD countries	Other non-OECD countries	Undefined (incl. allowance for losses and impairment)	2003 Total BYR million (restated)
ASSETS						
Cash and balances with the NB RB	1,187	-	-	-	-	**1,187**
Loans and advances to banks, less allowance for loan losses	1,335	309	4,066	17	(53)	**5,674**
Securities held for trading	728	-	-	-	-	**728**
Loans and advances to customers, less allowance for loan losses	16,993	-	-	-	(1,613)	**15,380**
Securities available for sale, less allowance for impairment	392	-	-	-	(15)	**377**
Fixed and intangible assets, less accumulated depreciation	11,308	-	-	-	-	**11,308**
Other assets, less allowance for losses	1,624	-	-	-	-	**1,624**
TOTAL ASSETS	**33,567**	**309**	**4,066**	**17**	**(1,681)**	**36,278**
LIABILITIES						
Loans and advances from banks	6,476	740	-	247	-	**7,463**
Customer accounts	2,217	-	-	-	-	**2,217**
Debt securities issued	180	-	-	-	-	**180**
Obligations under finance lease	6,690	-	-	-	-	**6,690**
Provisions	-	-	-	-	252	**252**
Other liabilities	256	-	-	-	-	**256**
Subordinated debt	-	-	-	2,466	-	**2,466**
TOTAL LIABILITIES	**15,819**	**740**	**-**	**2,713**	**252**	**19,524**
NET BALANCE SHEET POSITION	**17,748**	**(431)**	**4,066**	**(2,696)**		

35. UNCERTAINTY

Economy of the Republic of Belarus - The economy of the Republic of Belarus continues to be affected by high rates of taxation, inflation and significant regulation of economy. Laws and regulations affecting the business environment in the Republic of Belarus are subject to rapid changes. The economic stability depends to a large extent on the efficiency of the measures taken by the Government of Belarus and other actions beyond the Group's control. The recoverability of the Groups' loans and advances to domestic commercial banks and customers and the ability of the Bank to maintain or pay its debts as they mature, as well as the future operations of the Bank are heavily dependent on future direction of the economic policy of the Government of the Republic of Belarus.

The management of the Group made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainty described above still exists and the Group may continue to be affected by it.

Legislation - Belarusian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as management's interpretation of legislation may differ from that of the authorities, transactions may be challenged by the authorities, and as result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax and other payments, and therefore no allowance has been made in the financial statements. Past fiscal years remain open to review by the authorities.

36. EVENTS AFTER THE BALANCE SHEET DATE

In February 2005 the Bank obtained a subordinated debt from its main shareholder JSC "Bank TuranAlem" maturing on 17 March 2010. The loan amounted to USD 2,000,000, and the annual interest rate is 9.25%. At the same time the Bank settled its liability on the subordinated debt to Lateco Bank (Note 26).