

*This Analysis provides a discussion of the factors underpinning the credit rating/s and should be read in conjunction with our Credit Opinion. The most recent ratings, opinion, and other research specific to this issuer are provided on Moody's.com. [Click here to link.](#)*

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## Astana Finance

### Strategy and Competitive Position

#### ASTANA CITY IS LIKELY TO SUPPORT THE COMPANY IF NEEDED

Astana Finance (AF) plays too important a role in the development of the city of Astana for City Hall to fully relinquish its control over the institution. Moody's believes that City Hall is committed to maintaining the financial health of Astana Finance and would support it in case of distress. At this point it is very difficult to separate the risks related to AF from those related to the city; therefore the issuer rating of Ba1 is set at the same level as that of the city. It is very likely that as long as the ties between the city and Astana Finance remain strong, the issuer rating of the financial organisation will mirror that of the city.

#### AS A NON-BANKING INSTITUTION, ASTANA FINANCE CANNOT ACCEPT DEPOSITS

Astana Finance develops its operations on the basis of licences granted by the National Bank of Kazakhstan (NBK) for individual banking operations. At the moment the major difference between the banks operating under a full banking licence and Astana Finance lies in the scope of permitted activities. AF's status as a non-banking financial institution does not allow it to accept deposits.

In Moody's view, this is one of the main drawbacks limiting the funding options for Astana Finance. In addition, AF is not subject to all prudential banking regulations as set forth by the NBK. It is thus not as strictly supervised as are fully licensed banks.

#### ASTANA CITY PRESENTLY OWNS 36% OF ASTANA FINANCE

As a result of gradual changes in Astana Finance's mission, the decision was made to broaden its shareholder base through a public stock offering that is listed on the local exchange. The process started in December 1999 with a flotation of the second stock issue. As a result, the share of the city, represented by the City Hall of Astana, decreased from the initial 100% to 36.1% as of September 2003.

#### *The likelihood of the City relinquishing control over Astana Finance is low*

In the future, as Astana Finance floats more of its shares and thus additionally diversifies its shareholder base, the city's stake may drop further. However, we do not expect the dilution of the participation of the City Hall of Astana to fall below the controlling stake of 33% in the near to medium term. Astana Finance plays a very important role in the life of the city, and it is unlikely that the city would want to fully relinquish its control over the institution. Nevertheless, lessening ties between the two could result in the downgrade of AF's issuer rating.

#### ASTANA FINANCE'S STRATEGY CONTINUES TO REFLECT THE CITY'S PRIORITIES

According to the current strategy, Astana Finance would like to diversify its activities and lessen its dependence on the city. However, AF is co-ordinating its development programme with that of the city, thus maintaining close ties with its single largest shareholder. We view this strong reliance on the city as a mixed blessing. On one hand the city offers a source of funding and would be likely to provide support in case of distress. On the other hand, a large exposure to city projects on the asset side puts asset quality under pressure because not all the development projects are top financial performers.

### *Geographical diversification away from the city of Astana is healthy*

In order to lessen its dependence on the city, Astana Finance started to develop its activities in the towns of Atyrau and Uralsk. These activities provide some geographical diversification. However, these regional activities also keep the traditional focus on housing construction and mortgage financing, thus offering a very limited hedge against possible downturns in this industry.

### **EQUITY INVESTMENTS REFLECT AF'S DEVELOPMENT MISSION**

As a result of its development mission and status as a non-banking financial institution, Astana Finance is not legally precluded from investments in commercial and manufacturing enterprises important to various city projects. As of 31 December 2003, AF had majority stakes (over 50%) in ten companies and stakes of between 20%-50% in another one.

### *The gradual rationalisation process started in 2000*

In 2000, a process of rationalisation of equity participations was begun with the aim of closing down the inefficient companies. At the same time new subsidiaries active in power and gas distribution were set up in 2001 in order to allow Astana Finance to actively participate in these activities viewed as strategically important.

### **DIVERSIFICATION MAY TAKE ASTANA FINANCE AWAY FROM ITS CORE BUSINESS**

The company is not only striving to be active in financing housing construction, but it also wants to control the entire production cycle including production of construction materials and construction itself. With this aim in mind, a company producing construction materials was set up in 2002, and construction subsidiaries were further developed. These activities may support the bottom line, as Astana Finance gets a margin on both the construction and financing. However, growing involvement in this line of business may dilute Astana Finance's profile as a finance company.

### **THE MOST IMPORTANT BORROWERS ARE SUBSIDIARY REAL ESTATE DEVELOPMENT COMPANIES**

In the future, AF's strategic focus will most likely be on real estate development and mortgage financing. Daughter companies that Astana Finance loans money to should play a central role in this specialised endeavour since they are involved in real estate construction. We also expect to see increased exposures to a company producing construction materials (set up in 2002) in the future.

### *Two subsidiary real estate companies make up nearly half of the loan portfolio*

A substantial portion of related-party exposure on Astana Finance's balance sheet is financing provided to the daughter companies for real estate development in the cities of Astana and Atyrau. Based on Kazakhstani Accounting Standards (KAS), exposure to Astana-Nedvizhimost accounted for 33.3% of the total loan portfolio as of 30 June 2003, down from 37.6% as of year-end 2002; exposure to Atyrau-Nedvizhimost accounted for 10.4% of the total loan portfolio as of 30 June 2003, up from 6.5% as of year-end 2002.

## **Financial Fundamentals**

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### **RETURN TO REPORTING UNDER IFRS ADDS COMFORT BUT REPORTING ON AN ANNUAL BASIS MAY LIMIT FINANCIAL ANALYSIS**

Astana Finance started to prepare its financial statements under International Accounting Standards in 1997. However, after three years of reporting under IAS the decision was made in 2000 to revert to Kazakhstani accounting standards. We view positively the company's return to reporting under IFRS as of year-end 2002, as this move improved the quality of disclosure. However, AF reports under IFRS (consolidated) on an annual basis only, which may limit the extent of financial analysis in periods of rapid growth.

### **ALTHOUGH SOMEWHAT WORSENING, ASSET QUALITY REMAINS ADEQUATE**

According to the information provided by the company the level of non-performing loans (NPLs)<sup>1</sup> remained adequate, although growing somewhat, and stood at 6.8% of gross loans as of 1H 2003, up from 3.7% and 2.7% as of year-ends 2002 and 2001, respectively. Specific provisions covered 61.5% of these loans while the value of collateral exceeded the balance; loan loss provisions covered 5.2% of gross loans as of 1H 2003, up from 3.2% of gross loans in 2002.

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1. *Unsatisfactory, doubtful, and bad exposures.*

### ***A large portion of assets continues to be tied up in fixed assets***

Based on IAS-consolidated accounts, a large portion of AF's assets continues to be tied up in fixed assets – inventory, unfinished construction, investment fixed assets and operating fixed assets made up 50.5% of total assets as of year-end 2002, down from 56.9% in 2001. This indicates the relative importance of the two real-estate subsidiaries in AF's consolidated balance sheet.

Based on KAS, net loans made up 63.9% of total assets as of 1H 2003, down from 71.2% and 70.6% as of year-ends 2002 and 2001, respectively. Fixed and intangible assets made up 13.9% of total assets as of 1H 2003, down from 15.7% and 17.0% as of year-ends 2002 and 2001, respectively.

### **HIGH COSTS HURT PROFITABILITY**

Astana Finance reported a net income of KZT199.6 million (US\$1.3 million) for 2002 (based on IAS consolidated financial statements), up from KZT59.8 million (US\$0.4 million) reported in 2001. Return on average assets grew to 1.5% at the end of 2002, from 0.8% at year-end 2001. The cost-to-income ratio grew to 86.2% in 2002, up from 78.1% in 2001; the main reason for a year-on-year hike in the cost structure was personnel costs and administrative expenses, which increased by 69.8% and 22.4%, respectively, in 2002 and offset a 40.6% year-on-year increase in the operating income.

In Moody's view, AF's cost-to-income ratio remains high, and we believe that better cost control is a precondition for success in the face of growing competition and falling margins. A high level of costs is one of the elements that continue to constrain the performance of Astana Finance.

### ***Income from subsidiaries represents the bulk of AF's operating income***

Income from subsidiaries represents a growing portion of AF's operating income, indicating the growing importance of subsidiaries in the consolidated accounts. Subsidiaries made up 73.1% of the consolidated operating income in 2002, up from 52.3% and 21.7% in 2001 and 2000, respectively.

### **CAPITALISATION REMAINS ADEQUATE**

Astana Finance has maintained a relatively healthy capital base since 1999. The ratio of shareholders' equity to total assets stood at 14.3% and 21.6% at year-ends 2002 and 2001, respectively. AF's capitalisation was further supported by Tier 2 capital; total capital funds funded 29.0% of total assets in 2002, up from 22.0% in 2001. Based on KAS, equity and total capital<sup>2</sup> funded 21.3% and 37.4%, respectively, of total assets as of 1H 2003.

Looking ahead, Moody's believes the City Hall of Astana is committed to keeping Astana Finance financially healthy and would provide additional capital in case of need.

### **GRADUALLY LESSENING DEPENDENCE ON THE CITY FOR FUNDING IS A POSITIVE DEVELOPMENT**

Astana Finance relies on the city and its development programmes for funding its operations. As of 30 June 2003, liabilities of the City Hall of Astana (including the subordinated debt) funded 37.9% of total assets, down from 40.7% as of year-end 2002.

Moody's continues to view funding patterns and the absence of deposits as one of the main challenges facing Astana Finance in the future. In our opinion the gradually lessening reliance on the city for funding is a positive development. AF is also tapping the local bond market, which could further diversify the institution's funding base.

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2. Including subordinated debt worth KZT2.2 billion (US\$15.0 million) provided by the City Hall of Astana.

## Background Information

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### HISTORY

Astana Finance came into existence in its present form in August 1999 when its predecessor, Fund Akmola, was re-registered under the current name of the company. Fund Akmola was established as the Fund for Economic and Social Development of the Astana Special Economic Zone (SEZ). Its main mission was to manage the funds of the SEZ and raise money for the development programmes of the Administrative Council of the municipal government.

### FRANCHISE

As a result of the decision to close the SEZ on 1 January 2001, Astana Finance started its search for a new identity. Being initially fully owned by the city with a unilateral focus on its development turned out to be a mixed blessing. On the one hand Astana Finance has gained substantial experience from acting as the official agent of the City's Administrative Council and participating in a large number of development projects in the city; on the other hand, a limited licence from the National Bank of Kazakhstan and its special mission have prevented Astana Finance from developing a diversified funding base.

### SHAREHOLDER STRUCTURE (As of 30 September 2003):

|                                |        |
|--------------------------------|--------|
| Astana City.....               | 36.08% |
| Saya Group .....               | 27.06% |
| Zhana Aray Co.....             | 11.55% |
| Astana Nedvizhimost Co.* ..... | 9.53%  |
| Other companies.....           | 13.84% |
| Private individuals.....       | 1.94%  |

\* Subsidiary of Astana Finance

## Related Research

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### Banking System Outlook

[Banking System Outlook: Kazakhstan, July 2002 \(# 75318\)](#)

### Banking Statistical Supplement

[Kazakhstan, August 2003 \(# 79018\)](#)

### Rating Methodologies

[Bank Credit Risk in Emerging Markets, July 1999 \(# 46631\)](#)

[Moody's Analytical Framework For Operational Risk Management Of Banks, December 2002 \(# 77083\)](#)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

## Astana Finance

|   | 12/31/02 | 12/31/01 | 12/31/00 | 12/31/99 | 12/31/98 |
|---|----------|----------|----------|----------|----------|
| <b>Summary Balance Sheet (KZT million)</b>    |          |          |          |          |          |
| Cash & Central Bank                           | 20       | 6        | 5        | 7        | 0        |
| Due from Banks                                | 269      | 95       | 459      | 429      | 139      |
| Government Securities                         | —        | —        | —        | —        | —        |
| Trading Securities                            | —        | —        | —        | —        | —        |
| Investment Securities                         | 70       | 61       | 60       | —        | —        |
| Other Liquid Assets                           | —        | —        | —        | —        | —        |
| Gross Loans                                   | 6,801    | 4,452    | 7,577    | 7,836    | 7,605    |
| Loan Loss Reserves (LLR)                      | -266     | -504     | -480     | -514     | -132     |
| Net Loans                                     | 6,535    | 3,947    | 7,097    | 7,322    | 7,473    |
| Equity in Affiliates                          | 188      | 8        | 1,038    | 1,185    | —        |
| Fixed Assets                                  | 1,722    | 619      | 1,436    | 74       | 23       |
| Other Assets                                  | 6,518    | 5,150    | 3,340    | 1,599    | 194      |
| Total Assets                                  | 15,322   | 9,887    | 13,435   | 10,615   | 7,830    |
| Total Assets (US\$ million)                   | 98       | 66       | 93       | 77       | 94       |
| Customer Deposits                             | —        | —        | —        | —        | —        |
| Due to Banks                                  | 842      | 166      | —        | —        | 67       |
| Borrowings                                    | 6,367    | 6,085    | 10,005   | 9,781    | 7,574    |
| Other Liabilities                             | 3,668    | 1,461    | 1,360    | 721      | 86       |
| Total Liabilities                             | 10,876   | 7,712    | 11,365   | 10,502   | 7,727    |
| Subordinated Loan Capital                     | 2,220    | —        | —        | —        | —        |
| Minority Interest                             | 28       | 43       | 6        | —        | —        |
| Supplementary Capital                         | —        | —        | —        | —        | —        |
| Shareholders' Equity                          | 2,197    | 2,132    | 2,063    | 113      | 103      |
| Total Capital Funds                           | 4,445    | 2,175    | 2,070    | 113      | 103      |
| Total Liabilities & Capital Funds             | 15,322   | 9,887    | 13,435   | 10,615   | 7,830    |
| Derivatives - Notional Amount                 | —        | —        | —        | —        | —        |
| Derivatives - Replacement Value               | —        | —        | —        | —        | —        |
| Risk Weighted Assets (RWA)                    | —        | —        | —        | —        | —        |
| Contingent Liabilities                        | 361      | 150      | 1,156    | 1,106    | 25       |
| <b>Summary Income Statement (KZT million)</b> |          |          |          |          |          |
| Interest Income                               | 761      | 471      | 266      | 346      | 59       |
| Interest Expense                              | -361     | -125     | -41      | -230     | -52      |
| Net Interest Income                           | 400      | 346      | 226      | 116      | 7        |
| FX Income                                     | -19      | 21       | 30       | 304      | 120      |
| Trading Income                                | —        | 39       | —        | —        | —        |
| Fees & Commissions                            | 1        | 44       | 12       | 94       | 64       |
| Other Operating Income                        | 82       | 111      | 57       | 167      | 0        |
| Total Non Interest Income                     | 64       | 216      | 99       | 564      | 184      |
| Operating Income                              | 464      | 563      | 325      | 680      | 191      |
| Personnel Expenses                            | -594     | -350     | -232     | -99      | -19      |
| Other Operating Expenses                      | -738     | -533     | -324     | -147     | -17      |
| Operating Funds Flow                          | -868     | -321     | -231     | 434      | 155      |
| Amortisation / Depreciation                   | -94      | -36      | -13      | -5       | -1       |
| Total Non Interest Expense                    | -1,426   | -919     | -569     | -251     | -37      |
| Preprovision Income (PPI)                     | -963     | -356     | -244     | 429      | 154      |
| Loan Loss Provisions Expenses (LLPE)          | 17       | -20      | 39       | -382     | -132     |
| Non Operating Income                          | 1,203    | 593      | 1,883    | —        | 9        |
| Pretax Income                                 | 257      | 217      | 1,678    | 47       | 31       |
| Taxes   | -72      | -123     | -64      | -40      | -31      |
| Net Income                                    | 185      | 93       | 1,614    | 8        | 0        |
| Minority Interests                            | 14       | -33      | 0        | —        | —        |
| Net Income (Group share)                      | 200      | 60       | 1,613    | 8        | 0        |
| Dividends                                     | -194     | —        | —        | —        | —        |
| Transfers to Capital Reserves                 | -6       | -60      | -1,613   | -8       | 0        |
| Other Adjustments                             | —        | —        | —        | —        | —        |

## Astana Finance

|  | 12/31/02 | 12/31/01 | 12/31/00 | 12/31/99 | 12/31/98 |
|--|----------|----------|----------|----------|----------|
| <b>Summary Balance Sheet - Growth (%)</b>    |          |          |          |          |          |
| Cash & Central Bank                          | 246.10   | 5.79     | -17.73   | 2376.49  | —        |
| Due from Banks                               | 181.54   | -79.21   | 6.96     | 207.67   | —        |
| Government Securities                        | —        | —        | —        | —        | —        |
| Trading Securities                           | —        | —        | —        | —        | —        |
| Investment Securities                        | 14.68    | 1.47     | —        | —        | —        |
| Other Liquid Assets                          | —        | —        | —        | —        | —        |
| Gross Loans                                  | 52.78    | -41.25   | -3.30    | 3.04     | —        |
| Loan Loss Reserves (LLR)                     | -47.30   | 4.98     | -6.51    | 289.88   | —        |
| Net Loans                                    | 65.56    | -44.38   | -3.08    | -2.02    | —        |
| Equity in Affiliates                         | 2206.63  | -99.22   | -12.35   | —        | —        |
| Fixed Assets                                 | 178.24   | -56.91   | 1847.26  | 218.97   | —        |
| Other Assets                                 | 26.56    | 54.22    | 108.89   | 724.65   | —        |
| Total Assets                                 | 54.97    | -26.41   | 26.57    | 35.58    | —        |
| Total Assets (US\$)                          | 49.35    | -29.20   | 21.05    | -17.97   | —        |
| Customer Deposits                            | —        | —        | —        | —        | —        |
| Due to Banks                                 | 408.27   | —        | —        | —        | —        |
| Borrowings                                   | 4.63     | -39.18   | 2.29     | 29.14    | —        |
| Other Liabilities                            | 151.08   | 7.40     | 88.71    | 739.40   | —        |
| Total Liabilities                            | 41.04    | -32.15   | 8.22     | 35.92    | —        |
| Subordinated Loan Capital                    | —        | —        | —        | —        | —        |
| Minority Interest                            | -34.49   | 567.61   | —        | —        | —        |
| Supplementary Capital                        | —        | —        | —        | —        | —        |
| Shareholders' Equity                         | 3.04     | 3.34     | 1723.40  | 9.99     | —        |
| Total Capital Funds                          | 104.36   | 5.09     | 1729.07  | 9.99     | —        |
| Total Liabilities & Capital Funds            | 54.97    | -26.41   | 26.57    | 35.58    | —        |
| Derivatives - Notional Amount                | —        | —        | —        | —        | —        |
| Derivatives - Replacement Value              | —        | —        | —        | —        | —        |
| Risk Weighted Assets (RWA)                   | —        | —        | —        | —        | —        |
| Contingent Liabilities                       | 140.15   | -87.01   | 4.56     | 4250.70  | —        |
| <b>Summary Income Statement - Growth (%)</b> |          |          |          |          |          |
| Interest Income                              | 61.52    | 76.98    | -23.01   | 485.79   | —        |
| Interest Expense                             | 189.28   | 206.73   | -82.33   | 341.73   | —        |
| Net Interest Income                          | 15.49    | 53.57    | 95.25    | 1574.54  | —        |
| FX Income                                    | -188.25  | -28.21   | -90.20   | 153.55   | —        |
| Trading Income                               | —        | —        | —        | —        | —        |
| Fees & Commissions                           | -98.21   | 251.64   | -86.65   | 46.44    | —        |
| Other Operating Income                       | -26.55   | 95.33    | -65.80   | 46356.27 | —        |
| Total Non Interest Income                    | -70.51   | 117.65   | -82.40   | 206.44   | —        |
| Operating Income                             | -17.56   | 73.17    | -52.22   | 255.83   | —        |
| Personnel Expenses                           | 69.81    | 50.91    | 135.28   | 427.46   | —        |
| Other Operating Expenses                     | 38.35    | 64.75    | 119.45   | 756.46   | —        |
| Operating Funds Flow                         | 170.77   | 38.98    | -153.17  | 179.61   | —        |
| Amortisation / Depreciation                  | 164.10   | 168.42   | 188.09   | 375.05   | —        |
| Total Non Interest Expense                   | 55.23    | 61.54    | 126.94   | 579.66   | —        |
| Preprovision Income (PPI)                    | 170.10   | 46.05    | -156.85  | 178.37   | —        |
| Loan Loss Provisions Expenses (LLPE)         | -185.65  | -151.67  | -110.13  | 189.88   | —        |
| Non Operating Income                         | 102.85   | -68.51   | —        | —        | —        |
| Pretax Income                                | 18.80    | -87.09   | 3440.55  | 50.49    | —        |
| Taxes  | -41.58   | 92.77    | 61.83    | 25.58    | —        |
| Net Income                                   | 98.71    | -94.22   | 20475.89 | —        | —        |
| Minority Interests                           | -143.07  | 6625.15  | —        | —        | —        |
| Net Income (Group share)                     | 233.84   | -96.29   | 20469.56 | —        | —        |

## Astana Finance

|   | 12/31/02 | 12/31/01 | 12/31/00 | 12/31/99 | 12/31/98 |
|---|----------|----------|----------|----------|----------|
| <b>Balance Sheet - % of Total Assets</b>        |          |          |          |          |          |
| Cash & Central Bank                             | 0.13     | 0.06     | 0.04     | 0.06     | 0.00     |
| Due from Banks                                  | 1.75     | 0.97     | 3.42     | 4.04     | 1.78     |
| Government Securities                           | —        | —        | —        | —        | —        |
| Trading Securities                              | —        | —        | —        | —        | —        |
| Investment Securities                           | 0.46     | 0.62     | 0.45     | —        | —        |
| Other Liquid Assets                             | —        | —        | —        | —        | —        |
| Gross Loans                                     | 44.39    | 45.03    | 56.40    | 73.82    | 97.13    |
| Loan Loss Reserves (LLR)                        | -1.73    | -5.10    | -3.57    | -4.84    | -1.68    |
| Net Loans                                       | 42.65    | 39.93    | 52.82    | 68.98    | 95.44    |
| Equity in Affiliates                            | 1.23     | 0.08     | 7.73     | 11.16    | —        |
| Fixed Assets                                    | 11.24    | 6.26     | 10.69    | 0.69     | 0.30     |
| Other Assets                                    | 42.54    | 52.09    | 24.86    | 15.06    | 2.48     |
| Customer Deposits                               | —        | —        | —        | —        | —        |
| Due to Banks                                    | 5.49     | 1.67     | —        | —        | 0.85     |
| Borrowings                                      | 41.55    | 61.55    | 74.47    | 92.14    | 96.74    |
| Other Liabilities                               | 23.94    | 14.78    | 10.12    | 6.79     | 1.10     |
| Total Liabilities                               | 70.99    | 78.00    | 84.59    | 98.93    | 98.69    |
| Subordinated Loan Capital                       | 14.49    | —        | —        | —        | —        |
| Minority Interest                               | 0.18     | 0.43     | 0.05     | —        | —        |
| Supplementary Capital                           | —        | —        | —        | —        | —        |
| Shareholders' Equity                            | 14.34    | 21.57    | 15.36    | 1.07     | 1.31     |
| Total Capital Funds                             | 29.01    | 22.00    | 15.41    | 1.07     | 1.31     |
| <b>Income Statement - % of Average Assets</b>   |          |          |          |          |          |
| Interest Income                                 | 6.04     | 4.04     | 2.21     | 3.75     | 0.75     |
| Interest Expense                                | -2.86    | -1.07    | -0.34    | -2.50    | -0.67    |
| Net Interest Income                             | 3.17     | 2.97     | 1.88     | 1.25     | 0.09     |
| FX Income                                       | -0.15    | 0.18     | 0.25     | 3.30     | 1.53     |
| Trading Income                                  | —        | 0.34     | —        | —        | —        |
| Fees & Commissions                              | 0.01     | 0.38     | 0.10     | 1.01     | 0.82     |
| Other Operating Income                          | 0.65     | 0.96     | 0.47     | 1.81     | 0.00     |
| Total Non Interest Income                       | 0.51     | 1.85     | 0.83     | 6.12     | 2.35     |
| Operating Income                                | 3.68     | 4.82     | 2.70     | 7.37     | 2.44     |
| Personnel Expenses                              | -4.72    | -3.00    | -1.93    | -1.07    | -0.24    |
| Other Operating Expenses                        | -5.85    | -4.57    | -2.69    | -1.60    | -0.22    |
| Operating Funds Flow                            | -6.89    | -2.75    | -1.92    | 4.70     | 1.98     |
| Amortisation / Depreciation                     | -0.75    | -0.31    | -0.11    | -0.05    | -0.01    |
| Total Non Interest Expense                      | -11.32   | -7.88    | -4.73    | -2.72    | -0.47    |
| Preprovision Income (PPI)                       | -7.64    | -3.06    | -2.03    | 4.65     | 1.97     |
| Loan Loss Provisions Expenses (LLPE)            | 0.14     | -0.17    | 0.32     | -4.14    | -1.68    |
| Non Operating Income                            | 9.54     | 5.09     | 15.66    | —        | 0.12     |
| Pretax Income                                   | 2.04     | 1.86     | 13.95    | 0.51     | 0.40     |
| Taxes   | -0.57    | -1.06    | -0.53    | -0.43    | -0.40    |
| Net Income                                      | 1.47     | 0.80     | 13.42    | 0.09     | —        |
| Minority Interests                              | 0.11     | -0.29    | 0.00     | —        | —        |
| Net Income (Group share)                        | 1.58     | 0.51     | 13.42    | 0.09     | —        |
| <b>Income Statement - % of Operating Income</b> |          |          |          |          |          |
| Interest Income                                 | 164.09   | 83.75    | 81.95    | 50.86    | 30.89    |
| Interest Expense                                | -77.84   | -22.18   | -12.52   | -33.87   | -27.28   |
| Net Interest Income                             | 86.25    | 61.57    | 69.43    | 16.99    | 3.61     |
| FX Income                                       | -4.07    | 3.80     | 9.17     | 44.72    | 62.76    |
| Trading Income                                  | —        | 7.01     | —        | —        | —        |
| Fees & Commissions                              | 0.17     | 7.81     | 3.85     | 13.77    | 33.45    |
| Other Operating Income                          | 17.65    | 19.81    | 17.56    | 24.53    | 0.19     |
| Total Non Interest Income                       | 13.75    | 38.43    | 30.57    | 83.01    | 96.39    |
| Operating Income                                | 100.00   | 100.00   | 100.00   | 100.00   | 100.00   |
| Personnel Expenses                              | -128.18  | -62.23   | -71.41   | -14.50   | -9.78    |
| Other Operating Expenses                        | -159.03  | -94.77   | -99.61   | -21.69   | -9.01    |
| Operating Funds Flow                            | -187.21  | -57.00   | -71.02   | 63.81    | 81.21    |
| Amortisation / Depreciation                     | -20.38   | -6.36    | -4.10    | -0.68    | -0.51    |
| Total Non Interest Expense                      | -307.58  | -163.36  | -175.12  | -36.87   | -19.30   |
| Preprovision Income (PPI)                       | -207.58  | -63.36   | -75.12   | 63.13    | 80.70    |
| Loan Loss Provisions Expenses (LLPE)            | 3.69     | -3.55    | 11.91    | -56.16   | -68.94   |
| Non Operating Income                            | 259.38   | 105.42   | 579.75   | —        | 4.72     |
| Pretax Income                                   | 55.49    | 38.50    | 516.54   | 6.97     | 16.48    |
| Taxes   | -15.54   | -21.93   | -19.70   | -5.82    | -16.48   |
| Net Income                                      | 39.94    | 16.57    | 496.84   | 1.15     | —        |
| Minority Interests                              | 3.10     | -5.94    | -0.15    | —        | —        |
| Net Income (Group share)                        | 43.05    | 10.63    | 496.68   | 1.15     | —        |

# Astana Finance

|  | 12/31/02 | 12/31/01 | 12/31/00 | 12/31/99 | 12/31/98 |
|--|----------|----------|----------|----------|----------|
| <b>Profitability Indicators</b>                                      |          |          |          |          |          |
| Return on Average Assets (%)   | 1.47     | 0.80     | 13.42    | 0.09     | —        |
| Return on Shareholder's Equity - period end (%)                      | 9.09     | 2.80     | 78.19    | 6.93     | —        |
| Recurring Earning Power <sup>[1]</sup>                               | -7.64    | -3.06    | -2.03    | 4.65     | 1.97     |
| PPI (%) Avg Total Capital Funds                                      | -29.08   | -16.79   | -22.36   | 397.36   | 149.88   |
| Interest Expense (%) Interest Income                                 | 47.44    | 26.49    | 15.28    | 66.60    | 88.31    |
| Interest Income (%) Avg Interest Earning Assets <sup>[2]</sup>       | 12.96    | 7.42     | 3.25     | 4.32     | 0.76     |
| Interest Expense (%) Avg Interest Bearing Liabilities <sup>[3]</sup> | 4.60     | 1.54     | 0.41     | 2.64     | 0.68     |
| Net Spread (%) <sup>[4]</sup>  | 8.35     | 5.88     | 2.84     | 1.68     | 0.08     |
| Net Interest Margin (%) <sup>[5]</sup>                               | 6.81     | 5.45     | 2.76     | 1.44     | 0.09     |
| Non-Interest Income (%) Operating income                             | 13.75    | 38.43    | 30.57    | 83.01    | 96.39    |
| Income Tax (%) Pre-tax Income  | 28.01    | 56.96    | 3.81     | 83.45    | 100.00   |
| <b>Efficiency Indicators</b>   |          |          |          |          |          |
| Non Interest Expense (%) Avg Assets                                  | 11.32    | 7.88     | 4.73     | 2.72     | 0.47     |
| Cost to Income Ratio (%) <sup>[6]</sup>                              | 307.58   | 163.36   | 175.12   | 36.87    | 19.30    |
| Personnel Expenses (%) Avg Assets                                    | 4.72     | 3.00     | 1.93     | 1.07     | 0.24     |
| Personnel Expenses (%) Operating Income                              | 128.18   | 62.23    | 71.41    | 14.50    | 9.78     |
| Personnel Expenses (%) Non Interest Expense                          | 41.67    | 38.09    | 40.77    | 39.33    | 50.68    |
| <b>Liquidity Indicators</b>  |          |          |          |          |          |
| Net Loans (%) Customer Deposits                                      | —        | —        | —        | —        | —        |
| Net Loans (%) Total Deposits <sup>[7]</sup>                          | 776.49   | 2383.84  | —        | —        | 11202.80 |
| Average Net Loans (%) Average Customer Deposits                      | —        | —        | —        | —        | —        |
| Average Net Loans (%) Average Assets                                 | 41.58    | 47.35    | 59.95    | 80.21    | 95.44    |
| Liquid Assets (%) Total Assets <sup>[8]</sup>                        | 1.88     | 1.02     | 3.46     | 4.11     | 1.78     |
| Customer Deposits (%) Total Deposits                                 | —        | —        | —        | —        | —        |
| Customer Deposits / Shareholders' Equity (Times)                     | —        | —        | —        | —        | —        |
| Due from Banks (%) Due to Banks                                      | 31.92    | 57.63    | —        | —        | 209.11   |
| <b>Loan Portfolio Quality Indicators</b>                             |          |          |          |          |          |
| Problem Loans (%) Gross Loans  | —        | —        | —        | —        | —        |
| Problem Loans (%) (Shareholders' Equity + LLR)                       | —        | —        | —        | —        | —        |
| (Problem Loans - LLR) (%) Shareholders' Equity                       | -12.09   | -23.64   | -23.27   | -453.84  | -128.04  |
| Loan Loss Reserve (%) Gross Loans                                    | 3.91     | 11.32    | 6.34     | 6.55     | 1.73     |
| Loan Loss Provision Expenses (%) Preprovision Income                 | 1.78     | -5.61    | 15.86    | 88.96    | 85.43    |
| LLP (%) (Loan Loss Reserve - LLP)                                    | -6.06    | 4.13     | -7.46    | 289.88   | —        |
| Loan Loss Provision Expenses (%) Gross Loans                         | -0.25    | 0.45     | -0.51    | 4.87     | 1.73     |
| Preprovision Income (%) Net Loans                                    | -14.73   | -9.03    | -3.44    | 5.86     | 2.06     |
| Shareholders' Equity (%) Net Loans                                   | 33.62    | 54.02    | 29.08    | 1.55     | 1.38     |
| Loans to Related Cos. (%) Gross Loans                                | 1.50     | 7.00     | 66.94    | 47.27    | 85.82    |
| <b>Capitalization Indicators</b>                                     |          |          |          |          |          |
| Tier 1 ratio (%)   | —        | —        | —        | —        | —        |
| Shareholders' Equity (%) Total Assets                                | 14.34    | 21.57    | 15.36    | 1.07     | 1.31     |
| Shareholders' Equity (%) T. Assets + Contingent Liabilities          | 14.01    | 21.25    | 14.14    | 0.97     | 1.31     |
| Total Capital funds (%) Total Assets                                 | 29.01    | 22.00    | 15.41    | 1.07     | 1.31     |
| Total Capital (%) T. Assets + Contingent Liabilities                 | 28.35    | 21.67    | 14.19    | 0.97     | 1.31     |
| Shareholders' Equity (%) Total Capital funds                         | 49.43    | 98.03    | 99.69    | 100.00   | 100.00   |
| Contingent Liabilities (%) Total Assets                              | 2.35     | 1.52     | 8.60     | 10.42    | 0.32     |
| "Free" Capital (%) Shareholders' Equity <sup>[9]</sup>               | 13.09    | 70.60    | -19.92   | -1012.18 | 77.53    |
| Dividend Payout (%) <sup>[10]</sup>                                  | 104.56   | —        | —        | —        | —        |
| Internal Capital Growth (%) <sup>[11]</sup>                          | -0.40    | 4.52     | 1426.20  | 7.62     | —        |

[1] Recurring Earning Power = Preprovision Income (%) Average Total Assets.

[2] Interest Earning Assets = Central Bank + Due from Banks + Government Securities + Trading Securities + Investment Securities + Gross Loans.

[3] Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital.

[4] Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities.

[5] Net interest margin = Net Interest Income (%) Average Earning Assets.

[6] Cost to Income Ratio = Total non interest expense (%) Operating income.

[7] Total deposits = Customer deposits + Due to banks.

[8] Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets.

[9] Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates.

[10] Dividend Payout = Dividends (%) Net Income.

[11] Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity.

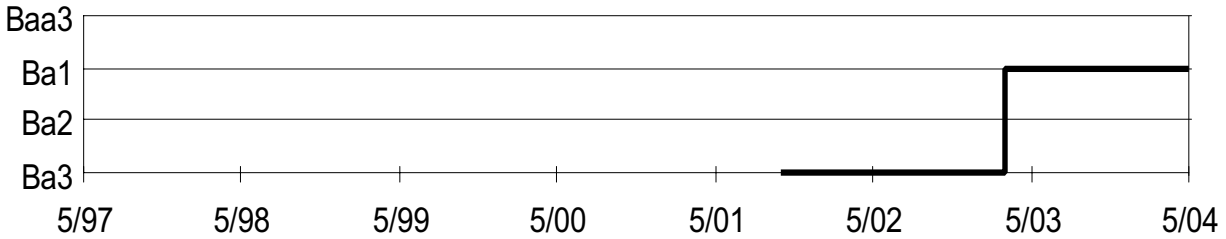
| <b>Description</b>    | <b>Coupon (%)</b> | <b>Currency</b> | <b>Face Amount (mil)</b> | <b>Maturity</b> | <b>Moody's Rating</b> |
|-----------------------|-------------------|-----------------|--------------------------|-----------------|-----------------------|
| <b>Astana Finance</b> |                   |                 |                          |                 |                       |
| Issuer Rating         | —                 | —               | —                        | —               | Ba1                   |

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## Rating History

## Issuer Rating



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