

JSC KazInvestBank
Financial Statements

December 31, 2004
Together with Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of JSC KazInvestBank –

We have audited the accompanying balance sheet of JSC KazInvestBank (the “Bank”) as of December 31, 2004 and the related statements of income, changes in shareholders’ equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bank for the year ended December 31, 2003, were audited by other auditors whose report dated March 5, 2004 expressed an unqualified opinion on those financial statements with an emphasis of matter with respect to the concentration in the loan portfolio and amounts due to customers, which are discussed in Notes 9 and 14 to the accompanying financial statements, respectively.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank at December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Notes 9 and 14 which disclose the concentrations in commercial loans and amounts due to customers, respectively.

March 5, 2005

BALANCE SHEETS**(Thousands of Kazakh Tenge)**

| | <i>Notes</i> | <i>December 31,</i> | |
|---------------------------------------------------|--------------|---------------------|------------------|
| | | <i>2004</i> | <i>2003</i> |
| Assets | | | |
| Cash and cash equivalents | 4 | 2,239,552 | 95,964 |
| Obligatory reserves | 5 | 99,664 | 55 |
| Amounts due from credit institutions | 6 | 431,665 | – |
| Trading securities | 7 | 103,974 | – |
| Investment securities held-to-maturity | 8 | 1,608,352 | – |
| Commercial loans | 9 | 3,200,157 | 972,999 |
| Premises and equipment | 11 | 659,747 | 85,532 |
| Tax assets | 12 | 35,122 | 4,094 |
| Other assets | | 210,536 | 23,847 |
| Total assets | | 8,588,769 | 1,182,491 |
| Liabilities | | | |
| Amounts due to credit institutions | 13 | 4,299,221 | 12,582 |
| Amounts due to customers | 14 | 2,775,087 | 108,666 |
| Tax liabilities | 12 | – | 169 |
| Other liabilities | | 5,502 | 4,360 |
| Total liabilities | | 7,079,810 | 125,777 |
| Shareholders' equity: | | | |
| Share capital | 15 | 1,450,000 | 1,000,000 |
| Reserves | | 56,714 | 73,769 |
| Retained earnings/(Accumulated deficit) | | 2,245 | (17,055) |
| Total shareholders' equity | | 1,508,959 | 1,056,714 |
| Total liabilities and shareholders' equity | | 8,588,769 | 1,182,491 |
| Financial commitments and contingencies | 16 | | |

Signed and authorized for release on behalf of the Board of the Bank

Adnan Alli Agha

Chairman of the Board

Natalya Yagina

Deputy Chief Accountant

March 5, 2005

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

STATEMENTS OF INCOME**(Thousands of Kazakh Tenge, except per share amounts)**

| | <i>Notes</i> | <i>Years ended December 31,</i> | |
|-----------------------------------------------------------------|--------------|-------------------------------------|----------------------|
| | | <i>2004</i> | <i>2003</i> |
| Interest income | | | |
| Loans | | 385,196 | 105,982 |
| Securities | | 58,279 | – |
| Credit institutions | | 10,352 | 11,772 |
| | | <u>453,827</u> | <u>117,754</u> |
| Interest expense | | | |
| Deposits from customers | | (148,825) | (12,759) |
| Deposits and loans from credit institutions | | (30,523) | (5,943) |
| | | <u>(179,348)</u> | <u>(18,702)</u> |
| Net interest income | | 274,479 | 99,052 |
| (Charge for)/ reversal of impairment of interest earning assets | 10 | (43,695) | 110,336 |
| | | <u>230,784</u> | <u>209,388</u> |
| Fee and commission income | 17 | 72,825 | 376 |
| Fee and commission expense | | (5,995) | (1,733) |
| Fees and commissions | | <u>66,830</u> | <u>(1,357)</u> |
| Gains less losses from foreign currencies: | | | |
| - dealing | | 23,569 | (441) |
| - translation differences | | (1,545) | (9,621) |
| Other income | | 11,678 | 16,167 |
| Non interest income | | <u>33,702</u> | <u>6,105</u> |
| Salaries and benefits | 18 | (181,699) | (44,894) |
| Administrative and operating expenses | 18 | (117,381) | (48,689) |
| Depreciation and amortization | 11 | (13,347) | (3,855) |
| Other impairment and provisions | 10 | (10,864) | (17,866) |
| Non interest expense | | <u>(323,291)</u> | <u>(115,304)</u> |
| Income before income tax expenses | | 8,025 | 98,832 |
| Income tax expense | 12 | (5,780) | (21,622) |
| Net income | | <u><u>2,245</u></u> | <u><u>77,210</u></u> |
| Earnings per share (Tenge) | 19 | 1.83 | 77.21 |

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Kazakh Tenge)

| | <i>Share capital</i> | <i>Reserves</i> | <i>Retained earnings (Accumulated deficit)</i> | <i>Total</i> |
|-----------------------------|----------------------|-----------------|----------------------------------------------------|------------------|
| At December 31, 2002 | 1,000,000 | 73,769 | (94,265) | 979,504 |
| Net income | - | - | 77,210 | 77,210 |
| At December 31, 2003 | 1,000,000 | 73,769 | (17,055) | 1,056,714 |
| Shares issued | 450,000 | - | - | 450,000 |
| Transfers | - | (17,055) | 17,055 | - |
| Net income | - | - | 2,245 | 2,245 |
| At December 31, 2004 | 1,450,000 | 56,714 | 2,245 | 1,508,959 |

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS**(Thousands of Kazakh Tenge)**

| | <i>Years ended December 31,</i> | |
|--------------------------------------------------------------------------------|---------------------------------|-----------------|
| | <i>2004</i> | <i>2003</i> |
| Cash flows from operating activities: | | |
| Interest received | 427,478 | 255,241 |
| Interest paid | (120,582) | (12,692) |
| Fee and commission received | 72,825 | 376 |
| Fee and commission paid | (5,995) | (1,733) |
| Other operating income received | 33,702 | 15,807 |
| Operating expenses paid | (299,080) | (85,896) |
| Operating income before changes in net operating assets and liabilities | 108,348 | 171,103 |
| (Increase) decrease in operating assets: | | |
| Obligatory reserves | (99,609) | 113 |
| Trading securities | (103,640) | - |
| Commercial loans | (2,250,442) | (239,722) |
| Due from other banks and financial institutions | (431,665) | 159,864 |
| Other assets | (199,146) | 10,825 |
| Increase (decrease) in operating liabilities: | | |
| Amounts due to credit institutions | 4,273,363 | (47,850) |
| Amounts due to customers | 2,620,931 | 75,502 |
| Other liabilities | 1,142 | (253) |
| Net cash flows provided by operating activities | 3,919,282 | 129,582 |
| Income tax paid | (36,977) | (9,499) |
| Net cash flows from operating activities | 3,882,305 | 120,083 |
| Cash flows from investing activities: | | |
| Purchases of premises and equipment | (650,953) | (16,585) |
| Proceeds from disposal of premises and equipment | 64,984 | 560 |
| Purchase of held-to-maturity securities | (1,602,748) | - |
| Net cash flows used in investing activities | (2,188,717) | (16,025) |
| Cash flows from financing activities: | | |
| Issue of ordinary shares | 450,000 | - |
| Repayment of other borrowed funds | - | (27,621) |
| Net cash flows provided by (used in) financing activities | 450,000 | (27,621) |
| Net change in cash and cash equivalents | 2,143,588 | 76,437 |
| Cash and cash equivalents at the beginning of year | 95,964 | 19,527 |
| Cash and cash equivalents at the end of year (Note 4) | 2,239,552 | 95,964 |

The accompanying notes on pages 5 to 21 are an integral part of these financial statements.

(Thousands of Kazakh Tenge)

1. Principal Activities

KazInvestBank (“the Bank”) was established by the Ministry of Finance of the Republic of Kazakhstan and Chase Manhattan Bank in September 1993. In May 1995 Chase Manhattan Bank sold their shares to the Government of the Republic of Kazakhstan. During 1995 the Government of the Republic of Kazakhstan sold their shares to private investors and the Bank is currently privately owned. In January 2004, the Bank was renamed from OJSC Kazakhstan International Bank to JSC KazInvestBank and was reregistered with the state authorities.

The Bank accepts deposits from the public and extends credit, exchanges currencies and provides banking services to its commercial and retail customers. The Bank’s registered legal address is 29 D Satpaev Avenue, Almaty, Republic of Kazakhstan.

The Bank’s head office is in Almaty. At December 31, 2004 and December 31, 2003 the Bank had two branches located in Astana and Aktobe. At December 31, 2004 and December 31, 2003 the Bank had 59 and 28 employees, respectively.

The following is a list of the Bank’s shareholders as of December 31, 2004:

| Shareholder | 2004 | 2003 |
|-----------------------------------|----------------|----------------|
| Nurlan Kapparov | 62.50% | 15.92% |
| Berik Kaniev | 13.20% | 15.92% |
| Yuriy Pak | 11.00% | 15.92% |
| JSC Pana Insurance | 10.20% | 34.64% |
| LLP First Independent Registrator | 3.10% | 4.51% |
| LLP Kokjide Munai | - | 9.87% |
| Erkanat Kusainov | - | 3.22% |
| | 100.00% | 100.00% |

2. Basis of Preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards (“IAS”) and Standing Interpretations Committee interpretations (“SIC”) approved by the International Accounting Standards Committee that remain in effect. These financial statements are presented in thousands of Kazakhstani Tenge (“KZT”). The KZT is utilized as the shareholders, the managers and the regulators measure the Bank’s performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Bank. Transactions in other currencies are treated as transactions in foreign currencies.

The financial statements are prepared under the historical cost convention modified for the measurement at fair value of trading securities.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. The primary estimates, which relate to the allowance for loan losses, deferred taxes, depreciation of property and equipment and the carrying value of investments, are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

The KZT is not a fully convertible currency outside the Republic of Kazakhstan. Transactions denominated in foreign currencies are recorded using the market exchange rates quoted by the Kazakhstani Stock exchange (KASE). The market exchange rates at December 31, 2004 and 2003 were KZT 130 = 1 US Dollar (“USD”) and KZT 144.22 = USD 1, respectively. At March 5, 2005, the market exchange rate was KZT 130.01 = USD 1.

(Thousands of Kazakh Tenge)

Recently issued International Financial Reporting Standards

Effective for financial years starting on or after January 1, 2005, IFRS 2 “Share-based Payment”, IFRS 4 “Insurance Contracts”, IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as well as fifteen revised IASs are enacted. The Bank has not determined the effect of the application of new standards on its financial statements. However, the impact of the application of the new standards on the Bank’s financial statements is not expected to be material.

Revised IAS 32 and 39

In December 2003, the International Accounting Standards Board (IASB) issued revised IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement. Both standards are effective for financial years beginning on or after January 1, 2005, with earlier application of both standards together being permitted. Together, the two standards provide comprehensive guidance on recognition, measurement, presentation and disclosure of financial instruments. The standards are to be applied retrospectively, with the exception of portions of the guidance relating to de-recognition of financial assets and liabilities, which is to be applied prospectively. The Bank decided to adopt these revised standards as of January 1, 2005. Therefore, comparative prior years 2004 and 2003 presented in the 2005 financial statements will need to be restated as if the revised standards had always been in effect. The impact, if any, from the newly issued accounting guidance is currently not expected to be material to the Bank.

3. Summary of Significant Accounting Policies

Recognition of Financial Instruments

The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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. Any gain or loss at initial recognition is recognized in the current period’s income statement. 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 are recognized and measured at the fair value of consideration received. Cash and cash equivalents consist of cash on hand, amounts due from the NBK, excluding obligatory reserves, and due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Trading Securities

Securities purchased principally for the purpose of generating a profit from short-term fluctuations in price or dealers’ margin are classified as trading securities. Trading securities are initially recognized under the policy for financial instruments and are subsequently measured at fair value, based on market values as of the balance sheet date. Realized and unrealized gains and losses resulting from operations with trading securities are recognized in the statement of income as gains less losses from trading securities. Interest earned on trading securities is reported as interest income.

In determining estimated fair value, securities are valued at the last trade price if quoted on an exchange, or the last bid price if traded over-the-counter. When 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 objective and reliable management’s estimates of the amounts that can be realized.

Investment securities

Starting from January 1, 2004 the Bank started to maintain investment securities in a held - to - maturity portfolio. The Bank classifies investment securities depending upon the intent of management at the time of the purchase.

(Thousands of Kazakh Tenge)

Investment securities held-to-maturity are initially recognized in accordance with the policy stated above and subsequently re-measured at amortized cost using the effective interest method. An allowance for impairment is estimated on a case-by-case basis.

The Bank classifies its investment securities into held-to-maturities securities as these securities are with fixed maturities and fixed or determinable payments, and Management has both the positive intent and the ability to hold them to maturity.

Amounts Due from Credit Institutions

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

Repurchase and Reverse Repurchase Agreements

Repurchase and reverse repurchase agreements are utilized by the Bank as an element of its treasury management and trading business. These agreements are accounted for as financing transactions.

Securities sold under repurchase agreements are accounted for as trading securities and funds received under these agreements are included in amounts due to credit institutions or amounts due to customers. Securities purchased under agreements to resell ('reverse repos') are recorded as amounts due from credit institutions or as loans to customers.

Securities purchased under reverse repurchase agreements are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in gains less losses from trading securities. The obligation to return them is recorded at fair value as a trading liability.

Any related income or expense arising from the pricing spreads of the underlying securities is recognized as interest income or expense, accrued using the effective interest method, during the period that the related transactions are open.

Loans to Customers

Loans granted by the Bank by providing funds directly to the borrower are categorized as loans originated by the Bank and are initially recorded in accordance with the recognition of financial instruments policy. The difference between the nominal amount of consideration given and the fair value of loans issued at other than market terms is recognized in the period the loan is issued as initial recognition of loans to customers at fair value in income statement. Loans to customers with fixed maturities are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for impairment.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

(Thousands of Kazakh Tenge)

- except where the deferred income tax asset relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting profit nor taxable profit nor loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The Republic of Kazakhstan also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component in the statement of income.

Allowances for Impairment of Financial Assets

The Bank establishes allowances for impairment of 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 the related loans issued, held-to-maturity securities and other financial assets, which are carried at cost and amortized cost. The allowances for impairment of financial assets are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument. For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Bank expects to realize the financial instrument.

The allowances are based on the Bank's own loss experience and management's judgment as to the level of losses that will most likely be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for impairment of financial assets in the accompanying financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Changes in allowances are reported in the statement of income of the related period. When a loan is not collectable, it is written off against the related allowance for impairment; if the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the related allowance is credited to the related impairment of financial assets in the statement of income.

Premises and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation of assets under construction and those not placed in service commences from the date the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

| | Years |
|-------------------------------|-------|
| Premises | 50 |
| Office and computer equipment | 3-6 |
| Motor vehicles | 10 |

Leasehold improvements are amortized over the life of the related leased asset. The carrying amounts of property and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down. An impairment is recognized in the respective period and is included in administrative and operating expenses.

Costs related to repairs and renewals are charged when incurred and included in administrative and operating expenses, unless they qualify for capitalization.

*(Thousands of Kazakh Tenge)***Amounts Due to Credit Institutions and to Customers**

Amounts due to credit institutions and to customers are initially recorded in accordance with recognition of financial instruments policy. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognized in net interest income.

Provisions

Provisions are recognized when the Bank 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.

Retirement and Other Benefit Obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share Capital

Share capital, additional paid-in capital and treasury stock are recognized at the fair value of consideration received or paid. Purchases of treasury stock are recorded at nominal value with any premium or discount recorded in additional paid in capital. Gains and losses on sales of treasury stock are charged or credited to additional paid-in capital.

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 as a reduction in shareholders' equity in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Income and Expense Recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. The recognition of contractual interest income is suspended when interest become overdue by more than thirty days. Commissions and other income are recognized when the related transactions are completed.

Foreign Currency Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into KZT at market exchange rates at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of income as gains less losses from foreign currencies (translation differences).

Reclassifications

The following reclassifications have been made to 2003 balances to conform to the 2004 presentation.

| <i>Amount</i> | <i>Previously reported</i> | <i>As reclassified</i> | <i>Comment</i> |
|---------------|----------------------------|------------------------|----------------------------------|
| 55 | Cash and cash equivalents | Obligatory reserves | To conform the 2004 presentation |
| 169 | Other liabilities | Tax liabilities | To conform the 2004 presentation |

(Thousands of Kazakh Tenge)

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

| | <u>2004</u> | <u>2003</u> |
|-----------------------------------------|-------------------------|----------------------|
| Reverse REPO | 1,100,000 | – |
| Correspondent accounts with other banks | 1,013,337 | 1,862 |
| Time deposits with the NBK | 120,250 | – |
| Cash on hand | 5,965 | – |
| Correspondent account with the NBK | – | 94,102 |
| Cash and cash equivalents | <u><u>2,239,552</u></u> | <u><u>95,964</u></u> |

At December 31, 2004, four banks accounted for 50.58% of total cash and cash equivalents and represented 75.07% of the Bank's total shareholders' equity. At December 31, 2003, one bank accounted for 98.06% of total cash and cash equivalents and represented 8.90% of the Bank's total shareholders' equity.

At December 31, 2004, the Bank had reverse repurchase agreements outstanding with local banks in connection with the repurchase of Notes of the National Bank Kazakhstan with fair value at December 31, 2004 of KZT 1,100,000 carrying interest at 1.49% per annum and maturing on January 05, 2005. This deal was closed on the agreed date.

5. Obligatory Reserves

Obligatory reserves represent a balance in the correspondent account with the NBK allocated as obligatory reserves.

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either non-interest bearing deposits with NBK or in physical cash and maintained based on average monthly balances of the aggregate of deposits with NBK and physical cash. The use of such funds is, therefore, subject to certain restrictions.

6. Amounts Due from Credit Institutions

Amounts due from credit institutions at December 31 comprise:

| | <u>2004</u> | <u>2003</u> |
|---------------------------------------------|-----------------------|-----------------|
| Due from Kazakh banks | 416,144 | – |
| Loans to local credit institutions | 15,521 | – |
| Amounts due from credit institutions | <u><u>431,665</u></u> | <u><u>–</u></u> |

At December 31, 2004 due from Kazakh banks carried interest at 12.50% per annum and mature in June 2005.

At December 31, 2004, the annual interest rate earned by the Bank on loans to local credit institutions was 14.00%. The loans mature in 2010.

7. Trading Securities

Trading securities consisted of the following at December 31:

| | <u>2004</u> | <u>2003</u> |
|-------------------------------------------|-----------------------|-----------------|
| Treasury bills of the Ministry of Finance | 103,974 | – |
| Trading securities | <u><u>103,974</u></u> | <u><u>–</u></u> |

Interest rates and maturity of trading securities follow:

| | <u>2004</u> | | <u>2003</u> | |
|-------------------------------------------|-------------|----------|-------------|----------|
| | % | Maturity | % | Maturity |
| Treasury bills of the Ministry of Finance | 6.09 | 2008 | – | – |

(Thousands of Kazakh Tenge)

8. Investment Securities

Held-to-maturity investment securities comprise:

| | <i>December 31, 2004</i> | | <i>December 31, 2003</i> | |
|-----------------------------------------------|--------------------------|----------------------|--------------------------|----------------------|
| | <i>Carrying value</i> | <i>Nominal value</i> | <i>Carrying value</i> | <i>Nominal value</i> |
| Notes of the NBK | 1,010,901 | 1,021,900 | – | – |
| Treasury bills of the Ministry of Finance | 597,451 | 591,100 | – | – |
| Held-to-maturity investment securities | 1,608,352 | 1,613,000 | – | – |
| Subject to repurchase agreements | 1,250,275 | 1,349,583 | – | – |

Interest rates and maturity of these securities follow:

| | <i>2004</i> | |
|-------------------------------------------|-------------|-----------------|
| | <i>%</i> | <i>Maturity</i> |
| Notes of the NBK | 5.60– 6.09 | 2006-2010 |
| Treasury bills of the Ministry of Finance | 3.25– 5.05 | 2005 |

9. Commercial Loans

Commercial loans comprise:

| | <i>2004</i> | <i>2003</i> |
|----------------------------------|------------------|----------------|
| Commercial loans | 3,324,465 | 1,133,464 |
| Less – allowances for impairment | (124,308) | (160,465) |
| Trading securities | 3,200,157 | 972,999 |

The Bank's commercial loans portfolio is concentrated in the following main sectors:

| | <i>2004</i> | <i>%</i> | <i>2003</i> | <i>%</i> |
|------------------------------------|------------------|------------|------------------|------------|
| Wholesale trading | 1,617,345 | 49 | 267,370 | 24 |
| Retail trading | 406,228 | 11 | – | – |
| Realty operations | 278,109 | 8 | – | – |
| Individuals | 210,411 | 6 | 12,142 | 1 |
| Oil and Gas industry | 166,000 | 5 | 250,000 | 21 |
| Food industry | 122,693 | 4 | – | – |
| Production machinery and equipment | 120,047 | 4 | – | – |
| Construction | 102,185 | 3 | – | – |
| Transportation | 89,694 | 2 | – | – |
| Metallurgy | 76,297 | 2 | – | – |
| Communication | 78,582 | 2 | 42,243 | 4 |
| Entertainment | 32,234 | 1 | – | – |
| Hospitality | 16,712 | 1 | – | – |
| Agriculture | 91 | 1 | 419,549 | 37 |
| Mining | – | – | 27,304 | 2 |
| Leasing | – | – | 102,556 | 10 |
| Other | 7,837 | 1 | 12,300 | 1 |
| Commercial loans | 3,324,465 | 100 | 1,133,464 | 100 |

At December 31, 2004, the largest five borrowers accounted for 40.58% of the Bank's gross commercial loans (2003 - 88%).

The commercial loans were analyzed as follows at December 31:

| | <i>2004</i> | <i>2003</i> |
|-------------------------|------------------|------------------|
| Commercial entities | 3,114,054 | 1,121,322 |
| Individuals | 210,411 | 12,142 |
| Commercial loans | 3,324,465 | 1,133,464 |

*(Thousands of Kazakh Tenge)***10. Allowance for Impairment and Provisions**

The movements on the allowance for impairment of loans were as follows:

| | <i>Loans to customers</i> |
|--------------------------|---------------------------|
| December 31, 2002 | 239,267 |
| Reversal | (110,336) |
| Recoveries | 31,534 |
| December 31, 2003 | 160,465 |
| Charge | 43,695 |
| Write-offs | (79,852) |
| December 31, 2004 | 124,308 |

The movements on the allowance for impairment of other assets were as follows:

| | <i>Other assets</i> |
|--------------------------|---------------------|
| December 31, 2002 | 2,508 |
| Charge | 17,866 |
| December 31, 2003 | 20,374 |
| Charge | 10,864 |
| Write-offs | (31,238) |
| December 31, 2004 | - |

11. Premises and Equipment

The movements on the Bank's premises and equipment during the year were as follows:

| <i>Cost</i> | <i>Land</i> | <i>Vehicles</i> | <i>Computers and office equipment</i> | <i>Construction in progress</i> | <i>Total 2004</i> |
|---------------------------------|-------------|-----------------|---------------------------------------|---------------------------------|-------------------|
| At December 31, 2003 | 66,000 | 13,443 | 24,965 | - | 104,408 |
| Additions | - | 10,876 | 124,130 | 515,947 | 650,953 |
| Disposals | (66,000) | - | (8,429) | - | (74,429) |
| At December 31, 2004 | - | 24,319 | 140,666 | 515,947 | 680,932 |
| Accumulated Depreciation | | | | | |
| At December 31, 2003 | - | 5,976 | 12,900 | - | 18,876 |
| Charge | - | 1,957 | 9,797 | - | 11,754 |
| Disposals | - | - | (9,445) | - | (9,445) |
| At December 31, 2004 | - | 7,933 | 13,252 | - | 21,185 |
| At December 31, 2004 | - | 16,386 | 127,414 | 515,947 | 659,747 |
| At December 31, 2003 | 66,000 | 7,467 | 12,065 | - | 85,532 |

Depreciation and amortization in the statements of income also include amortization of intangible assets of KZT 1,593 for 2004.

(Thousands of Kazakh Tenge)

12. Income Taxes

The Republic of Kazakhstan was the only tax jurisdiction in which the Bank's income is taxable. The components of income tax expense were as follows for the years ended December 31:

| | <i>2004</i> | <i>2003</i> |
|---------------------------|-----------------|-------------|
| Current tax | 19,496 | 6,982 |
| Deferred tax | (13,716) | 14,640 |
| Income tax expense | 5,780 | 21,622 |

Tax assets consist of the following:

| | <i>2004</i> | <i>2003</i> |
|---------------------------|---------------|-------------|
| Prepayment of current tax | 17,312 | – |
| Deferred tax | 17,810 | 4,094 |
| Tax assets | 35,122 | 4,094 |

As of December 31, 2004, the Bank did not have any current tax liabilities (2003 – 169).

Deferred tax assets as of December 31 comprise:

| | <i>2004</i> | <i>2003</i> |
|----------------------------|---------------|-------------|
| Allowance for impairment | 10,457 | – |
| Property and equipment | 6,574 | 4,094 |
| Other | 779 | – |
| Deferred tax assets | 17,810 | 4,094 |

A reconciliation between the provision for income taxes in the accompanying financial statements and income before taxes multiplied by the statutory tax rate of 30% for the years ended December 31 is as follows:

| | <i>2004</i> | <i>2003</i> |
|-----------------------------------------------------------------------|-----------------|-------------|
| IFRS income before tax | 8,025 | 98,832 |
| Statutory income tax | 30% | 30% |
| Income tax computed at the statutory tax rate | 2,407 | 29,650 |
| Tax exempt income: | | |
| Government securities | (13,812) | – |
| Non deductible expenses: | | |
| Impairment on loans | 4,287 | 9,029 |
| Advertising expenses | 4,335 | – |
| Other expenses | 8,563 | 2,695 |
| Movement in un-recognized deferred tax assets on losses carry forward | – | (19,752) |
| Income tax expense | 5,780 | 21,622 |

Kazakhstan currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, income tax, a number of turnover-based taxes, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

(Thousands of Kazakh Tenge)

13. Amounts due to Credit Institutions

Amounts due to credit institutions consisted of the following at December 31:

| | <u>2004</u> | <u>2003</u> |
|--------------------------------------------------------------|------------------|---------------|
| Deposits from financial institutions | 2,635,943 | – |
| Amounts received from other banks on REPO transactions | 1,250,275 | – |
| Short-term interbank deposits | 413,003 | – |
| Loans from the Small Business Development Fund of Kazakhstan | – | 12,582 |
| Amounts due to credit institutions | 4,299,221 | 12,582 |

At December 31, 2004 deposits from financial institutions bear interest at rates ranging from 7.00% to 14.00% per annum and mature in 2005-2008.

At December 31, 2004, the Bank had outstanding repurchase agreements with local banks in connection with the repurchase of Notes of the National Bank Kazakhstan with fair value at December 31, 2004 of KZT 796,214 and Treasury bills of the Ministry of Finance of republic of Kazakhstan with fair value at December 31, 2004 of KZT 454,061 bearing interest at rates ranging from 1.19% to 2.99% per annum and maturing on January 5, 2005 and January 25, 2005, respectively. These deals were closed on the agreed dates.

At December 31, 2004, the Bank had short-term interbank deposits totaling KZT 413,003 that carried interest at 7.75% and mature in January 26, 2005.

14. Amounts due to Customers

The amounts due to customers included balances in customer current accounts, term deposits, and certain other liabilities, and were analyzed as follows at December 31:

| | <u>2004</u> | <u>2003</u> |
|-----------------------------------|------------------|----------------|
| Customer current accounts: | | |
| Individuals | 21,963 | – |
| Commercial entities | 616,687 | 916 |
| Government entities | 236,161 | – |
| Term deposits: | | |
| Individuals | 217,484 | – |
| Commercial entities | 525,421 | 107,750 |
| Government entities | 1,157,371 | – |
| Amounts due to customers | 2,775,087 | 108,666 |

At December 31 2004, the Bank's largest customer accounted for approximately 8.44% of the total amounts owed to customers (2003 – 99.00).

At December 31, 2004 ten largest customers accounted for 63.12%, of the amounts due to customers (2003 – 99.00).

(Thousands of Kazakh Tenge)

An analysis of amounts due to customers by sector follows as of December 31:

| | <i>2004</i> | <i>2003</i> |
|-------------------|------------------|----------------|
| Chemical industry | 609,318 | – |
| Agriculture | 565,994 | 27 |
| Energy | 507,389 | – |
| Transportation | 335,788 | – |
| Individuals | 239,447 | – |
| Education | 154,243 | 59 |
| Communication | 124,896 | – |
| Construction | 103,659 | 2 |
| Typography | 93,674 | – |
| Machinery | 16,190 | – |
| Wholesale trading | 6,765 | 712 |
| Retail trading | 6,669 | – |
| Realty operations | 5,799 | – |
| Entertainment | 5,044 | – |
| Food industry | 46 | – |
| Financial sector | – | 107,803 |
| Other | 166 | 63 |
| | 2,775,087 | 108,666 |

15. Shareholders' Equity

Share capital at December 31, 2004 consisted of 14,500,000 ordinary shares (2003 - 10,000,000). Each ordinary share is entitled to one vote and shares equally in dividends. All shares are KZT denominated and have a nominal value of KZT 100 each.

| | <i>Number of Ordinary shares</i> |
|--------------------------|--------------------------------------|
| December 31, 2003 | 10,000,000 |
| Capital contributions | 4,500,000 |
| December 31, 2004 | 14,500,000 |

During 2004, the Bank issued 4,500,000 shares, which were subscribed to by the existing shareholders.

16. Commitments and Contingencies

Operating Environment

The Kazakhstani economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of a market in transition. These attributes have in the past included higher than normal historic inflation, lack of liquidity in capital markets, and the existence of currency controls that cause the national currency to be illiquid outside of Kazakhstan. The continued success and stability of the Kazakhstani economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

(Thousands of Kazakh Tenge)

Financial commitments and contingencies

At December 31, the Bank's financial commitments and contingencies comprised the following:

| | 2004 | 2003 |
|------------------------------------------------|------------------|-------------|
| Undrawn loan commitments | 1,393,898 | 120,578 |
| Letters of credit | 14,362 | – |
| Guarantees | 354,745 | 12,988 |
| | 1,763,005 | 133,566 |
| Less cash collateral | (2,600) | – |
| Financial commitments and contingencies | 1,760,405 | 133,566 |

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as involved in extend facilities to other customers.

The Bank applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under a guarantee. Commercial letters of credit represent a financing transaction by the Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in bank, government securities, and other.

At December 31, 2004, the largest guarantee accounted for 30.0% (2003 - 98.4%) of total financial guarantees and represented 7.7% (2003 - 1.2%) of the Bank's total shareholders' equity.

Insurance

The Bank has not currently obtained insurance coverage related to property, except for vehicles as motor insurance is obligatory in accordance with the legislation of the Republic of Kazakhstan, and insurance for transportation of cash funds and other valuables. Also, the Bank has no insurance against liabilities arising from errors or omissions. Errors or omissions insurance is generally not available in Kazakhstan at present.

17. Fee and Commission Income

Fees and commissions income for the year ended December 31 comprised the following:

| | 2004 | 2003 |
|---------------------------------------|---------------|-------------|
| Credit and financing arrangement fees | 26,088 | – |
| Guarantees | 27,277 | 152 |
| Transfer operations | 7,213 | 83 |
| Foreign currency operations | 6,576 | 65 |
| Cash transactions | 2,955 | 71 |
| Documentary settlements | 1,921 | – |
| Other | 795 | 5 |
| Fee and commission income | 72,825 | 376 |

*(Thousands of Kazakh Tenge)***18. Salaries and Administrative and Operating Expenses**

Salaries and administrative and operating expenses comprise:

| | <i>2004</i> | <i>2003</i> |
|----------------------------------------------|----------------|---------------|
| Salaries and bonuses | 97,110 | 37,258 |
| Social costs | 10,725 | 7,089 |
| Other payments | 73,864 | 547 |
| Salaries and benefits | 181,699 | 44,894 |
| Rent expenses | 37,648 | 14,091 |
| Advertising | 20,929 | 488 |
| Business trip expenses | 15,280 | 7,071 |
| Communications | 9,772 | 3,772 |
| Administrative expenses | 7,533 | – |
| Taxes other than income taxes | 5,366 | 5,281 |
| Professional services | 5,118 | 6,980 |
| Transport expenses | 4,802 | 1,423 |
| Security systems and guards | 1,546 | – |
| Cash collection expenses | 1,117 | – |
| Maintenance and repair | 404 | 2,378 |
| Insurance expenses | 403 | 13 |
| Penalties | 314 | 512 |
| Other | 7,149 | 6,680 |
| Administrative and operating expenses | 117,381 | 48,689 |

The Bank does not have pension arrangements separate from the State pension system of the Republic of Kazakhstan. This system requires current contributions by the employer calculated as a percentage of current gross salary payments and a contribution withheld from employees; such expense is charged to the statement of income in the period the related compensation is earned by the employee.

The aggregate remuneration and other benefits paid to members of the Management Board of Directors for 2004 was KZT 65,308 (2003 - nil).

19. Earnings per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The Bank does not have any options or convertible debt or equity instruments.

The following reflects the income and share data used in the basic earnings per share computations:

| | <i>2004</i> | <i>2003</i> |
|-----------------------------------------------------------------------|------------------|--------------|
| Net income attributable to common shareholders | 2,245 | 77,210 |
| Weighted average number of common shares for basic earnings per share | 1,225,000 | 1,000,000 |
| Basic earnings per share (Tenge) | 1.83 | 77.21 |

20. Risk Management Policies

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

(Thousands of Kazakh Tenge)

Credit risk

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Bank of borrowers, and to industry and geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by borrower and by industry sector are approved monthly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee which is called once a week. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk exposure on derivatives is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore bear no credit risk.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Currency Risk

The Bank's monetary assets and liabilities were denominated in various currencies as follows:

December 31, 2004

| | <i>KZT</i> | <i>Freely convertible currencies</i> | <i>Total</i> |
|----------------------------------------|------------------|------------------------------------------|------------------|
| Cash and cash equivalents | 1,223,521 | 1,016,031 | 2,239,552 |
| Obligatory reserves | 99,664 | - | 99,664 |
| Due from credit institutions | - | 431,665 | 431,665 |
| Trading securities | 103,974 | - | 103,974 |
| Investment securities held-to-maturity | 1,608,352 | - | 1,608,352 |
| Commercial loans | 1,998,721 | 1,201,436 | 3,200,157 |
| Tax assets | 35,122 | - | 35,122 |
| Other assets | 210,536 | - | 210,536 |
| | 5,279,890 | 2,649,132 | 7,929,022 |
| Amounts due to credit institutions | 3,234,592 | 1,064,629 | 4,299,221 |
| Amounts due to customers | 1,504,165 | 1,270,922 | 2,775,087 |
| Other liabilities | 5,502 | - | 5,502 |
| | 4,744,259 | 2,335,551 | 7,079,810 |
| Net position | 535,631 | 313,581 | 849,212 |

*(Thousands of Kazakh Tenge)***December 31, 2003**

| | <i>Freely convertible</i> | | <i>Total</i> |
|------------------------------------|---------------------------|-------------------|------------------|
| | <i>KZT</i> | <i>currencies</i> | |
| Cash and cash equivalents | 94,333 | 1,631 | 95,964 |
| Obligatory reserves | 55 | – | 55 |
| Commercial loans | 919,412 | 53,587 | 972,999 |
| Deferred tax asset | 4,094 | – | 4,094 |
| Other assets | 23,847 | – | 23,847 |
| | 1,041,741 | 55,218 | 1,096,959 |
| Amounts due to credit institutions | – | 12,582 | 12,582 |
| Amounts due to customers | 108,595 | 71 | 108,666 |
| Tax liabilities | 169 | – | 169 |
| Other liabilities | 4,360 | – | 4,360 |
| | 113,124 | 12,653 | 125,777 |
| Net position | 928,617 | 42,565 | 971,182 |

A substantial portion of the Bank's net position in freely convertible currencies is held in US Dollars.

Liquidity risk

The contractual maturities of monetary assets and liabilities were as follows:

| <i>December 31, 2004</i> | <i>On demand</i> | <i>Up to 1 month</i> | <i>1 to 3 months</i> | <i>3 months to 1 year</i> | <i>1 to 5 years</i> | <i>Over 5 years</i> | <i>Total</i> |
|----------------------------------------|------------------|----------------------|----------------------|---------------------------|---------------------|---------------------|------------------|
| Monetary assets: | | | | | | | |
| Cash and cash equivalents | 1,019,552 | 1,220,000 | - | - | - | - | 2,239,552 |
| Obligatory reserves | - | - | 99,664 | - | - | - | 99,664 |
| Due from credit institutions | - | - | - | 416,144 | - | 15,521 | 431,665 |
| Trading securities | - | 103,974 | - | - | - | - | 103,974 |
| Investment securities held to-maturity | - | - | - | 1,016,505 | 591,847 | - | 1,608,352 |
| Commercial loans | - | - | 220,746 | 1,995,397 | 953,898 | 30,116 | 3,200,157 |
| Tax assets | - | - | - | 35,122 | - | - | 35,122 |
| Other assets | - | 100 | 17,420 | 180,902 | 12,114 | - | 210,536 |
| | 1,019,552 | 1,324,074 | 337,830 | 3,644,070 | 1,557,859 | 45,637 | 7,929,022 |
| Monetary liabilities: | | | | | | | |
| Amounts due to credit institutions | 201,048 | 1,250,275 | - | 1,783,269 | 1,064,629 | - | 4,299,221 |
| Amounts due to customers | 871,476 | 2,816 | 4,699 | 1,785,061 | 111,035 | - | 2,775,087 |
| Other liabilities | - | 5,502 | - | - | - | - | 5,502 |
| | 1,072,524 | 1,258,593 | 4,699 | 3,568,330 | 1,175,664 | - | 7,079,810 |
| Net position | (52,972) | 65,481 | 333,131 | 75,740 | 382,195 | 45,637 | 849,212 |
| Accumulated gap | (52,972) | 12,509 | 345,640 | 421,380 | 803,575 | 849,212 | |

(Thousands of Kazakh Tenge)

| December 31, 2003: | On demand | Up to 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|------------------------------------|------------------|----------------------|----------------------|---------------------------|---------------------|---------------------|------------------|
| Monetary assets: | | | | | | | |
| Cash and cash equivalents | 95,964 | – | – | – | – | – | 95,964 |
| Obligatory reserves | – | – | 55 | – | – | – | 55 |
| Commercial loans | – | – | 84,684 | 651,765 | 236,550 | – | 972,999 |
| Tax assets | – | – | – | – | – | 4,094 | 4,094 |
| Other assets | 2,337 | – | – | 7,851 | – | 13,659 | 23,847 |
| | 98,301 | – | 84,739 | 659,616 | 236,550 | 17,753 | 1,096,959 |
| Monetary liabilities: | | | | | | | |
| Amounts due to credit institutions | 262 | – | – | 12,320 | – | – | 12,582 |
| Amounts due to customers | 916 | – | – | 107,750 | – | – | 108,666 |
| Tax liabilities | 169 | – | – | – | – | – | 169 |
| Other liabilities | 3,002 | 1,358 | – | – | – | – | 4,360 |
| | 4,349 | 1,358 | – | 120,070 | – | – | 125,777 |
| Net position | 93,952 | (1,358) | 84,739 | 539,546 | 236,550 | 17,753 | 971,182 |
| Accumulated gap | 93,952 | 92,594 | 177,333 | 716,879 | 953,429 | 971,182 | |

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

Interest rate risk

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. The Bank's expected repricing and maturity dates do not differ significantly from the contract dates, which are disclosed in the liquidity risk table above.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities.

The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee.

21. Fair Values of Monetary Assets and Liabilities

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in 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 the 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.

Amounts Due to Credit Institutions

For assets maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For longer-term deposits, the interest rates applicable reflect market rates.

(Thousands of Kazakh Tenge)

Commercial Loans and advances

The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

Amounts Due to Customers

For balances maturing within one month the carrying amount approximates fair value due to the relatively short term maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at fair value.

| | <i>Carrying Amount</i> | | <i>Fair Value</i> | |
|------------------------------------|------------------------|-------------|-------------------|-------------|
| | <i>2004</i> | <i>2003</i> | <i>2004</i> | <i>2003</i> |
| Financial assets | | | | |
| Commercial loans | 3,200,157 | 972,999 | 3,324,515 | 1,133,464 |
| Financial liabilities | | | | |
| Amounts due to credit institutions | 4,299,221 | 12,582 | 4,284,463 | 12,582 |
| Amounts due to customers | 2,775,087 | 108,666 | 2,766,539 | 108,666 |

22. Related Parties

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

| | <i>December 31, 2004</i> | | | <i>December 31, 2003</i> | | |
|--------------------------------------------|----------------------------------|----------------------------------------|------------------------------------------|----------------------------------|----------------------------------------|------------------------------------------|
| | <i>Related party balances</i> | <i>Percentage on normal conditions</i> | <i>Total asset or liability category</i> | <i>Related party balances</i> | <i>Percentage on normal conditions</i> | <i>Total asset or liability category</i> |
| Amounts due from credit institutions | 15,521 | 100% | 431,665 | – | – | – |
| Commercial loans | 223,567 | 100% | 3,200,157 | 370,758 | 100% | 972,999 |
| Amounts due to customers | 159,282 | 100% | 2,775,087 | – | – | 108,666 |
| Guarantees | 21,617 | 100% | 354,745 | – | – | 12,988 |
| | <i>2004</i> | | | <i>2003</i> | | |
| | <i>Related party transaction</i> | <i>Percent on normal conditions</i> | <i>Total category</i> | <i>Related party transaction</i> | <i>Percent on normal conditions</i> | <i>Total category</i> |
| Interest income – Loans | 28,078 | 100% | 385,196 | 10,094 | 100% | 105,982 |
| Interest expense – deposits from customers | (8,554) | 100% | (148,825) | – | – | (12,759) |

Included in the table above are the following transactions with related parties outstanding as of December 31:

- Shareholders: loans (including provisioning matters), deposits placed with financial institutions, accepted deposits from customers and issued guarantees;
- Members of Board of Directors: loans.