

**OJSC “BANK  
CENTERCREDIT”**

**Independent auditors’ report**

**Consolidated Financial Statements**  
Year Ended 31 December 2002

# OJSC BANK CENTERCREDIT

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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of OJSC Bank Centercredit:

We have audited the accompanying consolidated balance sheet of OJSC Bank Centercredit and its subsidiaries (collectively referred to as the "Group") as at 31 December 2002 and the related consolidated profit and loss account, statement of cash flows and statement of shareholders' equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements as at 31 December 2001, and the year then ended, were audited by another auditor, whose report dated 15 April 2002 expressed an unqualified opinion with regard to these financial statements.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2002, and the results of its operations and its cash flows for the year then ended, in accordance with International Accounting Standards.

*Deloitte & Touche*

31 March 2003

# OJSC BANK CENTERCREDIT

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

	Notes	2002	2001
Interest income	3,20	4,877,784	2,840,646
Interest expenses	3,20	<u>(2,298,014)</u>	<u>(1,608,259)</u>
NET INTEREST INCOME BEFORE PROVISION FOR POSSIBLE LOAN LOSSES		2,579,770	1,232,387
Provision for possible loan losses	9,20	<u>(1,037,084)</u>	<u>(351,670)</u>
NET INTEREST INCOME		<u>1,542,686</u>	<u>880,717</u>
Net gain on trading securities	4A	87,037	183,387
Net gain on foreign exchange operations		250,630	240,193
Fee and commission income		1,450,431	1,048,508
Fee and commission expense		(166,240)	(165,571)
Other (expenses)/income	4B	<u>(33,611)</u>	<u>30,518</u>
NET NON-INTEREST INCOME		<u>1,588,247</u>	<u>1,337,035</u>
OPERATING INCOME		3,130,933	2,217,752
OPERATING EXPENSES	5	<u>(2,317,049)</u>	<u>(2,004,105)</u>
PROFIT BEFORE OTHER PROVISIONS, (LOSSES)/INCOME FROM ASSOCIATES, INCOME TAX AND MINORITY INTEREST		813,884	213,647
Provision for possible losses on other transactions	4	<u>(144,879)</u>	<u>(32,348)</u>
(Loss)/income from associates		<u>(2,537)</u>	<u>9,139</u>
PROFIT BEFORE INCOME TAX		666,468	190,438
Income tax expense	6	<u>(20,735)</u>	<u>-</u>
NET PROFIT BEFORE MINORITY INTEREST		<u>645,733</u>	<u>190,438</u>
Minority interest		98	(54)
NET PROFIT		<u><u>645,831</u></u>	<u><u>190,384</u></u>

### On behalf of the Board

\_\_\_\_\_  
Chairman

31 March 2003

Almaty

\_\_\_\_\_  
Chief Accountant

The notes on pages 7 to 32 form an integral part of these financial statements. The Independent Auditors' Report is on page 1.

**OJSC BANK CENTERCREDIT****CONSOLIDATED BALANCE SHEET  
AT 31 DECEMBER 2002  
(in thousands of Kazakhstan Tenge)**

	Notes	2002	2001
<b>ASSETS:</b>			
Cash and balances with the National Bank of the Republic of Kazakhstan	7	3,174,061	2,539,147
Loans and advances to banks	8,20	4,262,566	2,146,216
Loans and advances to customers, less allowance for possible loan losses	9	35,107,163	21,641,654
Securities purchased under agreement to resell	9A	100,001	13,081
Investment securities, less allowance for impairment losses	10	5,263,450	3,717,444
Investment in associated companies	10A	100,134	32,274
Fixed and other intangible assets, less accumulated depreciation	11	1,984,594	1,588,548
Other assets, less allowance for possible losses	12,20	861,394	765,612
Total assets		<u>50,853,363</u>	<u>32,443,976</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES:</b>			
Deposits from banks	13,20	8,781,847	5,443,963
Customer accounts	14,20	34,748,703	21,373,186
Securities sold under agreements to repurchase	14A	74,760	1,224,321
Other liabilities	16,20	924,468	784,579
Subordinated debt	23,20	<u>2,174,811</u>	<u>678,780</u>
Total liabilities		<u>46,704,589</u>	<u>29,504,829</u>
Minority interest		2,083	18,550
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	17	3,166,988	2,586,725
Share premium	17	1,022	1,022
Fixed assets revaluation reserve		284,219	284,219
Revenue reserve		<u>694,462</u>	<u>48,631</u>
Total shareholders' equity		<u>4,146,691</u>	<u>2,920,597</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>50,853,363</u>	<u>32,443,976</u>
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**On behalf of the Board**

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**Chairman**

31 March 2003

Almaty

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**Chief Accountant**

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# OJSC BANK CENTERCREDIT

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

	Notes	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income taxes and minority interest		666,468	190,438
Adjustments for:			
Provision for possible loan losses		1,037,084	351,670
Provision for other losses		100,879	32,348
Impairment loss on securities available-for-sale		44,000	-
Loss on disposal of fixed assets		46,354	30,000
Depreciation charge and impairment of fixed and other intangible assets		170,901	79,103
Minority interest		98	(54)
Loss/(gain) on equity investments		2,537	(7,274)
		<u>2,068,321</u>	<u>676,231</u>
Operating profit before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Loans and advances to banks		(378,243)	(630,601)
Loans and advances to customers		(14,502,593)	(9,369,424)
Securities purchased under agreement to resell		(86,920)	(13,081)
Other assets		(155,320)	(288,768)
Increase/(decrease) in operating liabilities:			
Deposits from banks		3,337,884	3,741,216
Customer accounts		13,375,517	7,888,223
Securities sold under agreements to repurchase		(1,149,561)	1,224,321
Other liabilities		98,548	(344,974)
Cash inflow from operating activities before income taxes		<u>2,607,633</u>	<u>2,883,143</u>
Income tax paid		<u>(20,735)</u>	<u>-</u>
Net cash inflow from operating activities		<u>2,586,898</u>	<u>2,883,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed and intangible assets		(613,301)	(1,133,048)
Proceeds on sale of fixed and intangible assets		-	58,000
Acquisition of subsidiaries, net of cash acquired		(86,864)	(25,000)
Purchase of investment securities		<u>(1,590,006)</u>	<u>(1,469,015)</u>
Net cash outflows used in investing activities		<u>(2,290,171)</u>	<u>(2,569,063)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Share capital increase		580,263	706,412
Share premium received on share capital increase		-	1,000
Proceeds from subordinated debt received		<u>1,496,031</u>	<u>79,805</u>
Net cash inflows from financing activities		<u>2,076,294</u>	<u>787,217</u>

## OJSC BANK CENTERCREDIT

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001 *(in thousands of Kazakhstan Tenge)*

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	Notes	2002	2001
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,373,021	1,101,297
CASH AND CASH EQUIVALENTS, AT BEGINNING OF THE PERIOD	7	<u>4,045,262</u>	<u>2,943,965</u>
CASH AND CASH EQUIVALENTS, AT END OF THE PERIOD	7	<u><u>6,418,283</u></u>	<u><u>4,045,262</u></u>

**On behalf of the Board**

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Chief Accountant**

31 March 2003

Almaty

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# OJSC BANK CENTERCREDIT

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2002 (in thousands of Kazakhstan Tenge)

	Notes	Share capital	Share premium	Fixed assets revaluation reserve	Revenue reserve	Total shareholders' equity
Balance 31						
December 2000		1,714,508	22	17,098	256,256	1,987,884
Share capital increase		706,412	1,000	-	-	707,412
Reserves from special purpose entities		-	-	267,121	(232,204)	34,917
Dividends capitalized		165,805	-	-	(165,805)	-
Net profit		-	-	-	190,384	190,384
Balance 31						
December 2001		2,586,725	1,022	284,219	48,631	2,920,597
Share capital increase	17	580,263	-	-	-	580,263
Net profit		-	-	-	645,831	645,831
Balance 31						
December 2002		<u>3,166,988</u>	<u>1,022</u>	<u>284,219</u>	<u>694,462</u>	<u>4,146,691</u>

On behalf of the Board

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chief Accountant

31 March 2003

Almaty

The notes on pages 7 to 32 form an integral part of these financial statements. The Independent Auditors' Report is on page 1.

# OJSC BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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### 1. ORGANISATION

OJSC Bank Centercredit (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 1988. The address of its registered office is as follows: 100, Schevchenko street, Almaty, Kazakhstan. The Bank is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and conducts its business under license number 248 dated 4 June, 2001. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The Bank has 19 branches in the Republic of Kazakhstan. The Bank is a parent company of the Banking Group ("Group"), consisting of the following subsidiaries, which are consolidated in the financial statements as of December 31, 2002:

Name	Type of business	Country of operation	Ownership interest
Aktas Zhol	Property appraisal and lease	Kazakhstan	99%
BCC	Property appraisal and lease	Kazakhstan	100%
Centre Leasing	Finance lease of property	Kazakhstan	100%
KIBAM	Securities trading	Kazakhstan	100%

The number of employees of the Group at 31 December 2002 and 2001 was 1,476 and 1,286, respectively.

These financial statements were authorized for issue by the Board of Directors on 31 March 2003.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Accounting basis** – These financial statements of the Group have been prepared on the accrual basis of accounting, under the historical cost convention.

The Group maintains its accounting records in accordance with Kazakhstan law. These financial statements have been prepared from the Kazakhstan statutory accounting records and have been adjusted to conform with International Accounting Standards ("IAS").

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and the fair value of financial instruments.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Reporting currency** – The currency used in these financial statements is the Kazakh Tenge (KZT).

**Principles of consolidation** – The consolidated financial statements include the accounts of majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The ownership interest of the Bank and proportion of voting power of the Group in the significant subsidiaries as at 31 December 2002 and 2001 is presented in Note 1.

The share of the Bank in net assets and net income of entities, where the Bank holds 20 to 50% of share capital and has the ability to exercise significant influence over their operating and financial policies (“affiliates”) is included in the consolidated net assets and operating results using the equity method of accounting (Note 10A).

**Investments in other subsidiaries and associated companies** – Investments in corporate shares where the Bank owns more than 20% of share capital, but does not have ability to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Bank intends to resell such investments in the nearest future, as well as investments in corporate shares where the Bank owns less than 20% of share capital, are accounted for at fair or approximated fair value, or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides valuation allowances, if required.

**Cash and cash equivalents** – Cash and cash equivalents include cash, unrestricted balances with the NBRK and advances to banks.

**Trading securities** – Trading securities represent debt and equity securities held for trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer’s margin. Dealing securities are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group’s dealing securities. Fair value adjustment on dealing securities is recognized in profit and loss for the period. The financial result is sales of securities is calculated using weighted average method.

**Securities held-to-maturity** – Securities held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any provision for impairment plus accrued coupon income. Amortized discounts are recognized in the interest income using the effective interest method over the period to maturity.

**Securities available-for-sale** – Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such remeasurement included in the profit and loss account, plus accrued coupon income. The Group uses quoted market prices to determine fair value for the securities available-for-sale. If such quotes do not exist, management estimation is used.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Originated loans** – Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as held-for-trading. Originated loans are carried at amortized cost, less any provision for possible loan losses.

Loans granted by the Group below the market are discounted to fair value using the effective interest method.

**Purchased loans and receivables** – Loans and receivables acquired from another lender subsequently to the original date are either classified as loans and advances or as available-for-sale investments.

**Allowance for possible loan losses** – The determination of the allowance for possible loan losses is based on an analysis of the loan portfolio and reflects the amount, which in the judgment of management, is adequate to provide for losses inherent in the loan portfolio. Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, provisions are carried to cover potential risks, which although not specifically identified, are present in the loan portfolio judging by the previous experience.

The total increase in the allowance for possible loan losses is charged to profit and the total of the allowance for possible loan losses is deducted in arriving at loans and advances to customers and banks. Management's evaluation of the allowance is based on the Bank's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be understood that estimates of possible loan losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for possible loan losses, it is the judgment of management that the allowance for possible loan losses is adequate to absorb losses inherent in the loan portfolio.

**Write off of loans** – Loans are written off against allowance for possible loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. The loans are written off on 181<sup>st</sup> day from the date the loan is overdue.

**Non-accrual loans** – Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 60 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. Interest income is not recognized where recovery is doubtful.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Repurchase agreements** – The Group enters into sale and purchase back agreements (“REPO”) and purchase and sale back agreements (“reverse repos”) in the normal course of its business. A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. Assets sold by the Group under repos are retained in the financial statements and a consideration received is recorded in liabilities as collateralized deposit received. A reverse repo is an agreement to purchase assets and resell them at a future date with accrued interest received. Assets purchased under reverse repos are recorded in the financial statements as cash received on deposit which is collateralized by securities or other assets.

**Impairment loss** – If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference being an impairment loss is recognized as an expense in the profit and loss account for the year in which it arises.

**Depreciation** – Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings and constructions	2.5 - 4%
Furniture & equipment	12.5 - 30%
Intangible assets	20%

After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Foreign currency transactions** – Assets and liabilities denominated in foreign currencies are translated at the appropriate spot rates of exchange ruling at the balance sheet date. Profits and losses arising from these translations are included in net profit/(loss) on foreign exchange operations.

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

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

	31 December 2002	31 December 2001
KZT/USD	155.85	150.2
KZT/EUR	162.46	134.77

**Income tax** - Taxes on income are computed in accordance with the laws of the Republic of Kazakhstan. Deferred taxes, if any, are provided on items recognized in different periods for financial reporting purposes and income tax purposes, using the liability method at the statutory tax rate. Deferred tax liabilities, if any, which result from temporary differences, are provided for in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized. Deferred income tax assets and liabilities are offset when:

- the Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in the each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

**Fiduciary activities** – The Group provides trustee services to its customers. Assets accepted and liabilities incurred under the trustee activities are not included in the Group's financial statements.

**Reclassification** – The financial statements as at 31 December 2001 were reclassified to comply with the financial statements presentation requirements as at 31 December 2002.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 3. NET INTEREST INCOME

	2002	2001
<b>Interest income</b>		
Interest on loans and advances to customers	4,428,926	2,495,864
Interest on loans and advances to banks	81,671	100,488
Interest on debt securities	367,187	244,294
Total interest income	<u>4,877,784</u>	<u>2,840,646</u>
<b>Interest expenses</b>		
Interest on customer accounts	1,621,310	1,287,393
Interest on deposits from banks	495,052	240,256
Interest on subordinated debt	181,652	80,610
Total interest expense	<u>2,298,014</u>	<u>1,608,259</u>
<b>Net interest income before provision for possible loan losses</b>	<u>2,579,770</u>	<u>1,232,387</u>

#### 4. PROVISION

Provisions for possible loan losses is represented by provision for loans and advances to customers

<b>Provisions for possible losses on other transactions</b>	2002	2001
Provisions for other assets	59,538	6,067
Impairment of securities available-for-sale	44,000	-
Provisions for guarantees and other off balance sheet commitments	41,341	26,281
	<u>144,879</u>	<u>32,348</u>

#### 4A. NET GAIN ON INVESTMENT SECURITIES

	2002	2001
Net gain on derecognition of securities available-for-sale	30,933	100,307
Fair value adjustment on securities available-for-sale	56,104	83,080
	<u>87,037</u>	<u>183,387</u>

#### 4B. OTHER (EXPENSES)/INCOME

Other (expenses)/income include net loss on precious metals operations amounting to KZT 15,025 thousand and net gain of KZT 29,020 thousand for the year ended 31 December 2002 and 2001, respectively.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 5. OPERATING EXPENSES

	2002	2001
Staff costs	904,804	702,507
Administrative services	369,955	363,341
Taxes, other than income tax	348,516	459,860
Advertising and marketing expenses	194,358	164,330
Depreciation and amortisation	170,901	79,103
Repairs and maintenance expense	71,249	56,359
Operating lease expense	64,688	29,698
Presentation expense	8,254	34,172
Other	184,324	114,735
	<u>2,317,049</u>	<u>2,004,105</u>

#### 6. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in Tenge and in accordance with the Kazakhstan statutory tax regulations, which may differ from IAS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2002 and 2001 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences at 31 December 2002 and 2001 were as follows:

	2002	2001
Deferred assets:		
Loans to banks and customers	1,482,841	-
Tax loss carried forward	-	668,392
Total deferred assets	<u>1,482,841</u>	<u>668,392</u>
Deferred liabilities:		
Fixed assets	<u>(244,651)</u>	<u>(170,000)</u>
Total deferred liabilities	<u>(244,651)</u>	<u>(170,000)</u>
Net deferred assets	1,238,190	498,392
Deferred tax assets at the statutory rate (30%)	371,457	149,518
Less: valuation allowance	<u>(371,457)</u>	<u>(149,518)</u>
Net deferred tax asset	<u>-</u>	<u>-</u>

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 6. INCOME TAXES (Continued)

Relationships between tax expenses and accounting profit for the year ended 31 December 2002 and 2001 are explained as follows:

	<b>2002</b>	<b>2001</b>
Profit before income taxes and minority interest	<u>666,468</u>	<u>190,438</u>
Tax at the statutory tax rate (30%)	199,940	57,115
Tax effect of permanent differences	(401,144)	(182,000)
Change in valuation allowance	<u>221,939</u>	<u>124,885</u>
Income tax expense	<u>20,735</u>	<u>-</u>

#### 6A. EARNING PER SHARE

	<b>2002</b>	<b>2001</b>
Net income	645,831	190,384
Weighted average number of shares	<u>13,735,650</u>	<u>9,473,143</u>
Earnings per share in KZT	<u>47.02</u>	<u>20.10</u>

#### 7. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

The balances as at 31 December 2002 and 2001 include KZT 984,647 thousand and KZT 1,057,675 thousand, respectively, which represents the minimum reserve deposits required by NBRK. The Group is required to maintain the reserve balance at the NBRK, although the Group may use it if complies with the requirements.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	<b>2002</b>	<b>2001</b>
Cash and balances with the NBRK	3,173,123	2,470,309
Loans and advances to banks in OECD countries	3,244,222	1,506,115
Precious metals in vault	938	68,838
Cash and cash equivalents	<u>6,418,283</u>	<u>4,045,262</u>

#### 8. LOANS AND ADVANCES TO BANKS

	<b>2002</b>	<b>2001</b>
Loans and advances to banks in OECD countries	3,244,222	1,506,115
Short - term deposits	<u>1,018,344</u>	<u>640,101</u>
	<u>4,262,566</u>	<u>2,146,216</u>

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 9. LOANS AND ADVANCES TO CUSTOMERS

	2002	2001
Originated loans	36,643,795	22,556,113
Less allowance for possible loan losses	<u>(1,536,632)</u>	<u>(914,459)</u>
	<b><u>35,107,163</u></b>	<b><u>21,641,654</u></b>
	2002	2001
Loans collateralized by real estate	22,396,037	13,694,850
Loans collateralized by goods in turnover	3,771,665	3,452,293
Loans collateralized by equipment	3,521,033	1,484,295
Loans collateralized by others	3,344,585	1,966,663
Loans collateralized by cash	1,337,910	502,230
Loans collateralized by corporate guarantees	1,004,956	468,616
Loans collateralized by precious metals	479,036	248,433
Unsecured loans	<u>788,573</u>	<u>738,733</u>
	36,643,795	22,556,113
Less allowance for possible loan losses	<u>(1,536,632)</u>	<u>(914,459)</u>
	<b><u>35,107,163</u></b>	<b><u>21,641,654</u></b>
<b>Allowance for possible loan losses</b>	<b>2002</b>	<b>2001</b>
At beginning of the period	914,459	414,000
Charge for the period	1,037,084	351,670
(Write offs)/recovery of preliminary written-off loans	<u>(414,911)</u>	<u>148,789</u>
At end of the year	<b><u>1,536,632</u></b>	<b><u>914,459</u></b>

As of 31 December 2002 and 2001 the Group had 4 and 8 loans totaling KZT 3,754,000 thousand and KZT 4,539,000 thousand, respectively, which individually exceeded 10% of the Group's equity.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

As of 31 December 2002 and 2001 included in loans and advance to customers are non-performing loans amounted to KZT 373,000 thousand and KZT 3,000 thousand, respectively, on which interest was not accrued.

Analysis by sector	2002	2001
Trading	9,252,184	6,071,928
Retail and housing	6,111,571	3,534,086
Manufacturing	3,858,537	834,410
Food industry	3,324,375	2,991,973
Mining of precious metals	2,188,779	1,816,434
Agriculture	1,960,830	1,339,836
Construction	1,636,614	563,648
Energy	1,137,777	624,067
Oil and gas	1,081,089	526,481
Other mining	903,316	415,719
Telecommunications and transport	768,611	303,252
Real estate	537,501	54,518
Mass media	469,352	434,576
Machinery	50,764	30,000
Financial institutions	26,073	-
Metallurgy	18,049	469,440
Other	3,318,373	2,545,745
	<u>36,643,795</u>	<u>22,556,113</u>
Less allowance for possible loan losses	<u>(1,536,632)</u>	<u>(914,459)</u>
	<u><b>35,107,163</b></u>	<u><b>21,641,654</b></u>

#### 9A. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

As at 31 December 2002 the Group purchased fixed income securities amounting to KZT 100,001 (2001: 13,081) thousand under agreements to resell them within 2 months. An effective interest rate of 3.5% was accrued as income on the above securities.

# OJSC BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

### 10. INVESTMENT SECURITIES

	<b>2002</b>	<b>2001</b>
Securities available-for-sale	4,207,609	3,489,644
Securities held-to-maturity	908,809	-
Other investments	191,032	227,800
	<u>                    </u>	<u>                    </u>
Less allowance for possible impairment	(44,000)	-
	<u><b>5,263,450</b></u>	<u><b>3,717,444</b></u>
<b>Securities available-for-sale</b>	<b>2002</b>	<b>2001</b>
Shares		
OJSC Almaty Kus	150,000	-
CJSC Astana Hotel (100 % impairment)	44,000	-
OJSC Temirbank	16,915	-
CJSC Kazinterbank	12,481	-
OJSC HSBK	4,196	-
Other	871	-
	<u><b>228,463</b></u>	<u>                    </u>
Debt securities		
NBRK notes	348,088	6,046
Eurobonds issued by the Republic of Kazakhstan	1,632,634	1,725,987
Eurobonds issued by legal entities	1,888,008	-
Treasury bills of the Ministry of Finance	-	1,130,714
Other securities	110,416	626,897
	<u>                    </u>	<u>                    </u>
	<u><b>3,979,146</b></u>	<u><b>3,489,644</b></u>
Less allowance for possible impairment	(44,000)	-
	<u><b>4,163,609</b></u>	<u><b>3,489,644</b></u>
<b>Securities held-to-maturity</b>		
Treasury bills of Ministry of Finance	908,809	-
	<u>                    </u>	<u>                    </u>
<b>Other investments</b>		
Investment in associated companies	191,032	227,800
	<u>                    </u>	<u>                    </u>
<b>Allowance for impairment</b>		
At beginning of the period	-	-
Provision for the period	44,000	-
At end of the period	<u><b>44,000</b></u>	<u>                    </u>

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 10. INVESTMENT SECURITIES (Continued)

As at 31 December 2002 and 2001 included in available-for-sale securities were

<b>Other investments</b>	<b>% in equity</b>	<b>2002</b>	<b>2001</b>
OJSC KIB	12.56	125,557	125,557
CJSC Narodny Pension Fund	19.66	35,400	35,400
CJSC Pension Fund Korgau	9.44	17,000	17,000
CJSC Processing centre	1.37	10,000	-
CJSC Astana Hotel	-	-	44,000
Other	-	3,075	5,843
		<b>191,032</b>	<b>227,800</b>

#### 10A. INVESTMENTS IN ASSOCIATES

The following enterprises are accounted for in the financial statements using the equity method:

<b>Name</b>	<b>Type of Business</b>	<b>Country of incorporation</b>	<b>Group's ownership interest</b>	<b>2002</b>	<b>2001</b>
CJSC NSK	Insurance	Kazakhstan	25%	63,927	32,274
CJSC Pension Fund Capital	Pension Fund	Kazakhstan	25%	36,207	-
				<b>100,134</b>	<b>32,274</b>

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 11. FIXED AND INTANGIBLE ASSETS, NET

					2002
	Building	Furniture and equipment	CIP	Intangible assets	Total
<b>At cost</b>					
At 31 December 2001	803,834	862,553	131,479	104,507	1,902,373
Additions	10,054	434,848	114,252	54,147	613,301
Disposals	(3,622)	(37,817)	(29,431)	(3,419)	(74,289)
At 31 December 2002	<u>810,266</u>	<u>1,259,584</u>	<u>216,300</u>	<u>155,235</u>	<u>2,441,385</u>
<b>Accumulated depreciation</b>					
At 31 December 2001	(75,469)	(219,345)	-	(19,011)	(313,825)
Charge for the period	(19,689)	(123,133)	-	(28,079)	(170,901)
Disposals	40	24,756	-	3,139	27,935
At 31 December 2002	<u>(95,118)</u>	<u>(317,722)</u>	<u>-</u>	<u>(43,951)</u>	<u>(456,791)</u>
<b>Net book value</b>					
At 31 December 2002	<u><u>715,148</u></u>	<u><u>941,862</u></u>	<u><u>216,300</u></u>	<u><u>111,284</u></u>	<u><u>1,984,594</u></u>
At 31 December 2001	<u><u>728,365</u></u>	<u><u>643,208</u></u>	<u><u>131,479</u></u>	<u><u>85,496</u></u>	<u><u>1,588,548</u></u>

#### 12. OTHER ASSETS

	2002	2001
Advances to suppliers of goods and services	358,450	209,743
Debtors on capital investments	89,891	12,868
Receivable from sale of collateral repossessed	88,838	804
Taxes receivable (other than income tax)	83,545	15,195
Western Union and other wireless transfers	58,872	31,586
Reimbursement due from Government for foreign exchange losses for long term loans	44,313	230,077
Advances to employees	36,151	16,448
Inventory	33,973	33,716
Travelers cheques	27,705	83,902
Accrued commission	10,626	-
Other assets	92,611	135,316
	<u>924,975</u>	<u>769,655</u>
Less allowance for possible losses on other assets	<u>(63,581)</u>	<u>(4,043)</u>
	<u><b>861,394</b></u>	<u><b>765,612</b></u>
<b>Allowance for possible losses on other assets</b>		
	<b>2002</b>	<b>2001</b>
At beginning of the period	(4,043)	(349)
(Provision)/recovery of provision for the period	<u>(59,538)</u>	<u>(3,694)</u>
At end of the period	<u><b>(63,581)</b></u>	<u><b>(4,043)</b></u>

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 13. DEPOSITS FROM BANKS

	2002	2001
Short – term loans from other banks	3,214,929	1,271,857
Syndicated loan	2,337,750	1,652,200
Deposits from banks	1,500,921	1,755,807
Loans from international lending agencies	1,005,632	-
Borrowings from the Government of Kazakhstan and NBRK	695,081	629,178
Demand deposits and vostro accounts	27,534	134,921
	<u>8,781,847</u>	<u>5,443,963</u>

#### 14. CUSTOMER ACCOUNTS

	2002	2001
Repayable on demand	13,226,195	8,388,514
Time deposits	21,522,508	12,984,672
	<u>34,748,703</u>	<u>21,373,186</u>

#### 14A. SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE

As at 31 December 2002 securities sold under repurchase agreements are commitments of the Group to repurchase fixed income securities for the amount of KZT 74,760 thousand. The securities sold under the said agreements are included in available-for-sale portfolio of the Group at fair value of KZT 74,760 thousand. The maturity of the agreements is within 1 month. A coupon of 3.4% of the nominal value was paid under the agreement.

#### 15. SUBORDINATED DEBT

	2002	2001
Interest bearing notes (USD)	696,587	678,780
Interest bearing notes (Indexed in Tenge)	1,478,224	-
	<u>2,174,811</u>	<u>678,780</u>

Discount on the interest bearing notes is amortized over the life of the note and is recorded in interest expense on debt securities issued using the effective interest rate method.

As at 31 December 2002 and 2001 interests rates on interest bearing notes denominated in foreign currency were 12% per annum and 12% per annum, respectively, interest rates on the promissory notes denominated in Tenge as at 31 December 2002 were 10% per annum.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 16. OTHER LIABILITIES

	2002	2001
Settlement on other transactions	410,417	265,535
Accrued interest expense	388,769	361,562
Allowance for possible losses on guarantees	67,622	26,281
Taxes payable	39,064	-
Advances received	7,397	35,449
Dividends payable	-	1,579
Other	11,199	94,173
	<u>924,468</u>	<u>784,579</u>
<b>Allowance for possible losses on guarantees:</b>	<b>2002</b>	<b>2001</b>
At beginning of the period	(26,281)	-
Provision for the period	<u>(41,341)</u>	<u>(26,281)</u>
At end of the year	<u>(67,622)</u>	<u>(26,281)</u>

#### 17. SHARE CAPITAL AND SHARE PREMIUM

At 31 December 2002 and 2001 share capital authorized, issued and fully paid comprised of 15,316,695 and 12,412,420 ordinary shares, respectively with par value of KZT 200 each. All ordinary shares are ranked equally and carry one vote. Share premium represents the excess of contributions received over the nominal value of shares issued.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 18. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

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

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

As at 31 December 2002 and 2001, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2002		31 December 2001	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
<b>Contingent liabilities and credit Commitments</b>				
Guarantees and similar commitments	4,139,491	4,139,491	1,044,461	1,044,461
Letters of credit and other transactions related to contingent obligations	411,106	300,865	295,056	138,916

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 19. CONTINGENCIES

*Capital commitments* – The Group had no material commitments for capital expenditures outstanding as at 31 December 2002.

*Rental commitments* – No material rental commitment were outstanding as at 31 December 2002.

*Operating Environment* – The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting business environment in the Republic of Kazakhstan are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

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

*Taxes* - Due to the presence in Kazakhstan commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore it no allowance were made in the financial statements. Tax years remain open to review by the tax authorities for three years.

#### 20. TRANSACTIONS WITH RELATED PARTIES

Related parties are considered to include shareholders, affiliates and entities under common ownership, control/management with the Group, or whose activities the Group has an ability to control. As of 31 December 2002 and 2001, the Group had advances and loans to customers totaling KZT 419,927 thousand and KZT 132,393 thousand to related parties, respectively, for which the Group had an allowance for possible loan losses of KZT 25,923 thousand and KZT 6,847 thousand, respectively. During the years ended 31 December 2002 and 2001 the Group originated advances and loans customers - related parties amounting to KZT 205,597 thousand and KZT 84,170 thousand, respectively, and received loans and advances repaid of KZT 40,278 thousand and KZT 6,826 thousand, respectively. The Group has interest income accrued in respect of loans and advances granted to related parties, included into loan portfolio totaling KZT 26,946 thousand and KZT 10,201 thousand, respectively, as of 31 December 2002 and 2001.

The Group also held deposits from banks, including subordinated debt, and customers including subordinated debt, of KZT nil thousand and KZT nil thousand as of 31 December 2002 and 2001, respectively, from related parties. During the years ended 31 December 2002 and 2001 the Group received deposits and advances from banks and customers - related parties of KZT 99,864 thousand and KZT 97,694 thousand, respectively, and repaid deposits and advances totaling KZT nil thousand and KZT nil thousand, respectively.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 20. TRANSACTIONS WITH RELATED PARTIES (Continued)

As at 31 December 2002 the Group purchased/sold securities under repurchase agreements from/to related parties for the total of KZT 93,839 thousand.

The Group had guarantees and standby letters of credit issued on behalf of related parties and outstanding as at 31 December 2002 and 2001 amounting to KZT 2,338 thousand and KZT 3,004 thousand, respectively, for which the Group had an allowance for possible losses of KZT 117 thousand and KZT nil thousand, respectively. During the years ended 31 December 2002 and 2001 the Group issued guarantees and standby letters of credit on behalf of related parties of KZT 14,329 thousand and KZT 3,161 thousand, respectively.

Included in the profit and loss account for the years ended 31 December 2002 and 2001 are the following amounts which arose due to transactions with related parties:

	2002	2001
Interest income		
- related companies	26,946	10,201
Interest expense		
- related companies	170	7

All transactions with related parties entered by the Group during the years ended 31 December 2002 and 2001 and outstanding as at 31 December 2002 and 2001 were made in the normal course of business and under arm-length conditions, except as discussed below. Loans and advances issued to related parties in 2002 and 2001 bear preferential rates and vary from 7 % to 25 %. Deposits and advances received from related parties outstanding as at 31 December 2002 bear preferential rates up to 25%.

#### 21. PENSIONS AND RETIREMENT PLANS

Employees receive pension benefits from the Republic of Kazakhstan in accordance with the laws and regulations of the country. As at 31 December 2002 and 2001, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 and IAS 39. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As at 31 December 2002 and 2001 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

***Cash and balances with the National Bank of the Republic of Kazakhstan*** – For these short-term instruments the carrying amount is a reasonable estimate of fair value.

***Loans and advances to banks*** – For these assets, the carrying amount is a reasonable estimate of fair value.

***Securities available-for-sale*** – As at 31 December 2002 and 2001 securities available-for-sale are stated at fair value amounting to KZT 4,207,609 thousand and KZT 3,489,644 thousand, respectively. Fair value of securities available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity, in other cases – by reference to the share in estimated equity capital of investee.

***Securities held-to-maturity*** – Securities held-to-maturity are stated at cost and adjusted for accretion and amortization of premiums and discounts, respectively, less any provision for impairment. The fair value of securities held-to-maturity as at 31 December 2002 was KZT 895,205 thousand, plus accrued coupon income totaling KZT 20,638 thousand. Fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

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

***Loans and advances from banks*** – As at 31 December 2002 and 2001 the carrying amount of loans and advances from banks of KZT 8,781,847 thousand and KZT 5,443,963 thousand, respectively, is a reasonable estimate of their fair value. It was determined based on a discounted cash flow model using interest rates on loans with similar credit risk level and maturity period current at the reporting dates.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 22. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

*Customer accounts* – It is not possible to estimate the fair value of short-term deposits and current accounts of the Group's customers with the carrying amount of KZT 34,748,703 thousand and KZT 21,373,186 thousand, as at 31 December 2002 and 2001 respectively due the absence of the market data.

*Securities purchased/sold under repurchase agreements* - As at 31 December 2002 the carrying value of securities sold under agreement to repurchase amounting to KZT 74,760 thousand is a reasonable estimate of their fair value. The fair value of securities purchased under agreements to resell with carrying value of KZT 100,001 thousand amounted to KZT 100,001 thousand as at 31 December 2002 that is determined based on market value of backed securities and other assets with reference to an active market.

*Subordinated debt* – As at 31 December 2002 and 2001 the carrying amount of the subordinated debt amounting to KZT 2,174,811 thousand and KZT 678,780 thousand. The fair value of subordinated debt amounted to KZT 2,021,120 thousand and KZT 725,165 thousand as at 31 December 2002 and 31 December 2001, respectively, that is determined based on market value of securities with reference to an active market.

#### 22A. SUBSEQUENT EVENTS

During the first quarter of 2003 the Group issued additional common stock with the value of KZT 2,000,000,000. Out of this amount fully paid portion as of 21 March 2003 was at KZT 605,691,400.

Subsequent to the year end, the Group acquired additional 25% in Pension Fund Capital thereby bringing the total shareholding in the company to 50%.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 23. REGULATORY MATTERS

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

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Group's provisions for the principal risks on condition that the total provision for possible loan losses does not exceed 1.25% of the risk weighted assets.

Risk weighted assets were calculated according to the principles employed by the Basle Committee by applying the following risk estimates:

<b>Estimate</b>	<b>Description of position</b>
0%	Cash and balances with the National Bank of the Republic of Kazakhstan
0%	State debt securities in Tenge
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Guarantees
100%	Other assets

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

<b>Capital amounts and ratios</b>	<b>Actual Amount in KZT thousand</b>	<b>For Capital Adequacy purposes Amount in KZT thousand</b>	<b>Ratio For Capital Adequacy purposes</b>	<b>Minimum Required Ratio</b>
<b>At 31 December 2002</b>				
Total capital	4,146,691	6,351,015	13.69%	8 %
Tier 1 capital	3,777,310	3,777,310	7.95%	4 %
<b>At 31 December 2001</b>				
Total capital	2,920,597	3,386,232	12.55%	8 %
Tier 1 capital	2,507,838	2,507,838	8.34%	4 %

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 24. RISK MANAGEMENT POLICY

The Bank manages the following risks:

**Credit Risk** – The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

**Liquidity and cash flow risks** – Liquidity and cash flow risks – The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimisation.

**Currency risk** – The Treasury Department performs currency risk management through management of open currency position, which enables the Bank to minimize losses from significant fluctuations of exchange rates of national and foreign currencies.

**Interest rate and market risks** – The Treasury Department performs management of interest rate and market risks through interest position monitoring, which enables the Bank to avoid negative interest margin.

**Country risk** – The Management of the Bank performs risk optimisation related to changes in legislation and regulative documents, and its impact on the Bank.

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 25. MATURITY ANALYSIS

The following table presents an analysis of interest rate risk and liquidity risk. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	31 Dec 2002 KZT thousand					
	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Total
<b>ASSETS</b>						
Loans and advances to banks	3,643,599	516,419	102,548	-	-	4,262,566
Investment securities	3,263,002	-	242,649	1,566,767	191,032	5,263,450
Loans and advances to customers, less allowance for possible loan losses	4,803,547	4,009,642	14,452,423	11,046,756	794,795	35,107,163
Securities purchased under agreement to resell	100,001	-	-	-	-	100,001
Total interest earning assets	11,810,149	4,526,061	14,797,620	12,613,523	985,827	44,733,180
Cash and balances with the NBRK	3,174,061	-	-	-	-	3,174,061
Investments in associates	-	-	-	100,134	-	100,134
Fixed and intangible assets, less accumulated depreciation	-	-	-	1,375,806	608,788	1,984,594
Other assets, less allowance for possible losses	556,556	2,314	26,122	276,402	-	861,394
<b>TOTAL ASSETS</b>	<b>15,540,766</b>	<b>4,528,375</b>	<b>14,823,742</b>	<b>14,365,865</b>	<b>1,594,615</b>	<b>50,853,363</b>
<b>LIABILITIES</b>						
Deposits from banks	1,185,738	1,315,128	5,648,587	632,394	-	8,781,847
Customer time deposits	2,752,384	6,192,854	11,462,663	1,114,607	-	21,522,508
Securities sold under agreements to repurchase	74,760	-	-	-	-	74,760
Subordinated loan	-	-	-	701,235	1,473,576	2,174,811
Total interest bearing liabilities	4,012,882	7,507,982	17,111,250	2,448,236	1,473,576	32,553,926
Customer demand deposits	13,226,195	-	-	-	-	13,226,195
Other liabilities	724,372	54,417	137,087	8,592	-	924,468
<b>TOTAL LIABILITIES</b>	<b>17,963,449</b>	<b>7,562,399</b>	<b>17,248,337</b>	<b>2,456,828</b>	<b>1,473,576</b>	<b>46,704,589</b>

## OJSC BANK CENTERCREDIT

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

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#### 25. MATURITY ANALYSIS (Continued)

Interest sensitivity gap	<u>7,797,267</u>	<u>(2,981,921)</u>	<u>(2,313,630)</u>	<u>10,165,287</u>	<u>(487,749)</u>	<u>12,179,254</u>
Cumulative interest sensitivity gap	<u>7,797,267</u>	<u>4,815,346</u>	<u>2,501,716</u>	<u>12,667,003</u>	<u>12,179,254</u>	<u>12,179,254</u>
Cumulative interest sensitivity gap as a percentage of total assets	<u>15%</u>	<u>9%</u>	<u>5%</u>	<u>25%</u>	<u>24%</u>	

Substantially all of the Group's interest earning assets and interest bearing liabilities are at fixed rates of interest.

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

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

#### 26. EFFECTIVE INTEREST RATE ANALYSIS

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	KZT	USD	Other currencies
<b>ASSETS</b>			
Loans and advances to banks	5.2%	3.8%	-
Loans and advances to customers	17%	15.9%	8.9%
Securities purchased under agreement to resell	3.5%	-	-
Debt securities purchased for investment purposes			
- available for sale	10%	8.5%	-
- held-to-maturity	11.5%	-	-
<b>LIABILITIES</b>			
Deposits from banks	11.5%	8.8%	-
Time deposits	12.37%	6.8%	5.8%
Securities sold under agreements to repurchase	3.4%	-	-
Subordinated debt	10.77%	11.64%	-

# OJSC BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

### 27. CURRENCY ANALYSIS

	Tenge	USD	EUR	Gold bullion	Other currency	31 Dec 2002
		1USD= KZT 155.85	1USD= KZT 162.46	1ounce= 54,111 KZT		KZT thousand Total
<b>ASSETS</b>						
Cash and balances with the NBRK	670,146	2,305,005	72,039	227	126,644	3,174,061
Loans and advances to banks	2,521,369	1,726,499	14,698	-	-	4,262,566
Investment securities	2,748,989	2,514,461	-	-	-	5,263,450
Loans and advances to customers, less allowance for possible loan losses	19,192,027	15,833,202	81,934	-	-	35,107,163
Securities purchased under agreement to resell	100,001	-	-	-	-	100,001
Investments in associates	100,134	-	-	-	-	100,134
Fixed and other intangible assets, less accumulated depreciation	1,984,594	-	-	-	-	1,984,594
Other assets, less allowance for possible losses	160,964	651,835	6,164	-	42,431	861,394
<b>TOTAL ASSETS</b>	<b>27,478,224</b>	<b>23,031,002</b>	<b>174,835</b>	<b>227</b>	<b>169,075</b>	<b>50,853,363</b>
<b>LIABILITIES</b>						
Deposits from banks	972,496	7,623,306	186,045	-	-	8,781,847
Customer accounts	20,021,534	14,338,871	251,712	-	136,586	34,748,703
Securities sold under agreements to repurchase	74,760	-	-	-	-	74,760
Other liabilities	485,137	427,708	7,642	-	3,981	924,468
Subordinated debt	1,478,224	696,587	-	-	-	2,174,811
<b>TOTAL LIABILITIES</b>	<b>23,032,151</b>	<b>23,086,472</b>	<b>445,399</b>	<b>-</b>	<b>140,567</b>	<b>46,704,589</b>
<b>OPEN POSITION</b>	<b>4,446,073</b>	<b>(55,470)</b>	<b>(270,564)</b>	<b>227</b>	<b>28,508</b>	<b>4,148,774</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (in thousands of Kazakhstan Tenge)

#### 28. GEOGRAPHICAL ANALYSIS

	OECD	As of December 31, 2002	
		countries Non-OECD countries	Total Thousand KZT
Cash and balances with the NBRK	-	3,174,061	3,174,061
Loans and advances to banks	3,244,222	1,018,344	4,262,566
Trading securities	-	5,263,450	5,263,450
Loans and advances to customers, less allowance for possible loan losses	-	35,107,163	35,107,163
Securities purchased under agreement to resell	-	100,001	100,001
Investments in associates	-	100,134	100,134
Fixed and other intangible assets, less accumulated depreciation	-	1,984,594	1,984,594
Other assets, less allowance for possible losses	-	861,394	861,394
<b>TOTAL ASSETS</b>	<b>3,244,222</b>	<b>47,609,141</b>	<b>50,853,363</b>
<b>LIABILITIES</b>			
Deposits from banks	-	8,781,847	8,781,847
Customer accounts	-	34,748,703	34,748,703
Securities sold under agreements to repurchase	-	74,760	74,760
Other liabilities	-	924,468	924,468
Subordinated debt	-	2,174,811	2,174,811
	-	46,704,589	46,704,589
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>	<b>3,244,222</b>	<b>904,552</b>	<b>4,148,774</b>