

JSC BANK CENTERCREDIT

Consolidated Financial Statements
For The Year Ended 31 December 2004

And Independent Auditors' Report

JSC BANK CENTERCREDIT

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC Bank CenterCredit:

We have audited the accompanying consolidated balance sheet of JSC Bank CenterCredit and its subsidiaries (the "Group") as of 31 December 2004 and the related consolidated profit and loss account and statements of cash flows and changes in 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.

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 of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

18 February 2005
Almaty

JSC BANK CENTERCREDIT

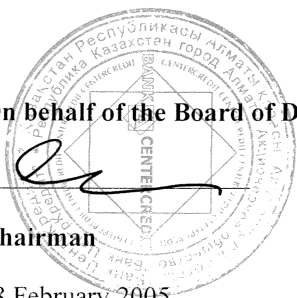
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Interest income	4, 29	12,396,971	6,962,144
Interest expense	4, 29	(6,355,305)	(3,333,540)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES		6,041,666	3,628,604
Provision for loan losses	5	(2,418,052)	(1,434,198)
NET INTEREST INCOME		3,623,614	2,194,406
Net gain on securities held-for-trading	6	92,756	111,886
Net gain on foreign exchange operations	8	783,277	452,529
Fees and commissions income	9	3,327,522	2,209,659
Fees and commissions expense	9	(339,886)	(207,398)
Net gain/(loss) on investment securities	7	75,976	(3,789)
Other income	10	287,138	173,359
NET NON-INTEREST INCOME		4,226,783	2,736,246
OPERATING INCOME		7,850,397	4,930,652
OPERATING EXPENSES	11, 29	(4,963,739)	(3,540,043)
OPERATING PROFIT		2,886,658	1,390,609
Provision for losses on other transactions	5	(118,662)	(5,143)
Share of results of associates		4,100	871
PROFIT BEFORE TAXATION AND MINORITY INTEREST		2,772,096	1,386,337
Income tax expense	12	(284,585)	(121,076)
NET PROFIT BEFORE MINORITY INTEREST		2,487,511	1,265,261
Minority interest	13	(15,590)	28,640
NET PROFIT		2,471,921	1,293,901
<i>Earnings per share (tenge)</i>	14	82.16	63.61

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty



Chief Accountant

18 February 2005
Almaty

The notes on pages 7 to 37 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page 1.

JSC BANK CENTERCREDIT

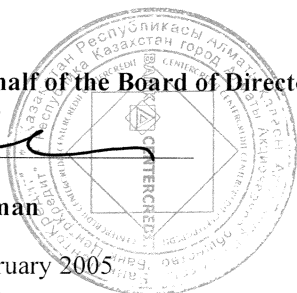
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2004

	<u>NOTES</u>	<u>2004</u> KZT'000	<u>2003</u> KZT'000
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	15	8,739,070	5,648,630
Loans and advances to banks	16	9,745,108	9,494,053
Securities held-for-trading	17	2,911,382	1,412,897
Securities purchased under agreement to resell	18	7,843,313	68,182
Loans and advances to customers, less allowance for loan losses	19, 29	91,456,228	52,068,761
Investment securities:			
- securities available-for-sale, less allowances for impairment	20, 29	21,478,739	8,999,865
- securities held-to-maturity	20	54,973	-
Fixed and intangible assets, less accumulated depreciation	21	3,887,790	2,688,497
Income tax assets	12	38,289	-
Other assets, less allowance for losses	22	2,328,774	1,532,133
TOTAL ASSETS		148,483,666	81,913,018
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	23	34,963,481	20,728,383
Securities sold under agreements to repurchase		-	1,332,711
Customer accounts	24, 29	91,343,273	47,643,364
Income tax liabilities	12	-	62,403
Other liabilities	25	916,040	556,994
		<u>127,222,794</u>	<u>70,323,855</u>
Subordinated debt	26, 29	8,985,452	4,102,079
Total liabilities		136,208,246	74,425,934
Minority interest	13	63,997	46,492
SHAREHOLDERS' EQUITY:			
Share capital	27	7,465,898	5,166,988
Share premium		1,022	1,022
Fixed assets revaluation reserve		276,967	278,622
Retained earnings		4,467,536	1,993,960
Total shareholders' equity		12,211,423	7,440,592
TOTAL LIABILITIES AND EQUITY		148,483,666	81,913,018

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty



Chief Accountant

18 February 2005
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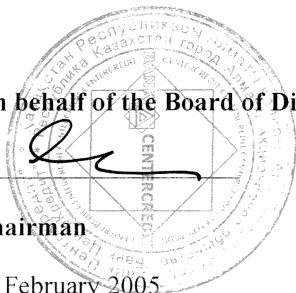
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Share capital</u> KZT'000	<u>Share premium</u> KZT'000	<u>Fixed assets revaluation reserve</u> KZT'000	<u>Retained earnings</u> KZT'000	<u>Total</u> KZT'000
31 December 2002	3,166,988	1,022	284,219	694,462	4,146,691
Share capital increase	2,000,000	-	-	-	2,000,000
Net profit	-	-	-	1,293,901	1,293,901
Depreciation of fixed assets revaluation reserve	-	-	(5,597)	5,597	-
31 December 2003	5,166,988	1,022	278,622	1,993,960	7,440,592
Share capital increase	2,298,910	-	-	-	2,298,910
Net profit	-	-	-	2,471,921	2,471,921
Depreciation of fixed assets revaluation reserve	-	-	(1,655)	1,655	-
31 December 2004	<u>7,465,898</u>	<u>1,022</u>	<u>276,967</u>	<u>4,467,536</u>	<u>12,211,423</u>

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty



Chief Accountant

18 February 2005
Almaty

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JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2004

	Year ended 2004 KZT'000	Year ended 2003 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax and minority interest	2,772,096	1,386,337
Adjustments for:		
Provision for loan losses	2,418,052	1,434,198
Provision for losses on other transactions	118,662	5,143
Depreciation of fixed and intangible assets	315,947	345,342
Loss on sale of fixed and intangible assets	9,779	40,234
Minority interest	1,915	73,049
Loss on equity investments	-	(871)
Change in interest accruals, net	153,473	(26,171)
	<hr/>	<hr/>
Cash flow from operating activities before changes in operating assets and liabilities	5,789,922	3,257,261
	<hr/>	<hr/>
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Loans and advances to banks	(36,949)	(2,879,780)
Securities held-for-trading	(1,483,066)	(1,412,897)
Loans and advances to customers	(41,378,193)	(18,432,782)
Securities purchased under repurchase agreements	(7,773,574)	32,241
Other assets	(850,447)	(710,230)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks	14,075,648	11,759,480
Customer accounts	43,220,466	12,529,665
Securities sold under repurchase agreements	(1,332,711)	1,257,040
Other liabilities	294,190	193,648
	<hr/>	<hr/>
Cash inflow from operating activities before taxation	10,525,286	5,593,646
	<hr/>	<hr/>
Income tax paid	(385,277)	(71,907)
	<hr/>	<hr/>
Net cash inflows from operating activities	10,140,009	5,521,739
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(1,945,239)	(1,294,207)
Proceeds on sale of fixed and intangible assets	420,220	204,728
Acquisition of subsidiaries, net of cash acquired	-	101,005
Purchase of available-for-sale securities, net	(12,404,535)	(3,634,440)
Investment securities	(54,973)	-
	<hr/>	<hr/>
Net cash outflows from investing activities	(13,984,527)	(4,622,914)
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JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>NOTES</u>	Year ended <u>2004</u> KZT'000	Year ended <u>2003</u> KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital increase		2,298,910	2,000,000
Proceeds from subordinated debt		<u>4,821,025</u>	<u>1,927,268</u>
Net cash inflows from financing activities		<u>7,119,935</u>	<u>3,927,268</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,275,417	4,826,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15	<u>11,244,376</u>	<u>6,418,283</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15	<u><u>14,519,793</u></u>	<u><u>11,244,376</u></u>

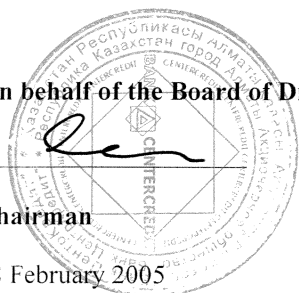
Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 5,654,064 thousand and KZT 11,848,307 thousand, respectively.


Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to KZT 3,286,232 thousand and KZT 6,900,724 thousand, respectively.

On behalf of the Board of Directors:


Chairman

18 February 2005
Almaty




Chief Accountant

18 February 2005
Almaty

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JSC BANK CENTERCREDIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1. ORGANISATION

JSC Bank CenterCredit (the “Bank”) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”) and conducts its business under license number 248 dated 9 June 2004 given by the Agency of the Republic of Kazakhstan on financial market and financial institutions regulation and inspectorate. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The address of its registered office is as follows: 100, Shevchenko Street, Almaty, Kazakhstan.

The Bank has 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of the Banking Group (the “Group”), consisting of the following subsidiaries, which are consolidated in the financial statements as of 31 December 2004 and 2003:

<u>Name</u>	<u>Country of operation</u>	<u>The Bank ownership interest</u>		<u>Type of operation</u>
		<u>2004</u>	<u>2003</u>	
Capital	Republic of Kazakhstan	85%	50%	Pension Fund
Center Leasing	Republic of Kazakhstan	100%	100%	Finance lease of property
KIB ASSET MANAGEMENT	Republic of Kazakhstan	100%	100%	Securities trading

Capital was established as a closed joint stock company on 15 October 2001 in accordance with legislation of the Republic of Kazakhstan. On 24 December 2003 Capital was reregistered as a joint stock company, with certificate of state reregistration #43348 1910-AO. The main activity of the company is the attraction of pension contributions and performance of pension payments. Capital manages pension contributions inflow and accumulation on individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan. Capital has a state general license # 0000021 for the attraction of pension funds and performance of pension payments, dated 19 January 2004.

CenterLeasing was established on 15 January 2002 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, with certificate of state registration #45222-1910 -TOO. The main activity of CenterLeasing is leasing operations. In accordance with article 10 of the Law of the Republic of Kazakhstan «Financial leases» CenterLeasing operates without a licence.

KIB ASSET MANAGEMENT was established on 7 May 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan. On 18 June 2003 KIB ASSET MANAGEMENT was reregistered as a joint stock company, certificate of state reregistration #56185 –1910 -AO. The main activity of KIB ASSET MANAGEMENT is operations with securities. The Company has a license # 20030154 dated 5 June 1998 for brokerage and dealer activity on the Kazakhstan stock exchange with the right to maintain customer accounts as a nominal holder.

The Bank does not own any shares in “BCC” LLP and “Aktas-Zhol” LLP, but they are consolidated in the Group’s financial statements as special purpose entities (the “SPEs”).

Aktas Zhol was established on 3 April 2001 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration #7802-1907-TOO. The main activities of Aktas Zhol are production of construction materials and the rent of buildings. Aktas Zhol has a license for the production of construction materials # 006377-GSL, dated 16 August 2001.

BCC was established on 22 December 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration # 23270-1910-TOO. The main activity of BCC is the rent of buildings and property valuation. BCC has a license for real estate valuation # 0000098 UL-001, dated 14 February 2002.

The number of employees of the Group at 31 December 2004 and 2003 was 2,106 and 1,746, respectively.

As of 31 December 2004, the following shareholders owned more than 5% of the outstanding shares. (Five shareholders owned 41.77% of the outstanding shares.).

<u>Shareholder</u>	<u>%</u>
JSC KIB ASSET MANAGEMENT (PORTFOLIO MANAGER)	6.58
JSC Interexport	6.30
JSC «NPF Kazakhmys»	6.11
JSC NPF «Valut-Transit Fund»	5.91
JSC NPF Senim	5.81
Dorra LLC	5.55
Canterbury Valley LTD	5.51
Other (each individually holding less than 5%)	58.23
Total	<u>100.00</u>

These consolidated financial statements were authorized for issue by the Board of Directors on 18 February 2005.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements are presented in thousands of Kazakhstani Tenge (“KZT”), except for earning per share amounts and unless otherwise indicated. These consolidated financial statements are prepared on an accrual basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities and financial assets and financial liabilities held for trading.

The Group maintains its accounting records in accordance with the Accounting policy authorized by the Resolution of the Board of Directors of the Group. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The preparation of the consolidated financial statements in conformity with IFRS 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 consolidated 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 impairment and the fair value of financial instruments.

Functional currency

The functional currency of these financial statements is Kazakhstan tenge (“KZT”).

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries made up to 31 December each year. The entity is consolidated, when the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Consolidated financial statements also include statements of SPEs.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All significant intercompany transactions and balances have been eliminated. The ownership interest of JSC Bank CenterCredit and proportion of voting power of the Group in the significant subsidiaries as of 31 December 2004 and 2003 is presented in Note 1.

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the NBRK and central banks of other countries and advances to banks in countries included in the Organization for Economic Co-operation and Development (OECD).

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the fixing of the London Bullion Market rates using the Tenge/USD exchange rate effective at the date. Changes in the bid prices are recorded in other income.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks 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 losses.

Securities held-for-trading

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

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements (“repos”) and purchase and sale back agreements (“reverse repos”) in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading 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. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collateralized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Loans and advances to customers

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 a loan facility. Loans and advances to customers are carried net of any allowance for loan losses.

Write off of loans

Loans are written off against allowance for loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has received all available collateral. In accordance with the statutory legislation, loans may only be written off with the approval of the Credit Committee. Loans are written off on the 181st day of delay.

Non-accrual loans

Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 30 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 if recovery is doubtful. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowance for losses

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

The determination of the allowance for 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.

The change in the allowance for loan losses is charged to profit and the total of the allowance for loan losses is deducted in arriving at loans and advances to customers and banks. Management's evaluation of the allowance is based on the Group'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 loan losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses is adequate to absorb losses inherent in the loan portfolio.

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 re-measurement included in the consolidated profit and loss account, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's securities available-for-sale. If such quotes do not exist, management estimation is used. Realised and unrealised gains and losses arising from changes in the fair value of securities available-for-sale are included in the consolidated profit and loss account in the period in which they arise as net gain/(loss) on investment securities. Interest earned on securities available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

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 allowance for impairment.

Fixed and intangible assets

Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. 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	2-4%
Furniture and equipment	20-50%
Intangible assets	10-30%

The carrying amounts of fixed and intangible assets 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 to their recoverable amount. An impairment loss is recognized in the respective period and is included in other administrative and operating expenses. 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.

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

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.

Deposits from banks and customers

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Country where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated profit and loss account.

Provisions

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

Share capital and share premium

Share capital is recognized at restated cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution. Treasury stock is recorded at cost. Gains and losses on sales of treasury stock are charged or credited to share premium.

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.

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

Retirement and other benefit obligations

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

Recognition of income and expense

Interest income and expense are recognized on an accrual basis calculated using the effective yield method. The recognition of interest income is suspended when loans become overdue by more than 30 days. Interest income also includes interest income earned on investment and trading securities. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognized on an accrual basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates

prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Rates of exchange

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

	31 December <u>2004</u>	31 December <u>2003</u>
KZT/USD	130.00	144.22
KZT/EUR	177.10	180.23

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.

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depository services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as of 31 December 2003 to conform to the presentation as of 31 December 2004.

4. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Interest income		
Interest on loans and advances to customers	10,897,119	6,229,448
Interest on debt securities	1,024,146	617,996
Interest on loans and advances to banks	390,352	82,054
Interest on reverse repurchase transactions	85,354	32,646
Total interest income	<u>12,396,971</u>	<u>6,962,144</u>
Interest expense		
Interest on customer accounts	4,254,115	2,371,351
Interest on loans and advances from banks	1,465,663	604,602
Interest on subordinated debt	612,559	342,047
Interest on reverse repurchase transactions	22,968	15,540
Total interest expense	<u>6,355,305</u>	<u>3,333,540</u>
Net interest income before provision for loan losses	<u>6,041,666</u>	<u>3,628,604</u>

5. ALLOWANCE FOR LOSSES AND IMPAIRMENT, AND OTHER PROVISIONS

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

	Loans and advances to customers KZT'000
31 December 2002	(1,536,632)
Provision	(1,434,198)
Write-off of assets	631,903
Transfer to other assets	51,437
31 December 2003	<u>(2,287,490)</u>
Provision	(2,418,052)
Write-off of assets	1,137,494
Recoveries of assets previously written off	(514,641)
31 December 2004	<u><u>(4,082,689)</u></u>

The movements in allowances for losses on other transactions were as follows:

	Investment securities KZT'000	Other Assets KZT'000	Guarantees and other commitments KZT'000	Total KZT'000
31 December 2002	(44,000)	(63,581)	(67,622)	(175,203)
(Provision)/recovery	-	(31,144)	26,001	(5,143)
Write-off of assets	-	145,639	2,998	148,637
Transfer from loans and advances to customers	-	(51,437)	-	(51,437)
31 December 2003	<u>(44,000)</u>	<u>(523)</u>	<u>(38,623)</u>	<u>(83,146)</u>
Provision	-	(68,148)	(50,514)	(118,662)
Write-off of assets	44,000	49,711	-	93,711
Transfer from guarantees and other commitments	-	14,342	(14,342)	-
31 December 2004	<u><u>-</u></u>	<u><u>(4,618)</u></u>	<u><u>(103,479)</u></u>	<u><u>(108,097)</u></u>

6. NET GAIN ON SECURITIES HELD-FOR-TRADING

Net gain on securities held-for-trading comprise from gain on trading of debt securities.

7. NET GAIN/(LOSS) ON INVESTMENT SECURITIES

Net gain/(loss) on investments securities include results from operations with available-for-sale securities and comprise:

	Year ended 2004 KZT'000	Year ended 2003 KZT'000
Unrealized loss from revaluation of securities available-for-sale	(46,417)	(16,034)
Net gain on derecognition of securities available-for-sale	122,393	12,245
Total net gain/(loss) on investment securities	<u><u>75,976</u></u>	<u><u>(3,789)</u></u>

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Dealing, net	889,116	485,201
Translation differences, net	(105,839)	(32,672)
Total net gain on foreign exchange operations	<u>783,277</u>	<u>452,529</u>

9. FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income and expense comprise:

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Fees and commissions income:		
Cash operations	1,101,622	815,637
Settlements	1,063,609	681,450
Documentary operations	383,319	336,897
Trust operations	281,371	38,514
Foreign exchange operations	197,046	171,309
Loans operations	161,810	40,892
Internet – banking operations	29,678	15,876
Safe operations	13,830	38,601
Other operations	95,237	70,483
Total fees and commissions income	<u>3,327,522</u>	<u>2,209,659</u>
Fees and commissions expense:		
Settlements	183,518	100,492
Brokerage services	44,667	20,233
Documentary operations	36,817	7,821
Foreign exchange operations	25,847	11,576
Cash operations	4,789	30,061
Other operations	44,248	37,215
Total fees and commissions expense	<u>339,886</u>	<u>207,398</u>

10. OTHER INCOME

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Income from penalties	191,598	132,940
Income from sales of fixed and intangible assets and finished goods	95,540	40,419
Total other income	<u>287,138</u>	<u>173,359</u>

11. OPERATING EXPENSES

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Salary and bonuses	1,743,103	1,160,840
Other employees' benefits	492,560	176,488
Administrative services	368,153	218,702
Taxes, other than income tax	317,730	197,687
Depreciation of fixed and intangible assets	315,947	345,342
Advertising expenses	303,591	290,480
Social security costs	261,725	251,215
Lease expenses	238,938	108,569
Communication expenses	181,111	155,699
Repairs and maintenance expense	168,912	126,598
Obligatory guarantee payment to Deposit Insurance Fund	134,499	125,410
Business trip expenses	100,544	75,515
Entertainment expenses	83,442	48,570
Sponsorship	41,942	10,071
Presentation expense	36,336	33,788
Professional services fees	26,709	96,473
Other	148,497	118,596
	<u>4,963,739</u>	<u>3,540,043</u>

12. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from IFRS.

Tax assets/liabilities consist of the following as oa 31 December 2004 and 2003:

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Deferred tax assets	38,289	-
Income tax assets	<u>38,289</u>	<u>-</u>
	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Deferred tax liabilities	-	62,403
Income tax liabilities	<u>-</u>	<u>62,403</u>

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

Temporary differences as of 31 December 2004 and 2003 comprise:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Deferred assets:		
Loans and advances to banks and customers	799,000	155,761
Total deferred assets	<u>799,000</u>	<u>155,761</u>
Deferred liabilities:		
Fixed assets	(671,370)	(513,517)
Total deferred liabilities	<u>(671,370)</u>	<u>(513,517)</u>
Net deferred assets/(liabilities)	<u>127,630</u>	<u>(357,756)</u>
Deferred tax assets/(liabilities) at the statutory rate (30%)	38,289	(107,327)
Valuation allowance	-	-
Net deferred tax assets/(liabilities)	<u>38,289</u>	<u>(107,327)</u>
Loss carry forward at the statutory tax rate (30%)	-	44,924
Net deferred tax assets/(liabilities)	<u>38,289</u>	<u>(62,403)</u>

Relationships between tax expenses and accounting profit for the years ended 31 December 2004 and 2003 are explained as follows:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Profit before income tax and minority interest	<u>2,772,096</u>	<u>1,386,337</u>
Statutory tax rate	30%	30%
Tax at the statutory tax rate	831,629	415,901
Tax effect of permanent differences	(446,352)	106,605
Loss carry forward	-	(29,973)
Change in deferred tax asset/(liability)	<u>(100,692)</u>	<u>(371,457)</u>
Income tax expense	<u>284,585</u>	<u>121,076</u>
Current income tax expense	385,277	58,673
Deferred tax (benefit)/expenses	<u>(100,692)</u>	<u>62,403</u>
Income tax expense	<u>284,585</u>	<u>121,076</u>
	2004 KZT'000	2003 KZT'000
Deferred income tax (liabilities)/assets		
At beginning of the period	(62,403)	-
Change of the deferred income tax for the period	<u>100,692</u>	<u>(62,403)</u>
At end of the period	<u>38,289</u>	<u>(62,403)</u>

13. MINORITY INTEREST

The movement in minority interest during the years ended 31 December 2004 and 2003 comprises:

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
1 January	46,492	2,083
Acquisition of subsidiaries	-	73,049
Change of minority interest	1,915	-
Share of net profit/(loss)	15,590	(28,640)
31 December	<u>63,997</u>	<u>46,492</u>

14. EARNINGS PER SHARE

	Year ended 31 December <u>2004</u> KZT'000	Year ended 31 December <u>2003</u> KZT'000
Net income	2,471,921	1,293,901
Weighted average number of shares	<u>30,085,051</u>	<u>20,340,124</u>
Earnings per share in KZT	<u>82.16</u>	<u>63.61</u>

15. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Cash on hand	3,487,158	2,953,350
Balance with the National Bank of the Republic of Kazakhstan	2,250,133	2,394,391
Precious metals	885	889
Time deposit with the National Bank of the Republic of Kazakhstan	3,000,000	300,000
Interest accrued	894	-
Total cash and balances with the National Bank of the Republic of Kazakhstan	<u>8,739,070</u>	<u>5,648,630</u>

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

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Cash and balance with the National Bank of the Republic of Kazakhstan	8,739,070	5,648,630
Loans and advances to banks of OECD countries	<u>5,780,723</u>	<u>5,595,746</u>
Total cash and cash equivalents	<u>14,519,793</u>	<u>11,244,376</u>

16. LOANS AND ADVANCES TO BANKS

Loans and advances to banks comprise:

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Loans and advances to banks	8,986,069	6,513,721
Correspondent accounts with other banks	729,305	2,979,727
Accrued interest income on loans and advances to banks	<u>29,734</u>	<u>605</u>
Total loans and advances to banks	<u>9,745,108</u>	<u>9,494,053</u>

As of 31 December 2004 and 2003 the Group had loans and advances to 3 banks totaling KZT 4,830,700 thousand and 3,341,112 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

17. SECURITIES HELD - FOR - TRADING

	<u>Interest to</u> <u>nominal</u> %	<u>2004</u> KZT'000	<u>Interest to</u> <u>nominal</u> %	<u>2003</u> KZT'000
Bank of Development of the Republic of Kazakhstan bonds	4.24-6.17	1,528,245	7.13-7.38	878,903
US treasury bonds	3.66-4.37	516,046	3.38-4.25	288,974
TuranAlem Finance B.V. Bonds	5.93-5.97	299,240	-	-
Kazkommerts International B.V. Bonds	5.66-15.69	287,020	-	-
JSC Alliance Bank Bonds	9.37-10.03	100,318	-	-
JSC Halyk Saving Bank Bonds	7.35-11.04	68,760	-	-
JSC KazTransOil Bonds	-	-	8.50	123,366
JSC BankTuranAlem Bonds	-	-	10-11.5	121,654
Other	-	<u>111,753</u>	-	<u>-</u>
		<u>2,911,382</u>		<u>1,412,897</u>

As of 31 December 2004 and 2003 included in trading securities is accrued interest income on debt securities amounting to KZT 30,771 thousand and KZT 15,352 thousand, respectively.

Corporate bonds represent bonds of prime Kazakh corporations with maturities between 3 and 10 years.

US State Treasury Bonds are USD denominated government securities with maturities between 5 and 10 years.

As of 31 December 2003 trading securities included corporate bonds and bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreement with other banks amounting to KZT 1,690,766 thousand. All agreements have maturity within one month.

18. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

As of 31 December 2004 and 2003 the Group purchased fixed income debt securities amounting to KZT 7,843,313 thousand and 68,182 thousand, respectively, under agreements to resell them in 6 and 14 month period, respectively. In 2004 interest rates from 1.3% to 15% (2003: 2.5%) are accrued as income on the above securities. The carrying amount of securities approximates to the market value. The interest accrued comprises KZT 5,730 thousand and KZT 4,173 thousand as of 31 December 2004 and 31 December 2003, respectively.

19. LOANS AND ADVANCES TO CUSTOMERS

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Originated loans	92,585,842	52,450,179
Net investment in finance lease	817,789	198,112
Accrued interest income on loans to customers	<u>2,135,286</u>	<u>1,707,960</u>
	95,538,917	54,356,251
Less allowance for loan losses	<u>(4,082,689)</u>	<u>(2,287,490)</u>
Total loans to customers, net	<u><u>91,456,228</u></u>	<u><u>52,068,761</u></u>
	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Loans collateralized by real estate	60,399,000	33,931,368
Loans collateralized by goods in turnover	13,788,492	7,326,880
Loans collateralized by equipment	9,566,935	5,285,867
Loans collateralized by other assets	4,924,723	3,317,036
Loans collateralized by corporate guarantees	2,772,578	1,758,141
Loans collateralized by cash	2,382,910	1,115,362
Loans collateralized by precious metals	893,637	817,023
Unsecured loans	<u>810,642</u>	<u>804,574</u>
	95,538,917	54,356,251
Less allowance for loan losses	<u>(4,082,689)</u>	<u>(2,287,490)</u>
Total loans and advances to customers, net	<u><u>91,456,228</u></u>	<u><u>52,068,761</u></u>

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

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Analysis by sector		
Trading	21,703,923	14,366,127
Retail loans and mortgage	19,298,577	8,386,031
Food industry	10,430,436	7,445,442
Manufacturing	11,698,719	6,160,992
Construction	6,685,046	2,360,533
Agriculture	6,485,437	2,619,504
Oil and gas	4,689,029	1,486,922
Transportation and equipment maintenance services, rendered to enterprises	4,122,654	2,386,916
Mining of precious metals	3,090,033	3,725,974
Real estate	3,051,981	1,523,321
Telecommunications and transport	998,126	1,554,075
Mass media	981,140	466,034
Metallurgy	250,695	323,877
Machinery	168,384	74,377
Energy	124,748	364,592
Financial sector	24,680	70,537
Other	<u>1,735,309</u>	<u>1,040,997</u>
	95,538,917	54,356,251
Less allowance for loan losses	<u>(4,082,689)</u>	<u>(2,287,490)</u>
Total loans and advances to customers, net	<u>91,456,228</u>	<u>52,068,761</u>

The components of net investment in finance lease as of 31 December 2004 are as follows:

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Total minimum lease and maintenance payments	817,789	198,112
Less: executory costs	-	-
Net minimum lease payments	<u>817,789</u>	<u>198,112</u>
Less: unearned finance income	-	-
Net investment in finance lease	<u>817,789</u>	<u>198,112</u>
Current portion	269,821	65,377
Long-term portion	547,968	132,735
Net investment in finance lease	<u>817,789</u>	<u>198,112</u>

The present value of future minimum lease payments due from customer under finance lease as of 31 December 2004 are as follows:

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Not later than one year	269,821	65,377
Later than one year not later than five years	547,968	132,735
Total future minimum lease payments	<u>817,789</u>	<u>198,112</u>

As of 31 December 2004 and 2003 included in loans and advances to customers are non-accrual loans amounting to KZT 518,578 thousand and KZT 489,888 thousand, respectively, on which interest was not accrued.

As of 31 December 2004 and 2003 the Group had 8 and 13 loans to customers totaling KZT 18,704,097 thousand and KZT 14,760,011 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

20. INVESTMENT SECURITIES

Securities available-for-sale

	<u>Interest to nominal</u> %	<u>2004</u> KZT'000	<u>Interest to nominal</u> %	<u>2003</u> KZT'000
Debt securities				
NBRK notes	-	9,787,145	-	2,348,494
Bonds of the Ministry of Finance of the RK	2.86-5.72	6,145,628	4-16.3	1,911,943
Kazakhstan Mortgage Company	6.2-7.8	2,738,117	9	1,114,287
Eurobonds, issued by the Republic of Kazakhstan	3.49-3.72	1,267,458	11.13-13.63	1,769,905
JSC Halyk Saving Bank Bonds	7.35-11.04	753,565	7.7-11.45	469,856
JSC Bank Caspian Bonds	8.37	293,401	-	-
Municipal bonds of state local authorities	11.21	146,972	-	-
JSC Astana Finance Bonds	8.21-11.16	126,251	9	15,489
JSC Valut Transit Bank Bonds	12.35	88,809	10	227,471
Kazkommerts International Euro BondsB.V.	5.66-15.69	5,155	-	-
JSC Alliance Bank	9.37-10.03	1,306	-	-
Kustanai Asbest	-	-	12	123,221
Almaty Kys	-	-	10	267,445
Development bank of Kazakhstan	-	-	7.38	301,750
Other	-	367	-	4,159
		<u>21,354,174</u>		<u>8,554,020</u>

Movements in allowances are shown in Note 5.

	<u>Share</u> %	<u>2004</u> KZT'000	<u>Share</u> %	<u>2003</u> KZT'000
Shares				
JSC Oil Insurance Company	5.7	41,091	5.45	37,606
JSC Halyk Pension Fund	12.47	36,700	6.57	17,400
JSC Pension Fund Korgau	9.44	28,328	5.58	17,000
JSC Processing Center	1.37	10,000	1.37	10,000
First Credit Bureau LLP	14.29	4,050	-	-
KASE	2.28	2,200	-	-
Association of Financiers of Kazakhstan	16.6	675	-	-
JSC Central Depository of Securities	2.5	200	-	-
JSC Alliance Bank	-	-	6.9	250,000
JSC ValutTransitBank	-	-	2.9	91,429
JSC Astana Hotel (100% impairment)	-	-	-	44,000
JSC Halyk Saving Bank	-	-	-	6,378
JSC Kazakhtelecom	-	-	-	1,792
Other	-	1,321	-	14,240
		<u>124,565</u>		<u>489,845</u>
Less allowance for impairment	-	-	-	(44,000)
		<u>-</u>		<u>445,845</u>
Total securities available for sale, net		<u>21,478,739</u>		<u>8,999,865</u>

Securities held-to-maturity

	<u>Interest to</u> <u>nominal</u> %	<u>2004</u> KZT'000	<u>Interest to</u> <u>nominal</u> %	<u>2003</u> KZT'000
JSC Texaka Bank Bonds	11	40,044	-	-
NBRK notes	-	6,653	-	-
Bonds of Kazakhstan Mortgage Company	8.09-11.25	3,909	-	-
JSC Astana Finance Bonds	9	2,572	-	-
JSC Bank of Development of Kazakhstan Bonds	9.5	1,795	-	-
Total securities held-to-maturity		<u>54,973</u>		<u>-</u>

The interest accrued as of 31 December 2004 and 31 December 2003 was KZT 181,600 thousand and KZT 107,261 thousand, respectively.

21. FIXED AND INTANGIBLE ASSETS

	<u>Building</u> KZT'000	<u>Furniture and equipment</u> KZT'000	<u>Construction in progress</u> KZT'000	<u>Intangible assets</u> KZT'000	<u>Total</u> KZT'000
At cost					
31 December 2003	1,225,546	1,966,061	63,292	235,361	3,490,260
Additions	137,425	1,185,414	531,031	91,369	1,945,239
Transfers	-	-	-	2,063	2,063
Disposals	(1,705)	(453,958)	(29,591)	-	(485,254)
31 December 2004	<u>1,361,266</u>	<u>2,697,517</u>	<u>564,732</u>	<u>328,793</u>	<u>4,952,308</u>
Accumulated depreciation					
31 December 2003	(126,284)	(590,101)	-	(85,378)	(801,763)
Charge for the year	(20,414)	(246,140)	-	(49,393)	(315,947)
Transfers	-	(2,063)	-	-	(2,063)
Disposals	27	55,228	-	-	55,255
31 December 2004	<u>(146,671)</u>	<u>(783,076)</u>	<u>-</u>	<u>(134,771)</u>	<u>(1,064,518)</u>
Net book value					
31 December 2004	<u>1,214,595</u>	<u>1,914,441</u>	<u>564,732</u>	<u>194,022</u>	<u>3,887,790</u>
Net book value					
31 December 2003	<u>1,099,262</u>	<u>1,375,960</u>	<u>63,292</u>	<u>149,983</u>	<u>2,688,497</u>

22. OTHER ASSETS

Other assets comprise:

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Debtors on capital investments	1,019,046	82,691
Prepayments and receivables on other transactions	616,264	452,135
Taxes receivable (other than income tax)	155,870	79,008
Inventory	140,562	118,432
Receivable from sale of collateral repossessed	134,717	472,322
Western Union and other wireless transfers	92,433	122,055
Accrued commission	85,529	41,603
Due from the Government on foreign exchange losses for long term mortgage loans	51,833	49,782
Travelers cheques	23,437	17,351
Advances to employees	2,513	3,334
Other	11,188	93,943
	<u>2,333,392</u>	<u>1,532,656</u>
Allowance for losses on other assets	(4,618)	(523)
Total other assets	<u>2,328,774</u>	<u>1,532,133</u>

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

23. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Correspondent accounts of other banks	525,172	605,231
Loans from banks and financial institutions, including:		
Syndicated loan from a group of banks (<i>Bank Austria, Austria, maturity – March 9, 2005, 5.3%</i>)	910,000	-
Syndicated loan from a group of banks (<i>Bayerische Hypo-und Vereinsbank AG, Germany, maturity – November 25, 2005, 5.4%</i>)	9,100,000	5,191,920
Syndicated loan from a group of banks (<i>ING Bank, the Netherlands, maturity – June 18, 2005, 5.2%</i>)	5,850,000	-
Short-term loans from other banks	7,848,093	6,685,869
Overnight deposits of other banks	-	4,802,129
Loans from international credit organizations	7,526,390	2,670,569
Short-term deposits of other banks	2,500,000	-
Loans received from Government of the Republic of Kazakhstan and NBRK	357,320	585,609
Accrued interest expenses	346,506	187,056
	<hr/>	<hr/>
Total loans and advances from banks	<u>34,963,481</u>	<u>20,728,383</u>

24. CUSTOMER ACCOUNTS

Customer accounts comprise:

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Time deposits	68,478,191	31,505,738
Repayable on demand	22,020,643	15,772,630
Accrued interest expense on customer accounts	844,439	364,996
	<hr/>	<hr/>
Total customer accounts	<u>91,343,273</u>	<u>47,643,364</u>

As of 31 December 2004 and 2003 customer accounts amounting to KZT 13,751,313 thousand and KZT 6,018,197 thousand were due to 5 and 4 customers, respectively, which represents significant concentration.

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Analysis of customer accounts by industry		
Individuals	41,382,592	20,962,386
Social services	12,140,670	5,749,898
Fuel	11,230,573	4,120,043
Insurance	5,081,727	4,906,777
Trade	3,955,368	3,194,544
Real estate constructions	2,750,058	162,358
Metallurgy	2,476,712	325
Agriculture	2,454,799	1,597,560
Transportation and communication	2,266,321	1,668,926
Manufacturing	2,124,550	695,846
Machinery	199,946	169,808
Energy	189,312	142,656
Chemical	23,728	40,950
Other	4,222,478	3,866,291
Accrued interest expense on customer accounts	844,439	364,996
	<hr/>	<hr/>
Total customer deposits	<u>91,343,273</u>	<u>47,643,364</u>

25. OTHER LIABILITIES

	<u>2004</u> KZT'000	<u>2003</u> KZT'000
Settlement on other transactions	505,388	376,433
Advances received	162,101	9,075
Taxes payable, other than income tax	138,270	35,064
Allowance for losses on guarantees and other commitments	103,479	38,623
Other	23	39,341
Accrued commission expense	6,779	58,458
	<hr/>	<hr/>
Total other liabilities	916,040	556,994

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 of 31 December 2004 and 2003, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	<u>2004</u>		<u>2003</u>	
	KZT'000		KZT'000	
	<u>Nominal amount</u>	<u>Risk weighted amount</u>	<u>Nominal amount</u>	<u>Risk weighted amount</u>
Contingent liabilities and credit commitments				
Guarantees issued and other similar commitments	9,062,886	9,062,886	3,907,898	3,907,898
Letters of credit and other transaction related contingent liabilities	<u>5,361,046</u>	<u>2,664,972</u>	<u>831,149</u>	<u>339,239</u>
Total contingent liabilities and credit commitments	<u>14,423,932</u>	<u>11,727,858</u>	<u>4,739,047</u>	<u>4,247,137</u>

Capital commitments

The Group had no material commitments for capital expenditures outstanding as of 31 December 2004 and 2003.

Rental commitments

No material rental commitment was outstanding as of 31 December 2004 and 2003.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are returned to the client. These amounts are the average balance of the clients' funds under the management of the Group during 2004 and 2003, including assets under trusteeship as of 31 December 2004 and 2003 in the amount of KZT 13,773,403 thousand and KZT 5,572,000 thousand, respectively.

The Group renders depository services. As of 31 December 2004 the Group had 3,416,936,126 items of securities at nominal account for dealing operations of clients.

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 consolidated financial statements.

Taxes

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

Pensions and retirement plans

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

Operating environment

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

29. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 (Related party disclosures), are those counter parties that represent:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- (c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and
- (d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group` and enterprises that have a member of key management in common with the Group.

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

	<u>2004</u> KZT'000		<u>2003</u> KZT'000	
	<u>Related party transactions</u>	<u>Total category as per financial statements caption</u>	<u>Related party transactions</u>	<u>Total category as per financial statements caption</u>
Loans to customers, gross	1,294,523	95,538,917	450,958	54,356,251
Allowance for losses on loans to customers	(22,294)	(4,082,689)	68,872	2,287,490
Investment securities:				
- available-for-sale;	114,275	21,478,739	71,800	8,999,865
Subordinated debt	22,399	8,985,452	9,054	4,102,079
Customers accounts	338,626	91,343,273	-	47,643,364
Guarantees issued	5,040	9,062,886	5,913	3,907,898

During the years ended 31 December 2004 and 2003 the Group originated loans and advances to customers – related parties amounting to KZT 977,179 thousand and KZT 335,580 thousand, respectively, and received loans and advances repaid of KZT 133,614 thousand and KZT 256,699 thousand, respectively. The Group has interest income accrued in respect of loans and advances granted to related parties totaling KZT 65,348 thousand and KZT 67,845 thousand, respectively, as of 31 December 2004 and 2003.

During the year ended 31 December 2004 and 2003 the Group received deposits and advances from customers – related parties of KZT 589,789 and KZT nil, respectively and deposits and advances repaid totaling KZT 251,163 and KZT nil, respectively.

As of 31 December 2004 and 2003 the Group purchased securities under repos agreements from related parties for the total of KZT 114,275 thousand and KZT 71,800 thousand, respectively.

During the years ended 31 December 2004 and 2003 the Group issued guarantees and standby letters of credit on behalf of related parties of KZT 646,225 thousand and KZT 123,511 thousand, respectively.

During the years ended 31 December 2004 and 2003 the Group issued on the KASE (Kazakhstani exchange) the debt securities for amount KZT 4,883,373 thousand and KZT 1,927,268 thousand, respectively.

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

	<u>2004</u> KZT'000		<u>2003</u> KZT'000	
	<u>Related party transactions</u>	<u>Total category as per financial statements caption</u>	<u>Related party transactions</u>	<u>Total category as per financial statements caption</u>
Interest income		12,396,971		6,962,144
- related companies	135,143		40,768	
- directors	12,383		5,006	
Interest expense		6,355,305		3,333,540
- related companies	1,514		226	
Salary for key management personnel	49,423	1,743,103	31,592	1,160,840

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. 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 of 31 December 2004 and 2003 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 bank

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

Securities held-for-trading

As of 31 December 2004 and 2003 securities held-for-trading are stated at fair value. The fair value of securities held-for-trading was determined with reference to an active market.

Securities purchased under repurchase agreements

As of 31 December 2004 and 2003, the carrying amount of securities purchased under repurchase agreements is a reasonable estimate of the fair value.

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.

Securities available-for-sale

As of 31 December 2004 and 2003 debt securities available-for-sale are stated at fair value amounting to KZT 21,172,574 thousand and KZT 8,446,759 thousand, respectively, plus accrued coupon income totaling KZT 181,600 thousand and KZT 107,261, 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.

As of 31 December 2003 securities for the amount KZT 44,000 thousands were accounted at cost and 100% allowance for impairment was created.

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. If such quotes do not exist, management estimation is used.

Securities held-to-maturity

Securities held-to-maturity are stated at cost and adjusted for accretion and amortization of premiums and discounts, respectively. The fair value of securities held-to-maturity as of 31 December 2004 was KZT 45,422 thousand. The 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 the fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Loans and advances from banks

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

Customer accounts

As of 31 December 2004 and 2003, the carrying amount of customer deposits and current customer accounts is a reasonable estimate of their fair value.

Securities purchased under repurchase agreements

As of 31 December 2003 the carrying value of securities sold under repos agreement is a reasonable estimate of their fair value.

Subordinated debt

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

31. 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.

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

<u>Estimate</u>	<u>Description of position</u>
0%	Cash and balances with the NBRK
0%	State debt securities in KZT
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:

<u>Capital amounts and ratios</u>	<u>Actual amount</u> KZT'000	<u>For Capital Adequacy purposes</u> KZT'000	<u>Ratio For Capital Adequacy purposes</u> %	<u>Minimum Required Ratio</u> %
At 31 December 2004				
Total capital	12,211,423	19,686,218	17.43	8
Tier 1 capital	7,466,920	11,998,453	10.63	4
At 31 December 2003				
Total capital	7,440,592	11,882,954	17.24	8
Tier 1 capital	5,168,010	7,161,970	10.39	4

During computation of total capital for capital adequacy purposes as of 31 December 2003 the Group included the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

32. RISK MANAGEMENT POLICIES

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

The Group manages the following risks:

Liquidity risk

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

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. Risk Analysis and Management Department performs determination of the optimum structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

The following table presents an analysis of interest rate risk and liquidity risk on balance sheet.

	2004					Allowance for losses KZT'000	Total KZT'000
	Up to 1 month KZT'000	1 month to 3 months KZT'000	3 month to 1 year KZT'000	1 year to 5 years KZT'000	Over 5 years KZT'000		
ASSETS							
Interest rate bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	3,000,000	-	-	-	-	-	3,000,000
Loans and advances to banks	8,193,289	120,000	672,780	-	-	-	8,986,069
Securities held-for-trading	2,880,611	-	-	-	-	-	2,880,611
Securities purchased under agreement to resell	7,645,278	35,009	157,296	-	-	-	7,837,583
Loans and advances to customers, less allowance for loan losses	4,364,507	7,490,253	41,575,934	39,229,882	224,477	(3,564,111)	89,320,942
Investment securities	19,764,021	-	10,210	1,408,996	44,320	-	21,227,547
Total interest rate bearing	45,847,706	7,645,262	42,416,220	40,638,878	268,797	(3,564,111)	133,252,752
Cash and balances with the National Bank of the Republic of Kazakhstan	5,738,176	-	-	-	-	-	5,738,176
Fixed and intangible assets, less accumulated depreciation	-	-	-	2,673,195	1,214,595	-	3,887,790
Income tax asset	38,289	-	-	-	-	-	38,289
Overdue loans to customers, less allowance for loan losses	518,578	-	-	-	-	(518,578)	-
Loans and advances to banks	729,305	-	-	-	-	-	729,305
Investment securities	124,565	-	-	-	-	-	124,565
Other assets, less allowance for losses	1,146,114	5,182	23,096	1,158,754	246	(4,618)	2,328,774
Interest accrued on interest bearing assets	2,384,015	-	-	-	-	-	2,384,015
TOTAL ASSETS	56,526,748	7,650,444	42,439,316	44,470,827	1,483,638	(4,087,307)	148,483,666
LIABILITIES							
Interest rate bearing liabilities:							
Loans and advances from banks	10,954,076	3,066,618	13,818,438	5,966,480	286,191	-	34,091,803
Customer accounts	10,679,153	9,565,178	15,941,693	31,234,430	-	-	67,420,454
Subordinated debt	-	-	586,631	8,278,015	-	-	8,864,646
Total interest bearing liabilities	21,633,229	12,631,796	30,346,762	45,478,925	286,191	-	110,376,903
Loans and advances from banks	525,172	-	-	-	-	-	525,172
Customer accounts	23,078,380	-	-	-	-	-	23,078,380
Other liabilities	773,614	3,603	7,873	-	27,471	103,479	916,040
Interest accrued on interest bearing liabilities	1,311,751	-	-	-	-	-	1,311,751
TOTAL LIABILITIES	47,322,146	12,635,399	30,354,635	45,478,925	313,662	103,479	136,208,246
Liquidity gap	6,585,121	(4,932,993)	12,043,200	1,600,902	1,169,976		
Interest sensitivity gap	24,217,477	(4,986,534)	12,069,458	(4,840,047)	(17,394)		
Cumulative interest sensitivity gap	24,217,477	19,227,943	31,297,401	26,457,354	26,439,960		
Cumulative interest sensitivity gap as a percentage of total assets	16.31%	12.95%	21.08%	17.82%	17.81%		

	<u>Up to 1 month</u> KZT'000	<u>1 month to 3 months</u> KZT'000	<u>3 month to 1 year</u> KZT'000	<u>2003 1 year to 5 years</u> KZT'000	<u>Over 5 years</u> KZT'000	<u>Allowance for losses</u> KZT'000	<u>Total</u> KZT'000
ASSETS							
Interest rate bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	300,000	-	-	-	-	-	300,000
Loans and advances to banks	6,209,355	-	246,678	57,688	-	-	6,513,721
Securities held-for-trading	1,397,545	-	-	-	-	-	1,397,545
Securities purchased under agreement to resell	29,000	-	35,009	-	-	-	64,009
Loans and advances to customers, less allowance for loan losses	3,603,083	7,186,415	23,947,456	16,477,950	943,499	(1,797,602)	50,360,801
Investment securities	6,863,213	117,539	-	1,466,007	-	-	8,446,759
Total interest rate bearing	18,402,196	7,303,954	24,229,143	18,001,645	943,499	(1,797,602)	67,082,835
Cash and balances with the National Bank of the Republic of Kazakhstan	5,348,630	-	-	-	-	-	5,348,630
Loans and advances to customers	489,888	-	-	-	-	(489,888)	-
Loans and advances to banks	2,979,727	-	-	-	-	-	2,979,727
Investment securities	489,845	-	-	-	-	(44,000)	445,845
Fixed and intangible assets, less accumulated depreciation	-	-	-	1,589,235	1,099,262	-	2,688,497
Interest accrued on interest bearing assets	1,835,351	-	-	-	-	-	1,835,351
Other assets, less allowance for losses	1,454,010	-	-	78,646	-	(523)	1,532,133
TOTAL ASSETS	30,999,647	7,303,954	24,229,143	19,669,526	2,042,761	(2,332,013)	81,913,018
LIABILITIES							
Interest rate bearing liabilities:							
Loans and advances from banks	1,581,863	1,939,648	11,808,830	4,605,755	-	-	19,936,096
Securities sold under agreement to repurchase	1,332,711	-	-	-	-	-	1,332,711
Customer accounts	4,143,038	7,894,518	11,651,045	7,817,137	-	-	31,505,738
Subordinated debt	-	-	-	644,985	3,398,636	-	4,043,621
Total interest bearing liabilities	7,057,612	9,834,166	23,459,875	13,067,877	3,398,636	-	58,818,166
Loans and advances from banks	605,231	-	-	-	-	-	605,231
Customer accounts	15,772,630	-	-	-	-	-	15,772,630
Income tax liabilities	-	-	62,403	-	-	-	62,403
Other liabilities	404,955	65,153	12,303	35,960	-	38,623	556,994
Interest accrued on interest bearing liabilities	610,510	-	-	-	-	-	610,510
TOTAL LIABILITIES	24,450,938	9,899,319	23,534,581	13,103,837	3,398,636	38,623	74,425,934
Liquidity gap	6,548,709	(2,595,365)	694,562	6,565,689	(1,355,875)		
Interest sensitivity gap	11,344,584	(2,530,212)	769,268	4,933,768	(2,455,137)		
Cumulative interest sensitivity gap	11,344,584	8,814,372	9,583,640	14,517,408	12,062,271		
Cumulative interest sensitivity gap as a percentage of total assets	13.85%	10.76%	11.70%	17.72%	14.73%		

Interest rate and market risks

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Treasury Department performs management of interest rate and market risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Group to avoid negative interest margin. Risk Analysis and Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

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.

	<u>2004</u>				<u>2003</u>			
	<u>KZT</u>	<u>USD</u>	<u>EURO</u>	<u>Other currency</u>	<u>KZT</u>	<u>USD</u>	<u>EURO</u>	<u>Other currency</u>
ASSETS								
Loans and advances to banks	5.9%	2.3%	2.3%	2%	5.5%	2.5%	-	2.5%
Securities held-for-trading	5.7%	5.6%	-	-	5.5%	4.5%	-	-
Securities purchased under agreement to resell	1.5%	3.1%	-	-	2.5%	1.5%	-	-
Loans and advances to customers	15.18%	14.5%	9.8%	-	16%	15.2%	13.2%	-
Investment securities:				-				-
- securities available-for-sale	4.5%	4.9%	-	-	5.5%	4.5%	-	-
- securities held-to-maturity	-	-	-	-	-	-	-	-
LIABILITIES								
Loans and advances from banks	6%	4.9%	3.9%	-	-	-	-	-
Securities sold under agreement to repurchase	-	-	-	-	2.5%	-	-	-
Customer accounts	10.3%	6.6%	7.1%	-	10%	6.2%	6%	-
Subordinated debt	10.6%	12%	-	-	12%	10%	-	-

Currency risk

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

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

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

	<u>KZT</u>	<u>USD</u> 1USD= KZT 130.00	<u>EUR</u> 1EUR= KZT 177.10	<u>2004</u> <u>Other</u> <u>currency</u>	<u>Allowance</u> <u>for losses</u>	<u>Total</u> KZT'000
ASSETS:						
Cash and balances with the National Bank of the Republic of Kazakhstan	7,634,212	834,566	246,735	23,557	-	8,739,070
Loans and advances to banks	2,633,373	3,681,283	3,296,246	134,206	-	9,745,108
Securities held-for-trading	212,070	2,699,312	-	-	-	2,911,382
Securities purchased under agreement to resell	7,843,313	-	-	-	-	7,843,313
Loans and advances to customers, less allowance for loan losses	40,260,635	54,601,700	676,582	-	(4,082,689)	91,456,228
Investment securities	20,261,099	1,272,613	-	-	-	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	-	-	-	-	3,887,790
Income tax assets	38,289	-	-	-	-	38,289
Other assets, less allowance for losses	2,227,107	98,348	7,937	-	(4,618)	2,328,774
TOTAL ASSETS	<u>84,997,888</u>	<u>63,187,822</u>	<u>4,227,500</u>	<u>157,763</u>	<u>(4,087,307)</u>	<u>148,483,666</u>
LIABILITIES:						
Loans and advances from banks	3,310,267	28,997,978	2,654,933	303	-	34,963,481
Customer accounts	56,167,874	33,076,961	1,983,109	115,329	-	91,343,273
Subordinated debt	8,395,730	589,722	-	-	-	8,985,452
Other liabilities	618,428	130,577	57,843	5,713	103,479	916,040
TOTAL LIABILITIES	<u>68,492,299</u>	<u>62,795,238</u>	<u>4,695,885</u>	<u>121,345</u>	<u>103,479</u>	<u>136,208,246</u>
OPEN BALANCE SHEET POSITION	<u>16,505,589</u>	<u>392,584</u>	<u>468,385</u>	<u>36,418</u>		

	2003					
	<u>KZT</u>	<u>USD</u>	<u>EUR</u>	<u>Other</u>	<u>Allowance for</u>	<u>Total</u>
		1USD= KZT	1EUR= KZT	<u>currency</u>	<u>losses</u>	<u>KZT'000</u>
		144.22	180.23			
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	3,700,222	1,685,532	247,474	15,402	-	5,648,630
Loans and advances to banks	1,006,301	7,657,314	623,724	206,714	-	9,494,053
Securities held-for-trading	-	1,412,897	-	-	-	1,412,897
Securities purchased under agreement to resell	68,182	-	-	-	-	68,182
Loans and advances to customers, less allowance for loan losses	29,324,757	24,581,177	450,317	-	(2,287,490)	52,068,761
Investment securities	6,972,210	2,071,655	-	-	(44,000)	8,999,865
Fixed and intangible assets, less accumulated depreciation	2,688,497	-	-	-	-	2,688,497
Other assets, less allowance for losses	1,302,480	225,757	4,391	28	(523)	1,532,133
TOTAL ASSETS	<u>45,062,649</u>	<u>37,634,332</u>	<u>1,325,906</u>	<u>222,144</u>	<u>(2,332,013)</u>	<u>81,913,018</u>
LIABILITIES						
Loans and advances from banks	1,494,441	18,653,546	580,396	-	-	20,728,383
Securities sold under agreements to repurchase	321,010	1,011,701	-	-	-	1,332,711
Customer accounts	28,935,561	17,727,326	851,840	128,637	-	47,643,364
Subordinated debt	3,453,549	648,530	-	-	-	4,102,079
Income tax liabilities	62,403	-	-	-	-	62,403
Other liabilities	376,313	118,495	21,178	2,385	38,623	556,994
TOTAL LIABILITIES	<u>34,643,277</u>	<u>38,159,598</u>	<u>1,453,414</u>	<u>131,022</u>	<u>38,623</u>	<u>74,425,934</u>
OPEN BALANCE SHEET POSITION	<u>10,419,372</u>	<u>525,266</u>	<u>(127,508)</u>	<u>91,122</u>		

Credit risk

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

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by borrower and product (by industry sector, by region) are approved by the Credit Committee. 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. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

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

Geographical concentration

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

	<u>Kazakhstan</u> KZT'000	<u>Other non OECD countries</u> KZT'000	<u>2004</u> <u>OECD</u> <u>Countries</u> KZT'000	<u>Allowance for losses</u> KZT'000	<u>Total</u> KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	8,739,070	-	-	-	8,739,070
Loans and advances to banks	3,829,796	134,589	5,780,723	-	9,745,108
Securities held-for-trading	2,395,336	-	516,046	-	2,911,382
Securities purchased under agreement to resell	7,843,313	-	-	-	7,843,313
Loans and advances to customers, less allowance for loan losses	95,001,964	533,257	3,696	(4,082,689)	91,456,228
Investment securities	21,533,712	-	-	-	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	-	-	-	3,887,790
Income tax assets	38,289	-	-	-	38,289
Other assets, less allowance for losses	2,333,392	-	-	(4,618)	2,328,774
TOTAL ASSETS	<u>145,602,662</u>	<u>667,846</u>	<u>6,300,465</u>	<u>(4,087,307)</u>	<u>148,483,666</u>
LIABILITIES					
Loans and advances from banks	9,144,018	356,680	25,462,783	-	34,963,481
Customer accounts	91,343,273	-	-	-	91,343,273
Subordinated debt	8,985,452	-	-	-	8,985,452
Other liabilities	812,561	-	-	103,479	916,040
TOTAL LIABILITIES	<u>110,285,304</u>	<u>356,680</u>	<u>25,462,783</u>	<u>103,479</u>	<u>136,208,246</u>
NET BALANCE SHEET POSITION	<u>35,317,358</u>	<u>311,166</u>	<u>(19,162,318)</u>		

	<u>Kazakhstan</u> KZT'000	<u>Other non OECD countries</u> KZT'000	<u>2003</u> <u>OECD</u> <u>Countries</u> KZT'000	<u>Allowance for losses</u> KZT'000	<u>Total</u> KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	5,648,630	-	-	-	5,648,630
Loans and advances to banks	2,176,328	1,721,979	5,595,746	-	9,494,053
Securities held-for-trading	1,123,923	-	288,974	-	1,412,897
Securities purchased under agreement to resell	68,182	-	-	-	68,182
Loans and advances to customers, less allowance for loan losses	54,356,251	-	-	(2,287,490)	52,068,761
Investment securities, less allowance for impairment	9,043,865	-	-	(44,000)	8,999,865
Fixed and intangible assets, less accumulated depreciation	2,688,497	-	-	-	2,688,497
Other assets, less allowance for losses	1,532,656	-	-	(523)	1,532,133
TOTAL ASSETS	<u>76,638,332</u>	<u>1,721,979</u>	<u>5,884,720</u>	<u>(2,332,013)</u>	<u>81,913,018</u>
LIABILITIES					
Loans and advances from banks	4,188,187	721,617	15,818,579	-	20,728,383
Securities sold under agreements to repurchase	1,332,711	-	-	-	1,332,711
Customer accounts	47,643,364	-	-	-	47,643,364
Subordinated debt	4,102,079	-	-	-	4,102,079
Income tax liabilities	62,403	-	-	-	62,403
Other liabilities	518,371	-	-	38,623	556,994
TOTAL LIABILITIES	<u>57,847,115</u>	<u>721,617</u>	<u>15,818,579</u>	<u>38,623</u>	<u>74,425,934</u>
NET BALANCE SHEET POSITION	<u>18,791,217</u>	<u>1,000,362</u>	<u>(9,933,859)</u>		

33. SUBSEQUENT EVENTS

On 11 February 2005 the Bank has issued Eurobond amounting to USD 200.000 thousand with maturity 2008 and these bonds bear an interest equals to 8%.