Translation from original in Russian language

Consolidated Financial Statements

Bank CenterCredit

December 31, 2001 and 2000
with Report of Independent Auditors

Translation from original in Russian language

Bank CenterCredit

Consolidated Financial Statements

December 31, 2001 and 2000

Contents

ERNST & YOUNG

Ernst & Young
st. Furmanova 273
Almaty 480099 Kazakhstan
Phone: 7(3272) 585 960
7(3272) 585 969
Fax: 7(3272) 585 961

Эрнст энд Янг
Казахстан, 480099 г.Алматы
Фурманова 273
Телефон: 7(3272) 585 960
7(3272) 585 969
Факс: 7(3272) 585 961

Translation from original in Russian language

Report of Independent Auditors

The Board of Directors and Shareholders
Bank CenterCredit

We have audited the accompanying consolidated balance sheets of Bank CenterCredit as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. The preparation of the financial statements is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Kazakh 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above have been prepared so as to ensure the reflection, in all material respects, of the consolidated assets, liabilities and shareholders' equity of Bank CenterCredit as of December 31, 2001 and 2000, and the consolidated results of their operations, and their cash flows for the years then ended, on the basis of the Chart of Accounts for accounting of commercial banks in the Republic of Kazakhstan approved by the National Bank of Kazakhstan and in compliance with the regulations for bookkeeping and accounting for statutory reporting purposes in the Republic of Kazakhstan, prescribed by the National Bank of Kazakhstan and the Ministry of Finance of the Republic of Kazakhstan, and approved by the Ministry of Justice of the Republic of Kazakhstan as of December 31, 2001. This opinion is unqualified.

Almaty
April 15, 2002
Ernst & Young Kazakhstan LLP
Audit Banking Licence # 10
dated August 18, 1997

Azamat Erzhanov,
General Director
Audit Banking Licence # 20
dated April 16, 1997

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Kazakhstan and specifically NBK. Accordingly, the accompanying financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Republic of Kazakhstan and specifically NBK. The standards, procedures and practices utilized in the Republic of Kazakhstan to audit such financial statements may differ from those generally accepted in other countries and jurisdictions.

Translation from original in Russian language

Bank CenterCredit

Consolidated Balance Sheets

(In thousands of Kazakh Tenge)

Assets		**Code**	**31.12.01**	**31.12.00**
I.	Cash in hand including:	010	**1,333,319**	729,666
	1.1. National currency -tenge	011	**648,564**	342,460
	1.2. Foreign currency	012	**684,755**	387,206
II.	Due from the National Bank of Kazakhstan	020	**1,136,990**	587,994
III.	Placements with other banks, net *(Note 4)*	030	**2,146,216**	1,632,597
IV.	Marketable securities *(Note 5)*	040	**3,410,098**	2,043,673
V.	Precious metals	050	**68,838**	3,208
VI.	Loans to customers, net *(Note 6 & 7)*	060	**20,370,853**	12,140,980
VII.	Investments *(Note 8)*	070	**260,074**	198,785
VIII.	Clients acceptances	080	**14,338**	86,628
IX.	Premises and equipment, net *(Note 9)*	090	**1,540,225**	606,624
X.	Intangible assets, net	100	**128,685**	18,235
XI.	Other assets *(Note 17)*	120	**2,265,427**	988,942
XII.	Less: Other provisions	130	**(84,115)**	(349)
	Total assets (I+II+III+IV+V+VI+VII+VIII+IX+ X+XI-XII)		**32,590,948**	19,036,983

Liabilities				
I.	Total deposits including *(Note 10)*:	200	**22,450,012**	13,585,684
	1.1. Demand deposits	201	**8,565,492**	6,916,188
	1.2. Deposits from other banks	202	**841,905**	70,422
	1.3. Time deposits	203	**13,042,615**	6,599,074
II.	Due to the NBK *(Note 11)*	210	**248,360**	309,248
III.	Loans due to other banks *(Note 12)*	220	**1,271,857**	142,475
IV.	Due to the Government of the RK *(Note 13)*	230	**380,818**	224,053
V.	Due to other banks under REPO agreements *(Note 14)*	240	**1,224,321**	–
VI.	Due to International Financial Organizations *(Note 15)*	250	**2,463,052**	926,250
VII.	Liabilities on acceptances issued	260	**69,500**	117,859
VIII.	Debts securities issued *(Note 16)*	270	**678,780**	598,975
IX.	Other liabilities *(Note 17)*	280	**698,996**	1,006,222
X.	Total liabilities (I+II+III+IV+V+VI+VII+VIII+ IX)		**29,485,696**	16,910,766
XI.	Minority interest		**18,550**	16,175

The accounting policies and explanatory notes are an integral part of the financial statements.

Translation from original in Russian language

Bank CenterCredit

Consolidated Balance Sheets (continued)

(In thousands of Kazakh Tenge)

Shareholders' equity *(Note 19)*:	**Code**	**31.12.01**	**31.12.00**
XII. Charter fund	300	**2,482,076**	1,609,859
XIII. Additional paid in capital	310	**1,022**	20
XIV. Reserve fund	320	**228,035**	123,544
XV. Fixed assets revaluation fund	330	**284,219**	27,811
XVI. Revaluation reserves	340	**1,440**	1,440
XVII. (Accumulated deficit)/retained earnings (excluding net current year income)	350	**(188,790)**	42,123
XVIII. Current year income	360	**278,700**	305,245
XIX. Total shareholders' equity (XII+XIII+XIV+XV+XVI+ XVII+ XVIII)		**3,086,702**	2,110,042
Total liabilities and shareholders' equity (X+XI+XIX)		**32,590,948**	19,036,983

Chairman: Vladislav S. Lee

Chief Accountant: Magaz N. Yerdessov

The accounting policies and explanatory notes are an integral part of the financial statements.

Translation from original in Russian language

Bank CenterCredit

Consolidated Statements of Income

Years ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

		Code	2001	2000
I.	Interest income:	100	**2,977,163**	1,837,013
	Deposits in other banks	110	**99,534**	59,539
	Marketable securities	120	**244,613**	115,410
	Loans to banks	140	**635**	429
	Loans to non-bank clients	150	**2,441,441**	1,609,079
	Loans to physical persons	160	**130,128**	40,125
	Other interest income	170	**60,812**	12,431
II.	Interest expense	200	**1,608,259**	1,006,991
	Deposits from non banking legal entities	210	**423,163**	490,132
	Deposits from physical persons	220	**814,038**	414,293
	NBK loans	230	**21,519**	22,383
	Interbank loans	240	**125,868**	5,043
	Loans of the Government of RK	250	**3,484**	–
	Loans of other companies	260	**98,218**	71,884
	Other interest expense	270	**121,969**	3,256
III.	Net interest income (I-II)	300	**1,368,904**	830,022
IV.	Non-interest income	400	**1,740,372**	2,250,624
	Fees and commission income	420	**1,043,360**	901,932
	Income from financial transactions	430	**468,603**	524,048
	Other non-interest income	440	**228,409**	824,644
V.	Non-interest expenses	500	**2,240,663**	2,189,038
	Payroll and other staff costs	510	**843,768**	782,961
	including: Payroll	511	**570,868**	522,864
	Material assistance	512	**243**	61,577
	Payroll taxes	513	**144,225**	143,847
	Other staff costs	514	**128,432**	54,673
	Office and equipment maintenance expenses	520	**500,582**	508,940
	Legal expenses	530	**2**	31
	Tax expenses		**315,635**	517,449
	Other non-interest expenses	540	**580,676**	379,657
VI.	Net operating income before provision for losses (III+IV-V)	600	**868,613**	891,608

The accounting policies and explanatory notes are an integral part of the financial statements.

Translation from original in Russian language

Bank CenterCredit

Consolidated Statements of Income (continued)

Years ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

		Code	2001	2000
VII.	Provision for losses *(Note 7)*	601	**(893,838)**	(542,795)
VIII.	Net operating (loss)/ income after provision for losses (VI-VII)	666	**(25,225)**	348,813
IX.	Gain (loss) from sale of assets	700	**80,063**	(41,013)
	(Loss) gain from sale of securities	710	**(5,747)**	1,749
	Gain (loss) from sale of loans	720	**100,802**	(27,631)
	Loss from sale of other assets	730	**(14,992)**	(15,131)
X.	Unforeseeable items	800	**223,916**	(18)
	Unforeseeable gain	810	**339,827**	236,565
	Unforeseeable loss	820	**(115,911)**	(236,583)
XI.	Income before income taxes (VIII+IX+X)	900	**278,754**	307,782
XII.	Income taxes *(Note 18)*	901	**–**	–
XIII.	Net income before minority interest (XI-XII)	999	**278,754**	307,782
XIV.	Minority interest	1001	**(54)**	(2,537)
XV.	Net income after minority interest	1002	**278,700**	305,245

Chairman: Vladislav S. Lee

Chief Accountant: Magaz N. Yerdessov

The accounting policies and explanatory notes are an integral part of the financial statements.

Bank CenterCredit

Consolidated Statements of Changes in Shareholders' Equity

Year ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

Account No.		Balances at December 31, 1999	Additions	Deductions	Balances at December 31, 2000	Additions	Deductions	Balances at December 31, 2001
3000	**Charter Fund** ***(Note 19)***	1,062,531	547,328	–	**1,609,859**	**1,140,006**	**(267,789)**	**2,482,076**
3001	Authorised common shares in charter fund	1,063,339	1,000,000	–	**2,063,339**	**1,000,000**	**(408)**	**3,062,931**
3002	Unpaid common shares in charter fund	–	(453,480)	–	**(453,480)**	**(127,375)**	**–**	**(580,855)**
3003	Repurchased common shares	(808)	808	–	**–**	**267,381**	**(267,381)**	**–**
3101	**Share premium**	1	19	–	**20**	**1,021**	**(19)**	**1,022**
3500	**Funds**	317,234	668,681	(485,752)	**500,163**	**799,663**	**(696,222)**	**603,604**
3510	Reserve fund	57,200	66,344		**123,544**	**104,491**	**–**	**228,035**
3540	Revaluation of fixed assets	45,449	–	(17,638)	**27,811**	**267,121**	**(10,713)**	**284,219**
3560	Revaluation Reserve	–	–	–	**–**	**–**	**–**	**–**
3561	Revaluation of long term investments	1,440	–	–	**1,440**	**–**	**–**	**1,440**
3580	Retained Earnings	20,580	297,092	(275,549)	**42,123**	**149,351**	**(380,264)**	**(188,790)**
3599	Net current year income	192,565	305,245	(192,565)	**305,245**	**278,700**	**(305,245)**	**278,700**
	Total	1,379,766	1,216,028	(485,752)	**2,110,042**	**1,940,690**	**(964,030)**	**3,086,702**

Chairman: Vladislav S. Lee

Chief Accountant: Magaz N. Yerdessov

The accounting policies and explanatory notes are an integral part of the financial statements.

Translation from original in Russian language

Bank CenterCredit

Consolidated Statements of Cash Flows

Years ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

	Code	2001	2000
Net income	101	**278,700**	305,245
Adjustments to reconcile net income:			
Provision for losses	102	**893,838**	542,795
Depreciation	103	**58,881**	61,601
Decrease in accrued interest income	104	**(1,041,201)**	(482,115)
Increase in accrued interest expense	105	**337,714**	170,723
Other accrued expenses	106	**(10,025)**	–
	100	**517,907**	598,249
Operating activities			
Decrease in marketable securities	201	**335,825**	520,463
Increase in other securities portfolio	202	**(1,702,250)**	(514,406)
Increase in placements with banks	203	**(613,956)**	(388,152)
Increase in loans to customers	204	**(8,662,609)**	(3,691,518)
Increase in other assets	205	**(507,189)**	(152,310)
Increase/(decrease) in correspondent loro accounts	206	**107,142**	(30,404)
Increase in loans and deposits from banks	207	**4,857,865**	84,741
Increase in deposits from clients	208	**7,883,959**	3,296,813
Increase in other liabilities	210	**(531,253)**	674,951
Net cash from (used in) operating activities	200	**1,167,534**	(199,822)
Investing activities			
Purchase of shares of other legal entities	301	**(61,289)**	(135,973)
Investments in subordinated loans	302	–	–
Net purchase of property and equipment	303	**(918,280)**	(201,394)
Net cash used in investing activities	300	**(979,569)**	(337,367)
Financing activities			
Increase in charter fund	401	**876,030**	546,520
Repurchase of own shares	402	–	808
Changes in additional paid in capital	403	**1,050**	30
Debt securities issued	404	**79,805**	598,975
Dividends paid	405	**(88)**	1,667
Total cash provided by financing activities	400	**956,797**	1,148,000
Net increase in cash and cash equivalents	500	**1,662,669**	1,209,060

The accounting policies and explanatory notes are an integral part of the financial statements.

Bank CenterCredit

Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

	Code	2001	2000
Operations not involving cash flow			
Funds	601	**96,721**	48,706
Decrease in loan allowance	602	**(332,323)**	(671,866)
Depreciation	603	**79,526**	(22,688)
Increase in accrued fee income	604	**355,987**	494,261
Increase in accrued fee expense	605	**(151,457)**	(271,528)
Other accrued income	606	**(14,994)**	1,257
Other accrued expenses	607	**(13,021)**	13,524
Retained earnings	608	**(567,944)**	(241,975)
Total operations not involving cash flow	600	**(547,505)**	(650,309)
Minority Interest		**(1,486)**	2,537
Total (code 500+code 600)	700	**1,113,678**	561,288
Cash and cash equivalents at the beginning of the year	800	**2,386,939**	1,825,651
Cash and cash equivalents at the end of the year	900	**3,500,617**	2,386,939
Cash inflow for the year	1000	**1,113,678**	561,288

Cash and cash equivalent comprise the following balance sheet accounts:

	2001	2000
Cash	**1,333,319**	729,666
Nostro account held with the NBK (included in the balance sheet within "Due from the National Bank of Kazakhstan")	**1,136,990**	587,944
Nostro account held with other banks (included in the balance sheet within "Placement with other banks")	**961,470**	1,066,121
Precious metals	**68,838**	3,208
	3,500,617	2,386,939

Chairman: Vladislav S. Lee

Chief Accountant: Magaz N. Yerdessov

The accounting policies and explanatory notes are an integral part of the financial statements.

Translation from original in Russian language

Bank CenterCredit

Notes to Consolidated Financial Statements

December 31, 2001 and 2000

(in thousands of Kazakh Tenge, unless otherwise stated)

1. Description of Business

Bank CenterCredit (the "Bank") was established on September 19, 1988 as an open joint-stock company.

The Bank's head office is located on 100 Shevchenko street, 480072 Almaty, Republic of Kazakhstan. At December 31, 2001 the Bank had 19 branches (2000: 19 branches) and 48 cash settlement units (2000: 24 cash settlement units) throughout Kazakhstan. The Bank provides retail and corporate banking services to state-owned enterprises, private enterprises and individual customers in Kazakhstan with the help of interstate funding from international lending organizations such as the European Bank for Reconstruction and Development ("EBRD"), the Asian Development Bank ("ADB") and the International Bank of Reconstruction and Development ("IBRD").

The Bank's principal consolidated entities are listed in note 13.

As of December 31, 2001 and 2000, the Bank had 1,286 and 1,233 employees.

2. Basis of Preparation

The Bank maintains its records and prepares its financial statements in Kazakh Tenge in accordance with Kazakh accounting and tax legislation. The accompanying financial statements present the financial position, results of operations, and cash flows in accordance with the Chart of Accounts of commercial banks in the Republic of Kazakhstan approved by the National Bank of Kazakhstan ("NBK") and in compliance with the requirements of bookkeeping and accounting for statutory reporting purposes in Kazakhstan, prescribed by the NBK and the Ministry of Finance of the Republic of Kazakhstan for banking entities and approved by the Ministry of Justice of the Republic of Kazakhstan (collectively, Kazakh Bank Accounting Requirements ("KBAR")).

The accompanying consolidated financial statements are prepared in accordance with KBAR which differ from financial statements prepared in accordance with Kazakhstan Accounting Standards ("KAS") mainly in the following items, which are accounted for and presented in accordance with NBK requirements and not KAS:

- The basis of calculation and estimation of the allowance for losses; and
- The format and presentation of the financial statements, ie the balance sheet and the statements on income, cash flows and changes in shareholders equity.
- The basis of presentation of securities purchased under agreements to resell which are not considered purchased by the Bank in KAS as the title does not pass to the Bank but are presented as due from other banks. In accordance with NBK requirements securities purchased under repurchase agreements to resell are included in the Bank's securities portfolio.

2. Basis of Preparation (continued)

The KZT is not a fully convertible currency outside the Republic of Kazakhstan. Transactions denominated in foreign currencies are recorded by using the exchange rates quoted by the NBK, which closely approximate the market exchange rates quoted by the Kazakhstan Stock Exchange. The exchange rates at December 31, 2001 and 2000 were KZT 150.20 = US$1 and KZT 144.5 = US$1, respectively.

At April 15, 2002, the official exchange rate was KZT 152.55= US$1. The effect of this devaluation on KZT-denominated assets and liabilities has not been determined.

3. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in preparing the consolidated financial statements:

Consolidation

The consolidated financial statements include the accounts of the Bank and those companies over which the Bank exercises effective control. Note 20 provides with the information as to the principal subsidiaries of the Bank. All material inter-company accounts and transactions have been eliminated on consolidation.

Related Parties

Related parties include the Bank's shareholders, employees, investee, affiliated companies and individuals as prescribed by the Law Concerning Banks in the Republic of Kazakhstan.

Statement of Cash Flows

The statement of cash flows is prepared in accordance with the format prescribed by the National Bank of Kazakhstan. The statement reconciles the movements on cash and cash equivalents showing all the movements on the Bank's assets, liabilities, equity reserves and certain items from the statement of operations, and as such, is not intended to show the sources and uses of cash and cash equivalents as required by Kazakhstan Accounting Standards ("KAS") applicable to non-banking entities in the Republic of Kazakhstan.

Changes In Shareholders Equity

The statement of changes in shareholders equity is prepared in accordance with the format prescribed by the National Bank of Kazakhstan. The statement reconciles the movements on equity items by combining all the credit and debit movements on each item of equity into one total for additions and deductions respectively, and as such, is not intended to show the individual movements on equity items as required by Kazakhstan Accounting Standards ("KAS") applicable to non-banking entities in the Republic of Kazakhstan. Additions and disposals are generally comprised of capital contributions, capitalization of retained earnings, transfers between reserves and payments of dividends.

3. Summary of Significant Accounting Policies (continued)

Cash in hand and due from the National Bank of the Republic of Kazakhstan

Under Kazakh legislation, commercial banks are required to maintain certain obligatory reserves that are computed as a percentage of certain liabilities of the respective bank. Such reserves must be held in either deposits with the National Bank of the Republic of Kazakhstan or in physical cash in KZT. The use of such deposits is, therefore, subject to certain usage restrictions. As of December 31, 2001 and 2000 such required reserves were KZT 1,058 million and KZT 741 million, respectively.

Placements with Other Banks

Amounts placed with other banks consist of amounts due from, and loans to, other financial institutions.

Securities

Securities are held for short-term purposes, accounted for on a trade date basis, and stated at their estimated fair value. Changes in fair value and interest or dividend income from securities during the period are included in the accompanying consolidated statements of operations within income from financial transactions.

In determining fair value, securities are valued at the last trade price, if quoted on an exchange. If market prices are not available or if liquidating the Bank's position would reasonably be expected to significantly 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.

Included within securities are securities purchased under agreements to resell. Such securities are treated as financing transactions and are carried at the contract amounts reflective of the amounts at which the securities were initially acquired, adjusted for margin calls.

Commercial Loans

Loans are stated at the principal amount outstanding. Interest accruals are discontinued, i.e. a loan is placed on non-accrual status, when interest is overdue for more than 30 days. When interest is overdue for more than 60 days, interest accrued in prior year but unpaid is written-off and interest accrued in the current year but unpaid is reversed and charged against interest income. Subsequent payments by borrowers are applied to either principal or interest based on the estimated collectibility of the loan at the time of payment. A non-accrual loan may be restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time.

Allowance for Losses

The allowance for losses is based on the Statute concerning classification of the loan portfolio approved by the National Bank of the Republic of Kazakhstan and management's year end assessment of loans outstanding and represents the estimated amounts of probable losses that have been identified at the balance sheet date.

3. Summary of Significant Accounting Policies (continued)

Premises and Equipment

Premises and equipment are stated at cost or revaluation less accumulated depreciation calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 – 40 years
Office equipment	8 – 10 years
Other	7 –10 years

In accordance with Kazakhstan legislation the Bank carried out a revaluation of all premises and equipment to adjust for the effects of inflation in 1997. No revaluations were completed after 1997.

Investments

Equity participations in affiliated undertakings of more than 20% held for long-term investment purposes are accounted for using the equity method. Other equity investments represent investments in companies and are carried at cost. The carrying values of such investments are reduced through write-downs to reflect other-than-temporary impairments in value, if necessary. Such write-downs are included in other operating income in the accompanying consolidated statements of income.

Income taxes

Deferred income taxes are accounted for under the balance sheet liability method and reflect the tax effect of all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the accompanying financial statements. Deferred tax assets and liabilities are measured at tax rates that are expected to apply when the asset is realized or the liability settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date. A valuation allowance is provided when it is not probable that some portion or all of a deferred tax asset will be realized.

Share Capital

Ordinary share capital is recognized at the fair value of the consideration received by the Bank.

Shares repurchased

Where the Bank or its subsidiaries purchase the Bank's share capital or obtains rights to repurchase its share capital, the consideration paid is shown as a deduction from total shareholders' equity. Gains and losses on sales of own shares are charged or credited to the treasury share account in equity.

Dividends

Dividends on common shares are recognised as a liability in the period in which they are declared.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the bank and accordingly are not included in these financial statements.

3. Summary of Significant Accounting Policies (continued)

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and the bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Use of estimates

The preparation of financial statements in conformity with KBAR requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from those estimated.

Revenue and Expense Recognition

Interest income and expense are recognised on the accrual basis, as earned or incurred.

Social Costs

The Bank has contributed social tax to the Government of the Republic of Kazakhstan for its employees. Prior to June 30, 2001 the Group contributed 26% of employees' salaries and related staff costs, and were expensed as incurred. Starting from July 1, 2001 the Bank's social contributions rate was reduced to 21%.

4. Placements with other banks

	2001	2000
Correspondent nostro accounts with Kazakh banks	**27,230**	9,280
Correspondent nostro accounts with OECD based banks	**724,768**	1,014,768
Correspondent nostro accounts with other banks	**209,472**	42,222
Interest-bearing deposits with OECD banks	**196,363**	–
Interest-bearing deposits with Kazakh banks	**988,383**	494,077
Interest-bearing deposits with other banks	**–**	72,250
	2,146,216	1,632,597

Interest-bearing deposits represent short-term placements held with other banks with annual contractual interest rates ranging as follows at December 31:

	2001		2000	
	KZT	US$	KZT	US$
Deposits with OECD banks	**–**	**2.2%**	–	–
Deposits with Kazakh banks	**12-17%**	**4.5-12%**	6-20%	4%

5. Marketable Securities

Marketable securities consisted of the following as of December 31:

	2001	2000
Sovereign bonds of the Republic of Kazakhstan	**1,684,211**	402,619
Treasury bills of the Ministry of Finance	**1,103,346**	839,062
Corporate bonds	**500,334**	88,821
Municipal bonds	**103,226**	–
Securities purchased under agreements to resell	**13,081**	–
NBK notes	**5,900**	587,696
Sovereign bonds of the Russian Federation	–	125,475
	3,410,098	2,043,673

Sovereign bonds of the Republic of Kazakhstan carry interest at rates ranging from 8.375 % to 13.625% (2000: 8.375% to 13.625%) and mature in 2002 - 2007.

Treasury bills of the Ministry of Finance carry interest at rates ranging from 4% to 15.7% (2000: 5% to 8%) and mature in 2002 – 2006 (2000: 2001).

Kazakh corporate bonds represent bonds issued by Kazakh corporations and carry interest at rates ranging from 8% to 12% (2000: 9%) and mature in 2003 – 2006 (2000: 2002).

Municipal bonds represent bonds issued by regional Government authorities in Kazakhstan. They carry interest at 8% per annum and mature in September 2003.

Securities purchased under reverse repurchase agreements consist of Treasury bills of the Ministry of Finance. The agreements carry interest at 5% per annum and mature in January 2002.

NBK notes represent treasury bills issued by NBK. They carry interest at 5.48% (2000: 6.39% to 7.95%) and mature in February 2002 (2000: 2001).

Sovereign bonds at December 31, 2000 represent bonds issued by the Russian Government, carry interest at 10 % per annum and mature in 2007.

At December 31, 2001 and 2000, securities amounting to NIL and KZT 154 million, respectively, have been pledged as security for certain of the Bank's borrowings.

6. Commercial Loans

Commercial loans consisted of the following at December 31:

	2001	2000
Loans	**21,132,551**	12,469,942
Allowance for losses	**(761,698)**	(328,962)
	20,370,853	12,140,980

The annual interest rates charged by the Bank on commercial loans as of December 31, 2001, ranged from 13% to 30% for KZT-denominated loans and from 15% to 23% for US$-denominated loans (2000: 12%-35% for KZT-denominated, 14%-26% for US$-denominated).

6. Commercial Loans (continued)

Loans with an aggregate principal balance of KZT 3 million and KZT 76 million were placed on a non-accrual status as of December 31, 2001 and 2000, respectively.

As of December 31, 2001 and 2000, loans to shareholders and related parties, including employees, amounted to KZT 136 million and KZT 102 million, respectively. As of December 31, 2001, an allowance for losses of KZT 7 million was established against loans to shareholders and related parties (2000: KZT 56 million).

Included in loans is KZT 1,217 million (2000: KZT 1,491) which comprises certain KZT denominated mortgage loans that were taken over by the Bank following the Bank's acquisition of Zhilstroybank in 1998, which was previously owned by the Government. In accordance with the resolution of the Cabinet of Ministers of the Republic of Kazakhstan, the Government undertook to compensate the Bank for the effect of the devaluation of the KZT against the US dollar following the floatation of the KZT on April 5, 1999. As of December 31, 2001 the principal of these loans amounted to KZT 581 million (2000: KZT 733 million) and the effect of the devaluation amounted to KZT 637 million (2000: KZT 758 million).

The Bank's gross loan portfolio as of December 31, 2001 was concentrated in the following main sectors:

Industry	2001	%	2000	%
Trading	**5,826,016**	**28**	3,593,053	29
Manufacturing	**2,144,854**	**10**	456,246	3
Mining	**2,644,615**	**13**	2,104,792	17
Food production	**2,279,977**	**11**	885,751	7
Residential mortgages	**1,736,775**	**8**	1,701,650	14
Agriculture	**1,862,307**	**9**	724,555	6
Construction	**747,142**	**3**	345,705	3
Property leasing and management	–	–	708,397	6
Other	**3,890,865**	**18**	1,949,793	15
	21,132,551	**100**	12,469,942	100

In accordance with the statute concerning classification of the loan portfolio and allowance for loan losses, approved by the NBK as of December 31, the Bank's loan portfolio is presented as follows:

	2001	2000
Standard	**14,137,102**	10,235,112
Substandard	**6,018,652**	1,744,116
Unsatisfactory	**610,311**	278,950
Doubtful with high risk	**82,448**	64,149
Loss	**284,038**	147,615
	21,132,551	12,469,942
Less allowance for loan losses	**(761,698)**	(328,962)
	20,370,853	12,140,980

7. Allowance for losses

	2001	2000
Substandard	**311,251**	88,591
Unsatisfactory	**125,185**	60,681
Doubtful with high risk	**41,224**	32,075
Loss	**284,038**	147,615
	761,698	328,962

The movements on the allowance for loan losses during the years ended December 31, 2001 and 2000 were as follows:

	Debtors	Loans	Total
Balance at January 1, 2000	2,091	522,354	524,445
Charge offs	(7,968)	(645,223)	(653,191)
Recoveries	(1,766)	(82,972)	(84,738)
Provision for losses	7,992	534,803	542,795
Balance at December 31, 2000	349	328,962	329,311
Charge offs	**(2,112)**	**(300,938)**	**(303,050)**
Recoveries	**(261)**	**(74,025)**	**(74,286)**
Provision for losses	**86,139**	**807,699**	**893,838**
Balance at December 31, 2001	**84,115**	**761,698**	**845,813**

In accordance with the requirements of NBK, recoveries of previously charged off loans are recorded as other income in the income statement.

8. Investments

	%	2001	%	2000
Kazakh International Bank	**12.6**	**125,557**	16.0	123,692
Oil Insurance Company	**20.0**	**32,274**	–	–
Narodnyi Pension Fund	**19.7**	**35,400**	19.7	35,400
Korgau Pension Fund	**9.4**	**17,000**	9.4	17,000
Astana Hotel	**0.1**	**44,000**	–	–
Bank Turan Alem	**1.0**	–	0.1	10,000
Tumar Insurance Company	**9.0**	–	8.8	6,850
Other investments		**5,843**		5,843
		260,074		198,785

Other investments represent minor investment in the Association of Banks of Kazakhstan, Kazakh Stock Exchange and other organizations. During 2001 the Bank received dividends from the above investments amounting to KZT 1,865 thousand (2000: KZT 11,692 thousand).

9. Premises and Equipment

Premises and equipment consisted of the following as of December 31:

	2001	2000
Buildings	**784,590**	83,026
Office equipment	**455,888**	278,429
Construction in progress	**163,564**	103,735
Other	**430,997**	303,812
	1,835,039	769,002
Less accumulated depreciation and amortization	**(294,814)**	(162,378)
	1,540,225	606,624

In accordance with Kazakhstan legislation the Bank carried out a revaluation of all property and equipment to adjust for the effects of inflation in 1997. No revaluations were completed after 1997.

10. Total Deposits

Total deposits consist of the following as follows at December 31:

	2001	2000
Correspondent loro accounts	**134,921**	26,035
Customer current accounts	**7,652,610**	6,059,850
Call deposits	**735,934**	558,515
Special deposits	**42,027**	31,923
Total call deposits	**8,565,492**	6,676,323
Contingent deposits	**338,924**	239,865
Short term deposits of banks	**777,134**	57,672
Mid-term deposits of banks	**100,000**	–
Long term deposits of banks	**64,771**	12,750
Term deposits of customers	**12,603,691**	6,599,074
Total term deposits	**13,545,596**	6,669,496
	22,450,012	13,585,684

At December 31, 2001, correspondent loro accounts and KKZT 362,503 (2000: KKZT 238,968) of the aggregate amounts owed to customers, was non-interest bearing.

Special deposits comprise deposits on payment card accounts and carry interest at 3% for KZT-denominated deposits and 2% for US$-denominated.

Contingent deposits mainly comprise deposits held as collateral for loans and guarantees advanced to the Bank's borrowers. These deposits carry interest rate at 4.2% for KZT-denominated deposits (2000: 14.4%) and 8.4% for US$-denominated (2000: 9.4%).

10. Total Deposits (continued)

Short-term deposits from other banks include US$ denominated deposits that amount to KZT 58 million, mature in December 2002, and bear interest at 15% and a KZT-denominated deposit that amounts to KZT 719 million, matures in January-July 2002 and bears interest at rates ranging from 5% to 17% per annum.

Mid-term deposits from other banks include KZT-denominated deposits to related parties that amounts to KZT 100 million, matures in December 2003 and bears interest at 12% per annum.

Long-term deposits from other banks include USD-denominated deposit amounting to KZT 65 million that has no fixed maturity date and bear interest at LIBOR.

Term deposits at December 31, 2001 bear annual interest at rates ranging from 8% to 14% (2000: from 4% to 17%) for KZT-denominated balances and from 3% to 11% (2000: from 3% to 14%) for foreign currency-denominated balances.

11. Amounts Owed to the NBK

Amounts due to the NBK carry interest at rates ranging from LIBOR plus 3% to 6-month LIBOR plus 2.25% and mature in June-September 2002.

12. Loans Due to Other Banks

Balances due to other banks consisted of the following at December 31:

	2001	2000
Loans from Kazakh banks	**303,955**	142,475
Loans from non-Kazakh banks	**967,902**	–
	1,271,857	142,475

Loans from Kazakh banks are US$-denominated, bear interest at 8.5 % per annum (2000: 8%), and mature in February 2002 (2000: April 2001).

Loans from non-Kazakh banks are US$ and EUR-denominated, bear interest at rates ranging from 2.60% to 9.56% per annum and mature in January-August 2002.

13. Amounts Owed to the Government

At December 31, 2001 the amounts due to the Government include a non-interest bearing loan amounting to KZT 108 million (2000: KZT 154 million) that has no fixed maturity date. Other amounts due to the Government amounting to KZT 273 million carry interest at rates ranging from 0.5% to 1% and mature in 2002. (2000: from 5% to 10.38%).

14. Due to Other Banks under REPO agreements

During 2001, the Bank sold Government treasury bills and Eurobonds to local Kazakh banks under agreements to repurchase the securities. The agreements mature in January 2002, and bear annual interest at rates ranging from 4% to 5%.

15. Loans Due to International Financial Institutions

Balances due to International Finance Institutions consisted of the following at December 31:

	2001	2000
Pass-through loans	**810,852**	926,250
Loan from Banks' Syndicate	**1,652,200**	–
	2,463,052	926,250

Pass-through loans represent three credit lines provided to the Bank through the Government of the Republic of Kazakhstan from the European Bank for Reconstruction and Development ("EBRD"), US$ 3 million, Asian Development Bank, US$ 2.4 million, and the World Bank of Reconstruction and Development to finance small and medium size companies in agricultural sector, US$ 1.1 million. Loans are granted to borrowers, based on the Bank's analysis of their creditworthiness, under terms and conditions comparable to similar credit facilities. The facilities mature between June 2002 and August 2004 and bear contractual interest at rates ranging between 7.3% and 6-month LIBOR plus 0.5%. At December 31, 2001, the Bank's interest spread on these loans ranged from 2.5% to 10% per annum. At December 31, 2001 and 2000, all amounts received under pass-through loans had been advanced to borrowers and included within commercial loans in the accompanying balance sheet.

During 2001 the bank entered into a US$ 11 million loan facility agreement with several OECD based financial institutions ("Banks Syndicate"). At December 31, 2001 the Bank had used the full amount. The facility is unsecured and bears annual interest at 6-months LIBOR plus 3.75% per annum. The facility matures in March 2002.

16. Debt securities issued

These comprise subordinated US$ medium term subordinated Kazakh notes that mature in 2005 and bear interest at 12% per annum. These subordinated securities are unsecured obligations of the Bank and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Bank.

In accordance with the requirements of NBK, these securities enter into the statutory capital adequacy calculations as tier II capital as they are subordinated.

17. Other Assets and Liabilities

Other assets and liabilities consisted of the following at December 31:

	2001	2000
Other assets:		
Accrued interest receivable	**1,174,195**	478,585
Transit accounts	**115,488**	57,965
Other	**975,744**	452,392
	2,265,427	988,942
Other liabilities:		
Transit accounts	**73,386**	604,373
Accrued interest payable	**361,562**	175,305
Other	**264,048**	226,544
	698,996	1,006,222

18. Income tax

The Republic of Kazakhstan was the only tax jurisdiction in which the Bank's income was taxed. The Bank had no income tax liabilities at December 31, 2001.

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

	2001	2000
Tax expense computed on financial pre-tax income at statutory tax rate of 30%	**83,626**	92,335
Non deductible expenses	**189,682**	92,848
Non taxable income	**(254,433)**	(185,183)
Allowance for loan losses deducted for tax purposes in excess of the allowance for losses booked in the financial statements [1]	**(156,968)**	–
Temporary differences not recognized as measured by the change in the valuation allowance	**138,093**	–
Income taxes reported in the KBAR financial statements	**–**	–

[1] In accordance with a proposed tax legislation that will take effect from January 1, 2002, recoveries received on loans that are provided for and whose provisions for losses are claimed as a deduction for tax purposes in 2001 and beyond will not be taxable during 2002, thus rendering certain differences in the allowance for losses as permanent.

Deferred tax balances, calculated by applying the statutory tax rates in effect at the respective balance sheet dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements, are comprised of the following at December 31:

	2001	2000
Deferred tax liability		
Premises and equipment	**(62,424)**	–
Deferred tax liabilities	**(62,424)**	–
Deferred tax assets		
Loss carryforward	**200,517**	–
Valuation allowance	**(138,093)**	–
Net deferred tax assets	**62,424**	–
	–	–

19. Shareholders' Equity

At December 31, 2001 authorized share capital consisted of 15,333,720 KZT denominated shares (2000: 10,316,695 KZT denominated shares). All shares have a nominal value of KZT 200 each.

During 2001 the Bank repurchased 1,336,905 KZT-denominated shares from the Government and subscribed to by new shareholders at nominal value.

In accordance with the resolution of the Bank's annual general meeting of shareholders held in 2001, the Bank increased its share capital by issuing 4,363,125 common shares (2000: 2,736,641 common shares).

19. Shareholders' Equity (continued)

Reserves for the purposes of the Kazakhstan statutory financial statements include the revaluation reserve, revaluation of fixed assets, and the profit undistributed during the year.

During 2001 and 2000, the Bank's shareholders consistent with NBK regulations increased the reserve fund from annual appropriations of retained earnings based on a percentage of certain of the Bank's assets.

The Bank has, in prior years, revalued certain of its premises and equipment and created a revaluation reserve to record the difference between the cost and the valuation of those assets. When realized upon disposal or retirement, the revaluation reserve is transferred to income.

There are certain legal restrictions defined within the Kazakhstan Joint Stock Companies Law and NBK regulations on the use of reserves created through transfers from current and prior year net income. Dividends on ordinary shares may only be declared from current year net income as calculated from the Kazakhstan statutory financial statements, and not from amounts transferred to reserves in previous years.

20. Consolidated Entities

At December 31, 2001 the principal legal subsidiary of the Bank was as follows:

Subsidiary	*Ownership %*	*Domicile*	*Principal Business*
KIB Assets Management Ltd.	60%	Almaty	Assets management

At December 31, 2001, the Bank's consolidated special purpose entities ("SPE") were as follows:

SPE	*Consolidation %*	*Domicile*	*Principal Business*
"BCC" LLP	100%	Almaty	Leasing
"Aktas-Zhol" LLP	99%	Almaty	Leasing

Although the Bank does not own any shares in "BCC" LLP ("BCC") and "Aktas-Zhol" LLP ("AZh"), they are treated, in accordance with Kazakh Accounting Standards, as subsidiaries because the Bank controls their operations. During 1999 and 2000 the Bank's control over these entities was deemed temporary as the Bank was planning to dispose of its interest in those entities and, accordingly, the accounts of BCC and AZh were not consolidated in the Bank's accompanying 2000 financial statements and the loans advanced by the Bank to those two entities as at December 31, 2000 were included in commercial loans at cost. Although the Bank still intends to dispose of its control over those two entities, they were consolidated in 2001, because the Bank's plans in that regard are not finalized.

21. Contingencies and Commitments

The Bank's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. In this regard, because of the uncertainties associated with the Kazakh tax and legal systems, the ultimate taxes as well as penalties and fines, if any, assessed may be in excess of the amounts paid to date and accrued at December 31, 2001. Management believes, based upon its best estimates, that the Bank has paid or accrued all taxes that are applicable for the current and prior years, and complied with all essential provisions of laws and regulations of the Republic of Kazakhstan. In management's opinion, the ultimate determination of the Bank's overall tax liability and potential loss contingencies, to the extent not previously provided, will not have a material effect on the financial position of the Bank.

The Bank's proprietary trading activities involve the execution, settlement, and financing of various securities and financial instrument transactions. The execution of these transactions includes the purchase and sale of securities, and the purchase and sale of forward purchase and sales contracts for foreign currencies. These activities may expose the Bank to additional risk in the event the counterparty to the transaction is unable to fulfill its contractual obligations.

In these situations, the Bank may be required to purchase or sell financial instruments at prevailing market prices, which may not fully cover the obligations of the counterparty. The Bank attempts to limit this risk by identifying and monitoring its individual and aggregate exposures to counterparties and establishing and maintaining procedures for counterparty limit authorization and implementation.

Settlement activities involve the Bank using securities as collateral in support of various secured financing sources. In the event the counterparty does not meet its contractual obligation to return the collateral, the Bank may need to reacquire the securities to satisfy its obligations. The Bank controls this risk by evaluating and establishing limits for its counter parties and monitoring the market value of securities pledged on a daily basis.

The Kazakh economy displays emerging market characteristics. These characteristics include lack of liquidity in the capital markets, and the existence of currency controls which causes the national currency to be illiquid outside Kazakhstan.

In addition to the emerging market characteristics mentioned above, the banking system is in a constant state of supervisory reform and additional laws and enforcement actions may be implemented to produce a more sound banking and financial system. The success and stability of the Kazakh economy may be significantly impacted by the government's actions with regard to supervisory, legal, and economic reforms.

22. Financial Instruments with Off-Balance Sheet Risk

General

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk. These financial instruments include credit-related financial instruments (commitments to extend credit, financial guarantees, commercial letters of credit) and derivative foreign exchange contracts. These instruments involve elements of credit and market risk in excess of the amounts recognized in the balance sheet.

22. Financial Instruments with Off-Balance Sheet Risk

General (continued)

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits, and monitoring procedures.

Market risk represents the possibility that the value of financial instruments will change, either positively or negatively, with changes in market prices, such as interest or foreign exchange rates. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Credit-Related Financial Instruments

Commitments are contractual agreements to extend credit that generally have fixed expiration dates or other termination requirements and may require payment of a fee. Substantially all of the Bank's commitments to extend credit are revocable as they are contingent upon the prospective borrower maintaining specific credit standards at the time of loan funding. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

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

The Bank applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under the guarantee. Commercial letters of credit represent a financing transaction by a bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

The Bank's exposure to loss under credit-related financial instruments did not include any exposure to related parties and was limited to the contractual amount and was as follows at December 31:

	2001	2000
Commitments to extend credit:		
KZT-denominated	**193,448**	43,000
Foreign currency-denominated	**626,284**	455,243
Financial guarantees:		
Foreign currency-denominated	**794,681**	594,214
KZT-denominated	**249,782**	171,300
Commercial letters of credit:		
Foreign currency-denominated	**293,556**	151,700
KZT-denominated	**1,500**	20,364

22. Financial Instruments with Off-Balance Sheet Risk (continued)

Credit-Related Financial Instruments (continued)

At December 31, 2001, eight guarantees accounted for 76% of total financial guarantees and represented 27% of the Bank's total shareholders' equity at that date. At December 31, 2000, seven guarantees accounted for 82% of the Bank's total guarantees and represented 31% of the Bank's total shareholders' equity at that date.

The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in bank, government securities, and other.

Deliverable forward contracts

Forward contracts are agreements to purchase or sell a specific quantity of foreign currency or precious metals at an agreed-upon price with delivery and settlement at a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates and prices on precious metals.

At December 31, 2001, the Bank was a party to the following deliverable forward contracts, all of which mature in 2002:

	Notional Amount	Unrealized Gains	Unrealized Losses
Deliverable forward contracts:			
US$-XAU contracts with OECD based banks	**67,183**	–	–

23. Financial Instruments

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, thorough lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

Credit Risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector, and by country are approved quarterly 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 and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

23. Financial Instruments (continued)

Credit Risk (continued)

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

The Bank maintains strict control limits on net open derivative positions, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (ie. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties.

Market Risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Currency Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily.

Note 25 analyses the assets and liabilities of the Bank into relevant currency grouping.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The bank manages this risk by matching the repricing of assets and liabilities through risk management strategies.

A significant portion of the bank's assets and liabilities reprice within one year. Accordingly there is a limited exposure to interest rate risk.

The interest rates earned and incurred by the Bank on its assets and liabilities are disclosed in the relevant notes to the financial statements.

23. Financial Instruments (continued)

Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Note 24 analyses the assets and liabilities of the Bank into relevant maturity groupings.

24. Maturity Analysis

The maturity of monetary assets and liabilities represents the remaining terms until repayment in accordance with the underlying contractual agreements and terms of issuance of the monetary asset or liability at the respective balance sheet date, except for securities which are shown as demand irrespective of their terms of issuance. In practice, the actual maturity of monetary assets and liabilities may differ from the contractual terms based on addenda to the contracts, which already exist.

The following assumptions and conditions have been adopted in the presentation of the Bank's maturity analysis:

- Obligatory reserves, held in physical cash or deposits with the NBK, are considered as due after one year; however, their availability is dependent on the composition and maturity of the Bank's liabilities in the form of customer accounts and certain other deposits.
- While securities are shown as demand, realizing such assets upon demand is dependent upon financial market conditions.
- The maturity of amounts due from other banks and commercial loans and advances is based on the contractual maturity date. The actual maturity may differ as loan agreements are often extended or rolled over to update interest rates and facilitate longer term financing for the borrowers. Amounts due from other banks and commercial loans and advances are shown gross, excluding any deductions with respect to the allowance for losses.
- The maturity of equity investments is considered to be over one year as the Bank intends to hold such investments for long-term purposes.
- Amounts due to other banks and owed to customers are shown as having a remaining maturity based on the nature of the amount, which is typically demand for loro accounts, placements, and current accounts, and the contractual maturity date for loans and term deposits.
- Other monetary assets and liabilities are predominantly current claims to and from third parties.

24. Maturity Analysis (continued)

As of December 31, monetary assets and liabilities have the following maturities:

2001	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Assets						
Cash	1,333,319	–	–	–	–	1,333,319
Due from NBK	1,136,990	–	–	–	–	1,136,990
Placements with other banks	1,251,710	153,000		741,506	–	2,146,216
Marketable securities	3,410,098	–	–	–	–	3,410,098
Precious metals	68,838	–	–	–	–	68,838
Loans to customers, gross	1,219,039	1,664,527	2,019,844	5,144,383	11,084,758	21,132,551
Investments	–	–	–	–	260,074	260,074
Clients accepts	14,338	–	–	–	–	14,338
Other assets, net	2,181,312	–	–	–	–	2,181,312
Total monetary assets	10,615,644	1,817,527	2,019,844	5,885,889	11,344,832	31,683,736
Liabilities						
Deposits	10,129,777	3,535,177	2,057,656	6,293,627	433,775	22,450,012
Due to NBK	248,240	–	–	–	120	248,360
Due to other banks	–	756,110	465,375	50,372	–	1,271,857
Interstate credits	–	1,050	42,359	133,114	204,295	380,818
Liabilities on acceptances issued	38,128	31,372	–	–	–	69,500
Bank's securities	–	–	–	–	678,780	678,780
Securities sold under agreements to repurchase	1,224,321	–	–	–	–	1,224,321
Due to other financial organizations	–	–	–	–	2,463,052	2,463,052
Other liabilities	698,996	–	–	–	–	698,996
Total monetary liabilities	12,339,462	4,323,709	2,565,390	6,477,113	3,780,022	29,485,696
Net position	(1,723,818)	(2,506,182)	(545,546)	(591,224)	7,564,810	2,198,040
Accumulated position	(1,723,818)	(4,230,000)	(4,775,546)	(5,366,770)	2,198,040	

24. Maturity Analysis (continued)

2000	Up to 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total
Assets						
Cash	729,666	–	–	–	–	729,666
Due from NBK	587,994	–	–	–	–	587,994
Placements with other banks	1,550,847	81,750	–	–	–	1,632,597
Marketable securities	2,043,673	–	–	–	–	2,043,673
Precious metals	3,208	–	–	–	–	3,208
Loans to customers, gross	868,573	935,583	1,684,959	2,588,951	6,391,876	12,469,942
Investments	–	–	–	–	198,785	198,785
Clients accepts	86,628	–	–	–	–	86,628
Other assets, net	988,593	–	–	–	–	988,593
Total monetary assets	6,859,182	1,017,333	1,684,959	2,588,951	6,590,661	18,741,086
Liabilities						
Deposits	6,721,857	2,111,070	1,229,732	3,315,960	207,065	13,585,684
Due to NBK	–	26,444	203,348	26,617	52,839	309,248
Due to other banks	–	208,658	–	288,133	571,934	1,068,725
Interstate credits	12,930	–	20,000	25,093	166,030	224,053
Liabilities on acceptances issued	61,626	45,684	–	10,549	–	117,859
Bank's securities	–	–	–	–	598,975	598,975
Other liabilities	1,006,222	–	–	–	–	1,006,222
Total monetary liabilities	7,802,635	2,391,856	1,453,080	3,666,352	1,596,843	16,910,766
Net position	(943,453)	(1,374,523)	231,879	(1,077,401)	4,993,818	1,830,320
Accumulated position	(943,453)	(2,317,976)	(2,086,097)	(3,163,498)	1,830,320	

25. Assets and Liabilities Denominated in Foreign Currencies

The following table reflects the equivalent amount in thousands of tenge of all monetary assets and liabilities as of December 31:

2001	Tenge	Foreign currency	Total
Assets			
Cash	648,568	684,751	1,333,319
Due from NBK	1,136,985	5	1,136,990
Placements with other banks	600,813	1,545,403	2,146,216
Marketable securities	1,697,655	1,712,443	3,410,098
Precious metals	68,838	–	68,838
Loans to customers, net	12,507,064	8,625,487	21,132,551
Investments	260,074	–	260,074
Clients accepts	–	14,338	14,338
Other assets, gross	1,709,619	471,693	2,181,312
Total monetary assets	18,629,616	13,054,120	31,683,736
Liabilities			
Deposits	13,259,130	9,190,882	22,450,012
Due to NBK	193,473	54,887	248,360
Due to other banks	–	1,271,857	1,271,857
Interstate credits	380,818	–	380,818
Liabilities on accepts issued	–	69,500	69,500
Bank's securities	678,780	–	678,780
Securities sold under agreements to repurchase	1,224,321	–	1,224,321
Due to other financial organizations	–	2,463,052	2,463,052
Other liabilities	363,077	335,919	698,996
Total monetary liabilities	16,099,599	13,386,097	29,485,696
Net position	2,530,017	(331,977)	2,198,040

25. Assets and Liabilities Denominated in Foreign Currencies (continued)

2000	Tenge	Foreign currency	Total
Assets			
Cash	341.948	387.718	729.666
Due from NBK	587.987	7	587.994
Placements with other banks	294.447	1.338.150	1.632.597
Marketable securities	1.510.683	532.990	2.043.673
Precious metals	3.208	–	3.208
Loans to customers, gross	7.368.201	5.101.741	12.469.942
Investments	198.785	–	198.785
Clients accepts	–	86.628	86.628
Other assets, net	792.273	196.320	988.593
Total monetary assets	11.097.532	7.643.554	18.741.086
Liabilities			
Deposits	8.053.954	5.531.730	13.585.684
Due to NBK	203.641	105.607	309.248
Due to other banks	–	1.068.725	1.068.725
Interstate credits	197.609	26.444	224.053
Liabilities on accepts issued	–	117.859	117.859
Bank's securities	598.975	–	598.975
Other liabilities	703.007	303.215	1.006.222
Total monetary liabilities	9.757.186	7.153.580	16.910.766
Net position	1.340.346	489.974	1.830.320

Foreign currency consists primarily of US dollars.

26. Related Parties

Loans to shareholders and related parties, including employees, amounted to KZT 136 million and KZT 102 million as of December 31, 2001 and 2000, respectively. As of December 31, 2001, an allowance for losses of KZT 7 million has been established against loans to shareholders and related parties (KZT 56 million as of December 31, 2000).

Translation from original in Russian language

Bank CenterCredit

Balance Sheets (Bank only)

(In thousands of Kazakh Tenge)

Assets		**Code**	**31.12.01**	**31.12.00**
I.	Cash in hand including:	010	**1,330,584**	728,703
	1.1. National currency -tenge	011	**645,833**	341,497
	1.2. Foreign currency	012	**684,751**	387,206
II.	Due from the National Bank of Kazakhstan	020	**1,136,990**	587,994
III.	Placements with other banks, net	030	**2,126,216**	1,612,597
IV.	Marketable securities	040	**3,392,643**	2,024,899
V.	Precious metals	050	**68,838**	3,208
VI.	Loans to customers, net	060	**21,044,011**	12,140,980
VII.	Investments	070	**282,800**	228,785
VIII.	Clients acceptances	080	**14,338**	86,628
IX.	Premises and equipment, net	090	**831,621**	605,869
X.	Intangible assets, net	100	**128,540**	18,223
XI.	Other assets	120	**2,256,190**	974,655
XII.	Less: Other provisions	130	**(84,115)**	(349)
	Total assets (I+II+III+IV+V+VI+VII+VIII+IX+ X+XI-XII)		**32,528,656**	19,012,192
Liabilities				
I.	Total deposits including):	200	**22,452,532**	13,589,948
	1.1. Demand deposits	201	**8,568,012**	6,680,587
	1.2. Deposits from other banks	202	**841,905**	70,422
	1.3. Time deposits	203	**13,042,615**	6,838,939
II.	Due to the NBK	210	**248,360**	309,248
III.	Loans due to other banks	220	**1,268,157**	137,275
IV.	Due to the Government of the RK	230	**380,818**	224,053
V.	Due to other banks under REPO agreements	240	**1,224,321**	–
VII.	Due to International Financial Organizations	250	**2,463,052**	926,250
VII.	Liabilities on acceptances issued	260	**69,500**	117,859
VIII.	Debts securities issued	270	**679,230**	598,975
IX.	Other liabilities	280	**656,281**	1,006,031
X.	Total liabilities (I+II+III+IV+V+VI+VII+VIII+ IX)		**29,442,251**	16,909,639
XI.	Minority interest		–	–
Shareholders' equity:				
XII.	Charter fund	300	**2,482,484**	1,609,859
XIII.	Additional paid in capital	310	**9**	3
XIV.	Reserve fund	320	**228,035**	123,544
XV.	Fixed assets revaluation fund	330	**17,098**	27,811
XVI.	Revaluation reserves	340	**1,440**	1,440
XVIII.	(Accumulated deficit)/retained earnings (excluding net current year income)	350	**49,169**	38,456
XVIII.	Current year income	360	**308,170**	301,440
XIX.	Total shareholders' equity (XII+XIII+XIV+XV+XVI+ XVII+ XVIII)		**3,086,405**	2,102,553
	Total liabilities and shareholders' equity (X+XI+XIX)		**32,528,656**	19,012,192

Translation from original in Russian language

Bank CenterCredit

Stand-alone Statements of Income (Bank only)

Years ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

		Code	2001	2000
I.	Interest income:	100	**3,018,835**	1,836,139
	Deposits in other banks	110	**98,834**	58,839
	Marketable securities	120	**244,024**	115,236
	Loans to banks	140	**635**	429
	Loans to non-bank clients	150	**2,484,083**	1,609,079
	Loans to physical persons	160	**130,128**	40,125
	Other interest income	170	**61,131**	12,431
II.	Interest expense	200	**1,607,688**	1,006,771
	Deposits from non banking legal entities	210	**423,163**	477,176
	Deposits from physical persons	220	**814,038**	414,293
	NBK loans	230	**21,519**	22,383
	Interbank loans	240	**125,555**	5,043
	Loans of the Government of RK	250	**3,484**	12,956
	Loans of other companies	260	**98,218**	71,884
	Other interest expense	270	**121,711**	3,036
III.	Net interest income (I-II)	300	**1,411,147**	829,368
IV.	Non-interest income	400	**1,690,338**	2,230,223
	Fees and commission income	420	**1,043,360**	901,932
	Income from financial transactions	430	**467,375**	524,118
	Other non-interest income	440	**179,603**	804,173
V.	Non-interest expenses	500	**2,209,609**	2,172,576
	Payroll and other staff costs	510	**836,164**	771,889
	including: Payroll	511	**564,631**	517,364
	Material assistance	512	**243**	61,577
	Payroll taxes	513	**142,936**	142,361
	Other staff costs	514	**128,354**	50,587
	Office and equipment maintenance expenses	520	**534,885**	508,940
	Legal expenses	530	**2**	31
	Tax expenses		**315,512**	517,449
	Other non-interest expenses	540	**523,046**	374,267
VI.	Net operating income before provision for losses (III+IV-V)	600	**891,876**	887,015

Translation from original in Russian language

Bank CenterCredit

Stand-alone Statements of Income (Bank only) (continued)

Years ended December 31, 2001 and 2000

(In thousands of Kazakh Tenge)

		Code	2001	2000
VII.	Provision for losses *(Note 6)*	601	**(893,838)**	(542,795)
VIII.	Net operating (loss)/ income after provision for losses (VI-VII)	666	**(1,962)**	344,220
IX.	Gain (loss) from sale of assets	700	**86,216**	(42,762)
	(Loss) gain from sale of securities	710	**396**	–
	Gain (loss) from sale of loans	720	**100,802**	(27,631)
	Loss from sale of other assets	730	**(14,982)**	(15,131)
X.	Unforeseeable items	800	**223,916**	(18)
	Unforeseeable gain	810	**339,827**	236,565
	Unforeseeable loss	820	**(115,911)**	(236,583)
XI.	Income before income taxes (VIII+IX+X)	900	**308,170**	301,440
XII.	Income taxes *(Note 18)*	901	**–**	–
XIII.	Net income before minority interest (XI-XII)	999	**308,170**	301,440
XIV.	Minority interest	1001	**–**	–
XV.	Net income after minority interest	1002	**308,170**	301,440