

# **JSC KAZKOMMERTSBANK**

**INDEPENDENT AUDITORS' REPORT  
AND CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2000**

# JSC KAZKOMMERTSBANK

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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

We have audited the accompanying consolidated balance sheets of JSC Kazkommertsbank and Subsidiaries (the "Bank") as at December 31, 2000 and 1999, and the related profit and loss accounts, statements of cash flows and statements of changes in equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kazkommertsbank and its subsidiaries as at December 31, 2000 and 1999 and the results of their operations and cash flows for each of the three years in the period ended December 31, 2000, in accordance with International Accounting Standards.

February 26, 2001

# JSC KAZKOMMERTSBANK

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (in KZT and in thousands, except per share amounts)

	Notes	2000	1999	1998
Interest income	2, 27	12,361,676	11,418,248	6,320,269
Interest expense	2, 27	5,763,106	4,950,559	2,873,437
Net interest income before provisions for loan losses		6,598,570	6,467,689	3,446,832
Provisions for loan losses	3	1,334,043	5,318,078	1,398,147
<b>NET INTEREST INCOME</b>		<u>5,264,527</u>	<u>1,149,611</u>	<u>2,048,685</u>
Net gain/(loss) on sale of securities		300,221	275,963	(90,739)
Unrealised gain on dealing securities		904,884	323,985	-
Net gain on foreign exchange operations		481,896	438,268	674,654
Net change in monetary position		598,222	3,201,038	396,946
Fee and commission income		2,790,076	1,679,717	1,424,224
Fee and commission expense		(1,056,794)	(654,436)	(512,911)
Unrealised (loss)/gain on current investments		(1,471,061)	66,616	837,250
Realised gain on current investments		6,921	835,914	8,476
Dividends received		135,192	73,058	117,909
Equity income from associated companies		358,202	596,575	195,764
Other income	4	816,049	98,450	157,931
<b>NET NON-INTEREST INCOME</b>		<u>3,863,808</u>	<u>6,935,148</u>	<u>3,209,504</u>
<b>OPERATING INCOME</b>		<u>9,128,335</u>	<u>8,084,759</u>	<u>5,258,189</u>
Operating expenses	5	5,276,482	4,091,238	2,969,507
<b>INCOME BEFORE PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS AND TAXES ON INCOME</b>		<u>3,851,853</u>	<u>3,993,521</u>	<u>2,288,682</u>
(Recovery)/provisions for losses on other transactions	6	(18,463)	29,044	93,627
<b>INCOME BEFORE TAXES ON INCOME</b>		<u>3,870,316</u>	<u>3,964,477</u>	<u>2,195,055</u>
(Recovery)/taxes on income	7	(153,874)	967,979	310,976
<b>NET INCOME</b>		<u>4,024,190</u>	<u>2,996,498</u>	<u>1,884,079</u>
<b>Earnings per share</b>	8	<u>14.14</u>	<u>10.50</u>	<u>6.62</u>
Basic and diluted (in Tenge)				

The notes on pages 7 to 28 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

# JSC KAZKOMMERTSBANK

## CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2000 AND 1999 (in KZT and in thousands)

	Notes	2000	1999
<b>ASSETS:</b>			
Cash and balances with the National Bank of the Republic of Kazakhstan			
	9	5,011,922	2,471,483
Loans and advances to banks, net	10	15,711,530	7,240,234
Dealing securities	11, 27	23,800,050	11,394,478
Securities under repurchase agreement	12	3,089,016	2,000,000
Loans to customers, net	13, 27	67,080,203	48,339,227
Investments – current	14	673,032	660,590
Investments – long-term	14	2,053,313	1,576,801
Fixed assets, net	15	2,021,181	1,776,253
Intangible assets, net	16	477,476	240,215
Other assets	17	4,097,954	5,486,443
<b>TOTAL ASSETS</b>		<b>124,015,677</b>	<b>81,185,724</b>
<b>LIABILITIES, SHARE CAPITAL AND RESERVES:</b>			
Loans and advances from banks	18	23,362,974	22,698,687
Customer accounts	19, 27	54,138,572	22,076,532
Debt securities issued	20, 27	14,899,527	14,820,665
Other borrowed funds	21	4,401,631	5,443,024
Other liabilities	22	7,040,501	2,771,990
Subordinated debt	23, 27	2,820,385	-
<b>TOTAL LIABILITIES</b>		<b>106,663,590</b>	<b>67,810,898</b>
COMMITMENTS AND CONTINGENCIES	26	-	-
<b>SHARE CAPITAL AND RESERVES:</b>			
Share capital	24	2,931,906	2,941,814
Reserves		14,420,181	10,433,012
<b>TOTAL SHARE CAPITAL AND RESERVES</b>		<b>17,352,087</b>	<b>13,374,826</b>
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>		<b>124,015,677</b>	<b>81,185,724</b>

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## JSC KAZKOMMERTSBANK

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (in KZT and in thousands)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
<b>Balance at January 1, 1998</b>	2,830,500	2,780,743	142,493	2,666,903	8,420,639
Amortisation of fixed assets revaluation reserve	-	-	(24,560)	24,560	-
Share capital issued	23,788	52,812	-	-	76,600
Share capital repurchased	(386)	(2,705)	-	-	(3,091)
Net income for the year	-	-	-	1,884,079	1,884,079
<b>Balance at December 31, 1998</b>	<u>2,853,902</u>	<u>2,830,850</u>	<u>117,933</u>	<u>4,575,542</u>	<u>10,378,227</u>
Amortisation of fixed assets revaluation reserve	-	-	(23,486)	23,486	-
Share capital repurchased	(3,379)	-	-	-	(3,379)
Sale of repurchased shares	3,379	101	-	-	3,480
Share capital increase	87,912	-	-	(87,912)	-
Net income for the year	-	-	-	2,996,498	2,996,498
<b>Balance at December 31, 1999</b>	<u>2,941,814</u>	<u>2,830,951</u>	<u>94,447</u>	<u>7,507,614</u>	<u>13,374,826</u>
Amortisation of fixed assets revaluation reserve	-	-	(84,096)	84,096	-
Share capital repurchased	(9,908)	(37,021)	-	-	(46,929)
Net income for the year	-	-	-	4,024,190	4,024,190
<b>Balance at December 31, 2000</b>	<u>2,931,906</u>	<u>2,793,930</u>	<u>10,351</u>	<u>11,615,900</u>	<u>17,352,087</u>

The notes on pages 7 to 28 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

# JSC KAZKOMMERTSBANK

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (in KZT and in thousands)

	Notes	2000	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before taxes on income		3,870,316	3,964,477	2,195,055
Adjustments for:				
Provisions for loan losses		1,334,043	5,318,078	1,398,147
(Recovery)/provisions for losses on other transactions		(18,463)	29,044	93,627
Unrealised gain and amortisation of discounts on dealing				
Securities		(1,164,620)	(465,899)	(29,168)
Depreciation and amortisation		453,848	272,320	127,785
Increase in net interest accruals		(488,444)	(2,042,031)	(920,378)
Net change in dividends accrued		(69,296)	-	(116,950)
Gain on disposals of investments		-	(428,448)	-
Income from equity investments		(358,202)	(596,575)	(195,764)
Unrealised loss /(gain) on current investments		1,471,061	(66,616)	(837,250)
Operating profit before changes in operating assets/liabilities		5,030,243	5,984,350	1,715,104
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets				
Loans and advances to banks		(2,391,866)	(1,100,650)	2,380,243
Loans and advances to customers		(20,019,255)	(18,089,251)	(17,778,631)
Other assets		913,745	(74,289)	140,462
Increase / (decrease) in operating liabilities				
Loans and advances from banks		664,287	5,399,886	4,195,367
Customer accounts		32,062,040	12,413,741	(2,099,553)
Other borrowed funds		(1,041,393)	2,798,098	1,563,432
Other liabilities		4,067,346	81,162	202,738
<b>CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES BEFORE TAX</b>		19,285,147	7,413,047	(9,680,838)
Income taxes paid		(21,014)	(10,133)	(91,559)
Net cash inflows/(outflows) from operating activities		19,264,133	7,402,914	(9,772,397)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net purchases of fixed assets		(644,171)	(523,742)	(599,269)
Net acquisition of intangible assets		(291,866)	(210,123)	(5,497)
Net (acquisition)/disposal of investments		(174,813)	3,629,067	(702,199)
Net (acquisition)/disposal of dealing securities		(12,329,968)	(10,467,990)	726,900
Net cash outflows from investing activities		(13,440,818)	(7,572,788)	(580,065)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Debt securities issued, net		78,862	6,027,952	8,792,713
Subordinated debt		2,820,385	-	-
Proceeds from share capital issued		-	-	23,788
Shares repurchased, net		(9,908)	-	(386)
(Disbursements)/proceeds from share premium, net		(37,021)	101	50,107
Net cash inflows from financing activities		2,852,318	6,028,053	8,866,222
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		8,675,633	5,858,179	(1,486,240)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>				
	9	8,153,420	2,295,241	3,781,481
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>				
	9	16,829,053	8,153,420	2,295,241

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# JSC KAZKOMMERTSBANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (in KZT and in thousands)

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### 1 ORGANISATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organisation** – JSC Kazkommertsbank (the “Bank”) was incorporated on July 12, 1990 as an open joint stock company, in accordance with the laws of the Soviet Socialist Republic of Kazakhstan under the name of Medeu-Bank, to engage in various activities in the banking sector. Following the independence of Kazakhstan, Medeu-Bank was re-registered under the name of JSC Kazkommertsbank and obtained a banking license from the National Bank of the Republic of Kazakhstan on October 21, 1991. In 1994, JSC Kazkommertsbank merged with Astana Holding Bank and continued under the name of JSC Kazkommertsbank. Astana Holding Bank, a joint stock company, was incorporated in May 1993 as a privately held corporation. The Bank's staff as at December 31, 2000 stood at 2001 people.

The registered office of the Bank is 135 “Zh”, Gagarin Ave., Almaty. The Bank's registration certificate number with the Ministry of Justice is 4466-1910-AO.

The financial statements were authorized for issue on February 7, 2001 by the Board of Directors of JSC Kazkommertsbank.

Subsidiaries of the Bank include JSC Kazkommerts Securities, Kazkommerts Capital-2 B.V., Kazkommerts International B.V. and CJSC Edinaya Raschetnaya Sistema (hereafter collectively referred to as the Subsidiaries). Kazkommerts Finance B.V. and Kazkommerts Capital B.V. were registered on February 16, 1998, and on April 3, 1998 accordingly and were liquidated in 2000 as their main tasks were executed.

JSC Kazkommerts Securities was registered on October 30, 1997, and the Bank acquired 100% of its issued capital. The Company was set up to operate on the Kazakhstan Stock Exchange.

Kazkommerts International B.V. was registered on October 10, 1997 with the Rotterdam Chamber of Commerce and Industries. The primary objective of this subsidiary is the raising of capital through international money markets.

Kazkommerts Capital-2 B.V. was registered on April 11, 2000 with the Rotterdam Chamber of Commerce and Industries. The primary objective of this subsidiary is also the raising of capital through international money markets.

CJSC Edinaya Raschetnaya Sistema was registered on March 27, 2000 by the Ministry of Justice of the Republic of Kazakhstan. The primary objective of this subsidiary is to handle billing and settlements for public utilities.

The Bank and its Subsidiaries maintain their accounting records in accordance with the laws of the Republic of Kazakhstan. These financial statements have been prepared from the accounting records and have been adjusted to conform to International Accounting Standards (“IAS”). The significant accounting policies, which have been applied, are summarized below:

**Accounting basis** - The consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention. Certain fixed assets were revalued in 1997 in accordance with the National Bank of the Republic of Kazakhstan (“NBRK”) to approximate fair value.

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



**Risk management** - In its financial activities, the Bank manages the following types of risk:

**Credit risk** – Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Commercial Directorate. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower' limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Department of Risk Management. Daily risk management is performed by the Head's of Credit Departments and Branch Credit Divisions.

**Liquidity and cash flow risk** – The Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals on the money markets for current liquidity support and cash flow optimisation.

**Foreign currency risk** – The ALMC controls foreign currency risk by management of the open foreign currency position on the estimated basis of Tenge devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant foreign currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open foreign currency position with the aim to match the requirements of the NBRK.

**Interest rate risk and market risk** – The ALMC also manages interest rate and market risks by hedging of the Bank's interest rate position, which provides the Bank with the interest margin safety. The Department of Financial Control conducts monitoring of the current Bank's financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

**Country risk** – The ALMC conducts the control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

**Provisions for loan losses** - The determination of the balance of provisions for loan losses is based on an analysis of the loan portfolio and reflects the amount which, in the judgement of management, is adequate to provide for losses inherent in the loan portfolio. Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, general provisions are carried to cover risks which, although not specifically identified, are present in any portfolio of banking assets. The net increase in the provision for loan losses is charged to profit and the total provision for loan losses is deducted in arriving at the balance sheet figures of loans and advances to banks and to customers. Management's evaluation of the provision is based on the Bank's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. Estimates of loan losses involve an exercise of judgement. While it is possible that in particular periods the Bank may sustain losses which are substantial relative to the provision for loan losses, it is the judgement of management that the provision for loan losses is adequate to absorb losses inherent in the portfolio.

**Cash and cash equivalents** - Cash and cash equivalents include cash, unrestricted balances with the NBRK and correspondent accounts with banks in countries included in the Organization for Economic Co-operation and Development ("OECD").

**Dealing securities** – Government Bonds and notes of the NBRK are stated at cost, adjusted for the amortisation of discounts, which approximates fair market value. Amortised discounts are recognised in interest income using the interest method over the period to maturity. Other dealing securities are reflected at fair market value.

**Investments** - Investments are classified as either current or long term. An investment is classified as current when it is, by its nature, readily realisable and management's intention is that it will be held for not more than one year. All other investments are classified as long-term. Except as indicated in the subsequent paragraph current investments are carried at market value as of the balance sheet date. Any change in market value is reflected as an unrealised gain or loss in the profit and loss accounts. Long-term investments are carried at purchase price.

Investments in associated companies are accounted for using the equity method. Investments in subsidiaries are consolidated only when they are significant and control is not intended to be temporary. Subsidiaries that are consolidated in these financial statements are accounted for using the equity method in the Bank's own financial statements. Subsidiaries which are considered insignificant to the Bank taken as a whole, or control of which is intended to be temporary are stated at cost or at market value, if it is less than the purchase cost.

**Depreciation** - Depreciation and amortisation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	3 - 10 years
Intangible assets	6 - 7 years

**Foreign currencies** - Assets and liabilities denominated in foreign currencies are translated at the appropriate exchange rate ruling at the balance sheet date. Profits and losses arising from this translation are included in net change in monetary position. The currency used in these financial statements is the Kazakh Tenge, denoted by the symbol KZT. The exchange rates used by the Bank in the preparation of the financial statements are as follows:

	2000	1999	1998
KZT/USD	144.50	138.20	83.80
KZT/DEM	69.64	73.45	51.41
KZT/EUR	136.21	143.65	-

The Statements of cash flows do not consider the effect of translation of foreign denominated assets and liabilities, the impact of which is included in net change in monetary position.

**Income taxes** - The Bank determines income tax expense using the liability method whereby the expected income tax effects of timing differences between IAS financial reporting and Kazakhstan's tax reporting are reported as deferred taxes payable in the future or as deferred tax assets recoverable in the future.

**Reclassifications** - Certain amounts in the financial statements of previous years have been reclassified to conform to the current year's presentation.

<b>2</b>	<b>NET INTEREST INCOME</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	<b>Interest income</b>			
	Interest on loans to customers	10,033,051	10,828,206	5,769,692
	Interest on loans and advances to banks	534,388	154,331	121,184
	Interest on dealing securities	1,794,237	435,711	429,393
	Total interest income	<u>12,361,676</u>	<u>11,418,248</u>	<u>6,320,269</u>
	<b>Interest expense</b>			
	Interest on customer accounts	1,602,788	485,648	279,786
	Interest on loans and advances from banks	1,801,352	2,258,989	1,608,631
	Interest on debt securities issued	2,019,941	1,908,222	817,805
	Other interest expense	339,025	297,700	167,215
	Total interest expense	<u>5,763,106</u>	<u>4,950,559</u>	<u>2,873,437</u>
	<b>Net interest income before provisions for loan losses</b>	<u><b>6,598,570</b></u>	<u><b>6,467,689</b></u>	<u><b>3,446,832</b></u>
<b>3</b>	<b>PROVISIONS FOR LOAN LOSSES</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Provisions on loans to customers	7,150,934	7,238,994	1,444,303
	Provisions on loans and advances to banks	55,764	13,170	11,963
	Recoveries of provisions for customer loans previously written off	(5,872,655)	(1,934,086)	(58,119)
		<u><b>1,334,043</b></u>	<u><b>5,318,078</b></u>	<u><b>1,398,147</b></u>
<b>4</b>	<b>OTHER INCOME</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Legal settlements	781,544	29,688	134,340
	Other	34,505	68,762	23,591
		<u><b>816,049</b></u>	<u><b>98,450</b></u>	<u><b>157,931</b></u>
<b>5</b>	<b>OPERATING EXPENSES</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Staff costs	2,498,533	2,110,580	1,304,359
	Depreciation and amortisation	453,848	272,320	127,785
	VAT	233,924	201,754	178,892
	Communications	203,806	153,013	112,502
	Advertising costs	218,573	181,154	117,437
	Charity and sponsorship expenses	285,651	178,496	72,065
	Business trip expenses	187,106	135,466	111,807
	Customs duty for foreign banknotes	331,102	93,754	-
	Other	863,939	764,701	944,660
		<u><b>5,276,482</b></u>	<u><b>4,091,238</b></u>	<u><b>2,969,507</b></u>
<b>6</b>	<b>PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Provisions on letters of credit and guarantees	124,489	31,257	27
	(Recovery) / provisions for doubtful debtors	(142,952)	33,190	93,600
	Recovery of previously written off assets	-	(35,403)	-
		<u><b>(18,463)</b></u>	<u><b>29,044</b></u>	<u><b>93,627</b></u>

## 7 INCOME TAXES

The provision for taxes on income for the years ended December 31, 2000, 1999 and 1998 consists of the following:

	2000	1999	1998
Current tax	53,339	12,618	50,787
Deferred tax (credit)	<u>(207,213)</u>	<u>955,361</u>	<u>260,189</u>
	<u><b>(153,874)</b></u>	<u><b>967,979</b></u>	<u><b>310,976</b></u>

Temporary differences which give rise to deferred tax assets and liabilities are as follows as at December 31, 2000 and 1999:

	2000	1999
Deferred tax assets:		
Provision for accrued interest	295,841	360,107
Provision for other receivables	39,819	313,241
Revaluation of investments	10,901	-
Net operating loss carry forward	-	119,382
	<u><b>346,561</b></u>	<u><b>792,730</b></u>
Deferred tax liabilities:		
Provision for loan losses	1,103,202	1,223,005
Revaluation of investments	-	107,383
Depreciation	111,633	108,966
Revaluation of loans in foreign currency	140,063	568,926
Total deferred tax liability	<u>1,354,898</u>	<u>2,008,280</u>
Net deferred tax liability	<u><b>1,008,337</b></u>	<u><b>1,215,550</b></u>

Reconciliation of income taxes from the statutory rate of 30% to actual income taxes provided for the years ended December 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Income before taxes on income	<u>3,870,316</u>	<u>3,964,477</u>	<u>2,195,055</u>
Tax at statutory rate of 30%	1,161,095	1,189,343	658,516
Tax effect of tax exempt income	<u>(1,314,969)</u>	<u>(221,364)</u>	<u>(347,540)</u>
Taxes on income	<u><b>(153,874)</b></u>	<u><b>967,979</b></u>	<u><b>310,976</b></u>
Effective tax rate	<u><b>(3.9%)</b></u>	<u><b>24.4%</b></u>	<u><b>14.2%</b></u>

The tax-exempt income causing a lower effective tax rate as compared to the Bank's statutory rate results from net change in monetary position, gains on sale and revaluation gains of certain securities, and certain other gains.

## 8 EARNINGS PER SHARE

	2000	1999	1998
<b>Earnings:</b>			
Net income for the year	<u>4,024,190</u>	<u>2,996,498</u>	<u>1,884,079</u>
<b>Weighted average number of shares: for the purpose of basic and diluted earnings per share</b>	<u>284,677,841</u>	<u>285,390,136</u>	<u>284,450,152</u>
<b>Earnings per share - Basic &amp; diluted (in Tenge)</b>	<u>14.14</u>	<u>10.50</u>	<u>6.62</u>

## 9 CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

The balances of KZT 5,011,922 thousand as at December 31, 2000, KZT 2,471,483 thousand as at December 31, 1999, and KZT 1,659,268 thousand as at December 31, 1998 include KZT 1,427,830 thousand, KZT 341,527 thousand and KZT 148,353 thousand, respectively, which represent the balance on the correspondent account with the NBRK.

Cash and cash equivalents as presented in the statements of cash flows include the following:

	2000	1999	1998
Cash and balances with the NBRK	5,011,922	2,471,483	1,659,268
Advances to banks in OECD countries (included in note 10)	<u>11,817,131</u>	<u>5,681,937</u>	<u>635,973</u>
<b>Cash and cash equivalents</b>	<u><b>16,829,053</b></u>	<u><b>8,153,420</b></u>	<u><b>2,295,241</b></u>

## 10 LOANS AND ADVANCES TO BANKS

	2000	1999
Advances to banks	15,370,644	7,277,372
Unsecured loans	<u>433,788</u>	<u>-</u>
	15,804,432	7,277,372
Less provisions for loan losses	<u>(92,902)</u>	<u>(37,138)</u>
	<u><b>15,711,530</b></u>	<u><b>7,240,234</b></u>

### Analysis of the provisions for loan losses

	2000	1999
Specific provisions at beginning of year	13,820	22,880
Provisions/ (recovery) for the year	<u>630</u>	<u>(9,060)</u>
Specific provisions at end of year	<u>14,450</u>	<u>13,820</u>
General provisions at beginning of year	23,318	1,088
Provisions for the year	<u>55,134</u>	<u>22,230</u>
General provisions at end of year	<u>78,452</u>	<u>23,318</u>
<b>Total provisions for loan losses</b>	<u><b>92,902</b></u>	<u><b>37,138</b></u>

<b>11 DEALING SECURITIES</b>	<b>Effective interest rates (%)</b>	<b>2000</b>	<b>1999</b>
Government treasury bills, net of unamortised discounts of KZT 51,928 thousand and KZT 172,190 thousand for 2000 and 1999, respectively	7.37	2,017,385	4,056,584
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	11.125-13.625	394,957	362,403
Euronotes of Kazkommerts International B.V.	11.25	9,917,757	5,925,960
National saving bonds (NSO)	7.29-7.37	220,081	49,111
Short-term notes of the NBRK, net of unamortised discounts of KZT 48,092 thousand and KZT 15,470 thousand for 2000 and 1999, respectively	6.07-7.92	7,249,824	1,000,420
Euronotes of the Ministry of Finance of the Russian Federation	2.50-12.75	2,652,749	-
Kazakhstan corporate bonds	9.0-14.0	807,003	-
Euronotes of Hurricane Hydrocarbons Ltd	9.0	540,294	-
		<b><u>23,800,050</u></b>	<b><u>11,394,478</u></b>
 <b>12 SECURITIES UNDER REPURCHASE AGREEMENT</b>		<b>2000</b>	<b>1999</b>
Securities under repurchase agreement (interest rate 4.9% and 6.0% in 2000 and 1999, respectively)		3,089,016	2,000,000
		<b><u>3,089,016</u></b>	<b><u>2,000,000</u></b>

13 LOANS TO CUSTOMERS	2000	1999
Loans collateralised by cash or government guarantees	3,191,328	1,437,652
Loans collateralised by financial institution guarantees	2,207,185	859,535
Loans collateralised by other guarantees	2,284,081	1,022,237
Loans collateralised by shares of companies	13,922,820	11,070,739
Loans collateralised by equipment	3,811,937	6,575,714
Loans collateralised by inventory	3,101,345	3,713,176
Loans collateralised by real estate	9,002,519	8,197,901
Loans collateralised by mixed and other collateral	32,411,694	15,424,031
Unsecured loans	3,713,305	5,430,710
	<b>73,646,214</b>	<b>53,731,695</b>
Less provisions for loan losses	(6,566,011)	(5,392,468)
	<b>67,080,203</b>	<b>48,339,227</b>
<b>Analysis of the provisions for loan losses</b>		
Specific provisions at beginning of year	4,000,389	1,903,838
Provisions for the year	6,933,291	6,569,756
Loans written-off	(5,977,391)	(4,473,205)
Specific provisions at end of year	<b>4,956,289</b>	<b>4,000,389</b>
General provisions at beginning of year	1,392,079	722,841
Provisions for the year	217,643	669,238
General provisions at end of year	<b>1,609,722</b>	<b>1,392,079</b>
<b>Total provisions for loan losses</b>	<b>6,566,011</b>	<b>5,392,468</b>
<b>Analysis by sector</b>		
	<b>2000</b>	<b>1999</b>
Agriculture	11,429,847	5,871,136
Mining / metallurgy	6,562,222	2,201,906
Trade	11,317,244	8,660,542
Finance	6,545,950	11,836,887
Hotels	2,457,489	915,431
Energy	1,943,279	1,738,576
Chemical	24,106	445,577
Engineering	755,855	1,366,283
Construction	5,229,230	1,051,995
Food	10,185,548	7,502,894
Medical	492,964	478,259
Transport and communication	6,402,501	5,363,931
Oil and gas	5,278,106	2,223,764
Other	5,021,873	4,074,514
	<b>73,646,214</b>	<b>53,731,695</b>
Less provisions for loan losses	(6,566,011)	(5,392,468)
	<b>67,080,203</b>	<b>48,339,227</b>

Included in loans to customers are non-accrual loans at December 31, 2000 and 1999 of KZT 576,774 thousand and KZT 1,630,023 thousand, respectively. Interest not recognised on non-accrual loans for the years ended December 31, 2000, 1999 and 1998 was KZT 44,721 thousand, KZT 58,862 thousand and KZT 175,606 thousand, respectively.

<b>14 INVESTMENTS</b>	<b>2000</b>	<b>1999</b>
Current investments	673,032	660,590
Long-term investments		
Equity investments in associated companies	2,047,368	1,572,210
Other	5,945	4,591
<b>Total long-term investments</b>	<b>2,053,313</b>	<b>1,576,801</b>
<b>Total investments</b>	<b>2,726,345</b>	<b>2,237,391</b>

#### 14.1 Current investments

	2000		1999	
	% held	Amount	% held	Amount
Kazakhtelecom	2.24%	489,436	2.04%	462,442
Ust-Kamenogorsk titanium-magnesium plant	2.50%	107,681	2.50%	145,799
Global Kazkommerts Securities	99.0%	22,928	-	-
Mangistaumunaigaz	0.65%	22,196	0.65%	28,139
Ekskavator	50.0%	9,870	-	-
Aktobemunaigaz	0.244%	7,391	0.244%	7,392
Aktubinsk chrom plant	3.07%	5,835	3.07%	5,835
Kazakhoil-Emba	0.35%	4,866	0.34%	4,823
Aluminium of Kazakhstan	0.02%	2,730	0.02%	2,730
Kazchrom	0.001%	77	0.001%	77
Kazakhmys	0.002%	22	0.022%	596
SHNOS	-	-	0.02%	2,757
Air Kazakhstan	50.0%	-	-	-
<b>Current investments</b>		<b>673,032</b>		<b>660,590</b>

The Bank intends to dispose of its investments in Global Kazkommerts Securities, Air Kazakhstan and Ekskavator, in the short term and therefore has classified such investments as current. The Bank's investment in Air Kazakhstan has been revalued to nil, as at December 31, 2000 (see note 27).

#### 14.2 Long-term investments

	2000		1999	
	% held	Amount	% held	Amount
<b>Equity investments in associated companies</b>				
ABN AMRO Bank Kazakhstan	29.0%	1,852,772	29.0%	1,501,294
ABN AMRO Asset Management	48.88%	58,596	48.88%	48,416
Pension Fund "Umit"	20.0%	36,000	25.0%	22,500
Kazkommerts-Policy	100.0%	100,000	-	-
<b>Total investments in associated companies</b>		<b>2,047,368</b>		<b>1,572,210</b>

The percentage held for associated companies above represents both direct and indirect ownership.

The Bank has reflected its investment in Kazkommerts-Policy under the equity basis as it intends to dispose of a controlling portion of this investment in the short-term.



	2000		1999	
	% held	Amount	% held	Amount
<b>Other long-term investments</b>				
Kazakhstan Interbank Currency and Stock Exchange	4.49%	3,314	5.55%	2,576
SWIFT	0.008%	1,555	-	-
Association of financiers of Kazakhstan	16.67%	675	16.67%	675
Central depository	5.95%	401	6.90%	401
Almaty exchange of financial instruments	-	-	2.22%	738
Kazakh Central Clearing House	-	-	6.25%	201
<b>Total other long-term investments</b>		<u><u>5,945</u></u>		<u><u>4,591</u></u>

## 15 FIXED ASSETS

	2000			
	Buildings	Furniture and equipment	Other	Total
<b>At cost or valuation</b>				
At January 1, 2000	741,962	1,493,938	20,425	2,256,325
Additions	78,240	576,291	38,496	693,027
Transfers	1,039	2,810	(3,849)	-
Disposals	(23,249)	(52,912)	(49)	(76,210)
At December 31, 2000	<u>797,992</u>	<u>2,020,127</u>	<u>55,023</u>	<u>2,873,142</u>
<b>Accumulated depreciation</b>				
At January 1, 2000	21,694	452,838	5,540	480,072
Depreciation expense	18,469	374,211	6,563	399,243
Transfers	250	2,270	(2,520)	-
Disposals	(1,333)	(25,991)	(30)	(27,354)
At December 31, 2000	<u>39,080</u>	<u>803,328</u>	<u>9,553</u>	<u>851,961</u>
<b>Net book value</b>				
At December 31, 2000	<u><u>758,912</u></u>	<u><u>1,216,799</u></u>	<u><u>45,470</u></u>	<u><u>2,021,181</u></u>
	1999			
	Buildings	Furniture and equipment	Other	Total
<b>At cost or valuation</b>				
At January 1, 1999	676,901	1,055,980	30,038	1,762,919
Additions	82,236	520,288	4,871	607,395
Transfers	1,942	(7,855)	5,913	-
Disposals	(19,117)	(74,475)	(20,397)	(113,989)
At December 31, 1999	<u>741,962</u>	<u>1,493,938</u>	<u>20,425</u>	<u>2,256,325</u>
<b>Accumulated depreciation</b>				
At January 1, 1999	11,696	234,967	2,207	248,870
Depreciation expense	9,957	248,430	3,151	261,538
Transfers	606	(3,296)	2,690	-
Disposals	(565)	(27,263)	(2,508)	(30,336)
At December 31, 1999	<u>21,694</u>	<u>452,838</u>	<u>5,540</u>	<u>480,072</u>
<b>Net book value</b>				
At December 31, 1999	<u><u>720,268</u></u>	<u><u>1,041,100</u></u>	<u><u>14,885</u></u>	<u><u>1,776,253</u></u>

**16 INTANGIBLE ASSETS**

	2000	1999
<b>At cost</b>		
Balance at beginning of the year	256,373	46,855
Additions	294,760	211,313
Disposals	(4,415)	(1,795)
Balance at end of the year	<u>546,718</u>	<u>256,373</u>
<b>Accumulated amortization</b>		
Balance at beginning of the year	16,158	5,981
Amortisation charge	54,605	10,782
Disposals	(1,521)	(605)
Balance at end of the year	<u>69,242</u>	<u>16,158</u>
<b>Net book value</b>		
Balance at end of the year	<u>477,476</u>	<u>240,215</u>

**17 OTHER ASSETS**

	2000	1999
Prepaid expenses	331,631	649,252
Interest receivable	3,394,494	4,078,369
Accrued dividends	69,296	-
Other	302,533	758,822
	<u>4,097,954</u>	<u>5,486,443</u>

**18 LOANS AND ADVANCES FROM BANKS**

	2000	1999
Vostro accounts	745,578	709,660
Loans from banks and financial institutions	20,695,284	19,524,848
Loans from NBRK	1,922,112	2,464,179
	<u>23,362,974</u>	<u>22,698,687</u>

The loans received from the NBRK consist of funds received under the Support and Development Programme of the gold-mining industry enterprises in the amount of KZT 592,155 thousand as at December 31, 2000, and funds received under Construction and Manufacturing Industries Programme from the European Bank for Reconstruction and Development in the amount of KZT 1,329,957 thousand and KZT 2,464,179 thousand as at December 31, 2000 and 1999, respectively.

**19 CUSTOMER ACCOUNTS**

	2000	1999
Demand accounts	25,158,705	16,050,928
Time deposits	28,979,867	6,025,604
	<u>54,138,572</u>	<u>22,076,532</u>

**20 DEBT SECURITIES ISSUED**

	2000	1999
Notes due in 2001 (interest rate 10%)	449,527	1,000,665
Euronotes of Kazkommerts International B.V. due in 2001 (interest rate 13.49%)	14,450,000	13,820,000
	<u>14,899,527</u>	<u>14,820,665</u>

<b>21 OTHER BORROWED FUNDS</b>	<b>2000</b>	<b>1999</b>
Funding from the Ministry of Finance of the Republic of Kazakhstan (weighted average interest rate 6.48% and 6.17% as at December 31, 2000 and 1999, respectively)	2,224,218	2,915,959
Funding from Small Business Support Fund (Weighted average interest rate 8.08% and 7.13% as at December 31, 2000 and 1999, respectively)	2,177,413	2,527,065
	<u>4,401,631</u>	<u>5,443,024</u>

Funding from the Ministry of Finance of the Republic of Kazakhstan is provided under the Agriculture Industry Development Programme through the Asian Bank of Development, International Bank for Reconstruction and Development and Kreditanstalt für Wiederaufbau (KfW) in the amount of KZT 2,127,872 thousand and KZT 2,617,287 thousand as at December 31, 2000 and 1999 respectively, and under the Agricultural Development co-financing Programme from the Government of the Republic of Kazakhstan in the amount of KZT 96,346 thousand and KZT 298,672 thousand as at December 31, 2000 and 1999, respectively.

Funding from the Small Business Support Fund is provided through the European Bank for Reconstruction and Development in the amount of KZT 1,228,250 thousand and KZT 621,900 thousand as at December 31, 2000 and 1999, respectively; Asian Bank of Development in the amount of KZT 387,219 thousand and KZT 1,138,155 thousand as at December 31, 2000 and 1999, respectively; and, the Government of the Republic of Kazakhstan in the amount of KZT 561,944 and KZT 767,010 thousand as at December 31, 2000 and 1999, respectively, under Small Business Support Programme (Import substitution programme).

<b>22 OTHER LIABILITIES</b>	<b>2000</b>	<b>1999</b>
Accrued interest payable	1,066,662	811,981
Provisions for guarantees and letters of credit	287,156	162,667
Other taxes payable	80,392	53,151
Deferred tax liability	1,008,337	1,215,550
Other	4,597,954	528,641
	<u>7,040,501</u>	<u>2,771,990</u>

<b>23 SUBORDINATED DEBT</b>	<b>2000</b>	<b>1999</b>
Subordinated notes due in 2007 (interest rate 11.00%)	2,820,385	-
	<u>2,820,385</u>	<u>-</u>

## 24 SHARE CAPITAL

**Ordinary share capital:** Authorised issued and fully paid 284,430,136 shares of USD 0.12 each at December 31, 2000 and 285,390,136 shares of USD 0.12 each at December 31, 1999.

	<b>Ordinary Share Capital</b>
Share capital at December 31, 1998	2,853,902
Share capital issued during year	87,912
Share capital repurchased during the year	(3,379)
Sale of repurchased shares	3,379
<b>Total share capital at December 31, 1999</b>	<b><u>2,941,814</u></b>
Share capital repurchased	(9,908)
<b>Share capital at December 31, 2000</b>	<b><u>2,931,906</u></b>

During 1999 the Bank obtained permission from the NBRK to denominate its share capital in US dollars as at March 1, 1999 at an exchange rate of 85.9 KZT/USD as at emission date, giving rise to re-denomination of the KZT 10 ordinary share as USD 0.12 ordinary shares; as a result share capital increased by KZT 87,912 thousand.

25 SEPARATE SUMMARIZED PROFIT AND LOSS ACCOUNTS FOR EACH OF THE THREE YEARS ENDING DECEMBER 31, 2000 AND BALANCE SHEETS OF THE BANK AS AT DECEMBER 31, 2000 AND 1999

**PROFIT AND LOSS ACCOUNTS**

	2000	1999	1998
Interest income	12,283,580	11,413,069	6,325,895
Interest expense	5,797,484	4,922,673	2,840,549
Net interest income before provisions for loan losses	<u>6,486,096</u>	<u>6,490,396</u>	<u>3,485,346</u>
Provisions for loan losses	1,334,043	5,318,078	1,398,147
<b>NET INTEREST INCOME</b>	<u>5,152,053</u>	<u>1,172,318</u>	<u>2,087,199</u>
Net gain/(loss) on sale of securities	304,233	275,456	(95,680)
Unrealised gain on dealing securities	904,884	323,985	-
Net gain on foreign exchange operations	482,390	440,089	676,236
Net change in monetary position	602,047	3,097,438	343,523
Fee and commission income	2,688,609	1,652,246	1,424,224
Fee and commission expense	(1,016,566)	(649,313)	(507,430)
Unrealised (loss)/gain on current investments	(1,427,000)	-	511,146
Realised gain on current investments	6,921	929,144	8,476
Dividends received	-	-	60,520
Equity income from associated companies	358,202	596,575	195,764
Equity income from subsidiaries companies	134,057	7,815	159,491
Other income	814,687	97,156	155,104
<b>NET NON-INTEREST INCOME</b>	<u>3,852,464</u>	<u>6,770,591</u>	<u>2,931,374</u>
<b>OPERATING INCOME</b>	<u>9,004,517</u>	<u>7,942,909</u>	<u>5,018,573</u>
Operating expenses	<u>5,159,107</u>	<u>3,968,935</u>	<u>2,736,143</u>
<b>INCOME BEFORE PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS AND TAXES ON INCOME</b>	<u>3,845,410</u>	<u>3,973,974</u>	<u>2,282,430</u>
(Recovery)/provisions for losses on other transactions	<u>(18,463)</u>	<u>22,115</u>	<u>93,627</u>
<b>INCOME BEFORE TAXES ON INCOME</b>	<u>3,863,873</u>	<u>3,951,859</u>	<u>2,188,803</u>
(Recovery)/taxes on income	<u>(160,317)</u>	<u>955,361</u>	<u>304,724</u>
<b>NET INCOME</b>	<u>4,024,190</u>	<u>2,996,498</u>	<u>1,884,079</u>

## BALANCE SHEETS AS AT DECEMBER 31, 2000 AND 1999

	2000	1999
<b>ASSETS:</b>		
Cash and balances with the National Bank of the Republic of Kazakhstan	4,998,816	2,441,887
Loans and advances to banks, net	15,661,271	6,837,002
Dealing securities	23,189,338	11,326,542
Securities under repurchase agreement	3,089,016	2,000,000
Loans to customers, net	67,195,500	48,339,350
Investments – current	9,870	-
Investments – long-term	3,536,246	2,898,810
Fixed assets, net	2,001,783	1,766,376
Intangible assets, net	470,739	232,715
Other assets	<u>3,990,430</u>	<u>5,508,041</u>
<b>TOTAL ASSETS</b>	<u><u>124,143,009</u></u>	<u><u>81,350,723</u></u>
<b>LIABILITIES, SHARE CAPITAL AND RESERVES:</b>		
Loans and advances from banks	23,357,192	22,693,155
Customer accounts	54,145,300	22,316,539
Debt securities issued	14,899,527	14,820,665
Other borrowed funds	4,401,631	5,443,024
Other liabilities	7,115,456	2,699,469
Subordinated debt	<u>2,821,796</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>106,740,902</u></u>	<u><u>67,972,852</u></u>
<b>SHARE CAPITAL AND RESERVES:</b>		
Share capital	2,942,200	2,942,200
Reserves	<u>14,459,907</u>	<u>10,435,671</u>
<b>TOTAL SHARE CAPITAL AND RESERVES</b>	<u><u>17,402,107</u></u>	<u><u>13,377,871</u></u>
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>	<u><u>124,143,009</u></u>	<u><u>81,350,723</u></u>

## 26 COMMITMENTS AND CONTINGENCIES

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in the accompanying balance sheets. As at December 31, 2000, the Bank had issued guarantees totalling KZT 4,236,968 thousand, had open letters of credit totalling KZT 5,659,238 thousand and had open forward contracts totalling KZT 8,279,048 thousand.

The Bank's maximum exposure to credit losses for guarantees and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The provisions for losses for contingent liabilities was KZT 287,156 thousand and KZT 162,667 thousand as at December 31, 2000 and 1999, respectively. The charge in respect of the provision for losses related to letters of credit and guarantees was KZT 124,489 thousand, KZT 31,257 thousand and KZT 27 thousand for the years ended December 31, 2000, 1999 and 1998, respectively (see note 6).

The Bank was not exposed to significant foreign currency risks on open forward contracts, mainly concluded on "spot" terms as at December 31, 2000.

As at December 31, 2000, guarantees issued by the Bank and letters of credit expire as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
Guarantees	675,440	180,438	1,023,348	2,357,742	4,236,968
Letters of credit	2,903,445	2,003,142	715,586	37,065	5,659,238
Forward contracts	8,279,048	-	-	-	8,279,048

No material commitments for capital expenditures and interest rate or currency swap agreements were outstanding at December 31, 2000.

The Bank's activity undergoes political, economic, social and operational risks, inherent to the entrepreneurial activity in Kazakhstan.

The economic stability of the country still depends on fiscal policy efficiency, carried out by the Government of the Republic of Kazakhstan, worldwide prices for exporting products, international financial institutions' decisions and other actions, which are beyond the Government's control. In addition, laws and regulations affecting businesses operating within the Republic of Kazakhstan, as well as throughout the CIS, continue to change rapidly.

The Bank's assets and operations could be at risk if there is any further significant adverse changes in the political and business environment. Because of the uncertainty of the impact, if any, of such conditions on the Bank, no adjustments have been included in the accompanying financial statements.

## 27 RELATED PARTY TRANSACTIONS

Related parties include entities which are shareholders, affiliates or entities under common management or control of the Bank.

As at December 31, 2000 and 1999 the Bank had loans totalling KZT 7,347,179 thousand and KZT 11,138,146 thousand, respectively, to shareholders and related parties. The Bank also held deposits of KZT 1,854,052 thousand and KZT 395,390 thousand as at December 31, 2000 and 1999, respectively, from shareholders and related parties. Interest income on loans to shareholders and related parties was KZT 225,729 thousand, KZT 957,685 thousand and KZT 1,057,527 thousand for the years ended December 31, 2000, 1999 and 1998, respectively. Interest expense on deposits from shareholders and related parties was KZT 61,288 thousand, KZT 8,850 thousand and KZT 6,291 thousand for the years ended December 31, 2000, 1999 and 1998, respectively.

During 2000 and 1999, the Bank purchased and sold dealing securities from and to related parties for the total amount of KZT 567,775 thousand and KZT 1,256,863 thousand, respectively. In addition to this, in 2000 and 1999, the Bank sold to related parties, domestic notes due in 2001 for a total of KZT 14,812 thousand and KZT 4,181,635 thousand respectively, and bought on their behalf KZT 19,594 thousand and 3,639,402 thousand, respectively. Related parties acquired Subordinated notes, at placement, for KZT 505,750 thousand in 2000.

Loans to related parties as at December 31, 2000 and 1999 include a loan to "Central Asian Industrial Investments N.V." in the amount of KZT 5,596,953 thousand and KZT 10,240,537 thousand, respectively. This loan was used for the purchase of shares of JSC "Kazakhtelecom". In accordance with the Decree #684, as of July 22, 1998, of the Government of the Republic of Kazakhstan, regarding the sale of 30 % of shares of JSC "Kazakhtelecom" on a tender basis (including 15% of shares of the Government and 15 % of shares purchased by "Central Asian Industrial Investments N.V."), shares of Kazakhtelecom belonging to "Central Asian Industrial Investments N.V." will be sold and the loan will be repaid from the proceeds received from this sale. The Government has deferred the sale (realization) of Kazakhtelecom shares. During 2000 a part of the loan, amounting to KZT 4,643,584 thousand, was repaid. As a result of this loan, the Bank was not in accordance with the requirements of the NBRK regarding maximum exposure to one borrower. In May 2000 the NBRK cancelled its exemption for this loan while calculating the referred ratio and the Bank was required to eliminate the discordance by December 31, 2000. In accordance with the NBRK's requirements, the remaining balance was written off for statutory purposes. However the Bank considers that the loan submitted by "Central Asian Industrial Investments N.V." will be repaid and therefore under IAS has created a provision for the uncollectable amount, after considering the related collateral.

Equity investments of the Bank in related party companies as at December 31, 2000 and 1999 are KZT 36,000 thousand and KZT 25,257 thousand, respectively. In October 1999 the Bank sold 25% shares of OAO "SHNOS" for KZT 4,075,507 thousand or KZT 196.18 per share to "Central Asian Industrial Investments N.V." This transaction resulted in a gain of KZT 767,220 thousand in 1999.

As per the Agreement of Concord from October 2, 2000 between the Bank and CJSC "Air Kazakhstan" and CJSC "Air Kazakhstan Group" which was approved by the Government of the Republic of Kazakhstan the Bank took over 50% of the voting shares of the CJSC "Air Kazakhstan Group" as coverage for its past due debt to the Bank. While the remaining 50% of the total shares were transferred to the Bank as trustee. The debt balance was rolled over for an additional 5 year period. The Bank does not consolidate its financial statements with the financial statement of CJSC "Air Kazakhstan" because it considers its control over the company as a temporary one and it will sell these shares after the company carries out its obligations to the Bank. Taking into consideration the financial difficulties facing CJSC Air Kazakhstan, and the uncertainty in evaluating its financial position, the ALMC has evaluated the current value of the company shares belonging to the Bank as nil.



## 28 LARGE EXPOSURES

As at December 31, 2000 and 1999 the Bank had loans to customers in excess of ten percent of shareholders' equity to the following enterprises or organizations:

	2000	1999
Central Asian Holding	5,794,577	10,240,537
International Airport of Almaty Holding	3,254,607	2,570,988
Karazhanbasmunai	2,203,849	-
Kazatomprom Holding	2,167,500	-
Pavlodar oil refinery plant	-	2,003,516
KEGOC Holding	-	1,738,576
Air Kazakhstan Holding	-	1,537,097
Bis Center	-	1,513,370
Seimar Holding	-	1,461,067
	<u>13,420,533</u>	<u>21,065,151</u>

## 29 PENSIONS AND RETIREMENT PLANS

In accordance with the Law of the Republic of Kazakhstan "Pension provisioning in the Republic of Kazakhstan" acting from January 1, 1998, and replacing the previous solidarity system of pension provisioning for accumulating system, all employees have the right to receive guaranteed pension benefits if they have a working time record as of January 1, 1998, in proportion to their accumulated working time record. They also have the right to receive pension payments from accumulating pension funds from the individual pension accumulations accounts provided by compulsory pension contributions of 10% from income.

As at December 31, 2000 and 1999, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

### 30 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32. As no readily available market exists for a large part of the Bank's financial instruments, judgement 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 Bank could realize in a market exchange from its sale of its full holdings of a particular instrument.

At December 31, 2000 the following methods and assumptions were used by the Bank 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 NBRK, and loans and advances to banks:** For these short term instruments, the carrying amount is a reasonable estimate of fair value.

**Dealing securities:** Dealing securities are stated at cost, adjusted for amortization of discounts, which approximates fair value, or are at fair value.

**Loans to customers:** The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within in each sector of the portfolio. The estimate 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, and collateral obtained. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required reflecting the impact of credit risk.

**Investments:** Current securities are stated at market value, long-term securities are stated at cost unless there has been any permanent diminution in value. Representative market quotes are not available for these securities. Investments in associated companies are recorded using the equity method. Subsidiaries which are considered insignificant to the Bank taken as a whole, or control of which is intended to be temporary are stated at cost or at market value, if it is less than the purchase cost.

**Loans and advances from banks, Customer accounts and Debt securities issued:** The carrying amount is a reasonable estimate of fair value.

### 31 REGULATORY MATTERS

The Bank is subject to certain minimum capital and prudential requirements as defined by the NBRK. As at December 31, 2000 and 1999, the Bank is in compliance with the minimum requirements, except as further explained in Note 27.

The Bank has computed capital requirements using guidelines recommended by the Bank for International Settlements.

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

	For capital adequacy purposes		Required minimum for capital adequacy purposes	
	Amount in KZT'000	Ratio	Amount in KZT'000	Ratio
<b>As at December 31, 2000</b>				
Total capital	21,587,976	20.0%	8,639,753	8%
Tier 1 capital	13,317,546	12.3%	4,319,877	4%
<b>As at December 31, 1999</b>				
Total capital	14,288,646	20.8%	5,487,188	8%
Tier 1 capital	10,283,881	15.0%	2,743,594	4%

## 32 MATURITY ANALYSIS

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

							2000
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Provisions for losses	Total
<b>ASSETS</b>							
Loans and advances to banks, net	14,217,663	826,700	326,569	433,500	-	(92,902)	15,711,530
Dealing securities	4,378,298	3,647,132	11,325,035	2,294,060	2,155,525	-	23,800,050
Securities under repurchase agreement	3,089,016	-	-	-	-	-	3,089,016
Loans to customers, net	1,459,970	9,542,642	25,188,243	31,051,079	6,404,280	(6,566,011)	67,080,203
<b>Total interest earning assets</b>	<b>23,144,947</b>	<b>14,016,474</b>	<b>36,839,847</b>	<b>33,778,639</b>	<b>8,559,805</b>	<b>(6,658,913)</b>	<b>109,680,799</b>
Cash and balances with the NBRK	5,011,922	-	-	-	-	-	5,011,922
Investments	-	-	673,032	-	2,053,313	-	2,726,345
Fixed assets, net	-	-	-	-	2,021,181	-	2,021,181
Intangible assets, net	-	-	-	-	477,476	-	477,476
Other assets	950,739	711,375	806,426	3,466,027	402	(1,837,015)	4,097,954
<b>TOTAL ASSETS</b>	<b>29,107,608</b>	<b>14,727,849</b>	<b>38,319,305</b>	<b>37,244,666</b>	<b>13,112,177</b>	<b>(8,495,928)</b>	<b>124,015,677</b>
<b>LIABILITIES, SHARE CAPITAL AND RESERVES</b>							
Loans and advances from banks	774,481	1,037,528	12,680,620	8,509,095	361,250	-	23,362,974
Customer accounts	34,362,344	10,240,378	8,840,626	693,654	1,570	-	54,138,572
Debt securities issued	-	-	14,899,527	-	-	-	14,899,527
Other borrowed funds	-	-	381,538	3,771,958	248,135	-	4,401,631
Subordinated debt	-	-	-	-	2,820,385	-	2,820,385
<b>Total interest bearing liabilities</b>	<b>35,136,825</b>	<b>11,277,906</b>	<b>36,802,311</b>	<b>12,974,707</b>	<b>3,431,340</b>	<b>-</b>	<b>99,623,089</b>
Other liabilities	4,359,669	43,579	585,511	815,543	949,043	287,156	7,040,501
Share capital	-	-	-	-	2,931,906	-	2,931,906
Reserves	-	-	-	-	14,420,181	-	14,420,181
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>	<b>39,496,494</b>	<b>11,321,485</b>	<b>37,387,822</b>	<b>13,790,250</b>	<b>21,732,470</b>	<b>287,156</b>	<b>124,015,677</b>
Interest rate sensitivity gap	(11,991,878)	2,738,568	37,536	20,803,932	5,128,465	-	-
Cumulative interest rate sensitivity gap	(11,991,878)	(9,253,310)	(9,215,774)	11,588,158	16,716,623	-	-
Cumulative interest rate sensitivity gap as a percentage of total assets	(9.7)%	(7.5)%	(7.4)%	9.3%	13.5%	-	-
<b>OFF-BALANCE SHEET COMMITMENTS</b>							
Payable under forward deals	(8,279,048)	-	-	-	-	-	(8,279,048)
Receivable under forward deals	8,302,565	-	-	-	-	-	8,302,565
Interest sensitivity gap	23,517	-	-	-	-	-	-
Cumulative interest sensitivity gap	23,517	23,517	23,517	23,517	23,517	-	-
<b>Aggregated cumulative interest sensitivity gap, balance sheet and off-balance sheet</b>	<b>(11,968,361)</b>	<b>(9,229,793)</b>	<b>(9,192,257)</b>	<b>11,611,675</b>	<b>16,740,140</b>	<b>-</b>	<b>-</b>

### 33 CURRENCY ANALYSIS

	KZT	USD 1 USD = KZT 144.5	EUR 1 EUR = KZT 136.21	Other	Provisions for losses	2000 Total
<b>ASSETS</b>						
Cash and balances with the NBRK	3,201,920	1,796,376	5,543	8,083	-	5,011,922
Loans and advances to banks, net	142,997	13,250,531	1,162,952	1,247,952	(92,902)	15,711,530
Dealing securities	9,064,814	14,194,943	-	540,293	-	23,800,050
Securities under repurchase agreement	3,089,016	-	-	-	-	3,089,016
Loans to customers, net	16,181,299	55,649,985	1,066,730	748,200	(6,566,011)	67,080,203
Investments	2,726,345	-	-	-	-	2,726,345
Fixed assets, net	2,021,181	-	-	-	-	2,021,181
Intangible assets, net	477,476	-	-	-	-	477,476
Other assets	4,068,803	1,728,610	63,682	73,874	(1,837,015)	4,097,954
<b>TOTAL ASSETS</b>	<b>40,973,851</b>	<b>86,620,445</b>	<b>2,298,907</b>	<b>2,618,402</b>	<b>(8,495,928)</b>	<b>124,015,677</b>
<b>LIABILITIES, SHARE CAPITAL AND RESERVES</b>						
Loans and advances from banks	165,429	20,073,914	2,024,365	1,099,266	-	23,362,974
Customer accounts	15,108,534	37,888,256	176,910	964,872	-	54,138,572
Debt securities issued	-	14,899,527	-	-	-	14,899,527
Other borrowed funds	96,346	4,057,150	248,135	-	-	4,401,631
Other liabilities	5,324,885	1,394,995	23,845	9,620	287,156	7,040,501
Subordinated debt	-	2,820,385	-	-	-	2,820,385
Share capital	2,931,906	-	-	-	-	2,931,906
Reserves	14,420,181	-	-	-	-	14,420,181
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>	<b>38,047,281</b>	<b>81,134,227</b>	<b>2,473,255</b>	<b>2,073,758</b>	<b>287,156</b>	<b>124,015,677</b>
<b>OFF-BALANCE SHEET COMMITMENTS</b>						
Payable under forward deals	-	(5,629,271)	(503,977)	(2,145,800)	-	(8,279,048)
Receivable under forward deals	2,912,000	2,652,251	592,514	2,145,800	-	8,302,565
<b>OFF-BALANCE SHEET COMMITMENTS, NET</b>	<b>2,912,000</b>	<b>(2,977,020)</b>	<b>88,537</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OPEN POSITION</b>	<b>5,838,570</b>	<b>2,509,198</b>	<b>(85,811)</b>	<b>544,644</b>	<b>-</b>	<b>-</b>

## 34 GEOGRAPHICAL ANALYSIS

	OECD countries	NON-OECD countries	Provisions for losses	2000 Total
<b>ASSETS</b>				
Cash and balances with the NBRK	1,804,053	3,207,869	-	5,011,922
Loans and advances to banks, net	11,817,131	3,987,301	(92,902)	15,711,530
Dealing securities	10,458,051	13,341,999	-	23,800,050
Securities under repurchase agreement	-	3,089,016	-	3,089,016
Loans to customers, net	757,725	72,888,489	(6,566,011)	67,080,203
Investments	1,555	2,724,790	-	2,726,345
Fixed assets, net	-	2,021,181	-	2,021,181
Intangible assets, net	-	477,476	-	477,476
Other assets	206,855	5,728,114	(1,837,015)	4,097,954
<b>TOTAL ASSETS</b>	<b>25,045,370</b>	<b>107,466,235</b>	<b>(8,495,928)</b>	<b>124,015,677</b>
<b>LIABILITIES, SHARE CAPITAL AND RESERVES</b>				
Loans and advances from banks	18,291,312	5,071,662	-	23,362,974
Customer accounts	1,107,270	53,031,302	-	54,138,572
Debt securities issued	14,450,000	449,527	-	14,899,527
Other borrowed funds	-	4,401,631	-	4,401,631
Other liabilities	586,037	6,167,308	287,156	7,040,501
Subordinated debt	-	2,820,385	-	2,820,385
Share capital	-	2,931,906	-	2,931,906
Reserves	-	14,420,181	-	14,420,181
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>	<b>34,434,619</b>	<b>89,293,902</b>	<b>287,156</b>	<b>124,015,677</b>
<b>BALANCE SHEET POSITION</b>	<b>(9,389,249)</b>	<b>18,172,333</b>		
<b>OFF-BALANCE SHEET COMMITMENTS</b>				
Payable under forward deals	(3,795,581)	(4,483,467)		(8,279,048)
Receivable under forward deals	3,790,910	4,511,655		8,302,565
<b>OFF-BALANCE SHEET COMMITMENTS, NET</b>	<b>(4,671)</b>	<b>28,188</b>		
<b>TOTAL OPEN POSITION</b>	<b>(9,393,920)</b>	<b>18,200,521</b>		