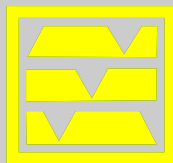


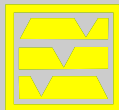
ҚАЗАҚСТАННЫҢ
ДЕПОЗИТТЕРГЕ
КЕПІЛДІК
БЕРУ ҚОРЫ



KAZAKHSTAN
D E P O S I T
I N S U R A N C E
F U N D

ANNUAL REPORT

2005



Kazakhstan Deposit Insurance Fund
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FOREWORD



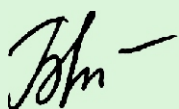
In 2005 the Kazakhstan Deposit Insurance Fund conducted some important events: an International Conference attended by the representatives of foreign Deposit Insurers and other financial organizations was held in Almaty; work has been underway on a Law on Mandatory Deposits Insurance in Second-tier Banks of the Republic of Kazakhstan and on a Differential Premium Rates System; the reimbursing depositors of the compulsory liquidated Nauryz Bank Kazakhstan JSC began.

The results of the year have shown the effectiveness of the deposit insurance system in Kazakhstan. Banks are experiencing stable growth in individuals' deposits volume, and the share of insured deposits is increasing as well. The standards of public awareness about the deposit insurance system are rising. All these trends reflect a significant increase of public confidence to the Kazakhstani banking system.

The membership in the International Association of Deposit Insurers (IADI) allows the KDIF to cooperate closely with foreign organizations. It gives the opportunity to improve the Kazakhstani deposit insurance system by using the best world experience and IADI recommendations.

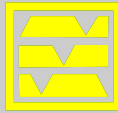
I would like to thank all colleagues for their great cooperation and support of the KDIF's initiatives for further development of the deposit insurance system in Kazakhstan.

Yours sincerely,



Bakhyt Mazhenova

General Director of the Kazakhstan Deposit Insurance Fund



ABBREVIATIONS

ARC	Asia Regional Committee
DIS	Deposit Insurance System
EARC	Eurasia Regional Committee
Financial Supervision Agency	Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations
IADI	International Association of Deposit Insurers
KDIF	Kazakhstan Deposit Insurance Fund JSC
National Bank	National Bank of the Republic of Kazakhstan



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ORGANIZATION CHART OF THE KAZAKHSTAN DEPOSIT INSURANCE FUND

SHAREHOLDER

NATIONAL BANK

BOARD OF
DIRECTORS

- DEPUTY CHAIRMAN OF NATIONAL BANK
- DEPUTY CHAIRMAN OF FINANCIAL SUPERVISION AGENCY
- VICE-MINISTER OF FINANCE
- REPRESENTATIVE OF FINANCIAL INSTITUTIONS'
ASSOCIATION OF KAZAKHSTAN
- GENERAL DIRECTOR OF KDIF

ADVISORY
COUNCIL

REPRESENTATIVES OF DIS MEMBER BANKS:

- ALLIANCE BANK JSC
- ATFBANK JSC
- BANK CASPIAN JSC
- BANK TURANALEM JSC
- BANK CENTERCREDIT JSC
- HALYK BANK OF KAZAKHSTAN JSC
- JSC SJSB ABN AMRO BANK KAZAKHSTAN

KDIF
DEPARTMENTS

- METHODOLOGY AND LEGAL SUPPORT DEPARTMENT
- PROBLEM BANKS RESOLUTION DEPARTMENT
- BANK STATISTICS AND ANALYSIS DEPARTMENT
- FINANCIAL AND ADMINISTRATIVE DEPARTMENT



DIS MEMBER BANKS

The Deposit Insurance System is mandatory: after a bank has obtained from the authorized body a license for acceptance of deposits, opening and conducting of bank accounts of individuals, it shall submit an application and following documents to the KDIF to join the DIS: conclusion (notification) of authorized body, deposit policy, information concerning accepted deposits and fee rates, as on the application date. If the application is successful, the KDIF shall conclude an agreement with the bank and issue a DIS membership certificate.

A member bank must pay the KDIF the mandatory regular premiums on a quarterly basis. The premiums shall be calculated as a percentage of total insured deposits. Banks which have been members for more than two years shall contribute 0.16%, those members of less than two years - 0.25%. Premiums are accumulated in the KDIF reserves for reimbursing insured depositors.

If a member bank is placed in compulsory or voluntary liquidation it shall be expelled from the DIS. The KDIF is also entitled to expel a bank from the DIS in case of withdrawal of bank license for acceptance of deposits, opening and conducting of bank accounts of individuals, or when the bank systematically violates its obligations under the membership agreement with the KDIF.

As of 1 January 2005 35 second-tier banks were operating in Kazakhstan, of which 34 banks were the DIS members. In December, the Nauryz Bank Kazakhstan JSC was expelled from the DIS because of its compulsory liquidation.

LIST of the Mandatory Collective Deposit Insurance System's Member Banks as of 31 December, 2005

1. «ALLIANCE BANK» JSC	17. «KAZAKHSTAN-ZIRAAT INTERNATIONAL BANK» JSC
2. «ATFBANK» JSC	18. «KAZINVESTBANK» JSC
3. «BANK «CASPIAN» JSC	19. «KAZKOMMERTSBANK» JSC
4. «BANK CENTERCREDIT» JSC	20. «NEFTEBANK» JSC
5. «BANK TURANALEM» JSC	21. «NURBANK» JSC
6. «CITIBANK KAZAKHSTAN» JSC	22. «SENIM-BANK» JSC
7. «DANABANK» JSC	23. «TEMIRBANK» JSC
8. «DEMIR KAZAKHSTAN BANK» JSC	24. «TEXAKABANK» JSC
9. «EURASIAN BANK» JSC	25. «TSESNABANK» JSC
10. «HALYK BANK OF KAZAKHSTAN» JSC	26. «VALUT-TRANZIT BANK» JSC
11. «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» JSC	27. «ZAMAN-BANK» JSC
12. «INDUSTRIAL BANK OF KAZAKHSTAN» JSC	28. JSC «SJSB «ABN AMRO BANK KAZAKHSTAN»
13. «INDUSTRIAL&COMMERCIAL BANK OF CHINA IN ALMATY» JSC	29. JSC SB «BANK OF CHINA KAZAKHSTAN»
14. «INTERNATIONAL BANK «ALMA-ATA» JSC	30. JSC SB «ALFA-BANK»
15. «JOINT BANK «LARIBA-BANK» JSC	31. JSC SB «NATIONAL BANK OF PAKISTAN» IN KAZAKHSTAN
16. «KAZAKHSTAN INNOVATIONAL COMMERCIAL BANK» JSC	32. JSC SB «TAIB KAZAK BANK»
	33. SB «HSBC BANK KAZAKHSTAN» JSC



INSURED DEPOSITS

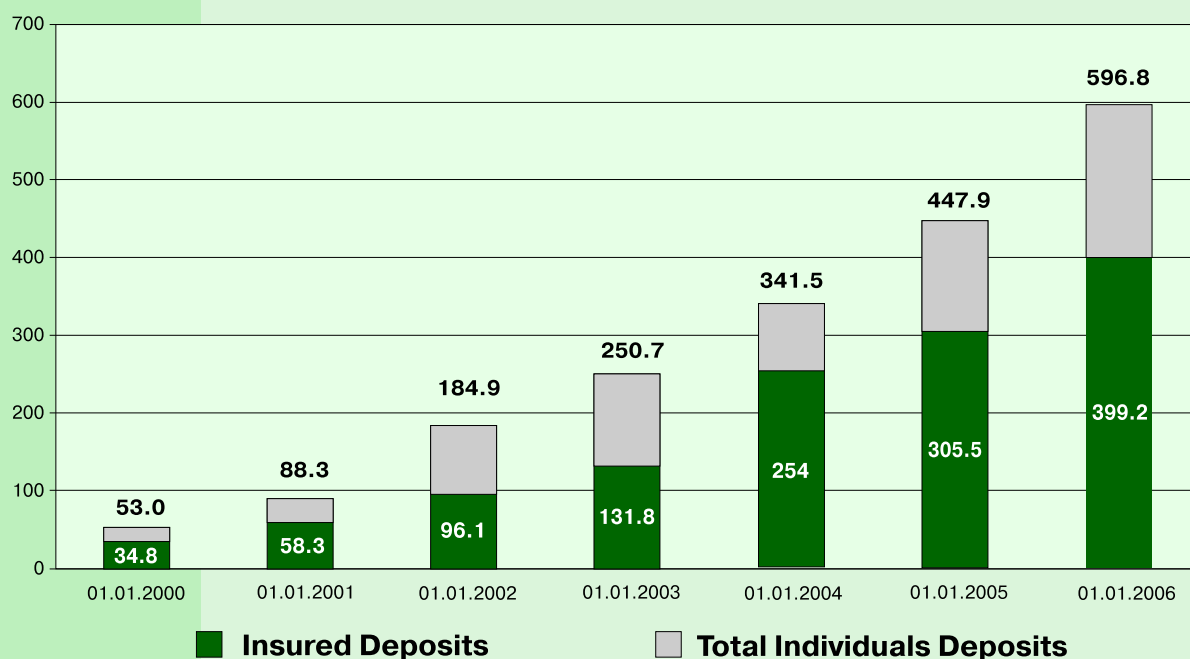
In accordance with the legislation, the KDIF guarantees the following deposits of individuals in DIS member bank:

- time and conditional deposits up to KZT 7 million (or its equivalent in foreign currency);
- demand deposits;
- current and card accounts.

Time and conditional deposits amounted KZT 7 million (or their equivalent in foreign currency) or more, as well as deposits of the bank's chief executive officers and their close relatives, and deposits of bank shareholders owning 5% or more of voting shares and their close relatives are not guaranteed.

The diagram below shows the growth of individuals' deposits in second-tier banks of the Republic of Kazakhstan. During six years of DIS existence the value of insured deposits along with all individuals' deposits has been multiplied by 11.

INDIVIDUALS' DEPOSITS IN SECOND-TIER BANKS
OF THE REPUBLIC OF KAZAKHSTAN
KZT billion



FUNDING

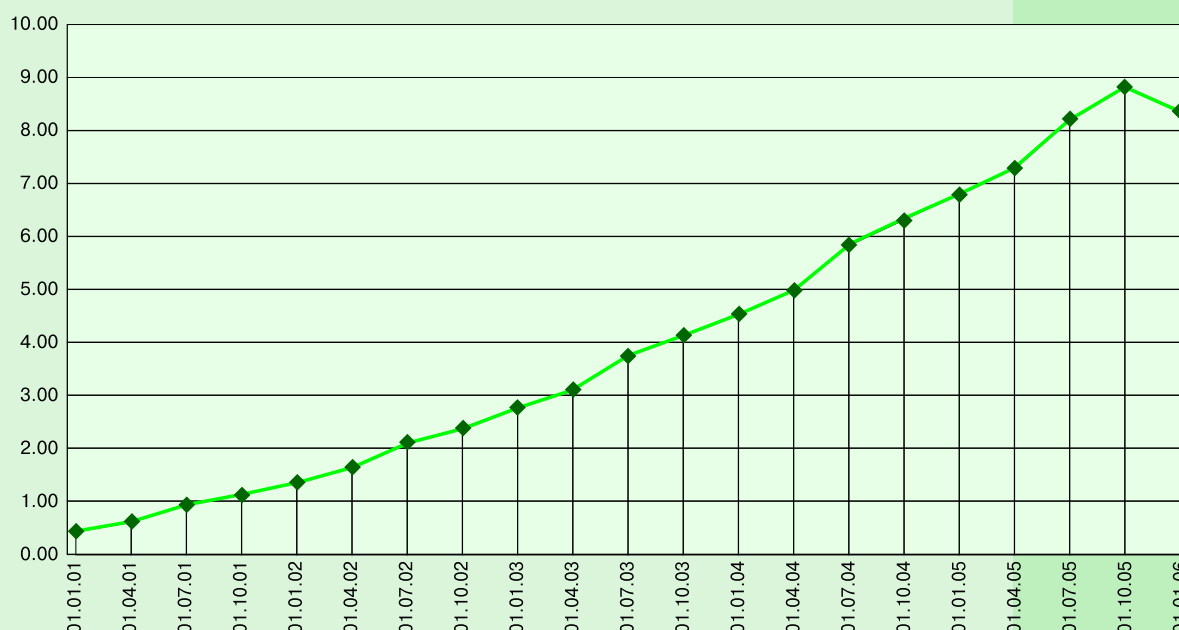
The funding mechanism is based on the KDIF's accumulation of a special reserve for reimbursing insured depositors in case of compulsory liquidation of member bank. The reserve is formed from:

- member banks' premiums,
- net income of the KDIF's assets investments;
- fines for untimely or incomplete payment of premiums by member banks;
- penalties levied on member banks;
- money received from settling the KDIF's compensation claims against deposits by the member bank to be liquidated.

If the fund for reimbursing is insufficient the KDIF's authorized capital stock (up to 50% of the capital stock) and additional or emergency premiums from member banks may be used. Emergency premiums are collected to repay the National Bank loan, taken out by the KDIF to reimburse insured depositors where there are insufficient reserves.

During 2005 the KDIF's reserve for reimbursing increased from KZT 6.8 to 8.4 billion. Reduction in the reserve in December 2005 was caused by reimbursing insured depositors of the compulsorily liquidated Nauryz Bank Kazakhstan JSC.

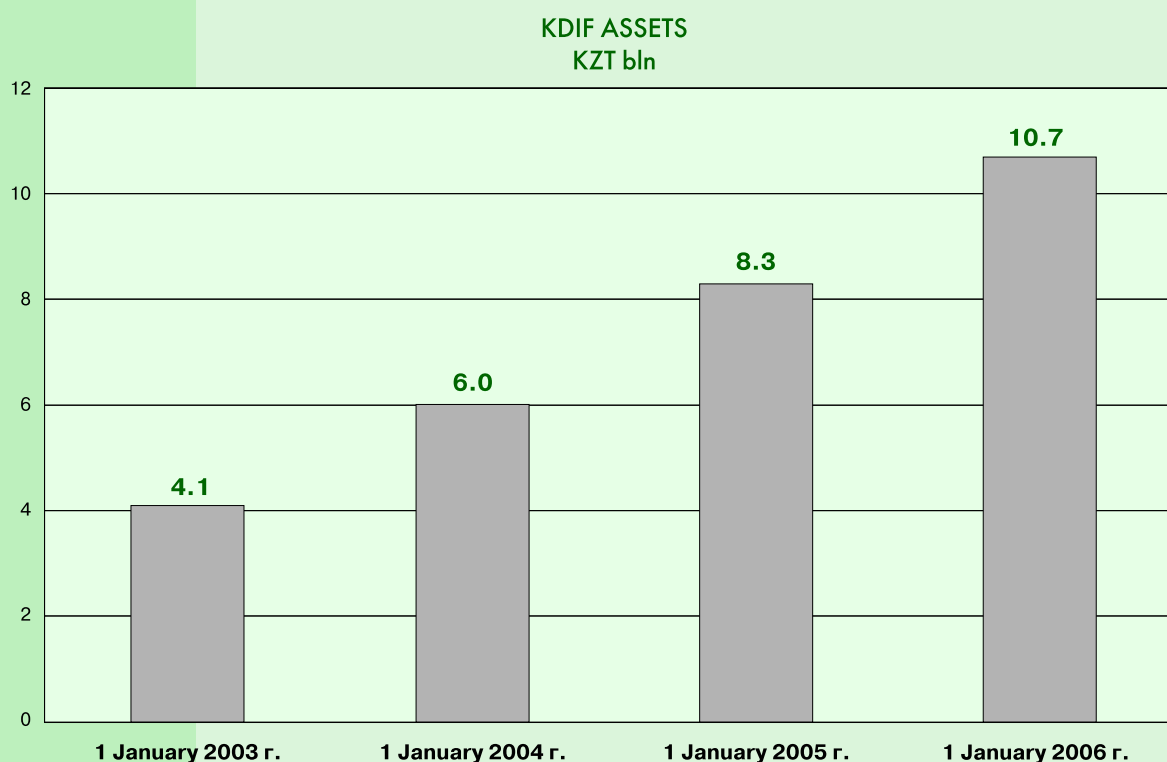
RESERVE FOR REIMBURSING in 2001-2005
KZT billion



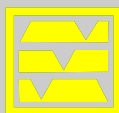


ASSETS

In 2005 the KDIF's assets increased by 30%, due to a growth of insured deposits base in member banks and corresponding increase in mandatory premiums.



Being a noncommercial organization, the KDIF is mostly investing in risk-free government securities of the Republic of Kazakhstan, the USA and the European Union countries. The National Bank acts as the trustee and manages the KDIF's assets. In 2005 the average return on assets was 6%.



DEPOSIT INSURANCE COVERAGE

Where a DIS member bank is compulsorily liquidated, the KDIF shall reimbursing insured depositors. The coverage is equal to the deposit amount without accrued interest but not more than KZT 400 000.

The KDIF shall hold a tender among member banks to choose the agent-bank, which shall reimburse insured depositors.

After the KDIF and the chosen agent bank have concluded an agreement, the appropriate sum shall be transferred to the agent bank from the reserve for reimbursing.

The KDIF shall extend the information on the procedures and terms of reimbursement in the Kazakhstani mass-media.

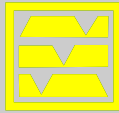
REIMBURSING INSURED DEPOSITORS

In December 2005 the Nauryz Bank Kazakhstan JSC was expelled from the DIS. The Financial Supervision Agency withdrew the bank's license on banking operations for systematic violations of the banking legislation. Then the bank was compulsorily liquidated by the Court order.

Approximately 20,000 (71%) depositors of the Nauryz Bank were covered by DIS. Total amount of reimbursement was about KZT 1 billion.

Bank TuranAlem JSC, one of the largest banks with wide branches in all regions of Kazakhstan, was chosen as the agent bank. This bank will be paying guaranteed compensation to the population till the end of 2006.

The KDIF's employees are included into the receivership and liquidation process.



PUBLIC AWARENESS

Public awareness is aimed at explaining, via the mass media, the terms and procedure for reimbursing in case of a bank's liquidation. This activity plays an important role in maintaining public confidence in the banking system.

Public awareness is realized via the following tools:

- publishing articles, interviews and information concerning deposit insurance in the republican and regional printed press;
- KDIF managers appearing on interactive television and radio broadcasts;
- holding press conferences by the KDIF's management and member banks;
- answering letters and calls from depositors;
- advising depositors;

- placing information concerning the KDIF's activities on the Internet. The legislative base containing information about deposit insurance, List of member banks, articles and announcements published in the mass media and the latest news are available in three languages (Kazakh, Russian and English) on the website at www.kdif.kz. It also has a feedback system.

The annual financial statements of the KDIF and List of DIS member banks must be published.

Every year the KDIF arranges a Hotline, which gives people the opportunity to ask questions directly to the KDIF's specialists by phone from any region of Kazakhstan. By dialing a special number depositors can be given competent answers to questions concerning deposit insurance. All the calls are at the KDIF's expense.

INTERNATIONAL COOPERATION

As a member of the International Association of Deposit Insurers (IADI) since 2003, the KDIF cooperates with foreign deposit insurers. The IADI membership gives the KDIF access to international experience in setting up effective DIS as an integral part of the Financial Safety Net, Early Warning System and Resolution of Problem Financial Institutions.

The KDIF's management, as a member of the IADI Executive Council, took part in the fourth IADI Annual Meeting and Conference (September 2005, Taiwan) and in the Round Table hosted by the Deposit Insurance Corporation of Japan (March 2005, Tokyo).

Under the IADI Research Committee the KDIF participates in researching and developing IADI Guidances on efficient functioning of DIS and efficient resolution of financial institutions' problems.

Moreover, the KDIF is a member of the IADI Auditing Committee and the Asia and Eurasia Regional Committees.



EARC ACTIVITIES

At present the IADI Eurasia Regional Committee includes the Kazakhstan Deposit Insurance Fund, the Deposit Insurance Agency (Russia) and the Deposit Guarantee Fund (Ukraine). The EARC associated members are the Deposit Guarantee Fund of Tajikistan and the Deposit Guarantee Fund of Armenia.

Current EARC activities, expansion the members and future prospects were considered in EARC events held in 2005.

May 2005	EARC Open Forum (Almaty, Kazakhstan)
September 2005	EARC Meeting (Haolin, Taiwan)
November 2005	Meeting of Heads of the KDIF and Deposit Insurance Agency (Moscow, Russia)
November 2005	Meeting of Heads of the KDIF and National Bank of Azerbaijan (Baku, Azerbaijan)



Ms. Bakhyt Mazhenova (General Director, KDIF),
Mr. Alexandr Turbanov (General Director, DIA),
Mr. Andrei Melnikov (Deputy General Director, DIA)

Moscow (Russia), November 2005



Ms. Bakhyt Mazhenova (General Director, KDIF),
Mr. Vadim Khubanov (Deputy Governor,
National Bank of Azerbaijan),
Mr. Rufat Aslanov (Member of the Board,
National Bank of Azerbaijan)

Baku (Azerbaijan), November 2005

INTERNATIONAL CONFERENCE

The “Early Warning System as a Key Issue to Bank Solvency and Financial Stability” International Conference was organized by the KDIF in May 2005. The Conference was held in Almaty with assistance of IADI, SECO (Switzerland), EBRD and USAID.



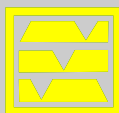
About 100 representatives from 26 countries participated in the conference: Azerbaijan, Armenia, Canada, Czech Republic, France, Georgia, India, Japan, Jordan, Kazakhstan, Kyrgyzstan, Malaysia, Moldova, Mongolia, Poland, Russia, South Korea, Sweden, Switzerland, Taiwan, Tajikistan, Tanzania, Turkey, Ukraine, USA and Uzbekistan. The representatives of IADI, EBRD, USAID, Bank for International Settlements, Deposit Insurers, Central Banks and Supervisory Bodies, Auditing Companies, National Bank and Financial Supervision Agency, commercial banks took part in the Conference.



Ms. Bakhyt Mazhenova, General Director of KDIF, Mr. Jean Pierre Sabourin, President IADI, Mr. Anvar Saidenov, Governor of National Bank, Mr. Bolat Zhamishev, Chairman of Financial Supervisory Agency, made welcoming speeches to the Conference participants.

The basic principles of the Financial Safety Net, powers and mandates of the FSN players, and its efficient management and functioning were considered at the conference. The deposit insurer as a unique part of the FSN, and its role in protecting deposits were given special emphasis. International experience in setting an early warning system as an integral part of the FSN, experience in implementing the Basel II, recommendations to different premium rates, problem banks resolution issues, etc. were considered.





FUTURE TRENDS

The KDIF's activities will be aimed at further improving the DIS in view of the best international practice and recommendations of the IADI.

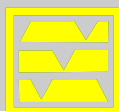
The KDIF has two main objectives: 1) to provide maximum protection to depositors, and 2) to assess and handle DIS risks in an effort to effectively perform the deposit protection task.

To achieve these objectives the KDIF will aim to improve procedures connected with the participation of the second-tier banks in the DIS and effective resolution of problem banks.

As to developing legislation, the KDIF jointly with the Financial Supervision Agency, is working on a Draft Law on Mandatory Deposits Insurance in Second-tier Banks of the Republic of Kazakhstan. It is planned to develop the legal base on the P&A operations.

The KDIF is working out a differential premium rates system which is planned to implement in 2007.

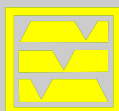
In order to use advanced methods of effective resolution of problem banks the KDIF is working out a draft on methods for problem banks' assets valuation.



BALANCE SHEET as of 31 December 2005

KZT

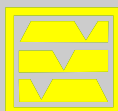
ASSETS	notes	Opening balance	Closing balance
I. Long-term assets			
Intangible assets		349,067	811,188
Depreciation of intangible assets		98,349	231,868
Book value (depreciated cost) of intangible assets	A	250,718	579,320
Fixed assets		8,729,884	9,445,697
Depreciation of fixed assets		2,870,638	4,936,949
Book value (depreciated cost) of fixed assets	B	5,859,246	4,508,748
Production in process			
Long-term investments			
Long-term financial investments	C	5,051,216,731	6,994,357,541
Long-term expenses of future periods			
Total long-term assets		5,057,326,695	6,999,445,609
II. Current assets			
Inventory stock, total	D	592,230	524,099
Short-term receivables	E	566,345,897	1,131,166,801
Overpayments to the Budget			
Expenses of future periods	E	115,560	516,558
Short-term financial investments	C	2,562,641,421	2,368,176,974
Cash	F	136,480,023	190,316,284
Total current assets		3,266,175,132	3,690,700,716
BALANCE		8,323,501,827	10,690,146,325
LIABILITIES AND SHAREHOLDERS' EQUITY			
III. Shareholders' equity			
Authorised capital		1,000,000,000	1,000,000,000
Unpaid capital			
Withdrawn capital			
Additionally paid capital			
Revaluation (additional unpaid capital)	G		352,286,966
Reserve capital	H	10,000,000	10,000,000
Retained earnings (uncovered loss)	I	357,965,352	314,778,747
including:			
reporting year			314,778,747
Total equity		1,367,965,352	1,677,065,713
IV. Compensation reserve			
Deposit compensation reserve	J	6,799,273,990	8,382,356,700
Total compensation reserve			
V. Long term liabilities			
Loans			
Deferred corporate income tax	K	50,634	0
Long-term payables			
Total long-term liabilities		50,634	0
VI. Current liabilities			
Short-term loans and overdraft			
Current long-term loans			
Short-term payables	L	156,211,850	630,723,912
Payments to the Budget			
Payables to subsidiaries (dependent companies) and jointly controlled corporations			
Future periods income			
Other payables and accruals			
Total current liabilities		156,211,850	630,723,912
BALANCE		8,323,501,827	10,690,146,325



PROFIT AND LOSS STATEMENT for the year ended 31 December 2005

KZT

description	notes	
Profit from sales (finished goods, works, services)		
Cost of sales (goods, works, services)		
Gross revenue		
Expenses, total	M	93,624,780
including:		
- sales expenses		
- general and administration expenses		93,551,007
- interest expenses		73,774
Profit (loss) from principal operations		-93,624,780
Profit (loss) from auxiliary operations	N	408,188,998
Profit (loss) before taxes		314,564,218
Corporate income tax expense	O	-214,529
Profit (loss) from operations after taxation		314,778,747
Profit (loss) from extraordinary operations		
Net profit (loss)		314,778,747



STATEMENT OF CASH FLOW for the year ended 31 December 2005

KZT

description	
I. Cash flows from operating activities	
1. Total cash inflow	2,664,490
including:	
sales of finished goods (works, services)	
advances	
interests	
dividends	
royalty	
others	2,664,490
2. Total cash outflow	1,063,684,501
including:	
payments to suppliers and contractors	33,867,393
advances	980,309,013
wages payments	29,589,425
payments to the pension funds	3,599,277
budget payments	8,782,662
others	7,536,731
3. Net cash flow from operating activities	-1,061,020,011
II. Cash flows from investing activities	
1. Total cash inflow	29,339,190,025
including:	
sale of intangible assets	
sale of fixed assets	
sale of other long-term assets	
sale of financial assets	29,339,190,025
payment of loan	
others	
2. Total cash outflow	30,419,497,298
including:	
acquisition of intangible assets	462,121
acquisition of fixed assets	710,114
acquisition of other long-term assets	
acquisition of financial assets	30,418,325,064
loans	
others	
3. Net cash flow from investing activities	-1,080,307,273
III. Cash flows from financing activities	
1. Total cash inflow	2,195,163,545
including:	
issue of stock and other securities	
loans	
financial lease interests	
others	2,195,163,546
2. Total cash outflow	
including:	
loan repayment	
acquisition of own shares	
payment of dividends	
others	
3. Net cash flow from financing activities	+2,195,163,545
Increase (+) / decrease (-) in cash	+53,836,260
Cash at beginning of year	136,480,024
Cash at end of year	190,316,284