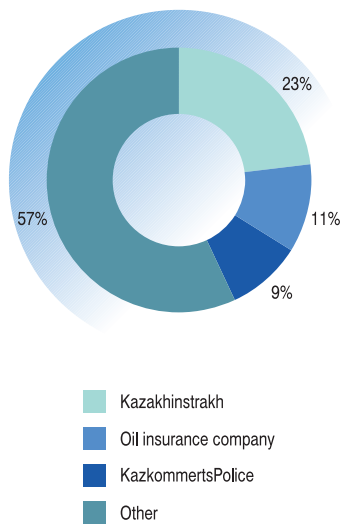


**Share of insurance companies on the market,  
year 2001**



The most important trend in the activity of insurance institutions is investment. In accordance with the requirements of insurance law, a majority of insurance reserves are to be placed in liquid assets and diversification principles must be followed.

In the total 2001 insurance income structure of KZT 3.1 billion, income from direct insurance comprised KZT 2.5 billion, or 80 % of total aggregate income. Investment income reached KZT 0.5 billion, or 17 % of aggregate income, which is 4% greater than in 2000.

The main priorities in the development of the insurance market are transparency and reliability, the upgrade of requirements for insurance and re-insurance institutions, the implementation of international regulation standards for insurance activity and supervision, and, finally, the integration of the insurance market into international schemes of insurance and re-insurance.





MANAGEMENT ANALYSES  
AND DISCUSSIONS  
COMPARING 2001 TO 2000



**BALANCE SHEETS** as of December 31, 2001 and 2000

	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	(USD thousand)		(KZT million)	
<b>ASSETS</b>				
Cash	38 763	24 803	5 822	3 584
Balances with the National Bank of the Republic of Kazakhstan	37 657	9 882	5 656	1 428
Loans and advances to banks, net	116 976	108 730	17 570	15 712
Securities held-to-maturity	2 088	1 523	314	220
Dealing securities	88 379	159 444	13 275	23 040
Securities available-for-sale	1 123	8 438	169	1 219
Securities purchased under agreements to resell	-	21 377	-	3 089
Loans to customers, net	916 521	464 223	137 661	67 080
Investments in associates	11 811	14 169	1 774	2 047
Fixed assets, net	15 608	13 987	2 344	2 021
Intangible assets, net	3 516	3 304	528	478
Other assets, net	61 456	28 360	9 231	4 098
<b>TOTAL ASSETS</b>	<b>1 293 898</b>	<b>858 240</b>	<b>194 344</b>	<b>124 016</b>
<b>LIABILITIES, SHARE CAPITAL AND RESERVES</b>				
Loans and advances from banks	285 621	161 682	42 900	23 363
Securities sold under agreements to repurchase	10 403	-	1 563	-
Customer accounts	725 535	374 661	108 975	54 139
Debt securities issued	-	103 111	-	14 900
Other borrowed funds	34 764	30 461	5 222	4 402
Other liabilities	47 155	48 723	7 083	7 040
Subordinated debt	19 586	19 518	2 942	2 820
Dividends payable	8 231	-	1 236	-
<b>TOTAL LIABILITIES</b>	<b>1 131 295</b>	<b>738 156</b>	<b>169 921</b>	<b>106 664</b>
Share capital	23 287	20 290	3 498	2 932
Reserves	139 316	99 794	20 925	14 420
<b>TOTAL SHARE CAPITAL AND RESERVES</b>	<b>162 603</b>	<b>120 084</b>	<b>24 423</b>	<b>17 352</b>
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>	<b>1 293 898</b>	<b>858 240</b>	<b>194 344</b>	<b>124 016</b>

*KZT/USD exchange rate* 150.2 144.5

**Balance Sheet ratios (%)**

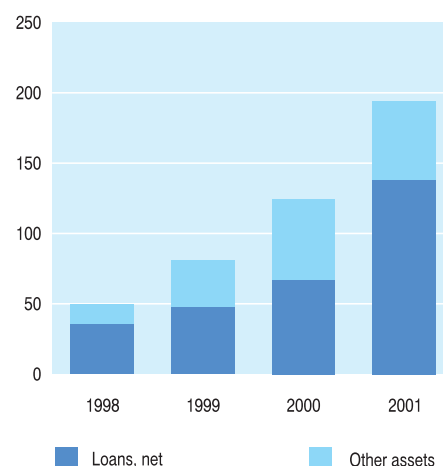
Deposits / assets	56.1%	43.7%
Loans to customers / assets	70.8%	54.1%
Total equity / assets	12.6%	14.0%
Total equity / deposits	22.4%	32.1%
Total equity / liabilities	14.4%	16.3%

PROFIT AND LOSS ACCOUNTS for the years ended December 31, 2001 and 2000

	2001	2000	2001	2000
	(USD thousand)		(KZT million)	
Interest income	119 504	86 974	17 536	12 362
Interest expense	(53 753)	(40 548)	(7 888)	(5 763)
Net interest income before provisions for loan losses	65 751	46 426	9 648	6 599
Provisions for loan losses	(28 880)	(9 386)	(4 238)	(1 334)
<b>NET INTEREST INCOME</b>	<b>36 871</b>	<b>37 040</b>	<b>5 410</b>	<b>5 265</b>
Net gain on operations with securities	3 343	2 112	491	300
Unrealised gain on dealing securities	6 881	6 367	1 010	905
Net gain on foreign exchange operations	4 977	3 390	730	482
Net unrealised exchange gain	4 468	4 209	656	599
Fee and commission income	26 239	19 630	3 850	2 790
Fee and commission expense	(5 236)	(7 435)	(768)	(1 057)
Realised (loss) / gain on securities available for sale	(10)	49	(1)	7
Unrealised loss on securities available for sale	(368)	(10 350)	(54)	(1 471)
Equity income from associates	2 651	2 520	389	358
Dividends on investments	261	951	38	135
Other income	1 928	5 742	283	816
<b>NET NON-INTEREST INCOME</b>	<b>45 134</b>	<b>27 185</b>	<b>6 623</b>	<b>3 864</b>
<b>OPERATING INCOME</b>	<b>82 005</b>	<b>64 225</b>	<b>12 033</b>	<b>9 129</b>
Operating expenses	(40 480)	(37 124)	(5 940)	(5 277)
Income before taxes on income and provisions	41 525	27 101	6 093	3 852
Recovery / (provisions) for losses on other transactions	(3 584)	130	(526)	18
<b>INCOME BEFORE TAXES ON INCOME</b>	<b>37 941</b>	<b>27 231</b>	<b>5 567</b>	<b>3 870</b>
Recovery / (taxes on income)	(1 898)	1 082	(278)	154
<b>NET INCOME</b>	<b>36 043</b>	<b>28 313</b>	<b>5 289</b>	<b>4 024</b>
Earnings per share (in KZT)			18.37	14.14
<i>Average KZT/USD exchange rate for the period</i>	<i>146.74</i>	<i>142.13</i>		
<b>Profitability ratios (%)</b>				
Net interest margin before provisions / Average interest earning assets			7.8%	9.0%
Net interest margin / Average interest earning assets			4.4%	7.2%
Net non-interest income / Average assets			4.6%	4.4%
Operating expenses / Net interest margin before provisions			61.6%	80.0%
Operating expenses / Average assets			4.2%	6.0%
Operating expenses / Operating income			49.4%	57.8%
Operating expenses / Operating income, excluding loan loss reserves			36.5%	50.4%
Net income / Average assets (ROA)			3.7%	4.6%
Net income / Average equity (ROE)			28.2%	29.7%

## BALANCE SHEET ANALYSIS

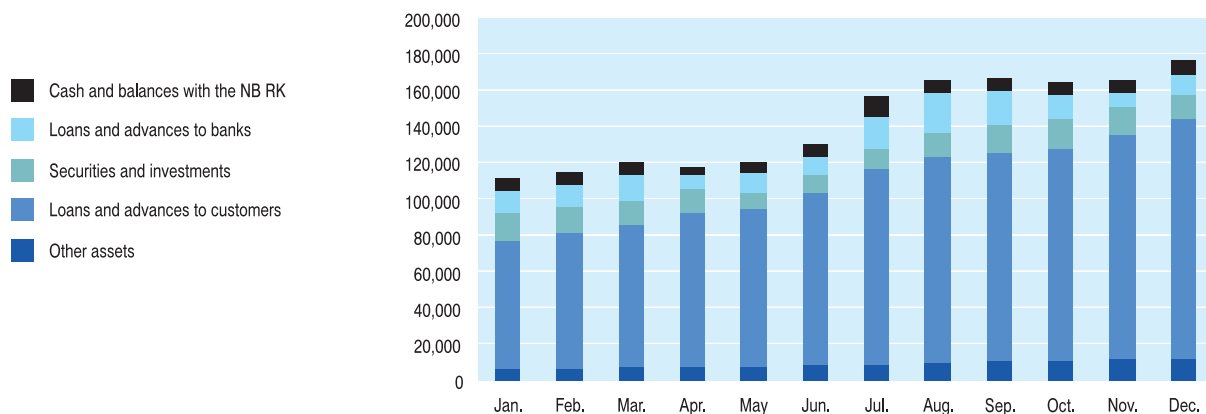
### Assets Growth



Pursuing a trend of strong and controlled growth of assets, the Bank's 2001 performance results show that it has retained its leading position in terms of capital (16.2% of the total banking system capital), in terms of assets and loans to customers (23.4% of all banks assets and 28.3% of total loans granted by banks), and in terms of deposits (22.3% of all deposits attracted by banks, including individual deposits - 23.5%). For the first time in the history of the Kazakhstan banking system, in June 2001 the Bank's assets exceeded USD 1 billion and reached USD 1.3 billion by the end of the year.

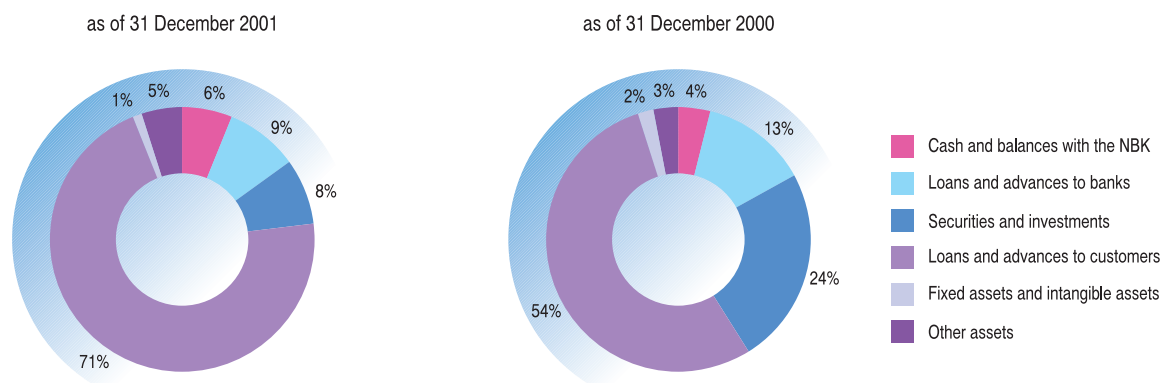
### Assets

### Assets Growth in 2001



During 2001, the Bank's assets grew by 56.7%, or KZT 70.3 billion, reaching KZT 194.3 billion by the end of the year. This ensured average assets growth of 62.1% in comparison with 2000. This increase was mainly due to loan portfolio growth of 2.1 times (by KZT 70.6 billion). The loan portfolio's share in the assets structure grew from 54.1% as of the beginning of the year to 70.8% as of year-end. Cash and balances with the National Bank of the Republic of Kazakhstan and with other banks grew by KZT 8.3 billion (by 40.2%) while investments into securities went down by KZT 13.8 billion, or 50.1%. This was mainly due to a decrease in the share of Government securities in the Bank's portfolio.

## The Assets Structure



Though the liquidity indicator (the ratio of liquid assets to liabilities with less than one month maturity) decreased at the end of 2001 to 63.8% (from 90.3% at the beginning of the year), the Bank maintained it throughout the year and preserved it at sufficiently high level. The liquidity ratio as of year-end, calculated according to the NB RK financial reporting requirements reached 0.41, while NB RK ratio is not less than 0.30.

## Cash and balances with the National Bank

At the end of 2001, cash and balances with the National Bank of the Republic of Kazakhstan increased by 2.3 times compared with 2000 (their share in the assets structure grew from 4.0% to 5.9%). Cash balances increased by 62.4% while funds with the correspondent account in the National Bank, which were subject to requirements of the National Bank towards reserve assets, grew by 4 times. While standard provisioning is 8%, the monthly average ratio of the Bank's reserve requirements reached 8.8% by the year-end.

In 2001, the Bank activated its operations on the foreign exchange market, increasing the net-sales volumes by 38% compared to 2000. A decrease in the customs duty on the import of cash currency from 1% to 0.4% facilitated the growth of sales volumes; overall, the aggregate turnover of net sales through the Bureaux de Change in Kazakhstan in 2001 increased by 3% in comparison to 2000. The Bank's share of the cash currency market reached 10.4% by the end of 2001.

## Cash currency exchange operations

	2001	2000	Change, %
Annual volume of purchase, KZT million	10,505	9,020	16.46
Annual volume of sales, KZT million	49,052	37,008	32.54
Net gain before customs duty deduction, KZT million	571	682	(16.28)
Net gain after customs duty deduction, KZT million	442	469	(5.76)
Net gain / Sales volume, %	0.90	1.27	

Kazkommertsbank is a leading dealer in the foreign exchange domestic market, retaining first place for US Dollar operations among resident banks with a 27% share of the primary and OTC inter-bank market. The annual turnover of US Dollars increased by 2.4 times compared to the previous year and amounted to USD 3,888 million. The turnover of Russian Rubles increased by 2.5 times, reaching RUR 13,118 million. Turnover in Euro operations amounted to EUR 714 million (a 4.3% increase).

## Securities and equity investments

As of 31 December 2001, the Bank's portfolio of dealing securities and equity investments decreased by 47.6%, which was mainly due to a drop in dealing portfolio volume of 42.4%. (The share of the dealing securities portfolio went down from 18.6% to 6.8%.) The share of KZT securities decreased from 50.2% by the end 2000 to 17.3% by the end of 2001.

	As of 31 December	
	2001	2000
	KZT million	
Securities and investments		
<b>Securities</b>	<b>13,758</b>	<b>27,568</b>
Dealing securities portfolio	13,275	23,040
Dealing securities under reverse REPO agreements	-	3,089
Securities eligible for sale	169	1,219
Securities retained to maturity	314	220
<b>Equity investments in associate companies</b>	<b>1,774</b>	<b>2,047</b>
<b>Total securities and investments</b>	<b>15,532</b>	<b>29,615</b>
in KZT	2,688	14,880
in foreign currency	12,844	14,735

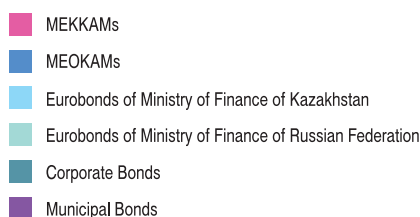
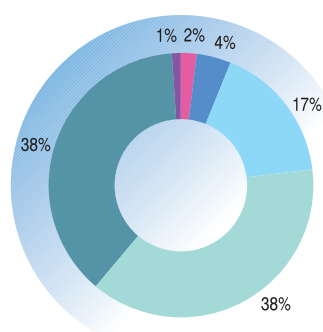
The Bank's equity investments in associated companies decreased due to the revaluation of participation in ABN AMRO Bank Kazakhstan after dividend payments in 2001. Besides, the assets of Kazkommerts Policy, an affiliated insurance company, were not consolidated as of 31 December 2000. They were accounted as investments in associated companies because the Bank intended to sell the company. (Kazkommerts Policy was consolidated in 2001 financial reports.) The 86.1% decrease in the volume of securities eligible for sale occurred due to the sale of the Bank's shareholding participation in the Mangistaumunaigas, Ekskavator, and Kazakhoil-Emba companies.

As of year-end 2001, the structure of the dealing securities portfolio included 94.2% of hard currency securities. These were Euronotes of the Ministry of Finance of Kazakhstan (17.1% of the portfolio), Euronotes of the Ministry of Finance of the Russian Federation (38.1%), corporate bonds (37.6%), and bonds of local administrative bodies (1.4%).

The reduction of the dealing securities portfolio was due to a decrease in investments in Government securities of the Republic of Kazakhstan (from KZT 12,971 million by year-end 2000 to KZT 3,143 million, or 75.8%). This reduction was also due to the fact that the volume of the Bank's own corporate Eurobonds bought-back accounted for USD 68.6 million of the dealing securities portfolio by the end of 2000, or 36.9% of the total securities portfolio. In May 2001, the Bank repaid its corporate USD 100 million Eurobonds.

In the course of the year, the Bank considerably activated its operations with corporate bonds of large Kazakhstan companies listed under the A Category of KASE, namely Kazakhoil and Kaztransoil, both national companies in the oil and gas sector, as well as Karazhanbasmunai, ShNOS, Kazakhstan Temir Zholy, Bank Turan Alem, and Almaty Kus. In comparison to 2000, the volume of corporate bonds increased 6.4 times by the end of 2001, reaching KZT 5,128 million. In 2001, the Bank started to deal with bonds issued by local administration bodies. Therefore, by the end of 2001 the Bank's securities portfolio included bonds of the Eastern-Kazakhstan and Atyrau regional administrations and Astana Akimat.

**Dealing securities portfolio  
as of 31 December 2001**





### Structure of dealing securities portfolio (average figures)

	2001		2000	
	KZT million	Profitability, %	KZT million	Profitability, %
MEKKAM and MEKAVM	1,115	6.9	3,319	10.0
MEOKAM AND MEAKAM	329	9.2	22	7.9
National Bank notes	1,720	6.5	1,790	8.7
National Savings Bonds (NSOs)	119	7.1	108	12.7
Corporate bonds	1,881	11.1	209	11.3
Euronotes of Kazakhstan Ministry of Finance	1,751	7.3	111	10.7
Bonds of local administrative bodies	73	8.7	1,095	14.7
Euronotes of Ministry of Finance of Russian Federation	2,722	12.9		
Euronotes of Turkey	14	12.8		
Euronotes of France	37	4.7		
Euronotes of the Bank (repurchased)	2,937	13.5	8,002	13.7
<b>Total</b>	<b>12,698</b>	<b>10.4</b>	<b>14,656</b>	<b>12.2</b>

The average volume of dealing securities went down by 13.4% in comparison with 2000; however, their profitability decreased by only 1.8% p.a.

### Loans and advances to banks

Loans and advances to other banks reached KZT 17,570 million by the end of 2001, accounting for 9% of the Bank's total assets. Their volume increased by 11.8% compared to the beginning of the year. Only 12.5% of funds lent represented allocation in KZT while the remaining amount were in US Dollars and Euros. The volume of funds allocated in KZT on the NOSTRO accounts of Kazakhstan banks increased to KZT 2,193 million by the end of 2001, representing an increase of 15.3 times over the course of the year. The bank used a very conservative approach in placing funds with other banks. As a rule, the Bank grants temporarily free funds for a short-term period (mainly up to one month) within the limits established for banks, or against collateral in the form of Government securities.

	As of 31 December	
	2001	2000
	KZT million	
<b>Advances and deposits with banks</b>		
in KZT	2,193	143
in foreign currency	15,123	15,118
<b>Loans to banks</b>		
in KZT	0	0
in foreign currency	548	544
<b>Provisions for loan losses</b>	<b>(294)</b>	<b>(93)</b>
<b>Total loans and advances to banks</b>	<b>17,570</b>	<b>15,712</b>

### Loan portfolio

In 2001, the substantial growth (by 2.1 times) of the average annual loan portfolio accounted for KZT 98,452 million, a 96.5% increase in comparison to 2000. Profitability, however, went down from 20.0% to 15.8% p.a., which was due to the general trend of falling interest rates in Kazakhstan throughout 2001. Along with trade and project finance, Kazkommertsbank offers its clients banking products such as guarantees and letters of credit. During 2001, the volume of documentary lending grew to KZT 16,059 million.

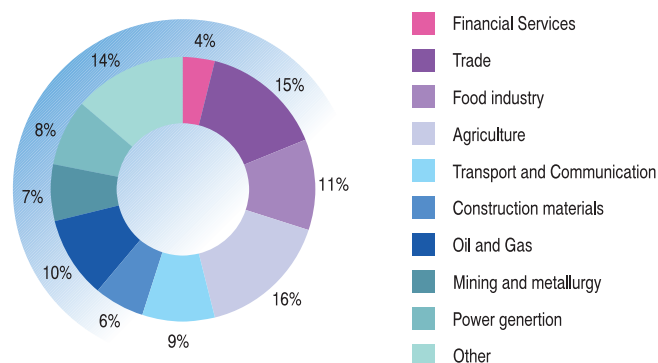
	As of 31 December	
	2001	2000
	KZT million	
<b>Loans to customers</b>	<b>147,166</b>	<b>73,646</b>
Provisions on loans	(9,505)	(6,566)
<b>Loans to customers less provisions</b>	<b>137,661</b>	<b>67,080</b>
<b>Contingent liabilities</b>		
Letters of Guarantee	6,336	4,237
Letters of Credit	10,390	5,659
Provisions	(667)	(287)
<b>Total contingent liabilities</b>	<b>16,059</b>	<b>9,609</b>
<b>Total loans, guarantees, letters of credit</b>	<b>153,720</b>	<b>76,689</b>

The Bank serves medium and large Kazakh industries and multinational corporations operating in Kazakhstan and provides financing in several ways: short-term lending, trade and project finance, and lending to small and medium-sized businesses. The Bank also provides services to individuals through consumer mortgage and plastic card lending and through lending as part of the Small Business Support Program. The Bank provides lending services mostly to the private sector.

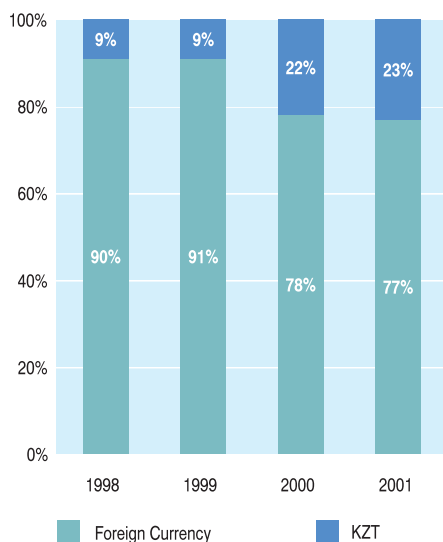
In 2001, Kazkommertsbank increased lending under the Small Business Support Program with the line granted by EBRD. Thus, the Bank granted USD 14,316 thousand in loans in 2001 compared to USD 7,793 thousand in 2000. Standard loans amounted to USD 14,277 thousand, or 99.7% of loans made under the Program. Kazkommertsbank is the leading lender within the Program in Kazakhstan with a 28.6% share of the total loans granted by Kazakh banks under the EBRD Small Business Support Program.

In 2001, Kazkommertsbank continued to increase its financing of the principal sectors of the economy, such as agriculture, energy, construction materials production, oil and gas, transport and telecommunication, food industry, and trade. The major share of the Bank's loan portfolio was represented by loans to the agricultural sector, trade, and the food industry - their aggregate loan portfolio share was 42.8%. There was a considerable increase in lending to the oil and gas and energy sectors. The share of these industries in the Bank's loan portfolio rose from 7.2% and 2.7%, respectively, to 9.9% and 7.6%.

#### Breakdown of the loan portfolio by economic sector



## Breakdown of the loan portfolio by currency



The Bank showed a significant increase in lending to individuals, from KZT 2,349 million at the beginning of the year to KZT 7,594 million by year-end. This increased the Bank's share of the total lending volume to individuals in Kazakhstan from 16.0% in 2000 to 24.6% in 2001. To a great extent, this growth can be attributed to the development of various consumer-lending programs introduced by the Bank. As a result, consumer loans amounted to USD 34.9 million in 2001.

In accordance with the Bank's policy of limiting currency risk, the majority of loans (76.8%) are denominated in foreign currency with prevailing liabilities in US Dollars. The Bank constantly increases lending in local currency: during 2001 the Bank increased lending in KZT by 2.1 times and raised the share of these loans in the total loan portfolio to 23.2%. Also, the Bank extends loans in Euros; however, these loans come mostly from credit facilities provided by German and Dutch financial institutions.

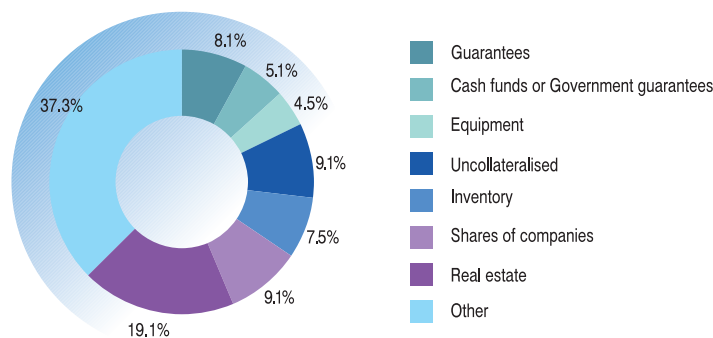
## Loan Quality

A major part of the credit risk of the Bank is related to loans, letters of credit, and guarantees to customers. Funds of the Bank are mainly placed on a short-term basis. At the same time, the Bank regularly monitors the financial standing of other banks. The results of this monitoring serve as the basis for the establishment of fund placement limits for each bank. The level of provisions for funds placed with banks was 1.6%.

Loans to customers are secured by fixed assets, guarantees, capital goods, real estate, Government securities, shares, deposits, and other types of securities. Collateral is assessed on a very conservative basis and, in some cases, by independent experts. As of 31 December 2001, the share of uncollateralised loans increased as a result of overdrafts extended to reliable borrowers.

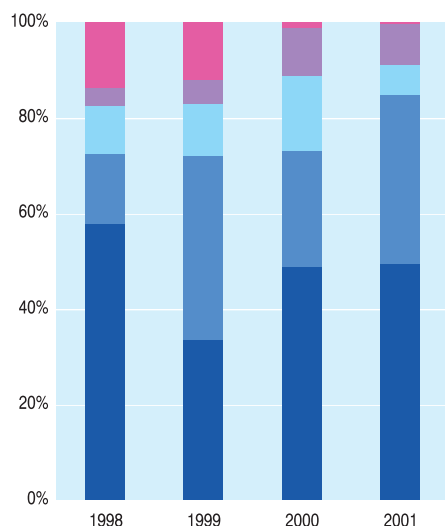
	As of 31 December			
	2001	Share	2000	Share
	KZT million	%	KZT million	%
Collateralised	133,725	90.9	69,933	95.0
Uncollateralised	13,441	9.1	3,713	5.0
<b>Total</b>	<b>147,166</b>	<b>100.0</b>	<b>73,646</b>	<b>100.0</b>

## Breakdown of loan portfolio collateral as of 31 December 2001



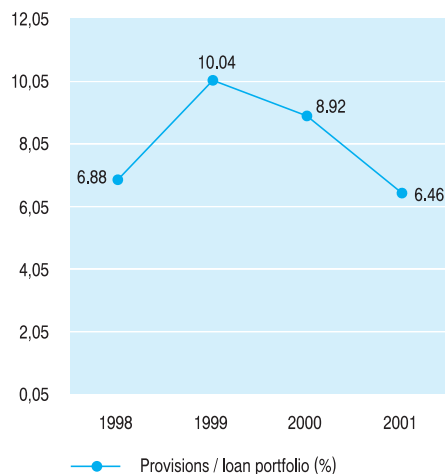
The Bank constantly improves the quality and structure of its loan portfolio. During 2001, the volume of insufficiently reliable, doubtful, and loss loans decreased from 27.0% to 15.3%. As compared with 2000, the volume of doubtful loans in 2001 fell from 11.1% to 8.8%, and the volume of loss loans decreased from 1.1% to 0.4%.

### Loan Portfolio Classification



- Loss
- Doubtful
- Insufficient
- Potentially reliable
- Reliable

### The Level of Provisions

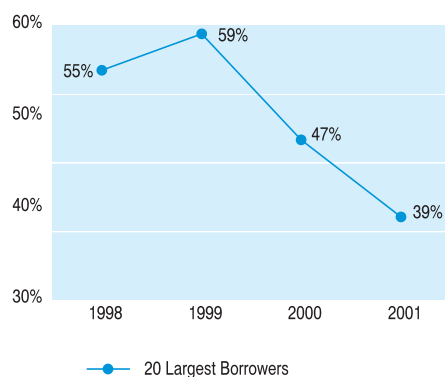


Compared with the same period in 2000, the level of provisions at the end of 2001 decreased from 8.9% to 6.5%. This was a result of the improvement in customers' financial standing due to the stable development of Kazakhstan's economy.

As of 31 December 2001, the volume of non-performing loans (including loans on which interest has ceased to accrue) was KZT 1,213 million compared with KZT 577 million as of 31 December 2000. The volume of non-performing loans in the Bank's loan portfolio remained at the level of previous year, 0.8%. The provisions for losses on loans allocated by the Bank covered the amount of non-performing loans by 7.8 times.

Comprised of written-off and non-repaid loans, the volume of non-performing loans at the end of 2001 amounted to KZT 3,327 million, or 2.2% of the loan portfolio (compared to KZT 2,763 million, or 3.6% of the loan portfolio at the end of 2000). At year-end 2001, the percentage of recovered written-off loans from 1999 was 87.4%, and the percentage of recovered written-off loans from 2000 was 67.9%. In all, current recovery of written-off loans exceeds 60%.

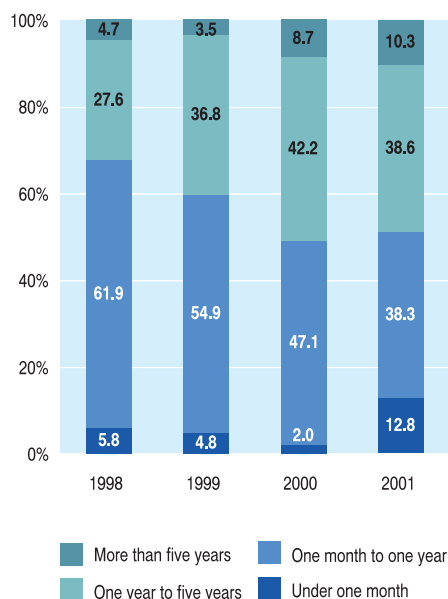
### Loan Concentration (20 Largest Borrowers)



	1999	2000	2001
Non-performing and write-offs (net)	4,454	2,763	3,327
- non-performing loans	1,630	577	1,213
- write-offs (net)	2,824	2,187	2,114
The volume of non-performing and write-offs (net) loans in loan portfolio (%)	7.9	3.6	2.2
The volume of recovered loans in write-offs (%)	87.4	67.9	15.0

The concentration of the loan portfolio in terms of borrowers decreased in 2001. Thus, by the end of 2001, the Bank's 20 largest borrowers comprised 39% of the total loan portfolio. This figure was 47.4% in 2000.

## Loans by Maturity

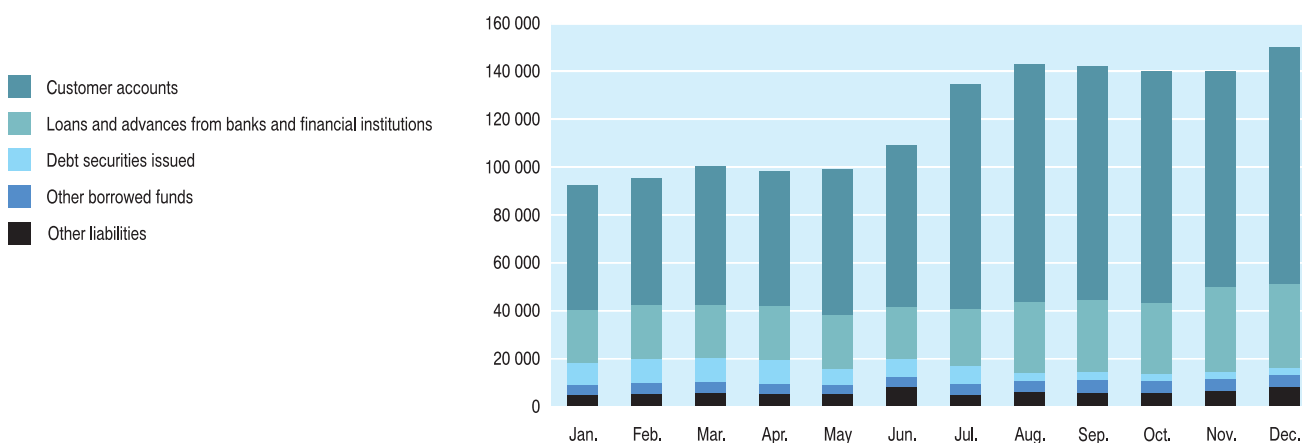


The general trend over the last several years indicates that loans are extended for longer maturities. At the end of 2001, compared with the same period in 2000, the proportion of loans with over 5-year terms increased from 8.7% to 10.3%. This reflects the demand for longer-term loans to clients, which are extended by the Bank mainly through the credit facilities of EBRD, ADB, investment institutions, and the Kazakhstan Government. With absolute growth of 83.1%, the share of loans with a 1 to 5 year maturity terms showed a slight decrease from 42.2% to 38.6%. The proportion of loans with 3 month to 1 year maturity terms went down from 34.2% to 26.2%. This is stipulated by the substantial increase in the percentage of short-term loans with up to 1 month maturity terms (from 2.0% to 12.9%), as in 2001 the Bank began to offer to clients overdraft and short-term loans for terms of up to three months.

## FUNDING BASE

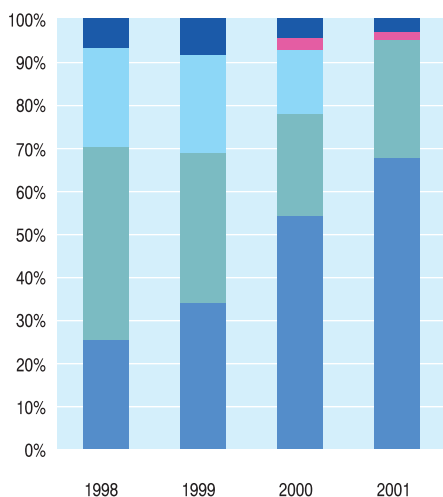
The 59.3% growth of the Bank's liabilities during 2001, the constant trend for an advanced and significantly growing deposit base (by 2 times in 2001), and the increase in borrowings from banks (by 83.6%, from KZT 23,363 million to KZT 42,900 million) all stipulated an increase in average liabilities in 2001 to KZT 124,051 million - a 66.4% increase over 2000. In 2001, the volume of issued securities decreased by 42.6%. This was caused by the redemption of Eurobonds issued in May 1998 and by the redemption of internal obligations of the Bank issued in September 1999.

### Liabilities of the Bank in 2001



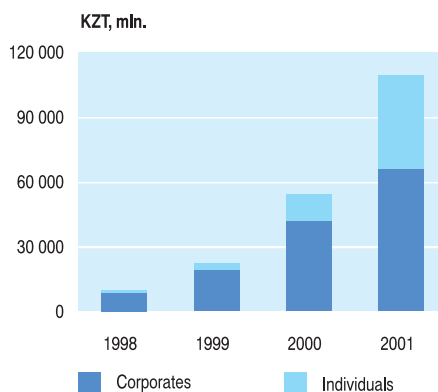
Compared with the end of 2000, the volume of customer accounts within the structure of the Bank's average interest bearing liabilities increased from 54.3% to 67.4%. The share of loans and advances from banks grew from 23.5% to 26.5%. The share of other borrowed funds, which are comprised of liabilities to the Ministry of Finance of the Republic of Kazakhstan and to the Small Business Support Fund, decreased from 4.4% to 3.2%. The share of debt securities issued decreased from 15% to 0% as a result of Eurobonds redemption.

## Funding Base



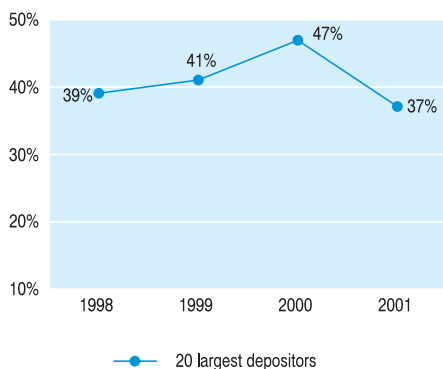
- Other borrowed funds
- Subordinated loan
- Debt securities issued
- Loans and advances from banks
- Customer accounts

## Customer Deposits



- Corporates
- Individuals

## Concentration of Deposits (20 largest Depositors)



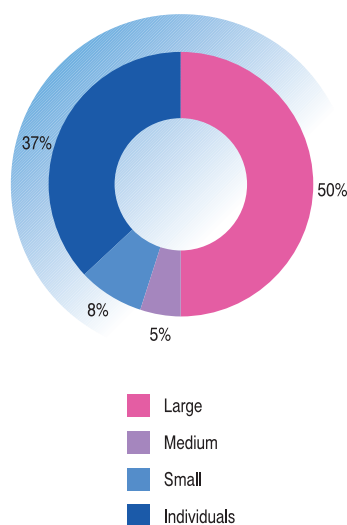
- 20 largest depositors

The growth in customer deposits is characterized by the rapid growth of individual deposits, which increased by 3.5 times while corporate deposits grew by 57.8%. As a result, the share of individual deposits grew from 23.2% to 39.8% during 2001. Term deposits still have a tendency to grow: as of 31 December 2001, the volume of term deposits reached 68.1% compared to 53.5% at the end of 2000. The share of hard currency deposits in comparison with year 2000 grew from 72% to 76.9%. This was a result of foreign currency inflows to customer accounts. The cost of customer deposits corresponds to the average costs in the Kazakhstan market, and Kazkommertsbank offers competitive market rates to attract customers' deposits and aims to increase funding in the local market. This policy caused term deposits to grow by 2.6 times in 2001. Included in this are individual deposits, which multiplied by 3.8 times. These trends can be attributed to growing confidence in the Bank and the high quality of customer service. Kazkommertsbank is a member of the Kazakhstan Individual Deposit Insurance Fund and actively participates in its activities.

As of 31 December

	2001	Share	2000	Share
	Volume, KZT million	% of deposits	Volume, KZT million	% of deposits
<b>KZT deposits</b>				
Demand deposits	19,866	18.2	13,077	24.2
Term deposits	5,307	4.9	2,032	3.8
	25,173	23.1	15,109	28.0
<b>Foreign currency deposits</b>				
Demand deposits	14,921	13.7	12,082	22.3
Term deposits	68,881	63.2	26,948	49.7
	83,802	76.9	39,030	72.0

## Structure of Average Customer Base for 2001



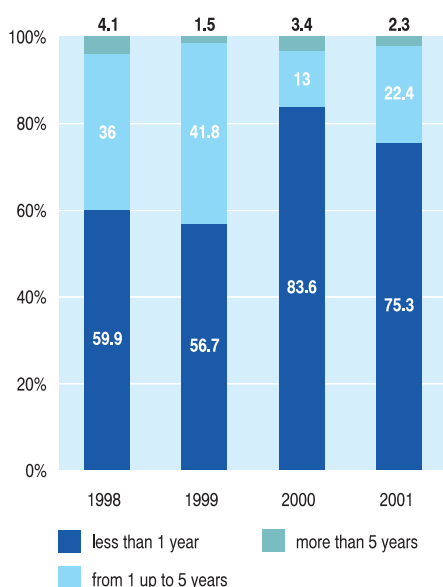
As of 31 December 2001, the Bank's 20 largest clients accounted for 36.9% of total funds from customers. This figure is less than the 47% share held by the Bank's 20 largest clients at the end of 2000. KKB plans to further reduce deposit concentration risk by attracting small and medium-sized customers as well as private individuals. On average for 2001, 50.7% of balances with deposit accounts were held by large corporate customers with an annual turnover of more than USD 9 million. Medium and small corporate customers represented 4.5% and 7.5% of balances, respectively. The share of deposits held by private individuals was 37.3% of the average annual deposits volume.

## Bank's borrowed funds

As of 31 December 2001, the Bank's borrowed funds and loans from banks and other borrowings comprised 28.3% of the Bank's liabilities and were composed of several types of funding.

	31.12.01		31.12.01	
	KZT, million	%	KZT, million	%
<b>Funds and loans from banks</b>	<b>42,900</b>	<b>89.1</b>	<b>23,362</b>	<b>84.1</b>
Correspondent accounts	1,263	2.6	745	2.7
Loans from banks and financial institutions	40,601	84.4	20,695	74.5
Loans from the National Bank of Kazakhstan	1,036	2.1	1,922	6.9
<b>Other borrowed funds</b>	<b>5,222</b>	<b>10.9</b>	<b>4,402</b>	<b>15.9</b>
Funding from the Ministry of Finance of the Republic of Kazakhstan	2,049	4.3	2,224	8.0
Funding from the Small Business Support Fund	3,173	6.6	2,178	7.9
<b>Total borrowed funds</b>	<b>48,122</b>	<b>100.0</b>	<b>27,764</b>	<b>100.0</b>

## Funding Base Structure (by maturity)



It is worth mentioning that due to the reduction of discount rates by many of the central banks of western countries in 2001, the cost of loans on the international market significantly decreased. Making use of this favorable situation, the Bank substantially increased the volume of funds and loans from banks attracted on the external market. Therefore, at the end of the first half of 2001, the Bank rolled over the syndicated loan it received from a syndicate of banks in 2000, and which was arranged by ABN AMRO Bank and American Express Bank, and increased the amount of the roll-over loan from USD 41 million to USD 62 million. At the end of 2001, the Bank received the largest syndicated loan in the history of the Kazakhstan banking sector for the amount of USD 100 million. This loan was made at the lowest cost of funds.

In 2001, the Bank continued to serve EBRD's credit line under the program for industry and construction development. The Bank is also involved in a program for the support and development of agriculture, small businesses, import-substitution, and export-oriented production. This initiative is financed by the Ministry of Finance of Kazakhstan and the Small Business Support Fund. Both act as financial agents on behalf of ADB, EBRD, and the Government of Kazakhstan.

Kazkommertsbank is the clearing agent for the majority of banks operating in Kazakhstan. These banks maintain free and stable accounts with the Bank. As of 31 December 2001, balances with the Loro accounts were equal to KZT 1,263 million, which showed growth of 69.5%.

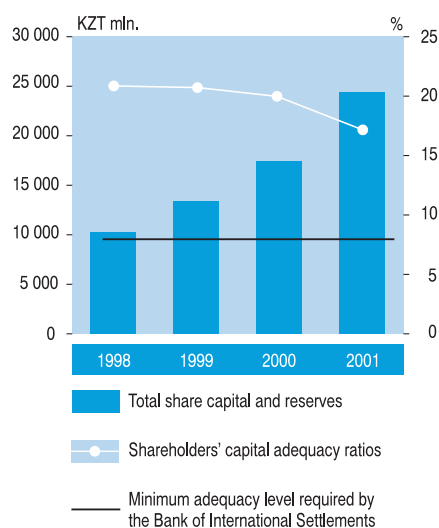
Within the funding base structure, there was a significant increase in 2001 in the share of liabilities with maturity over 1 year. This share rose to 24.7% from 16.4% at the end of 2000, which is in line with the trend toward increasing customer loan maturity terms.

## PAYMENT CARDS AND ELECTRONIC BANKING

The Bank continues to intensively develop the banking card system. As of 1 January 2002, the Bank had issued 165 thousand international payment system cards. During 2001, the volume of cards issued grew by 85.4%. The Bank takes second place in Kazakhstan in the development of the ATM network, with 147 ATMs and 685 POS terminals. Furthermore, during 2001 the ATM networks of Kazkommertsbank and Halyk Savings Bank of Kazakhstan were combined into a unified payment system. As a result of this unification, the customers of both banks were given the opportunity to use the most widespread payment card servicing network in the territory of Kazakhstan. Turnover on issued plastic cards for the year 2001 totaled more than USD 216 million, which showed almost 2 times growth in comparison to the previous year.

Kazkommertsbank's activities are directed toward providing high-quality banking services. The Bank pays great attention to advanced technologies that allow customers to make use of updated and quality financial services. Kazkommertsbank was the first bank, not only in Kazakhstan but also in Central Asia, to complete certification by EMV international standards for servicing Visa chip cards. In 2001, Kazkommertsbank continued to expand its range of products by beginning to issue Diners Club elite cards. At the same time, all of the Bank's branches were connected to cash pay-out through Diners Club international cards. Trade and service enterprises were also incorporated into the Diners Club card servicing system. The financial portal system, which was developed and introduced by Kazkommertsbank, includes telephone and home banking. Using these systems, customers are able to receive on-line information about their accounts twenty-four hours a day and pay for their services over the phone or via the Internet. In 2001, the specialized module of electronic commerce was successfully launched into operation. It provides services for the organization of secure electronic settlement systems via the Internet Global Network.

## CAPITALIZATION



In 2001, Kazkommertsbank retained the highest equity capital level among banks in Kazakhstan. As of 31 December 2001, the share capital of the Bank reached KZT 3,498 million. Tier 1 capital was KZT 19,126 million, and equity capital was KZT 29,607 million.

Despite a significant increase in assets (by 56.7%), the Bank managed to maintain a high capital adequacy ratio of 17.2%, which is well above the National Bank's requirement of 12%. By the end of 2001, the total capitalization of the Bank increased to USD 450.3 million (83.2% higher compared to the end of 2000). This was due to a 2.5 times increase in long-term loans and a 35.4% increase in balance capital.

### Capitalization

As of 31 December

	2001		2000	
	(USD thousand)	(KZT million)	(USD thousand)	(KZT million)
Long-term liabilities	268,104	106,230	40,269	15,352
Subordinated debt	19,586	19,518	2,942	2,820
<b>Shareholders equity</b>				
Share capital	23,287	20,290	3,498	2,932
Share premium	36,383	19,335	5,465	2,794
Fixed assets' revaluation reserves	54	72	8	10
Revenue reserves	102,880	80,387	15,452	11,616
<b>Total shareholders equity</b>	<b>162,604</b>	<b>120,084</b>	<b>24,423</b>	<b>17,352</b>
<b>Total capitalization</b>	<b>450,294</b>	<b>245,832</b>	<b>67,634</b>	<b>35,524</b>





## BALANCE SHEET for 2001 and 2000 (Average figures)

Exchange rate KZT/US\$

146.74

142.13

2001

2000

	Average balance (KZT million)	Interest rate, %	Average balance (KZT million)	Interest rate, %
<b>ASSETS</b>				
<b>Loans and deposits to banks</b>	<b>11,343</b>	<b>5.6</b>	<b>6,534</b>	<b>6.1</b>
KZT	254	7.5	428	6.3
Foreign currency	11,236	5.5	6,120	6.1
<b>Provisions</b>	<b>(147)</b>		<b>(14)</b>	
KZT	-		-	
Foreign currency	(147)		(14)	
<b>Correspondent account with NBK</b>	<b>1,945</b>		<b>1,492</b>	
KZT	1,945		1,492	
<b>Securities</b>	<b>12,698</b>	<b>10.4</b>	<b>14,656</b>	<b>12.2</b>
KZT	3,216	6.9	3,677	10.0
Foreign currency	9,482	11.5	10,980	13.0
<b>Loans to customers, net</b>	<b>98,452</b>	<b>15.8</b>	<b>50,114</b>	<b>20.0</b>
<b>Reliable loans</b>	<b>103,628</b>	<b>15.0</b>	<b>51,828</b>	<b>19.4</b>
KZT	25,326	13.0	11,610	11.3
Foreign currency	78,302	15.6	40,218	21.7
<b>Doubtful and loss loans</b>	<b>2,949</b>		<b>4,266</b>	
KZT	633		170	
Foreign currency	2,316		4,095	
<b>Provisions</b>	<b>(8,126)</b>		<b>(5,979)</b>	
KZT	(3,801)		(1,476)	
Foreign currency	(4,325)		(4,503)	
<b>Cash</b>	<b>4,642</b>		<b>2,900</b>	
KZT	1,864		1,257	
Foreign currency	2,778		1,644	
<b>Nostro accounts</b>	<b>1,875</b>	<b>3.9</b>	<b>2,313</b>	<b>5.9</b>
KZT	13	-	346	3.4
Foreign currency	1,863	3.9	1,967	6.3
<b>Fixed and intangible assets, net</b>	<b>2,899</b>		<b>2,440</b>	
<b>Investments</b>	<b>3,451</b>		<b>3,128</b>	
<b>Other assets</b>	<b>5,526</b>		<b>4,534</b>	
KZT	3,113		2,311	
Foreign currency	2,413		2,223	
<b>TOTAL</b>	<b>142,831</b>	<b>12.3</b>	<b>88,111</b>	<b>14.0</b>
<b>KZT</b>	<b>38,912</b>	<b>9.1</b>	<b>25,382</b>	<b>6.8</b>
<b>Foreign currency</b>	<b>103,919</b>	<b>13.5</b>	<b>62,729</b>	<b>17.0</b>

Exchange rate KZT/US\$

146.74

142.13

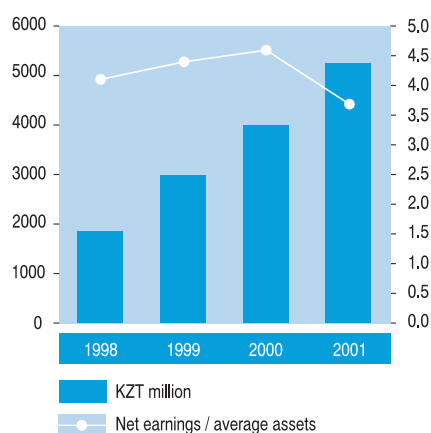
2001 r.

2000 r.

	Average balance (KZT million)	Interest rate, %	Average balance (KZT million)	Interest rate, %
<b>LIABILITIES AND SHARE CAPITAL</b>				
<b>Demand deposits</b>	<b>27,930</b>	<b>1.6</b>	<b>18,063</b>	<b>1.7</b>
KZT	13,378	1.5	8,515	1.9
Foreign currency	14,553	1.6	9,548	1.6
<b>Term deposits</b>	<b>47,934</b>	<b>8.5</b>	<b>14,704</b>	<b>8.8</b>
KZT	3,966	11.7	2,238	13.4
Foreign currency	43,967	8.2	12,466	8.0
<b>Loro accounts</b>	<b>397</b>	<b>2.3</b>	<b>973</b>	<b>4.9</b>
KZT	131	2.1	495	3.0
Foreign currency	265	2.4	478	6.8
<b>Short-term inter-bank borrowings</b>	<b>3,758</b>	<b>6.8</b>	<b>1,648</b>	<b>6.0</b>
KZT	1,338	12.7	48	6.0
Foreign currency	2,420	3.6	1,600	6.0
<b>Long-term borrowings from banks and financial institutions</b>	<b>23,955</b>	<b>8.4</b>	<b>14,508</b>	<b>11.5</b>
KZT				
Foreign currency	23,955	8.4	14,508	11.5
<b>Debt securities issued</b>	<b>8,702</b>	<b>8.8</b>	<b>15,166</b>	<b>13.3</b>
Foreign currency	8,702	8.8	15,166	13.3
<b>Other borrowings</b>	<b>4,469</b>	<b>7.5</b>	<b>4,773</b>	<b>6.8</b>
KZT	56	0	181	0
Foreign currency	4,413	7.6	4,592	7.1
<b>Other liabilities</b>	<b>6,906</b>		<b>4,715</b>	
KZT	1,918		1,228	
Foreign currency	4,987		3,487	
<b>TOTAL liabilities</b>	<b>124,051</b>	<b>6.4</b>	<b>74,550</b>	<b>7.7</b>
KZT	<b>20,788</b>	<b>4.0</b>	<b>12,703</b>	<b>3.8</b>
Foreign currency	<b>103,263</b>	<b>6.8</b>	<b>61,847</b>	<b>8.5</b>
<b>Share capital and reserves</b>	<b>18,780</b>		<b>13,561</b>	
<b>TOTAL</b>	<b>142,831</b>	<b>5.5</b>	<b>88,111</b>	<b>6.5</b>
KZT	<b>39,568</b>	<b>2.1</b>	<b>26,264</b>	<b>1.8</b>
Foreign currency	<b>103,263</b>	<b>6.8</b>	<b>61,847</b>	<b>8.5</b>

## RESULTS OF OPERATIONS COMPARING 2001 TO 2000

### Net earnings

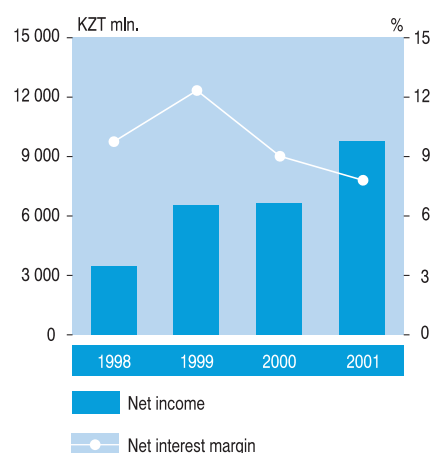


The stable tendency for growth of the Bank's net earnings continued in 2001. The Bank's net earnings for the year 2001 totaled KZT 5,289 million, which was 31.4% higher than in 2000. This increase is attributed to the 71.4% growth of net non-interest income with only a 12.6% increase in operating expenses. Operational income grew by 31.8%, and the share of net non-interest income within the operating income structure went up from 42.3% in 2000 to 55% in 2001. Before provisions, net interest income grew by 46.2% and equaled KZT 9,648 million. An increase in reserve allocations from KZT 1,334 million to KZT 4,238 million was caused by the significant improvement in the Bank's loan portfolio (it more than doubled) and recovery of loans that were written-off in previous years. In 2000, a total of KZT 5,873 million of reserve allocations (KZT 1,388 million in 2001) were recovered.

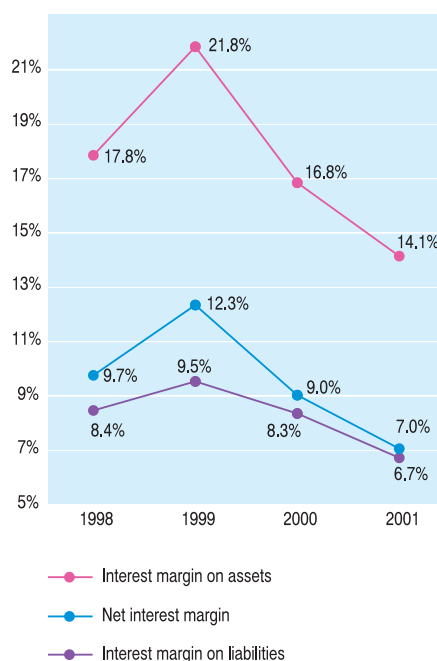
Return on assets and equity decreased in 2001 to 3.7% and 28.2%, respectively, compared to the 2000 figures of 4.6% and 29.7%. This is in line with the general trend towards the reduction of interest rates and tariffs on banking services in Kazakhstan.

### Interest margin

#### Net income growth before provisions



#### Average net interest margin



Under the condition of absolute growth, the ratio of net interest margin (before provisions on possible loan losses) to average interest earning assets decreased from 9.0% in 2000 to 7.8% in 2001. This decrease was caused by a reduction in placement interest rates from 16.8% in 2000 to 14.1% in 2001, whilst borrowing interest rates went down from 9.6% in 2000 to 8.2% in 2001. Due to higher loan loss reserve allocations, net interest margin to average interest earning assets decreased in 2001 to 4.4% compared to 7.2% in 2000.

Despite the reduction of interest rates, interest income in 2001 grew by 41.9% compared to the previous year. This was due to a 68.9% growth in average interest bearing assets, from KZT 73,617 million in 2000 to KZT 124,368 million in 2001.

#### Interest income and average interest income on assets

	income, KZT million		average interest income (% p.a.)			
	2001	2000	2001		2000	
			KZT	Foreign currency	KZT	Foreign currency
Interest income on loans to customers	15,509	10,033	13.0	15.6	11.3	21.7
Interest income on loans and advances to banks	711	535	7.5	5.5	6.3	6.1
Interest income on dealing securities	1,316	1,794	6.9	11.5	10.0	13.0
TOTAL interest income	17,536	12,362				

Income from customer lending accounts constitutes a major part of interest income. In 2001, its share compared to the previous year increased from 81.2% to 88.4%, which was caused by the improvement in the Bank's loan portfolio. Income on loans to individual customers increased by 2.3 times to KZT 828 million in 2001 compared to KZT 368 million in 2000. The reduction of interest income on operations with securities (its share within the interest income structure went down from 14.5% in 2000 to 7.5% in 2001) was caused by their decreasing share in the Bank's loan portfolio and their reduction in profitability.

#### Interest expense and average cost of liabilities

	expense, KZT million		average interest expense (% p.a.)			
	2001	2000	2001		2000	
			KZT	Foreign currency	KZT	Foreign currency
Customer accounts	4,521	1,603	3.8	6.6	4.3	5.2
Loans and advances from banks	2,267	1,801	11.8	7.9	3.3	10.9
Securities issued by the Bank	763	2,020	-	8.8	-	13.3
Other borrowed funds	337	339	-	7.6	-	7.1
TOTAL interest expense	7,888	5,763				

In 2001, interest expenses grew in total by 36.9% compared to 2000 due to an increase in average interest bearing liabilities of 67.7%, while the cost of funding went down from 8.2% in 2000 to 6.7% in 2001. The average cost of customer accounts grew in 2001 to 6.0% from 4.9% in 2000 due to an increase in the share of term deposits from 44.9% in 2000 to 63.2% in 2001. Interest expenses on customer accounts grew by 2.8 times compared to 2000 due to the 2.3 times growth of the average customer account volume. Demand accounts grew by 54.6%, which led to an increase in expenses from KZT 310 million in 2000 to KZT 447 million in 2001. During 2001, the Bank actively worked to attract customers and their deposits. This resulted in an increase of 3.2 times in average term deposits in 2001. Also, under a slight reduction of term deposits rates (by 0.3%) compared to the previous year, interest expenses grew by 3.1 times and equaled KZT 4,074 million in 2001 compared to KZT 1,294 million in 2000. There was a slight reduction of average interest rates on deposits in KZT while interest rates on deposits in currency remained unchanged.

The average volume of short-term inter-bank lending grew by 2.3 times. The average volume of long-term borrowings from banks and financial institutions grew by 65.1%, and their cost equaled 8.4% p.a. (11.5% p.a. in 2000). Despite the reduction in the cost of funding from banks and financial institutions, interest expenses increased by 20.3%. Repayment, in the middle of 2001, of eurobonds and the Bank's internal bonds led to the reduction of interest expenses on issued securities by 62.2% compared to the previous year. At the end of 2000, the Bank issued KZT 333 million in subordinated eurobonds with maturity in 2007.

## Net non-interest income

Net non-interest income in 2001 totaled KZT 6,623 million, which is 71.4% higher than in 2000, and which equaled 4.6% to average assets (4.4% in 2000). This was mainly due to the growth by 38%, to KZT 3,850 million, of income received from services and commissions. This increase took place under the major items of commission income: commissions received from servicing customers grew by 39.9%, and from cashier servicing by 26%; commissions on guarantees and letters of credit increased by 14.2%, and on operations with currency by 62.6%. Further development of the Bank's card services (cash card withdrawals, card transactions and their issuance) led to an increase in respective commission income by 60.4%.

Net income on securities operations (realised and unrealised) equaled KZT 1,501 million, which is 24.6% higher than in the previous year. This increase was caused by the purchase and sale of Kazkommertsbank's eurobonds and eurobonds of the Ministry of Finance of the Russian Federation. Net income on foreign currency transactions grew by 11% compared to 2000 to KZT 730 million. This growth was mainly attributed to growing volumes of cash and non-cash currency trading. The Bank maintained a long foreign currency position throughout 2001, and the net unrealised exchange gain in 2001 totaled KZT 656 million compared to KZT 598 million in 2000. KZT 389 million in income from revaluation of equity participation in associated companies was received due to the revaluation of the Bank's equity participation in the capital of ABN AMRO Bank Kazakhstan. In 2001, the Bank's subsidiary Kazkommerts Securities received dividends amounting to KZT 38 million on its investment in shares of various Kazakhstani companies.

A significant decrease in other income in 2001 to KZT 283 million, compared to KZT 816 million in 2000, was attributed to the fact that in 2000 the principal amount of other income consisted of amounts received from successful lawsuits. The insurance premium of subsidiary company Kazkommerts Policy (KZT 206 million) constituted a considerable amount of other income in 2001.

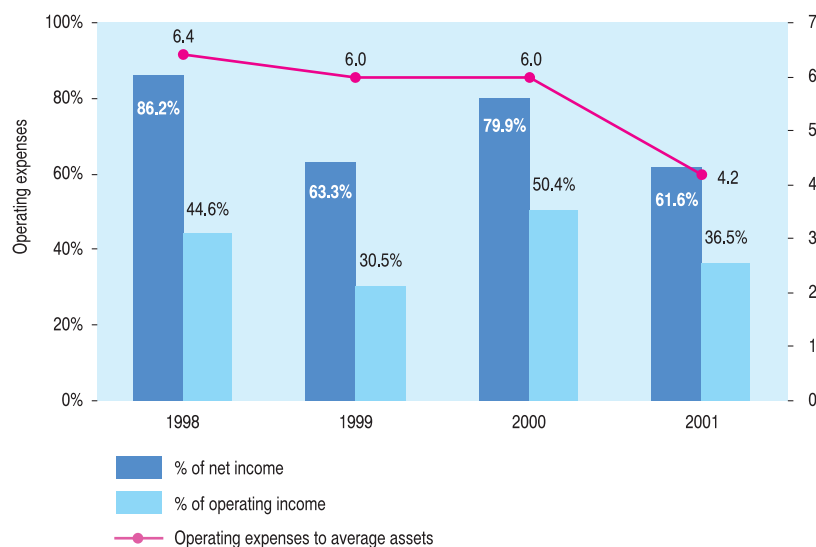
### Net non-interest income

	2001	share,	2000	share,
	KZT million	%	KZT million	%
Operations with securities	1,501	22.7	1,205	31.2
Operations with foreign currency	1,386	20.9	1,081	28.0
Net commission income	3,082	46.5	1,733	44.8
Net investment income	371	5.6	(971)	(25.1)
Other income	283	4.3	816	21.1
<b>TOTAL net non-interest income</b>	<b>6,623</b>	<b>100.0</b>	<b>3,864</b>	<b>100.0</b>

The main item in the net non-interest income structure is net commission income (46.5%). Its share continues to grow (it was 44.8% in 2000) while the share of net income on currency operations (including the net unrealised exchange gain) continues to decrease (20.9% in 2001 against 28.0% in 2000). Notwithstanding the absolute increase of income on securities operations, their share went down to 22.7% in 2001 compared to 31.2% in 2000.

## Operating expenses

### Efficiency of Operating Expenses



Compared to 2000, the Bank's operating expenses grew by 12.6% in 2001 (from KZT 5,277 million to KZT 5,940 million). Under conditions of effective control over the Bank's operating expenses, there is a stable trend towards the reduction of ratios on operating expenses. The share of operating expenses in operating income went down to 49.4% (from 57.8% in 2000). The share of operating expenses in operating income without deductions of provisions went down to 36.5% (from 50.4% in 2000). And the share of operating expenses in interest margin before deductions of reserves went down to 61.6% (from 80.0% in 2000). The ratio of operating expenses to average assets equaled 4.2% in 2001 and 6.0% in 2000.

The Bank continues to rapidly develop and improve its business operations in accordance with international standards, which requires significant investments in branch networks, staff, information systems, development, and in the introduction of new banking products and technologies.

### Operating expenses

	2001	share,	2000	share,
	(KZT million)	%	(KZT million)	%
Wages and salaries	2,914	49.1	2,499	47.4
Business trips	204	3.4	187	3.5
Depreciation and amortization	516	8.7	454	8.6
Tax and fees, insurance fees and customs				
duty for foreign banknotes	757	12.7	634	12.0
Advertising	289	4.9	218	4.1
Communications	224	3.8	204	3.9
Leasing and security guard	235	3.9	204	3.9
Sponsorship and charity	183	3.1	286	5.4
Other expenses	618	10.4	591	11.2
<b>Total operating expenses</b>	<b>5,940</b>	<b>100.0</b>	<b>5,277</b>	<b>100.0</b>

Staff costs represent 49.1% of all operating expenses in 2001 compared to 47.3% in 2000. Staff costs grew by 16.6% to KZT 2,914 million due to a 19.5% increase in staff to 2,392 persons in 2001 from 2,001 persons in 2000.

An increase in amortization expenses to KZT 516 million (13.8% higher than in 2000) was a result of the growth in fixed and intangible assets. Advertising expenses grew by 32.3% to KZT 289 million as the Bank is more actively advertising its retail products. Compared to the previous year, sponsorship and charity expenses decreased by 36%. All of the Bank's branches were involved throughout the year in financing the charity meals program.

An increase in tax expenses (except income tax), duties, and insurance fees to KZT 757 million (in 2000 - KZT 634 million) was attributed to the sharp increase of total taxes (from KZT 31 million to KZT 165 million). This increase was due to disbursements of taxes amounting KZT 95 million on dividends received from shares of ABN AMRO Bank Kazakhstan and taxes on the registration of the Bank's issuance of shares (KZT 21 million). The growth of individual term deposits volumes led to an increase of 3.7 times in the Bank's insurance fees to the National Individual Deposit Insurance Fund. Expenses for the payment of customs duties for foreign banknotes went down to 41% due to the change in May 2001 of the tax rate from 1% to 0.4%.

	2001	2000
	(KZT million)	
Value added tax	256	234
Other tax (except income tax)	165	31
Fees to the National Individual Deposit Insurance Fund	141	38
Customs import duty for foreign banknotes	195	331
<b>Total tax, fees and insurance payments</b>	<b>757</b>	<b>634</b>

## Taxation

The statutory corporate tax in Kazakhstan is 30%. In 2001, the effective income tax rate was 5.0% while in 2000 it was less by 3.9%. The major part of tax accruals is the deferred tax on income. Under Kazakhstani tax legislation, a certain part of the Bank's income is non-taxable, namely, unrealised exchange gain, income on Government securities trading, and income on long-term loans. There is some incongruity in the accrual of deferred tax liabilities under Kazakhstani accounting standards and IAS. This mainly originates from differences between Kazakhstani and international provisioning standards.