



FINANCIAL STATEMENTS

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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, 2001 and 2000, 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, 2001. 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, 2001 and 2000 and the results of their operations and cash flows for each of the three years in the period ended December 31, 2001, in accordance with International Accounting Standards.

Deloitte & Touche

February 25, 2002

**Deloitte
Touche
Tohmatsu**

JSC KAZKOMMERTSBANK
CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(in KZT and in thousands, except per share amounts)

	Notes	2001	2000	1999
Interest income	2, 30	17,536,093	12,361,676	11,418,248
Interest expense	2, 30	7,887,765	5,763,106	4,950,559
Net interest income before provisions for loan losses	2	9,648,328	6,598,570	6,467,689
Provisions for loan losses	3	4,237,906	1,334,043	5,318,078
NET INTEREST INCOME		5,410,422	5,264,527	1,149,611
Fee and commission income		3,850,309	2,790,076	1,679,717
Fee and commission expense		(768,238)	(1,056,794)	(654,436)
Net gain on sale of dealing securities		490,545	300,221	275,963
Net unrealised gain on dealing securities		1,009,721	904,884	323,985
Unrealised (loss)/gain on securities available-for-sale		(54,071)	(1,471,061)	66,616
Realised (loss)/gain on securities available-for-sale		(1,415)	6,921	835,914
Equity income from associates		389,083	358,202	596,575
Net gain on foreign exchange operations		730,264	481,896	438,268
Net unrealised exchange gain		655,563	598,222	3,201,038
Dividends received		38,327	135,192	73,058
Other income	4	282,910	816,049	98,450
NET NON-INTEREST INCOME		6,622,998	3,863,808	6,935,148
OPERATING INCOME		12,033,420	9,128,335	8,084,759
Operating expenses	5	5,940,102	5,276,482	4,091,238
INCOME BEFORE PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS AND TAXES ON INCOME		6,093,318	3,851,853	3,993,521
Provisions/(recovery) for losses on other transactions	6	525,862	(18,463)	29,044
INCOME BEFORE TAXES ON INCOME		5,567,456	3,870,316	3,964,477
Taxes/(recovery) on income	7	278,555	(153,874)	967,979
NET INCOME		5,288,901	4,024,190	2,996,498
Earnings per share				
Basic and diluted (in KZT)	8	18.37	14.14	10.50

The notes on pages 58 to 77 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 53.

JSC KAZKOMMERTSBANK

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2001 AND 2000 (in KZT and in thousands)

	Notes	2001	2000
ASSETS			
Cash and balances with the National Bank of the Republic of Kazakhstan	9	11,478,415	5,011,922
Loans and advances to banks, net	10	17,569,835	15,711,530
Dealing securities	11	13,274,592	23,039,675
Securities purchased under agreements to resell	12	-	3,089,016
Loans to customers, net	13, 30	137,661,500	67,080,203
Securities available-for-sale	14	168,644	1,219,271
Securities held-to-maturity	15	313,617	220,081
Investments in associates	16, 30	1,773,954	2,047,368
Fixed assets, net	17	2,344,246	2,021,181
Intangible assets, net	18	528,057	477,476
Other assets, net	19	9,230,647	4,097,954
TOTAL ASSETS		<u>194,343,507</u>	<u>124,015,677</u>
LIABILITIES, SHARE CAPITAL AND RESERVES			
Loans and advances from banks	20	42,900,272	23,362,974
Securities sold under agreements to repurchase	21	1,562,460	-
Customer accounts	22, 30	108,975,301	54,138,572
Debt securities issued	23	-	14,899,527
Other borrowed funds	24	5,221,585	4,401,631
Other liabilities	25	7,082,721	7,040,501
Subordinated debt	26, 30	2,941,815	2,820,385
Dividends payable to shareholders		1,236,325	-
TOTAL LIABILITIES		<u>169,920,479</u>	<u>106,663,590</u>
COMMITMENTS AND CONTINGENCIES	29	-	-
SHARE CAPITAL AND RESERVES:			
Share capital	27	3,497,691	2,931,906
Reserves		20,925,337	14,420,181
TOTAL SHARE CAPITAL AND RESERVES		<u>24,423,028</u>	<u>17,352,087</u>
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES		<u>194,343,507</u>	<u>124,015,677</u>

The notes on pages 58 to 77 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 53.

JSC KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(in KZT and in thousands)

	Share capital	Share premium	Fixed assets revaluation reserve	Retained earnings	Total
Balance at January 1, 1999	2,853,902	2,830,850	117,933	4,575,542	10,378,227
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
Balance at December 31, 1999	<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
Balance at December 31, 2000	<u>2,931,906</u>	<u>2,793,930</u>	<u>10,351</u>	<u>11,615,900</u>	<u>17,352,087</u>
Amortisation of fixed assets revaluation reserve	-	-	(2,226)	2,226	-
Share capital increase of:					
- common shares	1	-	-	-	1
- preference shares	555,901	2,632,594	-	-	3,188,495
Sale of repurchased shares	9,883	38,163	-	-	48,046
Dividends declared	-	-	-	(1,454,502)	(1,454,502)
Net income for the year	-	-	-	5,288,901	5,288,901
Balance at December 31, 2001	<u>3,497,691</u>	<u>5,464,687</u>	<u>8,125</u>	<u>15,452,525</u>	<u>24,423,028</u>

The notes on pages 58 to 77 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 53.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(in KZT and in thousands)

	Notes	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before taxes on income		5,567,456	3,870,316	3,964,477
Adjustments for:				
Provisions for loan losses	3	4,237,906	1,334,043	5,318,078
Provisions/(recovery) for losses on other transactions	6	525,862	(18,463)	29,044
Unrealised (gain)/loss and amortisation of discounts on dealing securities and securities available for sale		(2,271,719)	306,441	(532,515)
Depreciation and amortisation		516,347	453,848	272,320
Increase in net interest accruals		(2,958,124)	(488,444)	(2,042,031)
Net change in dividends accrued		-	(69,296)	-
Gain on disposals of investments		-	-	(428,448)
Income from equity investments		(389,083)	(358,202)	(596,575)
Operating profit before changes in operating assets/liabilities		5,228,645	5,030,243	5,984,350
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets				
Loans and advances to banks		(9,164,838)	(2,391,866)	(1,100,650)
Dealing securities and reverse repurchase agreements		16,082,909	(12,329,968)	(10,467,990)
Loans to customers		(74,617,909)	(20,019,255)	(18,089,251)
Dividends received		541,498	-	-
Other assets		(795,996)	913,745	(74,289)
Increase / (decrease) in operating liabilities				
Loans and advances from banks and repurchase agreements		21,099,758	664,287	5,399,886
Customer accounts		54,836,729	32,062,040	12,413,741
Other borrowed funds		819,954	(1,041,393)	2,798,098
Other liabilities		(2,021,256)	4,067,346	81,162
CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES BEFORE TAX		12,009,494	6,955,179	(3,054,943)
Income taxes paid		(20,702)	(21,014)	(10,133)
Net cash inflows/(outflows) from operating activities		11,988,792	6,934,165	(3,065,076)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchases of fixed assets		(743,816)	(644,171)	(523,742)
Net acquisition of intangible assets		(146,177)	(291,866)	(210,123)
Net (acquisition)/disposal of investments		(74,560)	(174,813)	3,629,067
Net cash outflows/inflows from investing activities		(964,553)	(1,110,850)	2,895,202
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of ordinary share capital		1	-	-
Issue of preference share capital	27	555,901	-	-
(Repayment)/proceeds of debt securities issued	23	(14,899,527)	78,862	6,027,952
Subordinated debt	26	-	2,820,385	-
Sale of repurchased/(purchase of) shares		9,883	(9,908)	-
Proceeds/(disbursements) from share premium		2,670,757	(37,021)	101
Net cash (outflows)/inflows from financing activities		(11,662,985)	2,852,318	6,028,053
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(638,746)	8,675,633	5,858,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	9	16,829,053	8,153,420	2,295,241
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9	16,190,307	16,829,053	8,153,420

The notes on pages 58 to 77 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 53.

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, 2001, 2000 and 1999 stood at 2,392, 2,001 and 1,771 people, respectively.

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 12, 2002 by the Board of Directors of JSC Kazkommertsbank.

Subsidiaries of the Bank include JSC Kazkommerts Securities, JSC Kazkommerts Policy, Kazkommerts International B.V., Kazkommerts Capital-2 B.V., and Kazkommerts Finance-2 B.V. (hereafter collectively referred to as the Subsidiaries). CJSC Edinaya Raschetnaya Sistema, a subsidiary of the Bank, was registered on March 27, 2000, and was in process of liquidation in 2001 due to the absence of economic activities.

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.

JSC Kazkommerts Policy was registered on December 26, 1996 as an insurance company with an objective to provide general insurance services. At the end of 2000, the Bank acquired 100% of its outstanding shares and intended to sell this company, classifying these securities as an investment in an associate. In July 2001, the Bank management decided to retain this business, and therefore now classifies this investment as an investment in subsidiaries.

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 the international money markets.

Kazkommerts Capital-2 B.V and Kazkommerts Finance-2 B.V. were registered on April 11, 2000, and on February 14, 2001, accordingly, with the Rotterdam Chamber of Commerce and Industries. The primary objective of these subsidiaries is also the raising of capital through the international money markets.

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 regulation of 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.

Principles of consolidation - The consolidated financial statements include the accounts of majority owned subsidiaries. All intercompany transactions and balances have been eliminated.

New Accounting Standard - Effective January 1, 2001, the Bank adopted IAS 39, "Financial Instruments: Recognition and Measurement", as revised ("IAS 39"). As a result of the adoption of this standard the Bank now classifies its investment securities portfolio into the following categories: dealing securities, securities held-to-maturity and securities available-for-sale. Investment classification is made at the time of purchase and is based on the intention of management and ability of the Bank.

Settlement date - The Bank recognises "regular way" purchases and sales of financial assets using settlement date accounting. The settlement date is the date that the asset is delivered to the Bank.

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").

Originated loans - Originated loans are carried at amortized cost, less any provision for possible loan losses. Loans granted by the Bank below market are discounted to fair value using the effective interest method.

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.

Non-accrual loans - Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 30 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. Interest income is not recognised where recovery is blocked.

Repurchase agreements - The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") of financial assets, including interest, in the normal course of its business. Assets sold by the Bank under repos are retained in the financial statements and a consideration received is recorded in liabilities as collateralised deposit received. Assets purchased under reverse repos are recorded in the financial statements as cash received on deposit, which is collateralised by securities or other assets.

Dealing securities - Dealing securities represent debt and equity securities held for trading and are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Dealing securities are initially recorded at cost and subsequently measured at fair value.

Securities held-to-maturity - Securities held-to-maturity are debt securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Such securities are carried at amortized cost, less any provision for impairment. Amortized discounts are recognized in interest income using the effective interest method over the period to maturity.

Securities available-for-sale - Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost, which

approximates the fair value of the consideration given, and subsequently measured at fair value, with such remeasurement included in the consolidated profit and loss accounts.

In 2000, prior to the adoption of IAS 39, such investments were either classified as dealing securities or investments (current or long-term). As most of the Bank's investments were considered current, and already reflected at fair value, the adoption of IAS 39 did not have a material effect on the Bank's financial statements. The December 31, 2000, securities have been reclassified to conform to current presentation.

IAS 39 also pertains to the accounting for derivative financial instruments. As the Bank's derivative financial instruments are limited to foreign exchange contracts, and such instruments are not used for hedging purposes, no change in accounting results from the application of this standard for such derivative financial instruments.

The determination of fair value of the Bank's dealing securities and securities available-for-sale is based on quoted bid prices or, if unavailable, on the estimates of experts.

Other investments - 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 unrealised exchange gain. 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:

	2001	2000	1999
KZT/USD	150.20	144.50	138.20
KZT/DEM	68.91	69.64	73.45
KZT/EUR	134.77	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 unrealised exchange gain.

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.

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.

Currency risk - The ALMC controls currency risk by management of the open currency position on the estimated basis of Tenge devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open 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 matching 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. The Bank's Commercial Directorate sets up country limits, which mainly applies to banks of Commonwealth of Independent States and former Soviet Baltic countries.

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

2 NET INTEREST INCOME

	2001	2000	1999
Interest income			
Interest on loans to customers	15,508,898	10,033,051	10,828,206
Interest on loans and advances to banks	711,126	534,388	154,331
Interest on debt securities	1,316,069	1,794,237	435,711
Total interest income	<u>17,536,093</u>	<u>12,361,676</u>	<u>11,418,248</u>
Interest expense			
Interest on customer accounts	4,521,120	1,602,788	485,648
Interest on loans and advances from banks	2,266,854	1,801,352	2,258,989
Interest on debt securities issued	762,717	2,019,941	1,908,222
Other interest expense	337,074	339,025	297,700
Total interest expense	<u>7,887,765</u>	<u>5,763,106</u>	<u>4,950,559</u>
Net interest income before provisions for loan losses	<u>9,648,328</u>	<u>6,598,570</u>	<u>6,467,689</u>

3 PROVISIONS FOR LOAN LOSSES

	2001	2000	1999
Provisions on loans to customers	5,424,494	7,150,934	7,238,994
Provisions on loans and advances to banks	201,294	55,764	13,170
Recovery of provisions for customer loans previously written off	(1,387,882)	(5,872,655)	(1,934,086)
	<u>4,237,906</u>	<u>1,334,043</u>	<u>5,318,078</u>

4 OTHER INCOME

	2001	2000	1999
Legal settlements	433	781,544	29,688
Insurance premium of Kazkommerts Policy	205,851	-	-
Other	76,626	34,505	68,762
	<u>282,910</u>	<u>816,049</u>	<u>98,450</u>

5 OPERATING EXPENSES

	2001	2000	1999
Staff costs	2,914,122	2,498,533	2,110,580
Depreciation and amortisation	516,347	453,848	272,320
VAT	256,004	233,924	201,754
Communications	223,479	203,806	153,013
Advertising costs	289,198	218,573	181,154
Business trip expenses	203,718	187,106	135,466
Customs duty for foreign banknotes	195,443	331,102	93,754
Charity and sponsorship expenses	182,931	285,651	178,496
Taxes, other than income tax	164,744	30,821	49,910
Contributions to Deposits Insurance Fund	141,154	38,353	-
Rent	121,792	94,552	63,252
Safeguarding	113,149	109,094	99,656
Other	618,021	591,119	551,883
	<u>5,940,102</u>	<u>5,276,482</u>	<u>4,091,238</u>

6 PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS

	2001	2000	1999
Provisions on letters of credit and guarantees	379,620	124,489	31,257
Provisions/(recovery) for doubtful debtors	15,797	(142,952)	33,190
Recovery of previously written off assets	(410)	-	(35,403)
Unearned premium reserve and technical insurance reserve	130,855	-	-
	<u>525,862</u>	<u>(18,463)</u>	<u>29,044</u>

7 INCOME TAXES

The provision for taxes on income for the years ended December 31, 2001, 2000 and 1999 consists of the following:

	2001	2000	1999
Current tax	23,646	53,339	12,618
Tax recovery of prior years	(153,085)	-	-
Deferred tax (credit)	407,994	(207,213)	955,361
	<u>278,555</u>	<u>(153,874)</u>	<u>967,979</u>

Temporary differences that give rise to deferred tax assets and liabilities are as follows as at December 31, 2001 and 2000:

	2001	2000
Deferred tax assets:		
Provision for accrued interest receivable	605,982	295,841
Provision for other accounts receivable	2,541	39,819
Revaluation of investments	-	10,901
	<u>608,523</u>	<u>346,561</u>
Deferred tax liabilities:		
Provision for customer loan losses	1,490,490	1,103,202
Revaluation of investments	210,628	-
Depreciation and amortisation	73,562	111,633
Revaluation of loans in foreign currency	177,046	140,063
Other accruals	73,128	-
Total deferred tax liability	<u>2,024,854</u>	<u>1,354,898</u>
Net deferred tax liability	<u>1,416,331</u>	<u>1,008,337</u>

Reconciliation of income taxes from the statutory rate of 30% to actual income taxes provided for the years ended December 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
Income before taxes on income	5,567,456	3,870,316	3,964,477
Tax at statutory rate of 30%	1,670,237	1,161,095	1,189,343
Tax effect of tax exempt income	(1,391,682)	(1,314,969)	(221,364)
Taxes / (recovery) on income	<u>278,555</u>	<u>(153,874)</u>	<u>967,979</u>
Effective tax rate	<u>5.0%</u>	<u>(3.9%)</u>	<u>24.4%</u>

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

8 EARNINGS PER SHARE

	2001	2000	1999
Earnings:			
Net income for the year	5,288,901	4,024,190	2,996,498
Weighted average number of shares:			
for the purpose of basic and diluted earnings per share	<u>287,982,090</u>	<u>284,677,841</u>	<u>285,390,136</u>
Earnings per share - Basic & diluted (in KZT)	<u>18.37</u>	<u>14.14</u>	<u>10.50</u>

9 CASH AND BALANCES WITH THE NBRK

The balances of KZT 11,478,415 thousand as at December 31, 2001, KZT 5,011,922 thousand as at December 31, 2000, and KZT 2,471,483 thousand as at December 31, 1999 include KZT 5,656,147 thousand, KZT 1,427,830 thousand and KZT 341,527 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:

	2001	2000	1999
Cash and balances with the NBRK	11,478,415	5,011,922	2,471,483
Advances to banks in OECD countries (included in note 10)	4,711,892	11,817,131	5,681,937
Cash and cash equivalents	<u>16,190,307</u>	<u>16,829,053</u>	<u>8,153,420</u>

10 LOANS AND ADVANCES TO BANKS

	2001	2000
Advances to banks	17,713,831	15,370,644
Unsecured loans	150,200	433,788
	<u>17,864,031</u>	<u>15,804,432</u>
Less provisions for loan losses	(294,196)	(92,902)
	<u>17,569,835</u>	<u>15,711,530</u>

Analysis of the provisions for loan losses

Specific provisions at beginning of year	14,450	13,820
Provisions for the year	570	630
Specific provisions at end of year	<u>15,020</u>	<u>14,450</u>
General provisions at beginning of year	78,452	23,318
Provisions for the year	200,724	55,134
General provisions at end of year	<u>279,176</u>	<u>78,452</u>
Total provisions for loan losses	<u>294,196</u>	<u>92,902</u>

11 DEALING SECURITIES

	Effective interest rates (%)	2001 r.	Effective interest rates (%)	2000 r.
Euronotes of the Ministry of Finance of the Russian Federation	2.5-12.75%	5,190,912	2.5-12.75%	2,652,749
Euronotes of TuranAlem Finance B.V.	8.5%-11.5%	2,971,519	-	-
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	8.375-13.625%	2,066,943	11.125-13.625%	394,957
Karazhanbasmunai bonds	11.0%	916,747	-	-
Government treasury bills	7.1-16.3%	814,107	7.37%	2,017,385
Kaztransoil bonds	9.0%	592,369	-	-
Kaztransoil Euronotes	8.5%	579,522	-	-
Vostochno-Kazakhstan region's administration's bonds	6.3%	105,909	-	-
Kazakhoil bonds	9.0%	16,562	9.0%	736,585
Almaty Kus bonds	10.0%	13,994	14.0%	70,418
Atyrau region's executive committee bonds	8.0%-8.6%	6,008	-	-
Euronotes of Kazkommerts International B.V.	-	-	11.25%	9,917,757
Short-term notes of the NBRK	-	-	6.07-7.92%	7,249,824
Total dealing securities		<u>13,274,592</u>		<u>23,039,675</u>

12 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As at December 31, 2000, the Bank purchased Government treasury bills amounting to KZT 3,089,016 thousand KZT with interest rate of 4.9% under agreements to resell in January 2001.

13 LOANS TO CUSTOMERS

	2001	2000
Loans collateralised by cash or government guarantees	7,545,635	3,191,328
Loans collateralised by financial institution guarantees	2,075,333	2,207,185
Loans collateralised by other guarantees	9,889,547	2,284,081
Loans collateralised by shares of companies	13,357,898	13,922,820
Loans collateralised by equipment	6,682,223	3,811,937
Loans collateralised by inventory	11,082,062	3,101,345
Loans collateralised by real estate	28,166,830	9,002,519
Loans collateralised by mixed and other collateral	54,925,213	32,411,694
Unsecured loans	13,441,459	3,713,305
	147,166,200	73,646,214
Less provisions for loan losses	(9,504,700)	(6,566,011)
	137,661,500	67,080,203

	2001	2000
Analysis of the provisions for loan losses		
Specific provisions at beginning of year	4,956,289	4,000,389
Provisions for the year	2,977,131	6,933,291
Loans written-off	(2,485,805)	(5,977,391)
Specific provisions at end of year	5,447,615	4,956,289
General provisions at beginning of year	1,609,722	1,392,079
Provisions for the year	2,447,363	217,643
General provisions at end of year	4,057,085	1,609,722
Total provisions for loan losses	9,504,700	6,566,011

	2001	2000
Analysis by sector		
Agriculture	24,153,219	11,429,847
Trade	22,397,584	11,317,244
Food	16,420,604	10,185,548
Oil and gas	14,555,728	5,278,106
Transport and communication	12,798,018	6,402,501
Energy	11,107,440	1,943,279
Mining / metallurgy	10,020,319	6,562,222
Construction	9,339,767	5,229,230
Finance	5,860,532	6,545,950
Hotels	3,449,035	2,457,489
Culture and arts	2,216,342	1,213,630
Engineering	1,074,959	755,855
Medical	433,088	492,964
Other	13,339,565	3,832,349
	147,166,200	73,646,214
Less provisions for loan losses	(9,504,700)	(6,566,011)
	137,661,500	67,080,203

Included in loans to customers are non-accrual loans as at December 31, 2001 and 2000 of KZT 1,213,472 thousand and KZT 576,774 thousand, respectively. Interest not recognised on non-accrual loans for the years ended December 31, 2001, 2000 and 1999, was KZT 51,264 thousand, KZT 44,721 thousand and KZT 58,862 thousand, respectively.

14 SECURITIES AVAILABLE-FOR-SALE

	Effective interest rates (%)	2001	Effective interest rates (%)	2000
Debt securities:				
Astana administration's bonds	8.5%	60,080	-	-
SHNOS bonds	10.0%	7,381	-	-
Hurricane Hydrocarbons Ltd euronotes	-	-	9.0%	540,294
Subtotal debt securities		67,461		540,294
	% held		% held	
Equity securities:				
Ust-Kamenogorsk titanium-magnesium plant	2.5%	80,958	2.5%	107,681
Kazakhtelecom, including:				
- ordinary shares	0.04%	8,232	-	-
- preference shares	0.0005%	120	2.24%	489,436
Aktubinsk chrom plant	3.07%	4,613	3.07%	5,835
Kazakhstan Interbank Currency and Stock Exchange	4.49%	3,314	4.49%	3,314
SWIFT	0.008%	1,533	0.008%	1,555
Aluminium of Kazakhstan	0.02%	1,010	0.02%	2,730
Association of financiers of Kazakhstan	16.67%	675	16.67%	675
Central depository	5.95%	401	5.95%	401
Aktobemunaigaz, including:				
- ordinary shares	0.004%	267	0.027%	810
- preference shares	-	-	0.217%	6,581
Kazchrom	0.0008%	60	0.001%	77
Global Kazkommerts Securities	99.0%	-	99.0%	22,928
Mangistaumunaigaz	-	-	0.65%	22,196
Kazakhoil-Emba	-	-	0.35%	4,866
Ekskavator	-	-	50.0%	9,870
Kazakhmys	-	-	0.002%	22
Air Kazakhstan	50.0%	-	50.0%	-
Subtotal equity securities		101,183		678,977
Total securities available-for-sale		168,644		1,219,271

The Bank intends to dispose of its investments in "Air Kazakhstan" and "Global Kazkommerts Securities" in the nearest future, and in 2001 the Bank sold its investment in "Ekskavator". Thus, the Bank classified such investments as securities available-for-sale. The Bank's investment in Air Kazakhstan has been revalued to nil, as at December 31, 2000 (see note 30).

15 SECURITIES HELD-TO-MATURITY

	Effective interest rates (%)	2001	Effective interest rates (%)	2000
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	8.375-13.625%	261,784	-	-
Vostochno-Kazakhstan region's administration's bonds	6.3%	22,132	-	-
Kaztransoil bonds	9.0%	14,736	-	-
Karazhanbasmunai bonds	11.0%	7,591	-	-
SHNOS bonds	10.0%	7,374	-	-
National saving bonds (NSO)	-	-	7.29-7.37%	220,081
Total securities held-to-maturity		313,617		220,081

16 INVESTMENTS IN ASSOCIATES

The Bank's investments in associates include:

	2001		2000	
	% held	Amount	% held	Amount
Investments in associates				
ABN AMRO Bank Kazakhstan	29.0%	1,594,747	29.0%	1,852,772
ABN AMRO Asset Management	48.88%	69,160	48.88%	58,596
Pension Fund "UlarUmit"	25.0%	110,047	20.0%	36,000
Kazkommerts Policy	-	-	100.0%	100,000
Total investments in associates		<u>1,773,954</u>		<u>2,047,368</u>

The percentage held for associates above represents both direct and indirect ownership. During 2001 Pension Fund "Umit" merged with Pension Fund "Ular", and since that time it was called Pension Fund "UlarUmit".

17 FIXED ASSETS

	2001			Total
	Buildings	Furniture and equipment	Other	
At cost or valuation				
At January 1, 2001	797,992	2,020,127	55,023	2,873,142
Additions	94,138	674,595	41,518	810,251
Transfers	24,423	(82)	(24,341)	-
Disposals	(4,658)	(117,492)	(2,979)	(125,129)
At December 31, 2001	<u>911,895</u>	<u>2,577,148</u>	<u>69,221</u>	<u>3,558,264</u>
Accumulated depreciation				
At January 1, 2001	39,080	803,328	9,553	851,961
Depreciation expense	26,048	384,104	10,599	420,751
Transfers	1,897	(380)	(1,517)	-
Disposals	(128)	(56,326)	(2,240)	(58,694)
At December 31, 2001	<u>66,897</u>	<u>1,130,726</u>	<u>16,395</u>	<u>1,214,018</u>
Net book value				
At December 31, 2001	<u>844,998</u>	<u>1,446,422</u>	<u>52,826</u>	<u>2,344,246</u>
				2000
At cost or valuation				
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>
Accumulated depreciation				
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>
Net book value				
At December 31, 2000	<u>758,912</u>	<u>1,216,799</u>	<u>45,470</u>	<u>2,021,181</u>

18 INTANGIBLE ASSETS

	2001	2000
At cost		
Balance at beginning of the year	546,718	256,373
Additions	148,485	294,760
Disposals	(5,726)	(4,415)
Balance at end of the year	<u>689,477</u>	<u>546,718</u>
Accumulated amortization		
Balance at beginning of the year	69,242	16,158
Amortisation charge	95,596	54,605
Disposals	(3,418)	(1,521)
Balance at end of the year	<u>161,420</u>	<u>69,242</u>
Net book value		
Balance at end of the year	<u>528,057</u>	<u>477,476</u>

19 OTHER ASSETS

	2001	2000
Prepaid expenses	531,924	331,631
Interest receivable	9,811,115	5,228,492
Accrued dividends	-	69,296
Other	1,069,284	305,550
	<u>11,412,323</u>	<u>5,934,969</u>
Less provisions for interest receivable and other	(2,181,676)	(1,837,015)
	<u>9,230,647</u>	<u>4,097,954</u>

20 LOANS AND ADVANCES FROM BANKS

	2001	2000
Vostro accounts	1,262,603	745,578
Loans from banks and financial institutions	40,601,303	20,695,284
Loans from the NBRK	1,036,366	1,922,112
	<u>42,900,272</u>	<u>23,362,974</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 584,737 thousand and 592,155 thousand as at December 31, 2001 and 2000, respectively, and funds received under Construction and Manufacturing Industries Programme from the European Bank for Reconstruction and Development in the amount of KZT 451,629 thousand and KZT 1,329,957 thousand as at December 31, 2001 and 2000, respectively.

21 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

As at December 31, 2001 securities sold under repurchase agreements are commitments of the Bank to repurchase euronotes of the Ministry of Finance of the Republic of Kazakhstan for the amount of KZT 1,562,460 thousand with effective interest rates ranging from 4.17% to 10.5%. The maturity of the agreements is within 1 month. The securities sold under the said agreements are included in dealing securities portfolio of the Bank.

22 CUSTOMER ACCOUNTS

	2001	2000
Demand accounts	34,787,217	25,158,705
Time deposits	74,188,084	28,979,867
	<u>108,975,301</u>	<u>54,138,572</u>

23 DEBT SECURITIES ISSUED

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

24 OTHER BORROWED FUNDS

	2001	2000
Funding from the Ministry of Finance of the Republic of Kazakhstan (weighted average interest rate 5.79 % and 6.48 % as at December 31, 2001 and 2000, respectively)	2,049,268	2,224,218
Funding from Small Business Support Fund (Weighted average interest rate 8.17 % and 8.08 % as at December 31, 2001 and 2000, respectively)	3,172,317	2,177,413
	<u>5,221,585</u>	<u>4,401,631</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 1,895,587 thousand and KZT 2,127,872 thousand as at December 31, 2001 and 2000 respectively; and under the Agricultural Development co-financing Programme from the Government of the Republic of Kazakhstan in the amount of KZT 21,566 thousand and KZT 96,346 thousand as at December 31, 2001 and 2000, respectively, and from the local divisions sources in the amount of KZT 132,115 as at December 31, 2001.

Funding from the Small Business Support Fund is provided through the European Bank for Reconstruction and Development in the amount of KZT 2,253,000 thousand and KZT 1,228,250 thousand as at December 31, 2001 and 2000, respectively; Asian Bank of Development in the amount of KZT 502,095 thousand and KZT 387,219 thousand as at December 31, 2001 and 2000, respectively; and, the Government of the Republic of Kazakhstan in the amount of KZT 417,222 and KZT 561,944 thousand as at December 31, 2001 and 2000, respectively, under Small Business Support Programme.

25 OTHER LIABILITIES

	2001	2000
Accrued interest payable	2,356,792	1,066,662
Provisions for guarantees and letters of credit	666,776	287,156
Insurance reserves of Kazkommerts Policy	269,704	-
Other taxes payable	300,430	80,392
Deferred tax liability	1,416,331	1,008,337
Other	2,072,688	4,597,954
	<u>7,082,721</u>	<u>7,040,501</u>

26 SUBORDINATED DEBT

	2001	2000
Subordinated notes due in 2007 (interest rate 11.00%)	2,941,815	2,820,385
	<u>2,941,815</u>	<u>2,820,385</u>

27 SHARE CAPITAL

As of 31 December 2001 and 2000 the Bank's share capital comprised the following:

	2001	2000
Authorized as at December 31:		
Ordinary shares of USD 0.12 each	-	2,941,814
Ordinary shares of KZT 10 each	3,750,000	-
Preference shares of KZT 10 each	1,250,000	-
	<u>5,000,000</u>	<u>2,941,814</u>
Issued and fully paid as at December 31:		
Ordinary shares of USD 0.12 each	-	2,941,814
Ordinary shares of KZT 10 each	2,942,201	-
Preference shares of KZT 10 each	555,901	-
	<u>3,498,102</u>	<u>2,941,814</u>
Repurchased back as at December 31:		
Ordinary shares of USD 0.12 each	-	(9,908)
Ordinary shares of KZT 10 each	(411)	-
	<u>(411)</u>	<u>(9,908)</u>
Total share capital authorized, issued and fully paid as at December 31	<u>3,497,691</u>	<u>2,931,906</u>

At the shareholders meeting held on December 25, 2000, shareholders decided to change the nominal currency of par value of ordinary shares from USD 0.12 to KZT 10, and new issuance documents for the par value of KZT 10 were registered in August 2001.

At a special shareholders meeting held in July 2001 shareholders decided to increase Shareholders' capital up to KZT 5 billion. Shareholders also decided to issue and place preference shares for the total amount of KZT 1,250,000 thousand, or 25% from total authorised capital. On December 28, 2001 the Bank registered its issuance documents for preferred shares. The Bank intends to register ordinary shares emission prospectus and make a placement in 2002.

Ordinary share capital: Authorised 375,000,000 shares, issued and partially paid 294,180,237 shares of par value of KZT 10 at December 31, 2001. At December 31, 2000 the authorised issued and fully paid shares were 284,430,136 of par value of USD 0.12 at an exchange rate of 85.9 KZT/USD as at emission date.

Preference share capital: Authorised issued 125,000,000 shares and partially paid 55,590,138 shares of KZT 10 each with the dividend of USD 0.04 per share at December 31, 2001. As at December 31, 2000 the Bank did not have preference shares in its shareholders' capital.

As at December 31, 2001 no dividends on Bank's preference shares were payable. The statutory foundation agreement does not specify the convertibility rights of preference shares and Bank's subordinate debt into ordinary shares.

**28 SEPARATE SUMMARIZED PROFIT AND LOSS ACCOUNTS
FOR EACH OF THE THREE YEARS ENDING
DECEMBER 31, 2001 AND BALANCE SHEETS OF THE BANK
ONLY AS AT DECEMBER 31, 2001 AND 2000**

PROFIT AND LOSS ACCOUNTS

	2001	2000	1999
Interest income	17,443,830	12,283,580	11,413,069
Interest expense	7,919,862	5,797,484	4,922,673
Net interest income before provisions for loan losses	<u>9,523,968</u>	<u>6,486,096</u>	<u>6,490,396</u>
Provisions for loan losses	4,237,906	1,334,043	5,318,078
NET INTEREST INCOME	<u>5,286,062</u>	<u>5,152,053</u>	<u>1,172,318</u>
Fee and commission income	3,711,080	2,688,609	1,652,246
Fee and commission expense	(711,308)	(1,016,566)	(649,313)
Net gain on sale of dealing securities	418,951	304,233	275,456
Net unrealised gain on dealing securities	1,009,721	904,884	323,985
Unrealised loss on securities available-for-sale	-	(1,427,000)	-
Realised (loss)/gain on securities available-for-sale	(1,415)	6,921	929,144
Equity income from associates	389,083	358,202	596,575
Equity income from subsidiaries	207,986	134,057	7,815
Net gain on foreign exchange operations	731,006	482,390	440,089
Net unrealised exchange gain	606,603	602,047	3,097,438
Other income	66,502	814,687	97,156
NET NON-INTEREST INCOME	<u>6,428,209</u>	<u>3,852,464</u>	<u>6,770,591</u>
OPERATING INCOME	11,714,271	9,004,517	7,942,909
Operating expenses	<u>5,775,454</u>	<u>5,159,107</u>	<u>3,968,935</u>
INCOME BEFORE PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS AND TAXES ON INCOME	5,938,817	3,845,410	3,973,974
Provisions /(recovery) for losses on other transactions	<u>395,007</u>	<u>(18,463)</u>	<u>22,115</u>
INCOME BEFORE TAXES ON INCOME	5,543,810	3,863,873	3,951,859
Taxes/(recovery) on income	<u>254,909</u>	<u>(160,317)</u>	<u>955,361</u>
NET INCOME	<u>5,288,901</u>	<u>4,024,190</u>	<u>2,996,498</u>

BALANCE SHEETS OF THE BANK ONLY AS AT DECEMBER 31, 2001 AND 2000

	2001	2000
ASSETS		
Cash and balances with the National Bank of the Republic of Kazakhstan	11,451,823	4,998,816
Loans and advances to banks, net	17,427,104	15,661,271
Dealing securities	13,060,871	22,969,257
Securities purchased under agreements to resell	-	3,089,016
Loans to customers, net	137,661,743	67,195,500
Securities available-for-sale	72,814	15,245
Securities held-to-maturity	-	220,081
Investments in subsidiaries	679,608	1,483,503
Investments in associates	1,773,954	2,047,368
Fixed assets, net	2,299,546	2,001,783
Intangible assets, net	522,178	470,739
Other assets, net	8,753,859	3,990,430
TOTAL ASSETS	<u>193,703,500</u>	<u>124,143,009</u>
LIABILITIES, SHARE CAPITAL AND RESERVES		
Loans and advances from banks	42,900,272	23,357,192
Securities sold under agreements to repurchase	1,562,460	-
Customer accounts	109,232,213	54,145,300
Debt securities issued	-	14,899,527
Other borrowed funds	5,221,585	4,401,631
Other liabilities	6,182,356	7,115,456
Subordinated debt	2,943,287	2,821,796
Dividends payable to shareholders	1,236,325	-
TOTAL LIABILITIES	<u>169,278,498</u>	<u>106,740,902</u>
COMMITMENTS AND CONTINGENCIES	-	-
SHARE CAPITAL AND RESERVES:		
Share capital	3,498,102	2,942,200
Reserves	20,926,900	14,459,907
TOTAL SHARE CAPITAL AND RESERVES	<u>24,425,002</u>	<u>17,402,107</u>
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES	<u>193,703,500</u>	<u>124,143,009</u>

29 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, 2001, the Bank had issued guarantees totalling KZT 6,336,463 thousand, had open letters of credit totalling KZT 10,389,615 thousand and had open forward contracts totalling KZT 13,120,165 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 were KZT 666,776 thousand and KZT 287,156 thousand as at December 31, 2001 and 2000, respectively (see note 25). The charge in respect of the provision for losses related to letters of credit and guarantees was KZT 379,620 thousand, KZT 124,489 thousand and KZT 31,257 thousand for the years ended December 31, 2001, 2000 and 1999, respectively (see note 6).

The Bank was not exposed to significant foreign currency risks on open forward contracts as at December 31, 2001.

As at December 31, 2001, such commitments and contingent liabilities expire as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total
Guarantees	668,210	1,892,919	3,089,269	686,065	6,336,463
Letters of credit	3,172,781	4,887,820	2,114,504	214,510	10,389,615
Forward contracts	3,357,165	9,763,000	-	-	13,120,165

No material commitments for capital expenditures, or any interest rate or currency swap agreements were outstanding at December 31, 2001.

Taxes - Due to the presence in Kazakhstani commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Tax years remain open to review by the tax authorities for five years.

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

30 RELATED PARTY TRANSACTIONS

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

As at December 31, 2001 and 2000 the Bank had loans totalling KZT 8,181,619 thousand and KZT 7,347,179 thousand, respectively, to shareholders and related parties. Interest income on loans to shareholders and related parties was KZT 215,720 thousand, KZT 225,729 thousand and KZT 957,685 thousand for the years ended December 31, 2001, 2000 and 1999, respectively.

The Bank also held deposits of KZT 1,021,611 thousand and KZT 1,854,052 thousand as at December 31, 2001 and 2000, respectively, from shareholders and related parties. Interest expense on deposits from shareholders and related parties was KZT 46,384 thousand, KZT 61,288 thousand and KZT 8,850 thousand for the years ended December 31, 2001, 2000 and 1999, respectively.

During 2001 and 2000, the Bank purchased and sold dealing securities from and to related parties for the total amount of KZT 2,305,110 thousand and KZT 997,415 thousand, respectively. Related parties acquired Subordinated notes, at placement, for KZT 505,750 thousand in 2000.

Loans to related parties as at December 31, 2001 and 2000 include a loan in the amount of KZT 5,596,953 thousand, respectively, to "Central Asian Industrial Investments N.V.", which is a part of the Central Asian Holding. Initially 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." have to be sold and the loan will be repaid from the proceeds received from this sale. The sale (realization) of Kazakhtelecom shares was deferred by the Government. 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 companies amounted to KZT 110,048 thousand and KZT 36,000 thousand as at December 31, 2001 and 2000, 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 at 31 December 31, 2001 Bank had outstanding guarantees and letters of credit issued for related parties for the amount of KZT 19,526 thousand and KZT 108,935 thousand, respectively, and as at 31 December, 2000 the guarantees issued to related parties amounted to KZT 28,458 thousand.

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" as coverage for its past due debt to the Bank. 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.

On 28 December 2001 preference shares were issued, from which 18,832,208 shares in the amount of KZT 188,322 thousand were placed among related parties. The share premium for such shares amounted to KZT 891, 841 thousand.

31 LARGE EXPOSURES

As at December 31, 2001 and 2000 the Bank had loans to customers in excess of ten percent of equity to the following enterprises:

	2001	2000
Central Asian Holding	5,892,066	5,794,577
Ispat-Karmet	3,861,616	-
ALIBI Holding	3,825,385	-
AMZ Holding	3,637,781	-
Almaty International Airport	3,609,791	3,254,607
Kazpolmunai Holding	3,592,276	-
KGP Energoberejenie	3,512,048	-
Agrocenter Astana	3,465,569	-
Capital investments Ltd	3,418,852	-
Seimar Holding	3,234,498	-
Zhuldyz Holding	3,118,519	-
Karazhanbasmunai	-	2,203,849
Kazatomprom Holding	-	2,167,500
	<u>41,168,401</u>	<u>13,420,533</u>

32 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, 2001 and 2000, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

33 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 and IAS 39. 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, 2001 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 - Such securities are stated 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 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. Since in 2001, the Bank's interest rates for loans granted to customers, in general, did not deviate from the average market rate, the Bank did not discount any of its loan balances.

Securities available-for-sale - Such securities are stated at fair value.

Securities held-to-maturity - Such securities are stated at cost and adjusted for accretion and amortization of premiums and discounts, which approximates fair value.

Investments - Investments in associates are recorded using the equity method. Subsidiaries that are considered insignificant for 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. The recorded amount is considered as reasonable approximation of fair value.

Loans and advances from banks, customer accounts - The carrying amount is a reasonable estimate of fair value.

Securities sold under repurchase agreements - The carrying value of securities sold under agreement to repurchase is a reasonable estimate of their fair value.

Debt securities issued - Debt securities issued are stated at cost, adjusted for amortization of premium and discounts, which approximates fair value.

34 REGULATORY MATTERS

The Bank is subject to certain minimum capital and prudential requirements as defined by the NBRK. As at December 31, 2001 and 2000, the Bank is in compliance with the minimum requirements.

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
As at December 31, 2001				
Total capital	29,607,201	17.2%	13,746,566	8%
Tier 1 capital	19,126,002	11.1%	6,873,283	4%
As at December 31, 2000				
Total capital	21,587,976	20.0%	8,639,753	8%
Tier 1 capital	13,317,546	12.3%	4,319,877	4%

35 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.

2001 (KZT thousands)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Provisions/ reserves	Total
ASSETS							
Loans and advances to banks, net	13,105,845	1,899,600	2,708,386	150,200	-	(294,196)	17,569,835
Dealing securities	99,890	99,040	7,395,580	5,680,082	-	-	13,274,592
Loans to customers, net	18,891,565	17,700,688	38,568,271	56,859,187	15,146,489	(9,504,700)	137,661,500
Securities available-for-sale	-	-	155,340	7,381	5,923	-	168,644
Securities held-to-maturity	-	-	139,824	163,805	9,988	-	313,617
Total interest earning assets	32,097,300	19,699,328	48,967,401	62,860,655	15,162,400	(9,798,896)	168,988,188
Cash and balances with the NBRK	11,478,415	-	-	-	-	-	11,478,415
Investments in associates	-	-	-	-	1,773,954	-	1,773,954
Fixed assets, net	-	-	-	-	2,344,246	-	2,344,246
Intangible assets, net	-	-	-	-	528,057	-	528,057
Other assets, net	2,714,707	4,165,524	2,659,034	1,828,309	44,749	(2,181,676)	9,230,647
TOTAL ASSETS	46,290,422	23,864,852	51,626,435	64,688,964	19,853,406	(11,980,572)	194,343,507
LIABILITIES							
Loans and advances from banks	12,009,841	397,600	10,366,315	19,751,016	375,500	-	42,900,272
Securities sold under agreements to repurchase	1,562,460	-	-	-	-	-	1,562,460
Customer accounts	44,452,198	8,134,240	44,315,665	12,066,740	6,458	-	108,975,301
Other borrowed funds	-	450	387,333	4,361,209	472,593	-	5,221,585
Subordinated debt	-	-	-	-	2,941,815	-	2,941,815
Total interest bearing liabilities	58,024,499	8,532,290	55,069,313	36,178,965	3,796,366	-	161,601,433
Other liabilities	1,776,224	358,401	775,944	1,925,530	1,310,142	936,480	7,082,721
Dividends payable	-	1,236,325	-	-	-	-	1,236,325
TOTAL LIABILITIES	59,800,723	10,127,016	55,845,257	38,104,495	5,106,508	936,480	169,920,479
Interest sensitivity gap	(25,927,199)	11,167,038	(6,101,912)	26,681,690	11,366,034	-	-
Cumulative interest sensitivity gap	(25,927,199)	(14,760,161)	(20,862,073)	5,819,617	17,185,651	-	-
Cumulative interest sensitivity gap as a percentage of total assets	(13.3%)	(7.6%)	(10.7%)	3.0%	8.8%	-	-
OFF-BALANCE SHEET COMMITMENTS							
Payable under forward deals	(3,357,165)	(9,763,000)	-	-	-	-	(13,120,165)
Receivable under forward deals	3,363,498	10,010,500	-	-	-	-	13,373,998
Interest sensitivity gap	6,333	247,500	-	-	-	-	-
Cumulative interest sensitivity gap	6,333	253,833	253,833	253,833	253,833	-	-
Aggregated cumulative interest sensitivity gap, balance sheet and off-balance sheet	(25,920,866)	(14,506,328)	(20,608,240)	6,073,450	17,439,484	-	-

36 CURRENCY ANALYSIS

2001 (KZT thousands)

	Тенге	USD	EUR	Other currencies	Provisions/ reserves	Total
		1USD = 150.20 тенге	1 EUR= 134.77тенге			
ASSETS						
Cash and balances with the NBRK	6,209,514	5,235,264	14,306	19,331	-	11,478,415
Loans and advances to banks, net	2,193,341	13,718,925	489,006	1,462,759	(294,196)	17,569,835
Dealing securities	814,107	12,460,485	-	-	-	13,274,592
Loans to customers, net	34,194,423	111,022,944	1,948,833	-	(9,504,700)	137,661,500
Securities available-for-sale	99,650	67,461	1,533	-	-	168,644
Securities held-to-maturity		313,617	-	-	-	313,617
Investments in associates	1,773,954	-	-	-	-	1,773,954
Fixed assets, net	2,344,246	-	-	-	-	2,344,246
Intangible assets, net	528,057	-	-	-	-	528,057
Other assets, net	6,590,499	4,674,698	141,804	5,322	(2,181,676)	9,230,647
TOTAL ASSETS	54,747,791	147,493,394	2,595,482	1,487,412	(11,980,572)	194,343,507
LIABILITIES						
Loans and advances from banks	2,985,328	36,845,557	2,057,103	1,012,284	-	42,900,272
Securities sold under agreements to repurchase	1,562,460	-	-	-	-	1,562,460
Customer accounts	25,173,252	82,809,816	273,285	718,948	-	108,975,301
Other borrowed funds	153,682	4,738,751	329,152	-	-	5,221,585
Other liabilities	2,782,726	3,331,990	27,807	3,718	936,480	7,082,721
Subordinated debt	-	2,941,815	-	-	-	2,941,815
Dividends payable to shareholders	1,236,325	-	-	-	-	1,236,325
TOTAL LIABILITIES	33,893,773	130,667,929	2,687,347	1,734,950	936,480	169,920,479
NET BALANCE SHEET POSITION	20,854,018	16,825,465	(91,865)	(247,538)		
OFF-BALANCE SHEET COMMITMENTS						
Payable under forward deals	-	(11,432,766)	(1,537,603)	(149,796)		(13,120,165)
Receivable under forward deals	10,010,500	1,660,972	1,212,930	489,596		13,373,998
OFF-BALANCE SHEET COMMITMENTS, NET	10,010,500	(9,771,794)	(324,673)	339,800		
TOTAL OPEN POSITION	30,864,518	7,053,671	(416,538)	92,262		

37 GEOGRAPHICAL ANALYSIS

2001 (KZT thousands)

	OECD countries	Non-OECD countries	Provisions/ reserves	Total
ASSETS				
Cash and balances with the NBRK	5,254,324	6,224,091	-	11,478,415
Loans and advances to banks, net	4,711,892	13,152,139	(294,196)	17,569,835
Dealing securities	-	13,274,592	-	13,274,592
Loans to customers, net	585,372	146,580,828	(9,504,700)	137,661,500
Securities available-for-sale	1,533	167,111	-	168,644
Securities held-to-maturity	-	313,617	-	313,617
Investments in associates	-	1,773,954	-	1,773,954
Fixed assets, net	-	2,344,246	-	2,344,246
Intangible assets, net	-	528,057	-	528,057
Other assets, net	186,956	11,225,367	(2,181,676)	9,230,647
TOTAL ASSETS	<u>10,740,077</u>	<u>195,584,002</u>	<u>(11,980,572)</u>	<u>194,343,507</u>
LIABILITIES				
Loans and advances from banks	25,749,440	17,150,832	-	42,900,272
Securities sold under agreements to repurchase	-	1,562,460	-	1,562,460
Customer accounts	1,287,852	107,687,449	-	108,975,301
Other borrowed funds	-	5,221,585	-	5,221,585
Other liabilities	187,352	5,958,889	936,480	7,082,721
Subordinated debt	-	2,941,815	-	2,941,815
Dividends payable to shareholders	-	1,236,325	-	1,236,325
TOTAL LIABILITIES	<u>27,224,644</u>	<u>141,759,355</u>	<u>936,480</u>	<u>169,920,479</u>
NET BALANCE SHEET POSITION	<u>(16,484,567)</u>	<u>53,824,647</u>		
OFF-BALANCE SHEET COMMITMENTS				
Payable under forward deals	(2,597,726)	(10,522,439)		(13,120,165)
Receivable under forward deals	2,612,798	10,761,200		13,373,998
OFF-BALANCE SHEET COMMITMENTS, NET	<u>15,072</u>	<u>238,761</u>		
TOTAL OPEN POSITION	<u>(16,469,495)</u>	<u>54,063,408</u>		

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Ust-Kamenogorsk

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tel. (31135) 31-049, 30-931

RKO N 12/1

Karagandinskaya oblast
2 Karamende bi St., Balkhash, 478210
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RKO N 6/2

3 mkrn, zdanie apteki N 29, pos.Kulsary, 466030
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RKO N 3/1

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2 Kurchatov St.,Kurchatov, 490021
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RKO N 10/4

Vostochno-Kazakhstanskaya oblast, 13 Lenin St.,
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RKO N 16/2

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RKO N 16/1

Kostanaiskaya oblast
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RKO N 6/1

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KAZAKHSTAN'S DAVOS



Our Annual Report features photographs of the Chimbulak mountain ski resort, which is only a 40-minute drive along a picturesque mountain road from Kazakhstan's financial capital - Almaty.

In the Kazakh language, "Chimbulak" means a spring flowing down from a mountain peak. The area, which is located at a height of 2200-2500 meters in the Zailiyski Alatau Mountains, has in recent times become a famous ski resort. In a country with a steadily growing level of private wealth, there are more and more people who are able to afford the pleasure of a weekend of mountain sports at Chimbulak.

In addition to its mild winter, steady snow cover, and ancient Tian-Shan spruces, Chimbulak is attractive for the energy, persistence, character, and youth of those who eagerly master its trails and peaks.

Chimbulak has been called the Davos of Kazakhstan, and this is not only because of its resemblance to the Swiss landscape. It has also become a traditional meeting place for a new class of energetic politicians and businessmen from all over the world. During the preparation of this Annual Report, Chimbulak hosted the Eurasia Economic Summit, which was held under the auspices of the Davos World Economic Forum. A month earlier, in March 2002, an unofficial summit of CIS leaders was held at Chimbulak. Journalists immediately nicknamed this the "ski summit" because the presidents of Kazakhstan, Russia and Byelorussia all share a particular passion for skiing.

People have been skiing at Chimbulak since 1954, when the first rope-tow trail was built. From the Talgar Mountain pass, the length of the downhill ski route is 3500 metres. The giant slalom route runs for 1500 metres, with a slope ranging between 11 and 29 degrees. In terms of technical characteristics, Chimbulak easily competes with European ski routes. And according to ski specialists, Chimbulak's glide factor surpasses that of its European counterparts. During Soviet times, Chimbulak served as the training base for Soviet downhill skiers, and it also hosted all-union speed-skating competitions.

In recent years, Chimbulak has turned into a first class resort. A new Austrian chair lift was installed four and a half years ago. It can carry 900 persons per hour on busy weekends and holidays, but this is still not always enough to handle the growing flow of local and foreign guests. In the near future, municipal authorities are planning to start construction on a cable railway connecting Chimbulak with the famous Medeo mountain skating-rink.

Disclaimer

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