

OJSC KAZKOMMERTSBANK

**CONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2002**

OJSC KAZKOMMERTSBANK

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& Touche**

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Shareholders and Board of Directors of OJSC Kazkommertsbank

On the basis of information provided by management we have compiled, in accordance with the International Standard on Auditing applicable to compilation engagements, the consolidated balance sheet of OJSC Kazkommertsbank and Subsidiaries (further referred to as "Bank") as of June 30, 2002, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended.

The Bank's management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no assurance thereon.

Deloitte & Touche

August 9, 2002

OJSC KAZKOMMERTSBANK

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands, except per share amounts)

	Notes	2002 (unaudited)	2001 (unaudited)
Interest income	2,14	9,824,474	7,898,988
Interest expense	2,14	(5,080,264)	(3,623,294)
Net interest income before provisions for loan losses		4,744,210	4,275,694
Provisions for loan losses		(675,941)	(1,377,150)
NET INTEREST INCOME		4,068,269	2,898,544
Fee and commission income		2,432,414	1,580,009
Fee and commission expense		(412,673)	(288,024)
Net gain on sale of trading securities		298,545	169,967
Net unrealised gain on trading securities revaluation		243,048	227,384
Realised loss on securities available-for-sale		-	(1,415)
Equity income from associates		237,706	237,955
Net gain on foreign exchange operations		395,933	340,961
Net unrealized foreign exchange gain		107,066	103,591
Dividends received		2,494	350
Other income		182,564	42,573
NET NON-INTEREST INCOME		3,487,097	2,413,351
OPERATING INCOME		7,555,366	5,311,895
Operating expenses		(3,570,664)	(2,629,763)
INCOME BEFORE PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS AND INCOME TAX EXPENSE		3,984,702	2,682,132
(Provision)/recovery of provision for losses on other transactions		(343,509)	21,136
INCOME BEFORE INCOME TAX EXPENSE		3,641,193	2,703,268
Income tax		(93,463)	(250,185)
NET INCOME		3,547,730	2,453,083
Earnings per share			
Basic and diluted (in KZT)	3	10.86	8.62
Earnings per share annualised			
Basic and diluted (in KZT)		22.92	17.24

Signed on behalf of the Bank:

August 9, 2002, Almaty,
Republic of Kazakhstan

Chairman of the Board of Directors OJSC Kazkommertsbank

N.S. Subhanberdin

Chief Accountant OJSC Kazkommertsbank

P.A. Cheusov

See notes to the financial statements, the Independent Accountants' Compilation Report is on page 1.

OJSC KAZKOMMERTSBANK

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2002 (in KZT and in thousands)

	Notes	June 30, 2002 (unaudited)	December 31, 2001
ASSETS			
Cash and balances with the National Bank of the Republic of Kazakhstan		12,679,524	11,478,415
Loans and advances to banks, net		9,602,661	17,569,835
Trading securities	4, 14	15,648,243	13,437,313
Securities purchased under agreements to repurchase		3,418,444	-
Loans to customers, net	5, 14	159,044,833	137,661,500
Securities available-for-sale	6	6,110	5,923
Securities held-to-maturity	7	132,667	313,617
Investments in associates	8, 14	1,567,669	1,773,954
Fixed assets, net		2,716,640	2,344,246
Intangible assets, net		544,228	528,057
Other assets, net	9	9,702,221	9,230,647
TOTAL ASSETS		<u>215,063,240</u>	<u>194,343,507</u>
LIABILITIES, SHARE CAPITAL AND RESERVES			
Loans and advances from banks		30,975,713	42,900,272
Securities sold under agreements to repurchase		-	1,562,460
Customer accounts	14	112,847,920	108,975,301
Debt securities issued	10	23,011,500	-
Other borrowed funds		5,448,805	5,221,585
Other liabilities	11	9,824,540	7,082,721
Subordinated debt		4,974,256	2,941,815
Dividends payable	12	352,127	1,236,325
TOTAL LIABILITIES		<u>187,434,861</u>	<u>169,920,479</u>
COMMITMENTS AND CONTINGENCIES	13	-	-
SHARE CAPITAL AND RESERVES:			
Share capital		3,499,386	3,497,691
Reserves		24,128,993	20,925,337
TOTAL SHARE CAPITAL AND RESERVES		<u>27,628,379</u>	<u>24,423,028</u>
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES		<u>215,063,240</u>	<u>194,343,507</u>

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OJSC KAZKOMMERTSBANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

	Share capital	Emission difference	Revaluation reserve	Retained earnings	Total
Balance at January 1, 2001	2,931,906	2,793,930	10,351	11,615,900	17,352,087
Amortisation of fixed assets revaluation	-	-	(29)	29	-
Dividends declared	-	-	-	(1,454,500)	(1,454,500)
Net income for the period	-	-	-	2,453,083	2,453,083
Balance at June 30, 2001 (unaudited)	<u>2,931,906</u>	<u>2,793,930</u>	<u>10,322</u>	<u>12,614,512</u>	<u>18,350,670</u>
Balance at January 1, 2002	3,497,691	5,464,687	8,125	15,452,525	24,423,028
Amortisation of fixed assets revaluation	-	-	(6)	6	-
Preferred shares paid	1,731	8,273	-	-	10,004
Share capital repurchased	(36)	(592)	-	-	(628)
Dividends on preferred shares	-	-	-	(351,755)	(351,755)
Net income for the period	-	-	-	3,547,730	3,547,730
Balance at June 30, 2002 (unaudited)	<u>3,499,386</u>	<u>5,472,368</u>	<u>8,119</u>	<u>18,648,506</u>	<u>27,628,379</u>

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OJSC KAZKOMMERTSBANK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

	June 30, 2002 (unaudited)	June 30, 2001 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxes on income	3,641,193	2,703,268
Adjustments for:		
Provisions for loan losses	675,941	1,377,150
Provision / (recovery of provision) for losses on other transactions	343,509	(21,136)
Unrealised gain/(loss) and amortisation of discounts on trading securities	(730,608)	(986,624)
Depreciation and amortisation	282,468	223,414
Decrease/ (increase) in interest accruals	1,834,334	(1,842,868)
Equity income from associates	(237,706)	(237,955)
Operating profit before changes in operating assets/liabilities	5,809,131	1,215,249
Changes in operating assets and liabilities (Increase)/decrease in operating assets		
Loans and advances to banks	10,037,097	(8,706,380)
Trading securities	(6,280,463)	18,929,731
Loans and advances to customers	(22,260,588)	(43,597,356)
Dividends received	377,392	-
Other assets	(815,426)	(430,270)
Increase/(decrease) in operating liabilities		
Loans and advances from banks	(11,924,559)	14,602,430
Customer accounts	3,871,772	36,803,067
Other borrowed funds	227,220	(4,914)
Other liabilities	1,690,877	(977,442)
Cash (outflow)/inflow from operating activities before income tax	(19,267,547)	17,834,115
Income taxes paid	(11,570)	(6,913)
Net cash (outflow)/inflow from operating activities	(19,279,117)	17,827,202
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of fixed assets	(599,161)	(410,772)
Net acquisition of intangible assets	(72,033)	(126,047)
Net acquisition of investments	-	(34,560)
Net cash outflows from investing activities	(671,194)	(571,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt securities issued, net	23,011,500	(14,494,075)
Preferred shares issued	1,731	-
Shares repurchased, net	(36)	-
Proceeds on share premium account, net	7,681	-
Payment of dividends on ordinary shares	(847)	-
Net cash inflow/ (outflow) from financing activities	23,020,029	(14,494,075)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,069,718	2,761,748
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16,190,307	16,829,053
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19,260,025	19,590,801

Signed on behalf of the Bank:

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OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

1 ORGANISATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organisation – OJSC Kazkommertsbank (the “Bank”) was incorporated on July 12, 1990 in accordance with the laws of the Kazakh Soviet Socialist Republic as an open joint-stock company 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 OJSC Kazkommertsbank and obtained a banking license from the National Bank of the Republic of Kazakhstan (“NBRK”) on October 21, 1991. In 1994, OJSC Kazkommertsbank merged with Astana Holding Bank and continued under the name of OJSC Kazkommertsbank. Astana Holding Bank was incorporated in May 1993 as a joint-stock bank.

The consolidated financial statements of the Bank were prepared under International Accounting Standards (“IAS”) and include the financial statements of the Bank and its subsidiaries, OJSC Kazkommerts Securities (100 %), OJSC JV Kazkommerts Policy (100 %), Kazkommerts Finance 2 B.V. (100 %) and Kazkommerts International B.V. (100 %). A subsidiary, Kazkommerts Capital 2 B.V. (100%) is not included in the consolidated financial statements due to immaterial impact of its financial statements.

Accounting basis - The consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention. Certain fixed assets were revalued in 1997 in accordance with the regulation of the 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.

Although the interim amounts are unaudited, they do reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods. All such adjustments are of a normal, recurring nature. Because the results from common banking activities are so closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the entire year.

These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Bank’s annual financial statements for the year ended December 31, 2001.

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: trading 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. The Bank records “regular” purchase and sale transactions

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

with financial assets at the settlement date. Date of asset delivery is considered to be a settlement date.

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").

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 judgment 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 judgment. 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 judgment 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 recognized where recovery is doubtful.

Trading securities - Trading 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. Trading securities are initially recorded at cost, which approximates the fair value of the consideration given, 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 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 account.

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 trading securities and securities available-for-sale is based on quoted bid prices or, if unavailable, on the estimates of experts.

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

Investments in associates - 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.

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:

	June 30 2002	December 31 2001	June 30 2001
KZT/USD	153.41	150.2	145.45

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.

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

2 NET INTEREST INCOME

	June 30, 2002 (unaudited)	June 30, 2001 (unaudited)
Interest income		
Interest on loans to customers	9,188,774	6,777,221
Interest on loans and advances to banks	148,140	362,527
Interest on debt securities	487,560	759,240
Total interest income	<u>9,824,474</u>	<u>7,898,988</u>
Interest expense		
Interest on customer accounts	3,279,445	1,553,803
Interest on loans and advances from banks	1,046,515	1,338,644
Interest on debt securities issued	579,793	575,195
Other interest expense	174,511	155,652
Total interest expense	<u>5,080,264</u>	<u>3,623,294</u>
Net interest income before provisions for loan losses	<u><u>4,744,210</u></u>	<u><u>4,275,694</u></u>

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

3 EARNINGS PER SHARE

	June 30, 2002 (unaudited)	June 30, 2001 (unaudited)
Earnings:		
Net income for the period	3,547,730	2,453,083
Less:		
Dividends on preferred shares	(351,755)	-
Adjusted net income for calculation of earnings per share	3,195,975	2,453,083
Weighted average number of shares for the purpose of basic and diluted earnings per share	294,176,887	284,430,136
Earnings per share - basic and diluted (in KZT)	10.86	8.62

4 TRADING SECURITIES

	Effective interest rate (%)	June 30, 2002 (unaudited)	December 31, 2001
Debt securities:			
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	8.375%- 13.625%	4,159,691	2,066,943
Euronotes of TuranAlem Finance B.V.	11.5%	2,478,443	2,971,519
Eurobonds of the Ministry of Finance of the Russian Federation	2.5%- 12.75%	1,701,317	5,190,912
Short-term notes of the NBRK	5.8%	1,501,388	-
Government treasury bills	7.1%-16.3%	1,112,379	814,107
Euronotes of Kaztransoil	8.5%	1,086,733	579,522
Bonds of Karazhabasmunai	11.0%	961,037	916,747
Bonds of Rosneft	12.75%	666,029	-
Bonds of Sibneft'	11.5%	646,240	-
Bonds of Kaztransoil	9.0%	537,395	592,369
Eurobonds of Salomon Smith and Barney Holdings Inc.	12%	462,359	-
Bonds of Vostochno-Kazakhstan region administration	6.3%	109,401	105,909
Bonds of Astana city administration	8.5%	61,364	60,080
Bonds of Kazakhtelecom	10.0%	38,323	-
Bonds of Almaty Kus	10.0%	13,960	13,994
Bonds of Shnos	10.0%	7,548	7,381
Bonds of Atyrau region administration	8.0%-8.6%	6,214	6,008
Bonds of Kazakhoil	-	-	16,562
Total debt securities		15,549,821	13,342,053

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

Equity securities:			
Shares of UKTMP	2.4%	77,653	80,958
Shares Kazakhtelecom:			
- ordinary shares	0.04%	13,951	8,232
- preferred shares	0.002%	653	120
Shares of Aktubinsk chrom plant	3.07%	4,613	4,613
Shares of Aluminium of Kazakhstan	0.023%	1,010	1,010
Shares of Aktobemunaigas	0.004%	542	267
Shares of Kazkhrom		-	60
Total equity securities		98,422	95,260
Total trading securities		15,648,243	13,437,313

5 LOANS TO CUSTOMERS, NET

	June 30, 2002 (unaudited)	December 31, 2001
Loans collateralised by cash or government guarantees	8,493,694	7,545,635
Loans collateralised by financial institution guarantees	1,964,497	2,075,333
Loans collateralised by other guarantees	9,222,119	9,889,547
Loans collateralised by shares of companies	10,750,489	13,357,898
Loans collateralised by equipment	11,125,705	6,682,223
Loans collateralised by inventory	16,952,369	11,082,062
Loans collateralised by real estate	36,491,260	28,166,830
Loans collateralised by mixed and other collateral	62,383,608	54,925,213
Unsecured loans	11,329,640	13,441,459
	168,713,381	147,166,200
Less provisions for loan losses	(9,668,548)	(9,504,700)
	159,044,833	137,661,500
Analysis by sector	June 30, 2002 (unaudited)	December 31, 2001
Trade	30,475,937	22,397,584
Oil and gas	30,406,883	14,555,728
Agriculture	22,652,334	24,153,219
Transport and communication	14,629,961	12,798,018
Food	13,419,107	16,420,604
Construction	11,833,591	9,339,767
Mining / metallurgy	9,640,266	10,020,319
Energy	8,127,053	11,107,440
Hotels	5,707,848	3,449,035
Finance	2,057,965	5,860,532
Culture and arts	1,676,237	2,216,342
Machinery	1,257,982	1,074,959
Medical	465,826	433,088
Other	16,362,391	13,339,565
	168,713,381	147,166,200
Less provisions for loan losses	(9,668,548)	(9,504,700)
	159,044,833	137,661,500

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 (in KZT and in thousands)

6 SECURITIES AVAILABLE-FOR-SALE

	% held	June 30, 2002 (unaudited)	December 31, 2001
Kazakhstan Interbank Currency and Stock Exchange	4.49%	3,314	3,314
SWIFT	0.008%	1,720	1,533
Association of financiers of Kazakhstan	16.67%	675	675
Central depository	5.95%	401	401
Air Kazakhstan	50%	-	-
Total securities available-for-sale		6,110	5,923

7 SECURITIES HELD-TO-MATURITY

	Effective interest rate (%)	June 30, 2002 (unaudited)	December 31, 2001
Euronotes of TuranAlem Finance B.V.	11.5%	54,945	-
Bonds of Karazhanbasmunai	11.0%	32,186	7,591
Bonds of Vostochno-Kazakhstan region administration	6.3%	22,842	22,132
Bonds of Kaztransoil	9.0%	15,130	14,736
Bonds of SHNOS	10.0%	7,564	7,374
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	261,784
Total securities held-to-maturity		132,667	313,617

8 INVESTMENTS IN ASSOCIATES

The Bank's investments in associates include:

	June 30, 2002 (unaudited)		December 31, 2001	
	% held	Amount	% held	Amount
ABN AMRO Bank Kazakhstan	29.0%	1,380,795	29.0%	1,594,747
ABN AMRO Asset Management	48.88%	76,149	48.88%	69,160
Pension Fund UlarUmit	25.0%	110,725	25.0%	110,047
Total investments in associates		1,567,669		1,773,954

The percentage held for associates above represents both direct and indirect ownership of the Bank.

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 *(in KZT and in thousands)*

9 OTHER ASSETS, NET

	June 30, 2002 (unaudited)	December 31,2001
Accrued interest income	7,305,178	7,642,748
Prepaid expenses	682,207	531,924
Other debtors	1,714,836	1,055,975
Total other assets	<u>9,702,221</u>	<u>9,230,647</u>

10 DEBT SECURITIES ISSUED

In May 2002 the Bank issued and placed euronotes for the total amount of USD 150 million maturing in 2007 with coupon rate of 10.125%. Interest on euronotes is payable semiannually.

11 OTHER LIABILITIES

	June 30, 2002 (unaudited)	December 31,2001
Accrued interest expense	3,853,556	2,356,792
Tax liability	1,492,639	1,716,761
Other creditor	4,478,345	3,009,168
Total other liabilities	<u>9,824,540</u>	<u>7,082,721</u>

12 DIVIDENDS PAYABLE

In April 2002, the Bank issued international subordinated bonds as a settlement for 2000 ordinary share dividends for the total amount of USD 8,500 thousand, paid in KZT at the rate at payment date. Bonds mature in 2007 and coupon rate is equal to 5.5% (see Note 14). Interest is payable semiannually.

The Bank's Annual Shareholders Meeting held on April 15, 2002 decided not to pay dividends on ordinary shares based on the results of 2001 financial year.

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 *(in KZT and in thousands)*

13 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 of June 30, 2002 and December 31, 2001, the Bank had issued guarantees totaling KZT 17,229,085 thousand and KZT 6,336,463 thousand, respectively, and had open letters of credit totaling KZT 10,192,268 thousand and KZT 10,389,615 thousand, respectively.

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 allowance for losses for contingent liabilities was KZT 978,799 thousand and KZT 666,776 thousand as of June 30, 2002 and December 31, 2001, respectively. The charge in respect of the allowance for losses related to letters of credit and guarantees was KZT 312,023 thousand for the period ended June 30, 2002 and the recovery of allowance equalled to KZT 26,572 thousand for the period ended June 30, 2001.

As at June 30, 2002 and December 31, 2001, the Bank had open forward contracts for the total amount of KZT 8,288,026 thousand and KZT 13,120,165 thousand, respectively.

No material commitments for capital expenditures were outstanding at June 30, 2002.

Taxes - Due to the presence in Kazakhstan 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 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.

OJSC KAZKOMMERTSBANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002 *(in KZT and in thousands)*

14 RELATED PARTY TRANSACTIONS

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

As of June 30, 2002 and December 31, 2001 the Bank had loans totaling KZT 4,441,731 thousand and KZT 8,181,619 thousand, respectively, to shareholders and related parties. Significant decrease in total amount of loan for the reporting period resulted from repayment of loan by “Central Asian Industrial Investment N.V.” in the amount of KZT 4,584,600 thousands. The outstanding debt of the borrower is KZT 1,012,353 thousands. Interest income on loans to shareholders and related parties was KZT 121,324 thousand and KZT 186,939 thousand for the periods ended June 30, 2002 and 2001, respectively.

As of June 30, 2002 and December 31, 2001 the Bank issued guarantees on behalf of related parties totaling KZT 29,148 thousand and KZT 19,526 thousand, respectively and letters of credit totaling KZT 38,979 thousand and KZT 108,935 thousand, respectively.

The Bank also held deposits of KZT 1,179,610 thousand and KZT 1,021,611 thousand as at June 30, 2002 and December 31, 2001, respectively, from shareholders and related parties. Interest expense on deposits from shareholders and related parties was KZT 56,389 thousand and KZT 20,662 thousand for the periods ended June 30, 2002 and 2001, respectively.

For the period ended June 30, 2001 the Bank purchased and sold trading securities from and to related parties for the total amount of KZT 2,143,865 thousand. For the period ended June 30, 2002 there are no such dealings.

In April 2002 in accordance with the decisions of Annual Shareholders Meeting and the Board of Directors dated March 30, 2001 on distribution of dividends on ordinary shares, the Bank issued international subordinated notes totaling to USD 8,500 thousand and placed those among Bank’s shareholders, proportionally the quantity of shares.

As of June 30, 2002 and December 31, 2001, equity investments of the Bank into related party companies were KZT 110,725 thousand and KZT 110,048 thousand, respectively.