

JSC KAZKOMMERTSBANK

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED JUNE 30, 2003**

JSC KAZKOMMERTSBANK

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**COMPILATION REPORT
ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

On the basis of information provided by the management, we have compiled, in accordance with the International Standards on Auditing applicable to compilation engagements, the condensed consolidated balance sheet of JSC Kazkommertsbank and Subsidiaries (referred to as “the Bank”) as of June 30, 2003, and the condensed consolidated profit and loss account, the condensed consolidated statement of changes in equity and the condensed 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 12, 2003

JSC KAZKOMMERTSBANK

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2003 (in KZT and in thousands, except per share amounts)

	Notes	June 30, 2003 (unaudited)	June 30, 2002 (unaudited)
Interest income	2, 15	15,104,410	9,824,474
Interest expense	2, 15	(8,330,423)	(5,080,264)
Net interest income before provisions for loan losses		6,773,987	4,744,210
Provisions for loan losses		(3,168,132)	(675,941)
NET INTEREST INCOME		3,605,855	4,068,269
Fee and commission income		3,515,601	2,432,414
Fee and commission expense		(698,114)	(412,673)
Net gain on sale of trading securities		448,193	298,545
Net unrealised gain on trading securities revaluation		60,720	243,048
Unrealised gain on revaluation of securities available-for-sale		1,740	-
Realised loss on securities available-for-sale		(80,104)	-
Equity income from associates		93,488	237,706
Net gain on foreign exchange operations		648,174	395,933
Net unrealized foreign exchange (loss)/gain		(88,119)	107,066
Gain from sale of subsidiaries		36,624	-
Dividends received		371,457	2,494
Other income		317,359	182,564
NET NON-INTEREST INCOME		4,627,019	3,487,097
OPERATING INCOME		8,232,874	7,555,366
Operating expenses		(3,641,545)	(3,570,664)
INCOME BEFORE PROVISIONS FOR LOSSES ON OTHER TRANSACTIONS AND INCOME TAX		4,591,329	3,984,702
Provisions for losses on other transactions		(76,664)	(343,509)
INCOME BEFORE INCOME TAX		4,514,665	3,641,193
Income tax	3	(105,164)	(93,463)
INCOME		4,409,501	3,547,730
MINORITY INTEREST		(96,307)	-
NET INCOME		4,313,194	3,547,730
Earnings per share			
Basic and diluted (in KZT)	4	13.51	10.86

Signed on behalf of the Bank:

N. A. Zhussupova
Chairperson of the Management Board of JSC Kazkommertsbank

P. A. Cheusov
Chief Accountant of JSC Kazkommertsbank

August 12, 2003
Almaty, Republic of Kazakhstan

The Compilation Report on the condensed consolidated interim financial statements is on page 1. See selected notes to the condensed consolidated interim financial statements.

JSC KAZKOMMERTSBANK

CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2003 (in KZT and in thousands)

	Notes	June 30, 2003 (unaudited)	December 31, 2002
ASSETS			
Cash and balances with the National Banks of the Republic of Kazakhstan and the Kyrgyz Republic		17,304,910	19,394,771
Loans and advances to banks, less allowance for losses		60,449,580	43,451,143
Trading securities	5, 15	81,034,405	21,172,561
Loans to customers, less allowance for loan losses	6, 15	193,434,479	177,515,360
Securities available-for-sale	7	159,524	5,539,019
Securities held-to-maturity	8	16,461	17,276
Investments in associates	9, 15	315,743	285,917
Fixed assets, less accumulated depreciation		5,259,207	3,447,613
Intangible assets, less accumulated amortization		586,090	608,577
Other assets, less allowance for losses on other transaction	10	5,850,304	3,329,061
TOTAL ASSETS		364,410,703	274,761,298
LIABILITIES, SHARE CAPITAL AND RESERVES			
Loans and advances from banks		32,672,031	54,662,867
Customer accounts	15	171,166,530	141,371,975
Debt securities issued	11	100,955,134	30,316,786
Other borrowed funds		4,298,112	4,651,066
Other liabilities	12	9,192,451	5,550,761
Subordinated debt		8,671,076	6,060,409
Dividends payable	13	339,828	406
TOTAL LIABILITIES		327,295,162	242,614,270
COMMITMENTS AND CONTINGENCIES	14	-	-
MINORITY INTEREST		359,279	81,240
SHARE CAPITAL AND RESERVES			
Share capital		3,499,688	3,499,688
Reserves		33,256,574	28,566,100
TOTAL SHARE CAPITAL AND RESERVES		36,756,262	32,065,788
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES		364,410,703	274,761,298

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JSC KAZKOMMERTSBANK

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2003 (in KZT and in thousands)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
Balance at December 31, 2001	3,497,691	5,464,687	8,125	15,452,525	24,423,028
Amortisation of fixed assets revaluation	-	-	(6)	6	-
Increase in share capital, including:					
- preference shares	1,731	8,273			10,004
Repurchased shares	(36)	(592)			(628)
Dividends on preference 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>
Balance at December 31, 2002	3,499,688	5,473,313	6,872	23,085,915	32,065,788
Fixed assets revaluation	-	-	716,702	-	716,702
Dividends on preference shares	-	-	-	(339,422)	(339,422)
Net income for the period	-	-	-	4,313,194	4,313,194
Balance at June 30, 2003 (unaudited)	<u>3,499,688</u>	<u>5,473,313</u>	<u>723,574</u>	<u>27,059,687</u>	<u>36,756,262</u>

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JSC KAZKOMMERTSBANK

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2003 (in KZT and in thousands)

	June 30, 2003 (unaudited)	June 30, 2002 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxes on income	4,514,665	3,641,193
Adjustments for:		
Provisions for loan losses	3,168,132	675,941
Provisions for losses on other transactions	76,664	343,509
Unrealised gain on trading securities, securities-available-for sale and amortisation of discount on securities	(959,422)	(730,608)
Net unrealized foreign exchange loss/(gain)	88,119	(107,066)
Depreciation and amortisation	488,546	282,468
Decrease in interest accruals	2,008,141	1,834,334
Equity income from associates	(93,488)	(237,706)
Operating profit before changes in operating assets/liabilities	<u>9,291,357</u>	<u>5,702,065</u>
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets		
Loans and advances to banks	(12,088,580)	10,037,097
Trading securities	(58,497,919)	(6,280,463)
Securities available-for-sale, held-to-maturity and investments in associates	5,461,683	-
Loans and advances to customers	(19,549,692)	(22,260,588)
Dividends received	370,453	377,392
Other assets	(3,236,200)	(708,360)
Increase/(decrease) in operating liabilities		
Loans and advances from banks	(22,239,461)	(11,924,559)
Customer accounts	29,424,544	3,871,772
Other borrowed funds	(311,756)	227,220
Other liabilities	3,484,439	1,690,877
Cash outflows from operating activities before income tax	(67,891,132)	(19,267,547)
Income taxes paid	(56,065)	(11,570)
Net cash (outflows from operating activities)	<u>(67,947,197)</u>	<u>(19,279,117)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of fixed assets	(1,501,059)	(599,161)
Net acquisition of intangible assets	(50,324)	(72,033)
Net acquisition of investments	(19,540)	-
Net cash outflows from investing activities	<u>(1,570,923)</u>	<u>(671,194)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt securities issued, net	69,656,575	23,011,500
Subordinated debt securities issued	2,606,805	1,731
Shares repurchased, net	-	(36)
Proceeds on share premium account, net	-	7,681
Payment of dividends on ordinary shares	-	(847)
Increase in minority interest	278,039	-
Net cash inflows from financing activities	<u>72,541,419</u>	<u>23,020,029</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,023,299	3,069,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	55,226,912	16,190,307
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>58,250,211</u>	<u>19,260,025</u>

Interest paid and received in cash during the six month period ended June 30, 2003 amounted to KZT 6,585,352 thousand and KZT 15,625,470 thousand, respectively.

Interest paid and received in cash during the six month period ended June 30, 2002 amounted to KZT 5,417,834 thousand and KZT 8,065,464 thousand, respectively.

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August 12, 2003
Almaty, Republic of Kazakhstan

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JSC KAZKOMMERTSBANK

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2003 (in KZT and in thousands)

1 ORGANISATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organisation –JSC Kazkommertsbank (“Kazkommertsbank”) 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 perform 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 (“NBRK”) on October 21, 1991. In 1994, JSC Kazkommertsbank merged with Astana Holding Bank and continued under the name of JSC Kazkommertsbank. Astana Holding Bank was incorporated in May 1993 as a joint-stock bank.

As at June, 30 2003, Kazkommertsbank’s subsidiaries include:

Name	Location	% Held	Main line of Business	Acquisition Date
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	Investment banking	October 30, 1997
JSC Kazkommerts Policy	Republic of Kazakhstan	65%	Insurance	November 14, 2000
Kazkommerts International B.V.	Netherlands	100%	Capital markets	December 31, 1997
Kazkommerts Capital 2 B.V.	Netherlands	100%	Capital markets	April 5, 2000
Kazkommerts Finance 2 B.V.	Netherlands	100%	Capital markets	February 21, 2001
JSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	73.97%	Commercial banking	June 30, 2002

In June 2002, Kazkommertsbank acquired 72.35% of outstanding common stock of Kyrgyzavtobank, a commercial bank operating in the Kyrgyz Republic, and in December 2002 its investment was increased to 73.84%. On December 5, 2002 the name of Kyrgyzavtobank was changed to Kazkommertsbank Kyrgyzstan. The assets and business of Kazkommertsbank Kyrgyzstan have been consolidated into the results of Kazkommertsbank since June, 30 2002. Kazkommertsbank paid KZT 249,840 thousand for the shares of Kyrgyzavtobank. On May 30, 2003, Kazkommertsbank purchased 250 shares in the amount of KZT 461 thousand, thereby increasing its share to 73.97%.

In December 2002, authorized common stock of JSC Kazkommerts Policy was increased from KZT 100 mln to KZT 153.8 mln. In February 2003, 53,846 authorized non-issued ordinary shares were issued to a third party for KZT 212,590 thousand, having the effect of reducing the percentage of Kazkommertsbank’s ownership to 65%.

These condensed consolidated interim financial statements were prepared under the International Financial Reporting Standards (“IFRS”) and include the financial statements of Kazkommertsbank and its subsidiaries: JSC Kazkommerts Securities (100%), JSC Kazkommerts Policy (65%), Kazkommerts International B.V. (100%), and JSC Kazkommertsbank Kyrgyzstan (73.97%) (together referred to as “the Bank”).

The subsidiaries Kazkommerts Capital 2 B.V. (100%) and Kazkommerts Finance 2 B.V. (100 %) are not included in the condensed consolidated financial statements due to immaterial impact of their financial statements.

Kazkommertsbank and the European Bank of Reconstruction and Development (“EBRD”) had mutually agreed to the EBRD’s participation in the Kazkommertsbank’s share capital and on March 5, 2003, the Board of Directors of EBRD approved the purchase of up to 15% of the unissued ordinary shares of JSC Kazkommertsbank during 2003 (see Note 16).

Accounting basis – The condensed consolidated interim financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for the revaluation of the buildings and constructions, which was performed in 2003 to adjust for the fair value, and amounted to KZT 716,702 thousand.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS 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 condensed consolidated interim financial statements 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 year.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and related selected notes included in the Bank’s annual financial statements for the year ended December 31, 2002.

Principles of consolidation – The condensed consolidated interim financial statements include the accounts of material majority owned subsidiaries. All intercompany transactions and related balances have been eliminated.

Investments in associates – Investments in companies in which the Bank has a stake of greater than 20%, and, in the opinion of management, has the ability to significantly influence the operating and financial activities of those companies, are accounted for using the equity method, unless the Bank acquired and holds those companies for resale in the near future, or that company operates under severe long term restrictions, that significantly impair its ability to transfer funds to the Bank.

Investments in other subsidiaries and associated companies – Investments in companies where the Bank owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Bank intends to re-sell such investments in the near future, as well as investments in corporate shares where the Bank owns less than 20% of share capital, are accounted for at fair value or approximated fair value, or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides valuation allowances, if required.

Settlement date – The Bank recognises “regular way” purchases and sales of financial instruments using settlement date accounting. The settlement date is the date that the asset is delivered.

Cash and cash equivalents – Cash and cash equivalents include cash, unrestricted balances with the national banks and correspondent accounts with banks in countries included in the Organization for Economic Cooperation and Development (“OECD”).

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 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 and debt 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 re-measurement included in the consolidated profit and loss accounts.

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.

Originated loans – Loans are originated by the Bank by providing money directly to the borrower and are carried at amortized cost, less any provision for loan losses. Loans granted by the Bank below market are discounted to fair value using the effective interest method.

Allowance for loan losses – The determination of the allowance 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. The total change in the allowance for loan losses is charged to the profit and loss account the total allowance 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. It should be understood that 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 allowance for loan losses, it is the judgement of management that the allowance 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 for non-accrual loans.

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, 2003	December 31, 2002	June 30, 2002
KZT / USD	148.00	155.85	153.41
KZT / EUR	168.90	162.46	151.17

Income taxes – Taxes on income are computed in accordance with laws of the countries, in which the Bank and its subsidiaries operate. The Bank determines income tax expense using the liability method whereby the expected income tax effects of timing differences between IFRS financial reporting and applicable tax reporting are reported as deferred taxes payable in the future or as deferred tax assets recoverable in the future.

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

2. NET INTEREST INCOME

	June 30, 2003 (unaudited)	June 30, 2002 (unaudited)
Interest income		
Interest on loans to customers	13,630,980	9,188,774
Interest on loans and advances to banks	572,970	148,140
Interest on debt securities	900,460	487,560
Total interest income	<u>15,104,410</u>	<u>9,824,474</u>
Interest expense		
Interest on customer accounts	3,881,515	3,279,445
Interest on loans and advances from banks	1,005,442	1,046,515
Interest on debt securities issued	2,874,231	579,793
Other interest expense	569,235	174,511
Total interest expense	<u>8,330,423</u>	<u>5,080,264</u>
Net interest income before provisions for loan losses	<u>6,773,987</u>	<u>4,744,210</u>

3. INCOME TAXES

Income taxes for the six-month period ended June 30, 2003 and 2002 consist of the following:

	June 30, 2003 (unaudited)	June 30, 2002 (unaudited)
Current tax expense	95,484	13,224
Deferred tax expenses	9,680	80,239
Income taxes	<u>105,164</u>	<u>93,463</u>

Temporary differences that give rise to deferred tax assets and liabilities are as follows at June 30, 2003 and December 31, 2002:

	June 30, 2003 (unaudited)	December 31, 2002
Deferred tax assets:		
Loans to banks and customers (provision for accrued interest receivable)	1,079,191	1,694,726
Fixed and intangible assets	172,372	-
Amortisation of discount on loans to customers	63,333	58,990
Investments to associates	3,412	-
Liabilities on guarantees and letters of credit	-	252,581
Other assets	-	219,278
Total deferred tax assets	<u>1,318,308</u>	<u>2,225,575</u>
Deferred tax liabilities:		
Loans to banks and customers	2,152,616	2,064,726
Liabilities on guarantees and letters of credit	337,268	-
Other assets	52,512	-
Investments to associates	-	1,100,795
Fixed and intangible assets	-	243,562
Revaluation of loans in foreign currency	-	30,900
Total deferred tax liabilities	<u>2,542,396</u>	<u>3,439,983</u>
Net deferred tax liabilities	<u>1,224,088</u>	<u>1,214,408</u>

Reconciliation of income taxes from the statutory rate of 30% to actual income taxes provided for the periods ended June 30, 2003 and 2002 are as follows:

	June 30, 2003 (unaudited)	June 30, 2002 (unaudited)
Income before taxes on income	<u>4,514,665</u>	<u>3,641,193</u>
Tax at statutory rate of 30%	1,354,400	1,092,358
Tax effect of tax exempt income	<u>(1,249,236)</u>	<u>(998,895)</u>
Income taxes	<u>105,164</u>	<u>93,463</u>
Effective tax rate	<u>2.33%</u>	<u>2.57%</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.

4. EARNINGS PER SHARE

	June 30, 2003 (unaudited)	June 30, 2002 (unaudited)
Earnings:		
Net income for the period	4,313,194	3,547,730
Less:		
Dividends on preference shares	(339,422)	(351,755)
Adjusted net income for calculation of earnings per share	<u>3,973,772</u>	<u>3,195,975</u>
Weighted average number of shares for the purpose of basic and diluted earnings per share	<u>294,176,887</u>	<u>294,176,887</u>
Earnings per share - Basic and diluted (in KZT)	<u>13.51</u>	<u>10.86</u>

5. TRADING SECURITIES

Debt securities:	Interest rate (%)	June 30, 2003 (unaudited)	December 31, 2002
Short-term notes of the NBRK	5.66-5.84%	43,356,863	5,879,159
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	8.375%-13.625%	6,645,422	5,354,089
US Government treasury bills	3.625%	5,193,172	-
Freddie MAC bonds	9.22%-15.132%	4,423,350	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	7.1%-16.3%	3,737,276	2,368,427
Fannie MAE bonds	2.0%	3,700,000	-
Eurobonds of Kaztransoil	8.5%	2,622,604	2,144,527
Eurobonds of TuranAlem Finance B.V.	11.5%	1,937,402	2,038,793
PetroKazakhstan Oil Products bonds	10.0%	1,744,954	15,431
Government treasury bills of the Netherlands	3.75%	1,735,279	-
Karazhanbasmunai bonds	11.0%	1,010,315	986,507
Kaztransoil bonds	9.0%	962,590	576,880
Government treasury bills of Germany	4.5%	906,486	-
Kazakhtelecom bonds	10.0%	419,878	53,553
Eurobonds of the Ministry of Finance of the Russian Federation	12.75%	364,054	571,093
Astana administration's bonds	8.5%	359,088	-
Atyrau region's executive committee bonds	8.0%-8.6%	299,390	6,331
Bonds of Kazakhstan Development Bank	7.125%	270,396	-
Eurobonds of CETV	9.345%	148,674	-
Vostochno-Kazakhstan region's administration's bonds	6.3%	133,200	138,395
Kazatomprom bonds	8.5%	98,156	-
Kazakhstani Mortgage Company bonds	11.75%	13,079	-
Almaty Kus bonds	10.0%	10,231	14,611
Caspian Bank bonds	9.5%	2,951	-
Astana Finance bonds	9.0%	1,480	-
Eurobonds of Hurricane Hydrocarbons LTD	12.0%	-	149,429
Interest accrued on trading securities		541,986	139,223
Subtotal debt securities		<u>80,638,276</u>	<u>20,436,448</u>
Equity securities:	Held (%)		
Kazakhtelecom GDR	0.04%	235,418	247,904
Kazakhmys shares	2.4%	97,590	348,008
Ust-Kamenogorsk titanium-magnesium plant shares	1.44%	63,121	140,201
Subtotal equity securities		<u>396,129</u>	<u>736,113</u>
Total trading securities		<u>81,034,405</u>	<u>21,172,561</u>

6. LOANS TO CUSTOMERS, LESS ALLOWANCE FOR LOAN LOSSES

	June 30, 2003 (unaudited)	December 31, 2002
Loans collateralised by real estate	39,401,699	43,094,674
Loans collateralised by inventory	18,555,109	15,146,295
Loans collateralised by other guarantees	16,647,251	17,467,663
Loans collateralised by shares of companies	11,558,379	9,589,736
Loans collateralised by equipment	10,917,435	11,407,946
Loans collateralised by cash or Government guarantees	9,994,971	11,518,467
Loans collateralised by financial institution guarantees	14,800	50,028
Loans collateralised by mixed and other collateral	77,752,030	64,880,049
Unsecured loans	14,593,818	8,175,058
Interest accrued on loans to customers	9,801,257	10,248,086
	209,236,749	191,578,002
Less allowance for loan losses	(15,802,270)	(14,062,642)
Loans to customers, less allowance for loan losses	193,434,479	177,515,360
	June 30, 2003 (unaudited)	December 31, 2002
Analysis by sector		
Oil and gas	44,708,230	42,976,288
Trade	43,596,651	31,747,962
Agriculture	25,344,271	27,744,107
Individuals	17,826,145	11,993,728
Food	15,933,761	14,905,962
Construction	11,594,102	12,801,629
Transport and communication	7,457,650	7,263,521
Mining / metallurgy	5,067,492	6,040,802
Hotels	4,578,415	4,134,323
Engineering	4,431,057	2,328,420
Real estate	4,422,000	6,001,187
Finance	3,284,085	2,664,612
Culture and arts	1,723,307	1,810,145
Other	9,468,326	8,917,230
Interest accrued on customer loans	9,801,257	10,248,086
	209,236,749	191,578,002
Less allowance for loan losses	(15,802,270)	(14,062,642)
Loans to customers, less allowance for loan losses	193,434,479	177,515,360

7. SECURITIES AVAILABLE-FOR-SALE

	Held (%)	June 30, 2003 (unaudited)	December 31, 2002
Equity securities:			
Center Credit Bank	5.042%	136,809	-
Kazakhtelecom, including:			
- common shares	0.04%	10,087	12,779
- preference shares	0.008%	3,990	2,657
Aktubinsk chrome plant	3.07%	4,613	4,613
ABN AMRO Bank Kazakhstan	29.0%	-	3,120,172
Air Kazakhstan	50.0%	-	2,390,700
Other	0.004%-16.67%	4,025	8,098
Total securities available for sale		159,524	5,539,019

On January 29, 2003 the Bank sold ZAO “Air Kazakhstan” shares at the amount of KZT 2,390,700 thousand, which was determined by the Bank and the Government of the Republic of Kazakhstan.

On June 24, 2003, the Bank sold 29% shares of JSC ABN AMRO Bank Kazakhstan to the existing shareholders of ABN AMRO Bank Group at the amount of KZT 2,949,051 thousand.

8. SECURITIES HELD-TO-MATURITY

	Interest rate (%)	June 30, 2003 (unaudited)	December 31, 2002
Kyrgyztelecom bonds	11.0%	16,341	17,032
Bonds of the Ministry of Finance of the Republic of Kyrgyzstan	0%	-	35
Interest accrued on securities held-to-maturity		120	209
Total securities held-to-maturity		16,461	17,276

9. INVESTMENTS IN ASSOCIATES

	June 30, 2003 (unaudited)		December 31, 2002	
	% Held	Amount	% Held	Amount
Sinooil	33.000%	181,145	33.00%	55,800
Ular-Umit Pension Fund	33.175%	134,598	29.00%	147,375
ABN AMRO Asset Management	-	-	48.88%	82,742
Total investments in associates		315,743		285,917

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

On June 8, 2003, the Bank reclassified investment in JSC ABN AMRO Asset Management (the management company for pension assets’) as securities available-for-sale. Later, on June 24, 2003 the Bank sold shares of JSC ABN AMRO Asset Management to the existing shareholders of ABN AMRO Bank Group at the amount of KZT 173,759 thousand.

As at the reporting date, the Bank increased its shares in Ular-Umit Pension Fund by 4.175%.

10. OTHER ASSETS, LESS ALLOWANCE FOR LOSSES ON OTHER TRANSACTIONS

	June 30, 2003 (unaudited)	December 31, 2002
Settlements for securities	2,257,761	-
Prepaid expenses	1,169,930	857,483
Tax receivable	527,948	411,054
Debtors on insurance activities	710,260	647,565
Other debtors	1,205,388	1,427,757
	<u>5,871,287</u>	<u>3,343,859</u>
Less allowance for other losses on other transactions	(20,983)	(14,798)
Other assets, less allowance for losses on other transactions	<u>5,850,304</u>	<u>3,329,061</u>

11. DEBT SECURITIES ISSUED

	June 30, 2003 (unaudited)	December 31, 2002
Eurobonds of Kazkommerts International B.V. due in May 2007 (coupon rate 10.125 %):		
Tranche A issued in May 2002 at price of 99.043	22,200,000	23,377,500
Tranche B issued in November 2002 and placed December 2002 at price of 107.00	7,400,000	7,792,500
due in April 2013 (coupon rate is 8.625%):		
Tranche A issued in April 2003 at price of 97.548	51,800,000	-
Tranche B issued in April 2003 and placed in May 2003 at price of 99.00	22,200,000	-
	<u>103,600,000</u>	<u>31,170,000</u>
Plus / minus:		
(Discount)/premium on debt securities issued	(1,167,799)	185,746
Interest accrued on debt securities issued	1,680,661	516,890
Eurobonds repurchased by the Bank	(3,157,728)	(1,555,850)
Debt securities issued	<u>100,955,134</u>	<u>30,316,786</u>

Issuance was made by the Bank's subsidiary, Kazkommerts International B.V, and guaranteed by the Bank. Coupon payments are made semi-annually: on 8 May and 8 November for the Eurobonds maturing in May 2007 and on 16 April and 16 October for the Eurobonds maturing in April 2013.

12. OTHER LIABILITIES

	June 30, 2003 (unaudited)	December 31, 2002
Provision for guarantees and letters of credit	1,880,980	1,790,207
Deferred tax liabilities	1,224,088	1,214,408
Other taxes payable	393,540	336,819
Provision for insurance of Kazkommertspolice	390,654	420,504
Accounts payable to reinsurance companies	647,901	580,661
Other creditors	4,655,288	1,208,162
Other Liabilities	<u>9,192,451</u>	<u>5,550,761</u>

13. DIVIDENDS PAYABLE

As at June, 30 2003 the dividends payable in the amount of 0.04 US dollar per share comprising KZT 339,422 thousand represented the accrued dividends due to the holders of preference shares for 2003 and dividends on ordinary shares amounting to KZT 406 thousand.

14. COMMITMENTS AND CONTINGENCIES

Capital commitments – The Bank had no material commitments for capital expenditures outstanding as at June 30, 2003.

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 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. From January 1, 2002 a new Tax code was imposed.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers. Management is of the opinion that no material unaccrued losses will be incurred and, accordingly, no provision has been made for legal proceedings in these financial statements.

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.

15. RELATED PARTY TRANSACTIONS

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

As at June 30, 2003 and December 31, 2002, the Bank issued loans to its shareholders and related parties in the total amount of KZT 1,779,664 thousand and KZT 1,625,607 thousand, respectively. As at June 30, 2003 and 2002, interest income on loans issued to the shareholders and related parties comprised KZT 109,031 thousand and KZT 121,324 thousand, respectively.

As at June 30, 2003 and December 31, 2002, the Bank had outstanding guarantees issued for related parties for the amount of KZT 33,023 thousand and KZT 27,274 thousand, respectively, and the letters of credit issued to related parties amounted to KZT 5,180 thousand and KZT 5,455 thousand, respectively.

As at June 30, 2003 and December 31, 2002 the Bank also accepted deposits from its shareholders and related parties in the total amount of KZT 930,619 thousand and KZT 953,229 thousand, respectively. Interest expenses on related parties' accounts comprised KZT 29,987 thousand and KZT 56,389 thousand as at June 30, 2003 and 2002, respectively.

As at June 30, 2003, the Bank's purchased and sold trading securities from and to related parties for the total amount of KZT 665,964 thousand. During 2002, the Bank sold and purchased trading securities from and to related parties for the amount of KZT 67,573 thousand.

As at June 30, 2003 and December 31, 2002 the Bank's equity investments in shares of related parties' companies comprised KZT 315,743 thousand and KZT 203,175 thousand, respectively.

16. SUBSEQUENT EVENTS

On August 6, 2003, the EBRD paid USD 30.6 million equating to KZT 4,499,142 thousand at the rate effective as at the payment date for 51,921,189 ordinary shares of an additional (ninth) issuance of the Bank registered with the National Bank of the Republic of Kazakhstan on March 13, 2003 under the number of A0040-8 amounting to 80,779,931 shares for KZT 807,799,310.

During the second half of 2003, the Bank intends to issue bonds at the amount of KZT 7.5 billion in the local stock market with maturity not to exceed 3 years.

On July 10, 2003, the Bank established a subsidiary, Kazkommerts Invest with 100% interest in it. The subsidiary is specialised in a wide range of the financial services to large corporate and individual customers either within the Republic of Kazakhstan or abroad. As at June 30, 2003, the charter capital of KZT 315 million has not been paid.