

JSC KAZKOMMERTSBANK

**INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2002 AND 2001**

JSC KAZKOMMERTSBANK

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated profit and loss accounts for the years ended December 31, 2002, 2001 and 2000	2
Consolidated balance sheets at December 31, 2002 and 2001	3
Consolidated statements of changes in equity for the years ended December 31, 2002, 2001 and 2000	4
Consolidated statements of cash flows for the years ended December 31, 2002, 2001 and 2000	5-6
Notes to the consolidated financial statements	7-33

TOO Deloitte & Touche
81 Abylai Khan ave., 4th Floor
Almaty, 480091
Kazakhstan

Tel: +7 (3272) 581-340
Fax: +7 (3272) 581-341
almaty@deloitte.kz
www.deloitte.kz

ТОО Делойт и Туш
Пр. Абылай Хана, 81, 4 этаж
480091, Алматы
Казахстан

Тел: +7 (3272) 581-340
Факс: +7 (3272) 581-341
almaty@deloitte.kz
www.deloitte.kz

**Deloitte
& Touche**

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 its consolidated subsidiaries (the "Bank") at December 31, 2002 and 2001, and the related consolidated profit and loss accounts, statements of cash flows and changes in equity for each of the three years ended December 31, 2002. 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 JSC Kazkommertsbank and its consolidated subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years ended December 31, 2002, in accordance with International Accounting Standards.

Deloitte & Touche

March 7, 2003

JSC KAZKOMMERTSBANK

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000 (in KZT and in thousands, except per share amounts)

	Notes	2002	2001	2000
Interest income, net	3, 20, 32	22,607,596	17,536,093	12,361,676
Interest expense	3, 32	11,257,899	7,887,765	5,763,106
Net interest income before provisions for loan losses	3	11,349,697	9,648,328	6,598,570
Provisions for loan losses	4	5,448,245	4,237,906	1,334,043
NET INTEREST INCOME		<u>5,901,452</u>	<u>5,410,422</u>	<u>5,264,527</u>
Fee and commission income		5,791,790	3,850,309	2,790,076
Fee and commission expense		(1,126,385)	(768,238)	(1,056,794)
Net gain on sale of trading securities		534,309	490,545	300,221
Net unrealised gain on trading securities		401,684	1,009,721	904,884
Unrealised gain / (loss) on securities available-for-sale	5	3,916,126	(54,071)	(1,471,061)
Realised (loss)/gain on securities available-for-sale		–	(1,415)	6,921
Equity income from associates		33,869	389,083	358,202
Net gain on foreign exchange operations		640,405	730,264	481,896
Net unrealized foreign exchange gain		567,004	655,563	598,222
Dividends received		446,719	38,327	135,192
Other income	6	433,141	282,910	816,049
NET NON-INTEREST INCOME		<u>11,638,662</u>	<u>6,622,998</u>	<u>3,863,808</u>
OPERATING INCOME		17,540,114	12,033,420	9,128,335
Operating expenses	7	<u>7,955,983</u>	<u>5,940,102</u>	<u>5,276,482</u>
INCOME BEFORE PROVISIONS/(RECOVERY) FOR LOSSES ON OTHER TRANSACTIONS AND INCOME TAX		9,584,131	6,093,318	3,851,853
Provisions/(recovery) for losses on other transactions	8	<u>1,327,071</u>	<u>525,862</u>	<u>(18,463)</u>
INCOME BEFORE INCOME TAX		8,257,060	5,567,456	3,870,316
Income tax expense/(recovery)	9	<u>276,067</u>	<u>278,555</u>	<u>(153,874)</u>
INCOME		7,980,993	5,288,901	4,024,190
Minority shareholders' interest		2,230	–	–
NET INCOME		<u><u>7,978,763</u></u>	<u><u>5,288,901</u></u>	<u><u>4,024,190</u></u>
Earnings per share Basic and diluted (in KZT)	10	<u>25.94</u>	<u>18.37</u>	<u>14.14</u>

On behalf of the Board

Zhusupova N.A.
Chairman

Cheusov P.A.
Chief Accountant

The notes on pages 7 to 33 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 1.

JSC KAZKOMMERTSBANK

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2002 AND 2001 (in KZT and in thousands)

	Notes	2002	2001
ASSETS			
Cash and balances with the National Banks of the Republic of Kazakhstan and Kyrgyz Republic	11	19,394,771	11,478,415
Loans and advances to banks, net	12	43,405,144	17,569,835
Trading securities	13	20,433,449	13,274,592
Loans to customers, net	14, 32	170,087,460	137,661,500
Securities available-for-sale	15	5,967,823	168,644
Securities held-to-maturity	16	188,152	313,617
Investments in associates	17	285,917	1,773,954
Fixed assets, net	18	3,447,613	2,344,246
Intangible assets, net	19	608,577	528,057
Other assets, net	20	<u>10,942,392</u>	<u>9,230,647</u>
TOTAL ASSETS		<u><u>274,761,298</u></u>	<u><u>194,343,507</u></u>
LIABILITIES, SHARE CAPITAL AND RESERVES			
Loans and advances from banks	21	54,528,255	42,900,272
Securities sold under agreements to repurchase	22	–	1,562,460
Customer accounts	23,32	138,412,288	108,975,301
Debt securities issued	24	29,614,150	–
Other borrowed funds	25	4,546,959	5,221,585
Other liabilities	26	9,499,890	7,082,721
Subordinated debt	27	6,012,322	2,941,815
Dividends payable to shareholders		<u>406</u>	<u>1,236,325</u>
TOTAL LIABILITIES		<u><u>242,614,270</u></u>	<u><u>169,920,479</u></u>
COMMITMENTS AND CONTINGENCIES			
	31	–	–
Minority shareholders' interest		81,240	–
SHARE CAPITAL AND RESERVES:			
Share capital	28	3,499,688	3,497,691
Reserves		<u>28,566,100</u>	<u>20,925,337</u>
TOTAL SHARE CAPITAL AND RESERVES		<u><u>32,065,788</u></u>	<u><u>24,423,028</u></u>
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES		<u><u>274,761,298</u></u>	<u><u>194,343,507</u></u>

On behalf of the Board

Zhusupova N.A.
Chairman

Cheusov P.A.
Chief Accountant

The notes on pages 7 to 33 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 1.

JSC KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000 (in KZT and in thousands)

	Share capital	Share premium	Fixed assets revaluation reserve	Retained earnings	Total
Balance at December 31, 1999	2,941,814	2,830,951	94,447	7,507,614	13,374,826
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	2,931,906	2,793,930	10,351	11,615,900	17,352,087
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	3,497,691	5,464,687	8,125	15,452,525	24,423,028
Amortisation of fixed assets revaluation reserve	–	–	(1,253)	1,253	–
Share capital increase of:					
- preference shares	1,731	8,273	–	–	10,004
Sale of repurchased shares	266	353	–	–	619
Dividends paid					
- preference shares	–	–	–	(346,626)	(346,626)
Net income for the year	–	–	–	7,978,763	7,978,763
Balance at December 31, 2002	3,499,688	5,473,313	6,872	23,085,915	32,065,788

On behalf of the Board

Zhusupova N.A.
Chairman

Cheusov P.A.
Chief Accountant

The notes on pages 7 to 33 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 1.

JSC KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000 (in KZT and in thousands)

	Notes	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before taxes on income		8,257,060	5,567,456	3,870,316
Adjustments for:				
Provisions for loan losses	4	5,448,245	4,237,906	1,334,043
Provisions/(recovery) for losses on other transactions and interest accrual	8	1,327,071	525,862	(18,463)
Unrealised (gain)/loss and amortisation of discounts on trading securities and securities available-for-sale		(4,317,810)	(955,650)	306,441
Depreciation and amortisation		625,058	516,347	453,848
Decrease/(increase) in net interest accruals		1,465,157	(2,958,124)	(488,444)
Net change in dividends accrued		–	–	(69,296)
(Income) from equity investments		(33,869)	(389,083)	(358,202)
Operating profit before changes in operating assets and liabilities		12,770,912	6,544,714	5,030,243
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets				
Loans and advances to banks		5,409,000	(9,164,838)	(2,391,866)
Trading securities and reverse repurchase agreements		(6,764,553)	13,863,820	(12,329,968)
Securities available-for-sale and investment in associates		(744,686)	996,556	–
Securities held-to-maturity		125,465	(93,536)	–
Loans to customers		(37,998,265)	(74,617,909)	(20,019,255)
Dividends received		380,121	541,498	–
Other assets		(1,009,163)	(795,996)	913,745
Increase /(decrease) in operating liabilities				
Loans and advances from banks and repurchase agreements		10,065,523	21,099,758	664,287
Customer accounts		29,436,987	54,836,729	32,062,040
Other borrowed funds		(674,626)	819,954	(1,041,393)
Other liabilities		(273,053)	(2,021,256)	4,067,346
Cash inflows from operating activities before tax		10,723,662	12,009,494	6,955,179
Income taxes (paid)		(722,962)	(20,702)	(21,014)
Net cash inflows from operating activities		10,000,700	11,988,792	6,934,165
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchases of fixed assets		(1,593,615)	(743,816)	(644,171)
Net acquisition of intangible assets		(197,244)	(146,177)	(291,866)
Net acquisition of investments in associates		(55,800)	(74,560)	–
Net acquisition of investments in subsidiary		(249,840)	–	(174,813)
Net cash (outflows) from investing activities		(2,096,499)	(964,553)	(1,110,850)

JSC KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000 (in KZT and in thousands)

	Notes	2002	2001	2000
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of ordinary share capital		–	1	–
Issue of preference share capital		1,731	555,901	–
Proceeds/(repayment) of debt securities issued	24	29,614,150	(14,899,527)	78,862
Subordinated debt	27	1,773,864	–	2,820,385
Sale of repurchased/(purchase of) common shares		266	9,883	(9,908)
Increase in Minority Shareholders' Interest		81,240	–	–
Dividend payment		(347,473)	–	–
Proceeds/(disbursements) from share premium		8,626	2,670,757	(37,021)
Net cash inflows/(outflows) from financing activities		<u>31,132,404</u>	<u>(11,662,985)</u>	<u>2,852,318</u>
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	11	<u>16,190,307</u>	<u>16,829,053</u>	<u>8,153,420</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	<u>55,226,912</u>	<u>16,190,307</u>	<u>16,829,053</u>

Net interest paid and received in cash during the year ended December 31, 2002 amounted to KZT 9,822,159 thousand and KZT 21,985,172 thousand, respectively.

Net interest paid and received in cash during the year ended December 31, 2001 amounted to KZT 6,597,635 thousand and KZT 12,953,470 thousand, respectively.

Net interest paid and received in cash during the year ended December 31, 2000 amounted to KZT 5,508,425 thousand and KZT 12,097,636 thousand, respectively.

On behalf of the Board

Zhusupova N.A.
Chairman

Cheusov P.A.
Chief Accountant

The notes on pages 7 to 33 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 1.

JSC KAZKOMMERTSBANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 (in KZT and in thousands)

1 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 number of employees of the Bank at December 31, 2002, 2001 and 2000 was 2,850, 2,392 and 2,001, 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 25, 2003 by the Board of Directors of JSC Kazkommertsbank.

The Bank’s subsidiaries are:

Name	Location	% Held	Main line of business	Date of acquisition
Kazkommerts Securities	Kazakhstan	100%	Investment banking	October 30, 1997
Kazkommertspolicy	Kazakhstan	100%	Insurance	November 14, 2000
Kazkommerts International BV	Netherlands	100%	Capital markets	December 31, 1997
Kazkommerts Capital-2 BV	Netherlands	100%	Capital markets	April 5, 2000
Kazkommerts Finance-2 BV	Netherlands	100%	Capital markets	February 21, 2001
Kazkommertsbank Kyrgyzstan	Kyrgyzstan	73.84%	Commercial banking	June 30, 2002

On June 30, 2002 the Bank acquired 72.35% of outstanding common stock of Kyrgyzavtobank, a commercial bank operating in the Republic of Kyrgyzstan, 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 the Bank since July 1, 2002. The Bank paid KZT 249,840 thousand for these shares. (see Note 36).

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, but not issued ordinary shares were issued to a third party for KZT 212,590 thousand having the effect of reducing in the percentage of Bank’s ownership to 65%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(in KZT and in thousands)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Bank and its subsidiaries maintain their accounting records in accordance with appropriate local regulations. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform with International Accounting Standards ("IAS").

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 related 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 significant intercompany transactions and balances have been eliminated. Such subsidiaries are accounted for using the equity method of accounting in the stand-alone financial statements of the Bank.

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 corporate shares 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. 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 to a counterparty to a contract.

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 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 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 possible 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 possible losses inherent in the loan portfolio. Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, provisions are created to cover potential losses, which, although not specifically identified, are present in the loan portfolio, as evidenced by past experience.

The total change in the allowance for possible 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 possible 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 possible loan losses is adequate to absorb losses inherent in the portfolio.

Write-off of loans - Loans are written off against allowance for possible loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans are written off after management has exhausted all avenues available to collect amounts due to the Bank and after the Bank has collected all available collateral.

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.

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. A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. 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. A reverse repo is an agreement to purchase assets and resell them at a future date with accrued interest 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.

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:

	2002	2001	2000
KZT/USD	155.85	150.20	144.50
KZT/EUR	162.46	134.77	136.21

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.

Offset of financial assets and liabilities - Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income taxes – Taxes on income are computed in accordance with laws of the countries, in which the Bank operates. 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.

Fiduciary activities - The Bank provides trustee services to its customers. Assets accepted and liabilities incurred under the trustee activities are not included in the Bank’s financial statements. The Bank accepts the operational risk on these activities, but does not accept credit or market risk related to these activities.

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

3 NET INTEREST INCOME

	2002	2001	2000
Interest income, net			
Interest on loans to customers, net	21,150,153	15,508,898	10,033,051
Interest on loans and advances to banks, net	346,746	711,126	534,388
Interest on debt securities	1,110,697	1,316,069	1,794,237
Total interest income, net	<u>22,607,596</u>	<u>17,536,093</u>	<u>12,361,676</u>
Interest expense			
Interest on customer accounts	6,880,159	4,521,120	1,602,788
Interest on loans and advances from banks	1,939,714	2,266,854	1,801,352
Interest on debt securities issued	2,083,414	762,717	2,019,941
Other interest expense	354,612	337,074	339,025
Total interest expense	<u>11,257,899</u>	<u>7,887,765</u>	<u>5,763,106</u>
Net interest income before provisions for possible loan losses	<u><u>11,349,697</u></u>	<u><u>9,648,328</u></u>	<u><u>6,598,570</u></u>

4 PROVISIONS / (RECOVERY) FOR LOAN LOSSES

	2002	2001	2000
Provisions on loans to customers	6,787,170	5,424,494	7,150,934
(Recovery)/provisions on loans and advances to banks	(124,060)	201,294	55,764
Recovery of provisions for customer loans previously written off	(1,214,865)	(1,387,882)	(5,872,655)
Provisions for loan losses	<u><u>5,448,245</u></u>	<u><u>4,237,906</u></u>	<u><u>1,334,043</u></u>

5 UNREALISED GAIN/(LOSS) ON SECURITIES AVAILABLE-FOR-SALE

Included in the unrealised gain on securities available-for-sale of KZT 3,916,126 thousand are KZT 1,560,086 thousand related to the restatement to fair value of the Bank's investment in ABN AMRO Bank Kazakhstan and KZT 2,390,700 thousand related to the revaluation of the Bank's investment in Air Kazakhstan.

The value of the Bank's investment in ABN AMRO Bank Kazakhstan was determined using a commonly accepted equity valuation technique, applying a growth factor of 7% per annum and using a discount factor of 13.7%. The application of this valuation method results in a valuation that equates to a Price to Book ratio of 2.

In 2001 the investment in ABN AMRO Bank Kazakhstan was considered to be the cost of acquisition plus the Bank's share of reserves subsequent to the date of investment, and this investment was previously categorized as an investment in an associate. The basis of calculation changed due to the Bank's assessment that this investment no longer meets the criteria required to be considered as an associate (see Notes 15 and 17).

The value of the Bank's investment in Air Kazakhstan is determined with reference to an agreement with the Government of the Republic of Kazakhstan. Subsequent to year end all amounts set out in the contract were paid. In 2001 the value of Air Kazakhstan was considered to be nil, based on the Bank's valuation of the assets and business of that company at that time. The difference between the value of shares at December 31, 2001 and December 31, 2002 is represented as income in the current year.

6 OTHER INCOME

	2002	2001	2000
Insurance premium of Kazkommerts Policy	335,214	205,851	–
Legal settlements	649	433	781,544
Other	97,278	76,626	34,505
Other Income	<u>433,141</u>	<u>282,910</u>	<u>816,049</u>

7 OPERATING EXPENSES

	2002	2001	2000
Staff costs	4,178,014	2,914,122	2,498,533
Depreciation and amortisation	625,058	516,347	453,848
Contributions to Deposits Insurance Fund	352,755	141,154	38,353
Advertising costs	311,911	289,198	218,573
Business trip expenses	252,806	203,718	187,106
Fixed assets maintenance	242,499	123,837	104,757
VAT	233,676	256,004	233,924
Communications	220,203	223,479	203,806
Rent	159,584	121,792	94,552
Charity and sponsorship expenses	157,740	182,931	285,651
Taxes, other than income tax	139,282	164,744	30,821
Vehicles maintenance	109,885	86,373	61,814
Safeguarding	102,290	113,149	109,094
Customs duty for foreign banknotes	89,420	195,443	331,102
Inventory written off	79,461	3,279	21,542
Training	68,093	20,375	19,398
Cash collection	65,921	69,536	80,943
Stationary	52,411	32,639	24,008
Entertainment	35,054	21,567	28,677
Mail expenses	30,157	21,333	14,859
Other	449,763	239,082	235,121
Operating Expenses	<u>7,955,983</u>	<u>5,940,102</u>	<u>5,276,482</u>

8 PROVISIONS / (RECOVERY) FOR LOSSES ON OTHER TRANSACTIONS

	2002	2001	2000
Provisions on letters of credit and guarantees	1,123,431	379,620	124,489
Provisions/(recovery) for doubtful debtors	56,140	15,797	(142,952)
Recovery of previously written off assets	(3,300)	(410)	–
Unearned premium reserve and technical insurance provision	150,800	130,855	–
Provisions/(recovery) for losses on other transactions	<u>1,327,071</u>	<u>525,862</u>	<u>(18,463)</u>

9 INCOME TAXES

The provision for taxes on income for the years ended December 31, 2002, 2001 and 2000 consists of the following:

	2002	2001	2000
Current tax	477,990	23,646	53,339
Tax benefit	–	(153,085)	–
Deferred tax (credit)	(201,923)	407,994	(207,213)
	<u>276,067</u>	<u>278,555</u>	<u>(153,874)</u>

Temporary differences that give rise to deferred tax assets and liabilities are as follows at December 31, 2002 and 2001:

	2002	2001
Deferred tax assets:		
Provision for accrued interest receivable	1,694,726	605,982
Provision for guarantees and letters of credit	252,581	–
Provision for other accounts receivable	219,278	2,541
Loans discount amortization	58,990	–
Total deferred tax assets	<u>2,225,575</u>	<u>608,523</u>
Deferred tax liabilities:		
Provision for customer loan losses	2,064,726	1,490,490
Revaluation of investments	1,100,795	210,628
Depreciation and amortisation	243,562	73,562
Revaluation of loans in foreign currency	30,900	177,046
Other accruals	–	73,128
Total deferred tax liability	<u>3,439,983</u>	<u>2,024,854</u>
Net deferred tax liability	<u>1,214,408</u>	<u>1,416,331</u>

Reconciliation of income taxes from the statutory rate of 30% to actual income taxes provided for the years ended December 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
Income before taxes on income	<u>8,257,060</u>	<u>5,567,456</u>	<u>3,870,316</u>
Tax at statutory rate of 30%	2,477,118	1,670,237	1,161,095
Tax effect of tax exempt income	<u>(2,201,051)</u>	<u>(1,391,682)</u>	<u>(1,314,969)</u>
Income taxes/(benefit)	<u>276,067</u>	<u>278,555</u>	<u>(153,874)</u>
Effective tax rate	<u>3.34%</u>	<u>5.0%</u>	<u>(3.9%)</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.

10 EARNINGS PER SHARE

	2002	2001	2000
Earnings:			
Net income for the year	7,978,763	5,288,901	4,024,190
Minus:			
Dividends for preference shares	(346,626)	–	–
Adjusted earnings	<u>7,632,137</u>	<u>5,288,901</u>	<u>4,024,190</u>
Weighted average number of shares: for the purpose of basic and diluted earnings per share	<u>294,182,278</u>	<u>287,982,090</u>	<u>284,677,841</u>
Earnings per share - Basic & diluted (in KZT)	<u><u>25.94</u></u>	<u><u>18.37</u></u>	<u><u>14.14</u></u>

11 CASH AND BALANCES WITH THE NBRK AND NATIONAL BANK OF KYRGYZ REPUBLIC

The balances with the NBRK and National Bank of Kyrgyz Republic (“NBKR”) at December 31, 2002, 2001, and 2000 include KZT 4,172,372 thousand, KZT 4,342,440 thousand and KZT 3,467,516 thousand, respectively, which represent the minimum reserve deposits required by the NBRK and NBKR. The Bank is required to maintain the reserve balance at the NBRK and NBKR, which are computed as the percentage of certain liabilities of the Bank. The Bank is entitled to use such funds if it complies with regulations.

Cash and cash equivalents as presented in the statements of cash flows include the following:

	2002	2001	2000
Cash and balances with the NBRK and NBKR	19,394,771	11,478,415	5,011,922
Advances to banks in OECD countries (included in Note 12)	35,832,141	4,711,892	11,817,131
Cash and cash equivalents	<u><u>55,226,912</u></u>	<u><u>16,190,307</u></u>	<u><u>16,829,053</u></u>

12 LOANS AND ADVANCES TO BANKS, NET

	2002	2001
Loans to banks	32,554,375	7,394,177
Nostro accounts	11,020,905	10,469,854
	<u>43,575,280</u>	<u>17,864,031</u>
Less provisions for possible loan losses	(170,136)	(294,196)
	<u><u>43,405,144</u></u>	<u><u>17,569,835</u></u>
Analysis of the provisions for loan losses	2002	2001
Provisions at beginning of the year	294,196	92,902
(Recovery)/provisions for the year	(124,060)	201,294
Total provisions for loan losses	<u><u>170,136</u></u>	<u><u>294,196</u></u>

13 TRADING SECURITIES

	Interest rate (%)	2002	Interest rate (%)	2001
Debt securities:				
Short-term notes of the NBRK	5.35- 5.89 %	5,602,484	–	–
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	5.36- 9.26 %	5,286,027	8.38- 13.63%	2,066,943
Government treasury bills	6.17- 14.4%	2,362,216	7.1-16.3%	814,107
Eurobonds of Kaztransoil	7.76-13.36%	2,144,527	8.5%	579,522
Eurobonds of TuranAlem Finance B.V.	8.52-11.30%	1,953,191	8.5-11.5%	2,971,519
Karazhanbasmunai bonds	11-11.42%	953,851	11.0%	916,747
Eurobonds of the Ministry of Finance of the Russian Federation	12.75%	571,093	2.5 - 12.75%	5,190,912
Kaztransoil bonds	9.72 -10.12%	561,428	9.0%	592,369
Eurobonds of Hurricane Hydrocarbons Ltd	12.0 %	149,429	–	–
Vostochno-Kazakhstan region's administration's bonds	7.83- 8.96 %	114,947	6.3%	105,909
Kazakhtelecom bonds	7.11-10.25 %	53,553	–	–
Almaty Kus bonds	12 -12.22 %	14,611	10.0%	13,994
SHNOS bonds	11.22 %	7,715	–	–
Atyrau region's executive committee bonds	6.39 -8.6%	6,331	8.0-8.6%	6,008
Kazakhoil bonds	–	–	9.0%	16,562
Subtotal debt securities		19,781,403		13,274,592
Equity securities:				
	% Held		% Held	
Kazakhmys shares	0.006%	348,008	–	–
Kazakhtelecom GDR	1.62%	247,904	–	–
Ust-Kamenogorsk titanium-magnesium plant shares	0.96%	56,134	–	–
Subtotal equity securities		652,046		–
Total trading securities		20,433,449		13,274,592

14 LOANS TO CUSTOMERS, NET

	2002	2001
Loans collateralised by mixed and other collateral	64,880,049	54,925,213
Loans collateralised by real estate	43,094,674	28,166,830
Loans collateralised by other guarantees	17,467,663	9,889,547
Loans collateralised by inventory	15,146,295	11,082,062
Loans collateralised by cash or government guarantees	11,518,467	7,545,635
Loans collateralised by equipment	11,407,946	6,682,223
Loans collateralised by shares of companies	9,589,736	13,357,898
Loans collateralised by financial institution guarantees	50,028	2,075,333
Unsecured loans	8,175,058	13,441,459
	181,329,916	147,166,200
Less provisions for loan losses	(11,242,456)	(9,504,700)
Loans to customers, net	170,087,460	137,661,500
Analysis of the provisions for loan losses		
	2002	2001
Provisions at beginning of year	9,533,747	6,566,011
Provisions for the year	6,787,170	5,424,494
Loans written-off	(5,078,461)	(2,485,805)
Provisions at end of year	11,242,456	9,504,700

Provisions at the beginning of year 2002 include opening provisions for Kazkommertsbank Kyrgyzstan amounting to KZT 29,047 thousand.

Analysis by sector	2002	2001
Oil and gas	32,790,589	14,555,728
Trade	31,747,962	22,397,584
Agriculture	27,744,107	24,153,219
Food	14,905,962	16,420,604
Construction	12,801,629	9,339,767
Individuals	11,993,728	6,474,365
Energy	10,185,699	11,107,440
Transport and communication	7,263,521	12,798,018
Mining / metallurgy	6,040,802	10,020,319
Real estate	6,001,187	3,367,485
Hotels	4,134,323	3,449,035
Finance	2,664,612	5,860,532
Engineering	2,328,420	1,074,959
Culture and arts	1,810,145	2,216,342
Other	8,917,230	3,930,803
	181,329,916	147,166,200
Less provisions for loan losses	(11,242,456)	(9,504,700)
Loans to customers, net	170,087,460	137,661,500

Included in loans to customers are non-accrual loans at December 31, 2002 and 2001 of KZT 2,312,351 thousand and KZT 1,213,472 thousand, respectively. Interest not recognised on non-accrual loans for the years ended December 31, 2002 and 2001, was KZT 107,540 thousand and KZT 51,264 thousand, respectively.

As of December 31, 2002 the Bank had 11 loans and advances totaling KZT 47,311,194 thousand and 11 loans and advances totaling KZT 41,168,401 thousand as of December 31, 2001, which individually exceeded 10% of the Bank's equity (see note 33).

15 SECURITIES AVAILABLE-FOR-SALE

	Interest rate (%)	2002	Interest rate (%)	2001
Debt securities:				
Short-term notes of the NBRK	5.7 -5.8%	276,675	–	–
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	8.9-9.7%	68,062	–	–
SHNOS bonds	–	–	10.0%	7,381
Astana administration's bonds	–	–	8.5%	60,080
Subtotal debt securities		344,737		67,461
Equity securities:				
	% Held		% Held	
ABN AMRO Bank Kazakhstan	29.0%	3,120,172	–	–
Air Kazakhstan	50.0%	2,390,700	–	–
Ust-Kamenogorsk titanium-magnesium plant shares	1.44%	84,067	2.5%	80,958
Kazakhtelecom, including:				
- common shares	0.04%	12,779	0.04%	8,232
- preference shares	0.008%	2,657	0.0005%	120
Aktubinsk chrome plant	3.07%	4,613	3.07%	4,613
Other	0.008-16.67%	8,098	0.008-16.67%	7,260
Subtotal equity securities		5,623,086		101,183
Total securities available-for-sale		5,967,823		168,644

In September 2002 the Bank entered into an agreement with the Government of Kazakhstan related to the sale of its shares in Air Kazakhstan. Subsequent to year-end these shares were sold for the value reflected in the contract. Previously the value of investment in Air Kazakhstan was written down to nil (see Note 32).

In 2001 the investment in ABN AMRO Bank Kazakhstan was considered to be an investment in associates, and was accounted for using the equity method of accounting (see Note 17). In 2002 the Bank determined that this treatment was no longer appropriate, as management assessed that the Bank ceased to have significant influence in the financial and operating decisions of ABN AMRO Kazakhstan, accordingly, the Bank now classifies this investment as securities available-for-sale.

On December 31, 2002 the shares of ABN AMRO Bank Kazakhstan were pledged to secure the loan from International Finance Corporation. The outstanding amount of this loan equals KZT 420,795 thousand, which is to be repaid by June 2004. The Bank is able to settle this loan before it matures, management considers that this pledge does not impair its ability to realize this investment.

16 SECURITIES HELD-TO-MATURITY

	Interest rate (%)	2002	Interest rate (%)	2001
Eurobonds of TuranAlem Finance B.V.	11.5%	85,602	–	–
Karazhanbasmunai bonds	11.0%	32,656	11.0%	7,591
Vostochno-Kazakhstan region's administration's bonds	6.3%	23,448	6.3%	22,132
Kyrgyztelecom bonds	9.0%	17,032	–	–
Kaztransoil bonds	9.0%	15,452	9.0%	14,736
SHNOS bonds	10.0%	7,716	10.0%	7,374
Government treasury bills	8.2%	6,211	–	–
Bonds of the Ministry of Finance of the Republic of Kyrgyzstan	0%	35	–	–
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	–	–	8.4-13.6%	261,784
Total securities held-to-maturity		188,152		313,617

17 INVESTMENTS IN ASSOCIATES

The Bank's investments in associates include:

	% Held	2002 Amount	% Held	2001 Amount
Pension fund "UlarUmit"	29.0%	147,375	25.0%	110,047
ABN AMRO Asset Management	48.88%	82,742	48.88%	69,160
Sinoil	33.33%	55,800	–	–
ABN AMRO Bank Kazakhstan	–	–	29.0%	1,594,747
Total investments in associates		285,917		1,773,954

In 2002 the investment in ABN AMRO Bank Kazakhstan was reclassified as an investment available-for-sale. This change in classification results from the Bank's assessment that it ceased to have the ability to exercise significant influence over the operating and financial activities of ABN AMRO Bank Kazakhstan. (See Note 15).

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

18 FIXED ASSETS, NET

				2002
	Buildings	Furniture and equipment	Other	Total
At cost or valuation				
At December 31, 2001	911,895	2,577,148	69,221	3,558,264
Additions	388,055	1,280,559	63,425	1,732,039
Additions from acquired subsidiary	2,495	20,478	5,947	28,920
Transfers	506	1,230	(1,736)	-
Disposals	(108,621)	(131,962)	(1,883)	(242,466)
At December 31, 2002	<u>1,194,330</u>	<u>3,747,453</u>	<u>134,974</u>	<u>5,076,757</u>
Accumulated depreciation				
At December 31, 2001	66,897	1,130,726	16,395	1,214,018
Depreciation expense	22,830	469,541	14,381	506,752
Additions from acquired subsidiary	55	9,124	2,004	11,183
Disposals	(1,426)	(98,536)	(2,847)	(102,809)
At December 31, 2002	<u>88,356</u>	<u>1,510,855</u>	<u>29,933</u>	<u>1,629,144</u>
Net book value				
At December 31, 2002	<u>1,105,974</u>	<u>2,236,598</u>	<u>105,041</u>	<u>3,447,613</u>
				2001
	Buildings	Furniture and equipment	Other	Total
At cost or valuation				
At December 31, 2000	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 December 31, 2000	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>

19 INTANGIBLE ASSETS, NET

	2002	2001
At cost		
Balance at beginning of the year	689,477	546,718
Additions	201,489	148,485
Additions from acquired subsidiary	2,776	–
Disposals	(14,008)	(5,726)
Balance at end of the year	<u>879,734</u>	<u>689,477</u>
Accumulated amortization		
Balance at beginning of the year	161,420	69,242
Amortisation charge	118,306	95,596
Additions from acquired subsidiary	1,194	–
Disposals	(9,763)	(3,418)
Balance at end of the year	<u>271,157</u>	<u>161,420</u>
Net book value		
Balance at end of the year	<u>608,577</u>	<u>528,057</u>

Intangible assets include software, patents and licences.

20 OTHER ASSETS, NET

	2002	2001
Interest receivable	10,433,539	9,811,115
Prepaid expenses	1,268,537	531,924
Other debtors	2,075,322	1,069,284
	<u>13,777,398</u>	<u>11,412,323</u>
Less provisions for interest receivable and other debtors	(2,835,006)	(2,181,676)
Other assets, net	<u>10,942,392</u>	<u>9,230,647</u>

Provisions for interest receivable are netted against interest income in the Bank's consolidated profit and loss account (see Note 3).

21 LOANS AND ADVANCES FROM BANKS

	2002	2001
Loans from banks and financial institutions, including:		
- Syndicated loan from a group of banks (due in December 2003, interest 4.18%)	23,377,500	15,020,000
- EBRD (due in 2003, interest 1.5-4.5%)	10,557,278	6,638,840
- Other	19,419,497	18,942,463
Loans from the NBRK	724,895	1,036,366
Loro accounts	449,085	1,262,603
Loans and advances from banks	<u>54,528,255</u>	<u>42,900,272</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 502,030 thousand and 584,737 thousand at December 31, 2002 and 2001, respectively, and funds received under Construction and Manufacturing Industries Programme from the European Bank for Reconstruction and Development in the amount of KZT 222,866 thousand and KZT 451,629 thousand at December 31, 2002 and 2001, respectively.

22 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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 trading securities portfolio of the Bank.

23 CUSTOMER ACCOUNTS

	Interest rate (%)	2002	Interest rate (%)	2001
Time deposits	0-13%	99,757,812	0-16%	74,188,084
Demand accounts	0-2%	38,654,476	0-2%	34,787,217
Customer accounts		<u>138,412,288</u>		<u>108,975,301</u>

24 DEBT SECURITIES ISSUED

	2002	2001
Eurobonds of Kazkommerts International B.V. (due in May 2007 coupon rate 10.125 %):		
Tranche A issued in May 2002 at price of 99.04	23,377,500	–
Tranche B issued in November 2002 and placed December 2002 at price of 107.00	7,792,500	–
	<u>31,170,000</u>	<u>–</u>
Less: Eurobonds repurchased by the Bank	<u>(1,555,850)</u>	<u>–</u>
Debt Securities issued	<u>29,614,150</u>	<u>–</u>

Eurobonds were issued in US dollars and represent KZT equivalent of nominal value of USD 200,000 thousand. Issuance was made by the Bank's subsidiary, Kazkommerts International B.V, and guaranteed by the Bank. Net premium of KZT 185,746 thousand (equivalent of USD 1,192 thousand) is recorded in other liabilities (see Note 26). Coupon payments are made semi-annually on 8 May and 8 November.

25 OTHER BORROWED FUNDS

	2002	2001
Funding from the Ministry of Finance of the Republic of Kazakhstan (weighted average interest rate 5.41 % and 5.79 % at December 31, 2002 and 2001, respectively)	1,594,937	2,049,268
Funding from Small Business Support Fund (weighted average interest rate 8.49 % and 8.17 % at December 31, 2002 and 2001, respectively)	2,952,022	3,172,317
Other borrowed funds	4,546,959	5,221,585

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 1,464,393 thousand and KZT 1,895,587 thousand at December 31, 2002 and 2001 respectively; and from the local divisions sources in the amount of KZT 130,544 thousand and KZT 132,115 thousand at December 31, 2002 and 2001, respectively.

Funding from the Small Business Support Fund is provided through the European Bank for Reconstruction and Development in the amount of KZT 2,587,110 thousand and KZT 2,253,000 thousand at December 31, 2002 and 2001, respectively; Asian Bank of Development in the amount of KZT 364,912 thousand and KZT 502,095 thousand at December 31, 2002 and 2001, respectively.

26 OTHER LIABILITIES

	2002	2001
Accrued interest payable	3,792,532	2,356,792
Provisions for guarantees and letters of credit	1,790,207	666,776
Deferred income tax liability	1,214,408	1,416,331
Insurance reserves of Kazkommerts Policy	420,504	269,704
Other taxes payable	336,819	300,430
Net premium on eurobonds of Kazkommerts International B.V.	185,746	–
Other	1,759,674	2,072,688
Other Liabilities	9,499,890	7,082,721

27 SUBORDINATED DEBT

Security	Maturity date	Interest rate (%)	2002	2001
Subordinated notes	2007	11%	3,062,997	2,941,815
Subordinated debt of Deutsche Investitions-und Entwicklungsgesellschaft	2008	9.31%	1,624,600	–
International subordinated bonds	2007	5.5%	1,324,725	–
Subordinated debt			<u>6,012,322</u>	<u>2,941,815</u>

The international subordinated bonds were issued in April 2002 in accordance with the Decision of Shareholders' Meeting (see Note 32). These bonds were issued in US dollars and represent the KZT equivalent of USD 8,500 thousand at 31 December 2002.

28 SHARE CAPITAL

As of 31 December 2002 and 2001 the Bank's share capital comprised the following:

	2002	2001
Authorized at December 31:		
Ordinary shares of KZT 10 each	3,750,000	3,750,000
Preference shares of KZT 10 each	<u>1,250,000</u>	<u>1,250,000</u>
	5,000,000	5,000,000
Issued and fully paid at December 31:		
Ordinary shares of KZT 10 each	2,942,201	2,942,201
Preference shares of KZT 10 each	<u>557,632</u>	<u>555,901</u>
	3,499,833	3,498,102
Repurchased back at December 31:		
Ordinary shares of KZT 10 each	<u>(145)</u>	<u>(411)</u>
	(145)	(411)
Total share capital authorized, issued and fully paid at December 31	<u>3,499,688</u>	<u>3,497,691</u>

At a special Shareholders Meeting held in July 2001 shareholders decided to increase Share 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 preference shares. The Bank intends to register ordinary shares emission prospectus and make a placement in the first quarter of 2003.

Ordinary share capital: Authorised 375,000,000 shares, issued and partially paid 294,220,100 shares of par value of KZT 10 at December 31, 2002 and 2001.

Preference share capital: Authorized issue of up to 125,000,000 of non-participating, non-convertible, non-cumulative preference shares. At December 31, 2002 the partially paid shares equalled to 55,763,155 shares of par value of KZT 10 each. At December 31, 2001 authorised issue of up to 125,000,000 shares and partially paid 55,590,138 shares of KZT 10 each, with dividend of up to USD 0.04 per share.

In 2002 the Meeting of Shareholders of the Bank took a decision to pay dividends on preference shares for 2002 in the total amount of KZT 346,626 thousand. The dividends were accrued and paid in 2002.

29 SEPARATE SUMMARIZED PROFIT AND LOSS ACCOUNTS FOR EACH OF THE THREE YEARS ENDING DECEMBER 31, 2002, 2001 and 2000 AND BALANCE SHEETS OF THE BANK ONLY AT DECEMBER 31, 2002 AND 2001

PROFIT AND LOSS ACCOUNTS

	2002	2001	2000
Interest income, net	22,492,166	17,443,830	12,283,580
Interest expense	<u>11,356,324</u>	<u>7,919,862</u>	<u>5,797,484</u>
Net interest income before provisions for loan losses	11,135,842	9,523,968	6,486,096
Provisions for loan losses	5,450,933	4,237,906	1,334,043
NET INTEREST INCOME	<u><u>5,684,909</u></u>	<u><u>5,286,062</u></u>	<u><u>5,152,053</u></u>
Fee and commission income	5,526,436	3,711,080	2,688,609
Fee and commission expense	(1,072,067)	(711,308)	(1,016,566)
Net gain on sale of trading securities	489,308	418,951	304,233
Net unrealised gain on trading securities	354,781	1,009,721	904,884
Unrealised gain/(loss) on securities available-for-sale	3,916,126	–	(1,427,000)
Realised (loss)/gain on securities available-for-sale	–	(1,415)	6,921
Equity income from associates	33,869	389,083	358,202
Equity income from subsidiaries	225,249	207,986	134,057
Net gain on foreign exchange operations	624,585	731,006	482,390
Net unrealised foreign exchange gain	554,300	606,603	602,047
Dividends received	443,990	–	–
Other income	88,686	66,502	814,687
NET NON-INTEREST INCOME	<u><u>11,185,263</u></u>	<u><u>6,428,209</u></u>	<u><u>3,852,464</u></u>
OPERATING INCOME	16,870,172	11,714,271	9,004,517
Operating expenses	<u>7,530,296</u>	<u>5,775,454</u>	<u>5,159,107</u>
INCOME BEFORE PROVISIONS/(RECOVERY) FOR LOSSES ON OTHER TRANSACTIONS AND INCOME TAX	9,339,876	5,938,817	3,845,410
Provisions /(recovery) for losses on other transactions	<u>1,136,657</u>	<u>395,007</u>	<u>(18,463)</u>
INCOME BEFORE INCOME TAX	8,203,219	5,543,810	3,863,873
Income tax expense/(recovery)	<u>224,456</u>	<u>254,909</u>	<u>(160,317)</u>
NET INCOME	<u><u>7,978,763</u></u>	<u><u>5,288,901</u></u>	<u><u>4,024,190</u></u>

BALANCE SHEETS OF THE BANK ONLY AT DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS		
Cash and balances with the National Bank of the Republic of Kazakhstan	19,024,089	11,451,823
Loans and advances to banks, net	43,270,143	17,427,104
Trading securities	19,473,456	13,060,871
Loans to customers, net	169,932,124	137,661,743
Securities available-for-sale	5,516,540	72,814
Investments in subsidiaries	1,153,352	679,608
Investments in associates	230,117	1,773,954
Fixed assets, net	3,275,442	2,299,546
Intangible assets, net	587,740	522,178
Other assets, net	10,007,052	8,753,859
	<u>272,470,055</u>	<u>193,703,500</u>
TOTAL ASSETS	<u>272,470,055</u>	<u>193,703,500</u>
LIABILITIES, SHARE CAPITAL AND RESERVES		
Loans and advances from banks	54,388,968	42,900,272
Securities sold under agreements to repurchase	–	1,562,460
Customer accounts	138,112,756	109,232,213
Debt securities issued	29,621,942	–
Other borrowed funds	4,546,959	5,221,585
Other liabilities	7,718,047	6,182,356
Subordinated debt	6,013,865	2,943,287
Dividends payable to shareholders	374	1,236,325
	<u>240,402,911</u>	<u>169,278,498</u>
TOTAL LIABILITIES	<u>240,402,911</u>	<u>169,278,498</u>
COMMITMENTS AND CONTINGENCIES	–	–
SHARE CAPITAL AND RESERVES:		
Share capital	3,499,833	3,498,102
Reserves	28,567,311	20,926,900
	<u>32,067,144</u>	<u>24,425,002</u>
TOTAL SHARE CAPITAL AND RESERVES	<u>32,067,144</u>	<u>24,425,002</u>
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES	<u>272,470,055</u>	<u>193,703,500</u>

30 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet. At December 31, 2002, the Bank had issued guarantees totalling KZT 18,951,094 thousand, had open letters of credit totalling KZT 18,465,695 thousand and had open forward contracts totalling KZT 3,604,380 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 1,790,207 thousand and KZT 666,776 thousand at December 31, 2002 and 2001, respectively (see note 26). The charge in respect of the provision for losses related to letters of credit and guarantees was KZT 1,123,431 thousand, KZT 379,620 thousand and KZT 124,489 thousand for the years ended December 31, 2002, 2001 and 2000, respectively (see note 8).

At December 31, 2002, 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	Over 5 years	Total
Guarantees	3,062,258	1,610,104	3,265,618	8,960,850	2,052,264	18,951,094
Letters of credit	4,528,845	11,206,760	1,944,611	785,479	–	18,465,695
Forward contracts	2,045,880	1,558,500	–	–	–	3,604,380
Option contract	3,117,000	–	1,558,500	–	–	4,675,500

The put options sold expired unexercised in January 2003, as a result of the restructuring of the debt instrument that they were linked to.

The Bank's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

31 COMMITMENTS AND CONTINGENCIES

Capital commitments - The Bank had no material commitments for capital expenditures outstanding at December 31, 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 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.

32 RELATED PARTY TRANSACTIONS

Related parties include entities that are shareholders, affiliates or entities under common management or control of the Bank. The below table summarises the turnover of loans and advances and deposits with these related parties.

	December 31, 2001	Total issued in 2002	Total paid in 2002	<u><i>KZT'000</i></u> December 31, 2002
Loans and advances	8,181,619	1,757,202	8,313,214	1,625,607
Deposits	1,021,611	5,705,232	5,773,614	953,229
	2002	2001		<u><i>KZT'000</i></u> 2000
Interest income	275,541	215,720		225,729
Interest expense	99,341	46,384		61,288

The significant decrease of the loans to related parties at December 31, 2002 relates to “Central Asian Industrial Investments N.V.” loan redemption in the amount of KZT 5,596,953 thousand and CJSC “Air Kazakhstan” loan write off in the amount of KZT 2,375,277 thousand. In accordance with the Decree #1004 of the Government of the Republic of Kazakhstan, regarding the signing of the Agreement of loan write off, as of September 13, 2002, between Government of the Republic of Kazakhstan and Bank, the Government pays KZT 2,390,700 thousand to the Bank for the belonging CJSC “Air Kazakhstan” 150,000 shares (50% of share capital) and Bank, in its turn, writes them off.

At December 31, 2002 and 2001 the Bank had outstanding guarantees issued for related parties for the amount of KZT 27,274 thousand and KZT 19,526 thousand, , and the letters of credit issued to related parties amounted to KZT 5,455 thousand and 108,935 thousand, respectively.

During 2002 and 2001, the Bank purchased and sold trading securities from and to related parties for the total amount of KZT 67,573 thousand and KZT 2,305,110 thousand, respectively.

Equity investments of the Bank in related companies amounted to KZT 147,529 thousand and KZT 110,048 thousand at December 31, 2002 and 2001, respectively.

In accordance with the decision of the Shareholders Meeting as of March 30, 2001 on distribution of dividends on common shares, in April 2002 the Bank issued international subordinated notes in the amount of KZT 1,324,725 thousand (Tenge equivalent of USD 8,500 thousand) and placed them among the shareholders of common shares pro rata basis (see Note 27).

At December 31, 2002, the interest free deposit was placed at the Bank’s subsidiary Kazkommerts International BV by Central Asian Industrial Holdings N.V. in the amount of KZT 5,143,050 thousand (Tenge equivalent of USD 33,000 thousand), which is recorded in customer accounts (see Note 23). This deposit was later pledged to secure a loan issued to Karakudukmunai company.

In 2002, the dividends on preference shares were declared and paid in the amount of KZT 346,626 thousand.

In 2002, the Bank’s subsidiary Kazkommerts Securities received from related parties KZT 31,078 thousand and KZT 13,728 thousand for placement of bonds and consulting services, respectively.

33 LARGE EXPOSURES

At December 31, 2002 and 2001 the Bank had loans to customers in excess of ten percent of equity to the following enterprises:

	2002	2001
Tolkynneftegaz holding	6,014,472	–
Prodcontract corporation	4,844,615	–
Golden Grain group holding	4,760,687	–
Kazpolmunai Holding	4,519,554	3,592,276
Ai-Dan holding	4,231,572	–
Assets Ltd	4,205,645	–
Almaty International Airport	3,994,142	3,609,791
Ordabasy corporation	3,879,845	–
Seimar Holding	3,750,303	3,234,498
ALIBI Holding	3,673,649	3,825,385
Kazakh Zangar trade center	3,436,710	–
Central Asian Holding	–	5,892,066
Ispat-Karmet	–	3,861,616
AMZ Holding	–	3,637,781
KGP Energoberejenie	–	3,512,048
Agrocenter Astana	–	3,465,569
Capital investments Ltd	–	3,418,852
Zhuldyz Holding	–	3,118,519
	<u>47,311,194</u>	<u>41,168,401</u>

34 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.

At December 31, 2002 and 2001, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

35 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, 2002 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 NBKR, and loans and advances to banks - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Trading 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.

Securities available-for-sale – Such securities are stated at fair value, determined with reference to market prices, or, in the event that such prices are not available, determined based on management's valuation.

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 nominal value. Premium and discounts are amortized over the life of an instrument, unamortized balances are offset and recorded in other assets or other liabilities section.

36 ACQUISITION OF SUBSIDIARY

In June 2002 the Bank acquired a controlling 73.84% stake in Kyrgyzavtobank, a commercial bank incorporated within the Republic of Kyrgyzstan. In December 2002 the name of this bank was changed to Kazkommertsbank Kyrgyzstan.

The assets and liabilities of this bank, at the date of acquisition were as follows:

Assets/ (Liabilities)	KZT'000
Cash and balances with the NBKR	475,784
Loans and advances to banks	40,481
Loans and advances to customers, net	168,244
Held-to-maturity securities	756
Available-for- sale securities	967
Fixed assets, net	17,305
Intangible assets, net	1,544
Other assets, net	45,441
Tax assets	855
Deposits from banks	(50,787)
Customer accounts	(424,938)
Other liabilities	(19,523)
Amounts owing to Ministry of Finance	(667)
Net assets	<u>255,462</u>
Goodwill	<u>(5,622)</u>
Consideration Paid	<u>249,840</u>

These assets were incorporated into the consolidated financial statements as of the date of acquisition. The purchase price of KZT 249,840 was paid for the shares acquired and the business was acquired as a going concern.

37 REGULATORY MATTERS

The Bank is subject to certain minimum capital and prudential requirements as defined by the NBRK. At December 31, 2002 and 2001, 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
At December 31, 2002				
Total capital	37,484,463	16.4%	18,321,433	8.0%
Tier 1 capital	24,080,153	10.5%	9,160,717	4.0%
At December 31, 2001				
Total capital	29,607,201	17.2%	13,746,566	8.0%
Tier 1 capital	19,126,002	11.1%	6,873,283	4.0%

38 POST BALANCE SHEET EVENTS

The Bank and EBRD had mutually agreed to EBRD's participation in the Bank's share capital. On March 5, 2003 the Board of Directors of EBRD approved the purchase of up to 15% of the unissued ordinary shares of the Bank during the first half of 2003.

By the end of 2003 the Bank intends to finalise the acquisition of 50% common shares of JSC Moskommertsbank, a commercial bank operating in the Russian Federation.

On November 15, 2002 the Bank has registered a new issuance of subordinated securities for KZT 7,500 mln. Subsequent to the reporting date, the Bank issued KZT 3,700 mln of these securities, with a coupon rate of 8% and maturity of 7 years.

39 RISK MANAGEMENT POLICY

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.

40 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.

	2002						
	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	Total
ASSETS							
Loans and advances to banks, net	43,575,280	–	–	–	–	(170,136)	43,405,144
Trading securities	1,924,299	1,256,413	11,215,700	6,031,369	5,668	–	20,433,449
Loans to customers, net	11,487,070	13,923,107	46,547,690	97,214,900	12,157,149	(11,242,456)	170,087,460
Securities available-for-sale	2,562,528	104,847	3,300,448	–	–	–	5,967,823
Securities held-to-maturity	–	–	–	188,152	–	–	188,152
Total interest earning assets	59,549,177	15,284,367	61,063,838	103,434,421	12,162,817	(11,412,592)	240,082,028
Cash and balances with National Banks	19,394,771	–	–	–	–	–	19,394,771
Investments in associates	–	–	–	–	285,917	–	285,917
Fixed assets, net	–	–	–	–	3,447,613	–	3,447,613
Intangible assets, net	–	–	–	–	608,577	–	608,577
Other assets, net	3,778,090	2,579,402	3,719,781	3,405,308	294,817	(2,835,006)	10,942,392
TOTAL ASSETS	82,722,038	17,863,769	64,783,619	106,839,729	16,799,741	(14,247,598)	274,761,298
LIABILITIES							
Loans and advances from banks	9,968,303	284,785	38,261,304	5,504,772	509,091	–	54,528,255
Debt securities issued	–	–	–	29,614,150	–	–	29,614,150
Customer accounts	54,531,114	23,753,871	40,408,715	19,718,545	43	–	138,412,288
Other borrowed funds	399	467	325,858	3,537,525	682,710	–	4,546,959
Subordinated debt	–	–	–	1,272,265	4,740,057	–	6,012,322
Total interest bearing liabilities	64,499,816	24,039,123	78,995,877	59,647,257	5,931,901	–	233,113,974
Other liabilities	1,557,925	960,358	2,892,101	664,387	1,214,408	2,210,711	9,499,890
Dividends payable	406	–	–	–	–	–	406
TOTAL LIABILITIES	66,058,147	24,999,481	81,887,978	60,311,644	7,146,309	2,210,711	242,614,270
Interest sensitivity gap	(4,950,639)	(8,754,756)	(17,932,039)	43,787,164	6,230,916	–	–
Cumulative interest sensitivity gap	(4,950,639)	(13,705,395)	(31,637,434)	12,149,730	18,380,646	–	–
Cumulative interest sensitivity gap as a percentage of total assets	(1.80%)	(4.99%)	(11.51%)	4.42%	6.69%	–	–
OFF-BALANCE SHEET COMMITMENTS							
Payable under forward deals	(2,045,880)	(1,558,500)	–	–	–	–	(3,604,380)
Receivable under forward deals	2,044,177	1,565,000	–	–	–	–	3,609,177
Interest sensitivity gap	(1,703)	6,500	–	–	–	–	–
Cumulative interest sensitivity gap	(1,703)	4,797	4,797	4,797	4,797	–	–
Aggregated cumulative interest sensitivity gap, balance sheet and off-balance sheet	(4,952,342)	(13,700,598)	(31,632,637)	12,154,527	18,385,443	–	–

41 CURRENCY ANALYSIS

	2002 KZT thousands					
	KZT	USD	EUR	Other currencies	Provisions	Total
		1 USD = 155.85 KZT	1 EUR = 162.46 KZT			
ASSETS						
Cash and balances with National Banks	8,613,309	9,734,538	666,027	380,897	–	19,394,771
Loans and advances to banks, net	121, 773	41,043,691	470,545	1,939,271	(170,136)	43,405,144
Trading securities	8,373,204	12,058,361	1,848	36	–	20,433,449
Loans to customers, net	43,992,601	131,649,095	5,595,330	92,890	(11,242,456)	170,087,460
Securities available-for-sale	5,899,761	68,062	–	–	–	5,967,823
Securities held-to-maturity	–	188,152	–	–	–	188,152
Investments in associates	285,917	–	–	–	–	285,917
Fixed assets, net	3,428,847	–	–	18,766	–	3,447,613
Intangible assets, net	592,880	–	–	15,697	–	608,577
Other assets, net	6,963,263	6,516,391	288,449	9,295	(2,835,006)	10,942,392
TOTAL ASSETS	78,271,555	201,258,290	7,022,199	2,456,852	(14,247,598)	274,761,298
LIABILITIES						
Loans and advances from banks	1,191,548	48,712,442	3,055,794	1,568,471	–	54,528,255
Customer accounts	35,859,377	100,395,367	1,318,849	838,695	–	138,412,288
Debt securities issued	–	29,614,150	–	–	–	29,614,150
Other borrowed funds	130,544	3,733,705	682,710	–	–	4,546,959
Other liabilities	3,186,159	4,035,043	53,276	14,701	2,210,711	9,499,890
Subordinated debt	–	4,387,722	1,624,600	–	–	6,012,322
Dividends payable to shareholders	374	–	–	32	–	406
TOTAL LIABILITIES	40,368,002	190,878,429	6,735,229	2,421,899	2,210,711	242,614,270
NET BALANCE SHEET POSITION	37,903,553	10,379,861	286,970	34,953		
OFF-BALANCE SHEET COMMITMENTS						
Payable under forward deals	–	(3,117,000)	(487,380)	–	–	(3,604,380)
Receivable under forward deals	3,124,000	485,177	–	–	–	3,609,177
OFF-BALANCE SHEET COMMITMENTS, NET	3,124,000	(2,631,823)	(487,380)	–		
TOTAL OPEN POSITION	41,027,553	7,748,038	(200,410)	34,953		

42 GEOGRAPHICAL ANALYSIS

2002
KZT thousands

	OECD countries	Non-OECD countries	Provisions	Total
ASSETS				
Cash and balances with National Banks	5,727,509	13,667,262	–	19,394,771
Loans and advances to banks, net	35,832,141	7,743,139	(170,136)	43,405,144
Trading securities	1,814,247	18,619,202	–	20,433,449
Loans to customers, net	178,760	181,151,156	(11,242,456)	170,087,460
Securities available-for-sale	1,848	5,965,975	–	5,967,823
Securities held-to-maturity	–	188,152	–	188,152
Investments in associates	–	285,917	–	285,917
Fixed assets, net	–	3,447,613	–	3,447,613
Intangible assets, net	–	608,577	–	608,577
Other assets, net	3,276,462	10,500,936	(2,835,006)	10,942,392
TOTAL ASSETS	46,830,967	242,177,929	(14,247,598)	274,761,298
LIABILITIES				
Loans and advances from banks	41,114,851	13,413,404	–	54,528,255
Customer accounts	6,107,669	132,304,619	–	138,412,288
Debt securities issued	29,614,150	–	–	29,614,150
Other borrowed funds	–	4,546,959	–	4,546,959
Other liabilities	882,423	6,406,756	2,210,711	9,499,890
Subordinated debt	4,687,597	1,324,725	–	6,012,322
Dividends payable to shareholders	–	406	–	406
TOTAL LIABILITIES	82,406,690	157,996,869	2,210,711	242,614,270
NET BALANCE SHEET POSITION	(35,575,723)	84,181,060		
OFF-BALANCE SHEET COMMITMENTS				
Payable under forward deals	(487,380)	(3,117,000)	–	(3,604,380)
Receivable under forward deals	485,177	3,124,000	–	3,609,177
OFF-BALANCE SHEET COMMITMENTS, NET	(2,203)	7,000		
TOTAL OPEN POSITION	(35,577,926)	84,188,060		