

**JOINT STOCK COMPANY  
KAZKOMMERTSBANK**

**Condensed Interim Consolidated Financial  
Information (Unaudited)**

For the six months ended 30 June 2007

**and Independent Auditors' Report on Review of  
Condensed Interim Financial Information**

# JOINT STOCK COMPANY KAZKOMMERTSBANK

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)**

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the accompanying independent auditors' report on review of condensed interim financial information, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the unaudited condensed interim consolidated financial information of Joint Stock Company Kazkommertsbank and its subsidiaries (the "Group").

Management is responsible for the preparation of the condensed interim consolidated financial information that present fairly the financial position of the Group as at 30 June 2007, and the results of its operations, cash flows and changes in equity for the six months ended 30 June 2007, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the condensed interim consolidated financial information, management is responsible for:

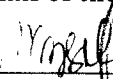
- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial information; and
- Preparing the condensed interim consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

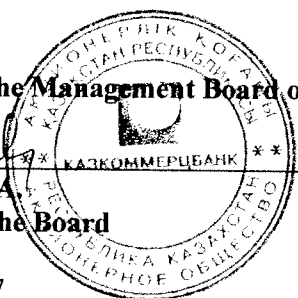
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial information of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.


The condensed interim consolidated financial information for the six months ended 30 June 2007 were authorised for issue on 14 August 2007 by the Management Board of JSC Kazkommertsbank.

On behalf of the **Management Board of the Bank:**

  
\_\_\_\_\_  
**Zhusupova N.A.**  
**Chairman of the Board**

14 August 2007  
Almaty



  
\_\_\_\_\_  
**Shoinbekova G.K.**  
**Chief Accountant**

14 August 2007  
Almaty

## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To the Shareholders of JSC Kazkommertsbank:

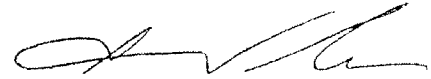
We have reviewed the accompanying condensed interim consolidated balance sheet of JSC "Kazkommertsbank" and subsidiaries (collectively – the "Group") as at 30 June 2007 and the related condensed interim consolidated income statements for the three-month and six-month period then ended and condensed interim statement of changes in equity and condensed interim cash flows for the six-month period then ended, and a summary of significant accounting policies and other selected explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2007, and of its financial performance for the three-month and six-month period then ended and its cash flows for the six-month period then ended in accordance with IFRS.

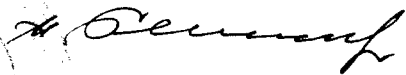
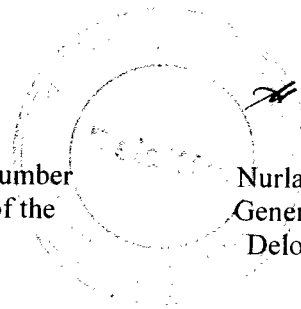


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DELOITTE, LLP

Deloitte, LLP

State license on auditing of the Republic of Kazakhstan Number  
0000015, type MFU-2, given by the Ministry of Finance of the  
Republic of Kazakhstan dated 13 September 2006



Nurlan Bekenov  
General Director  
Deloitte, LLP

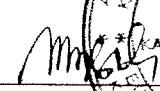
14 August 2007

# JOINT STOCK COMPANY KAZKOMMERTSBANK


## CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

	Notes	Three months ended 30 June 2007 (unaudited) (KZT million)	Three months ended 30 June 2006 (unaudited) (KZT million)	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
Interest income	5, 25	74,806	32,618	137,379	60,900
Interest expense	5, 25	(40,989)	(17,837)	(76,631)	(34,326)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>33,817</b>	<b>14,781</b>	<b>60,748</b>	<b>26,574</b>
Provisions for impairment losses on interest bearing assets	6, 25	(20,066)	(6,641)	(29,305)	(7,416)
<b>NET INTEREST INCOME</b>		<b>13,751</b>	<b>8,140</b>	<b>31,443</b>	<b>19,158</b>
Net gain/(loss) on financial assets at fair value though profit or loss	7	1,580	(2,449)	6,591	(3,155)
Net (loss)/gain on foreign exchange operations		481	2,814	(2,620)	3,987
Fee and commission income	8	6,883	4,031	12,000	7,270
Fee and commission expense	8	(627)	(424)	(1,118)	(770)
Dividends received		56	-	56	-
Other income		1,317	402	2,425	1,028
<b>NET NON-INTEREST INCOME</b>		<b>9,690</b>	<b>4,374</b>	<b>17,334</b>	<b>8,360</b>
<b>OPERATING INCOME</b>		<b>23,441</b>	<b>12,514</b>	<b>48,777</b>	<b>27,518</b>
<b>OPERATING EXPENSES</b>	9, 25	<b>(6,975)</b>	<b>(3,977)</b>	<b>(13,051)</b>	<b>(7,693)</b>
<b>OPERATING PROFIT</b>		<b>16,466</b>	<b>8,537</b>	<b>35,726</b>	<b>19,825</b>
(Provision)/reversal of provision for insurance and impairment losses on other transactions	6, 25	(312)	225	(624)	11
Reversal of provision/(provision) for guarantees and other off-balance sheet contingencies	6, 25	833	480	(721)	(34)
Share of results of associates		177	(5)	204	164
<b>PROFIT BEFORE INCOME TAX</b>		<b>17,164</b>	<b>9,237</b>	<b>34,585</b>	<b>19,966</b>
Income tax expense	10	(2,764)	230	(7,678)	(2,758)
<b>NET PROFIT</b>		<b>14,400</b>	<b>9,467</b>	<b>26,907</b>	<b>17,208</b>
Attributable to:					
Equity holders of the parent		13,149	9,136	25,149	16,474
Minority Interest		1,251	331	1,758	734
		<b>14,400</b>	<b>9,467</b>	<b>26,907</b>	<b>17,208</b>
<b>EARNINGS PER SHARE</b>	11	<b>30.65</b>	<b>24.34</b>	<b>58.62</b>	<b>43.89</b>
<i>Basic and diluted (KZT)</i>					

On behalf of the Management Board of the Bank:

  
Zhusupova N.A.  
Chairman of the Board

14 August 2007  
Almaty

  
Shoinbekova G.K.  
Chief Accountant

14 August 2007  
Almaty


The notes on pages 9-37 form an integral part of the condensed interim consolidated financial information. The Independent Auditors' Report on Review of Interim Financial Information is on pages 2-3.

# JOINT STOCK COMPANY KAZKOMMERTSBANK


## CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007 (UNAUDITED)

	Notes	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
<b>ASSETS:</b>			
Cash and balances with national (central) banks	12	162,572	209,005
Precious metals		-	807
Financial assets at fair value through profit or loss	13	273,088	322,618
Loans and advances to banks	14	188,115	197,191
Loans to customers	15, 25	2,372,658	1,678,840
Investments available-for-sale		2,976	2,628
Investments held to maturity		400	357
Investments in associates		1,959	1,755
Goodwill		2,405	2,405
Property, equipment and intangible assets		27,105	15,681
Other assets	16	11,611	13,015
<b>TOTAL ASSETS</b>	<b>26</b>	<b>3,042,889</b>	<b>2,444,302</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Loans and advances from banks	17	831,077	884,301
Customer accounts	18, 25	951,015	687,806
Derivative financial instruments	13	6,243	3,554
Debt securities issued	19	680,742	424,162
Other borrowed funds	20	136,843	68,814
Provisions	6	7,950	6,758
Deferred income tax liabilities	10	23,332	17,471
Dividends payable on preference shares		303	1
Other liabilities	21, 25	8,692	8,587
		2,646,197	2,101,454
Subordinated debt	22	104,090	78,922
<b>Total liabilities</b>	<b>26</b>	<b>2,750,287</b>	<b>2,180,376</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the parent:			
Share Capital		6,997	6,995
Share premium		152,766	152,534
Property revaluation reserve		6,088	2,436
Reserves		109,939	86,689
<b>Total equity attributable to equity holders of the parent</b>		<b>275,790</b>	<b>248,654</b>
Minority interest		16,812	15,272
<b>Total equity</b>		<b>292,602</b>	<b>263,926</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,042,889</b>	<b>2,444,302</b>

On behalf of the Management Board of the Bank:

  
**Zhushupova N.A.**  
**Chairman of the Board**

14 August 2007  
 Almaty

  
**Shoinbekova G.K.**  
**Chief Accountant**

14 August 2007  
 Almaty

The notes on pages 9-37 form an integral part of the condensed interim consolidated financial information. The Independent Auditors' Report on Review of Interim Financial Information is on pages 2-3.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

	Share capital	Share premium	Investments available-for-sale fair value reserve*	Reserve for exchange differences on translation of foreign operations*	Property revaluation reserve	Retained earnings*	Total equity attributable to equity holders of the parent	Minority interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2005	4,996	15,902	1	3	1,520	58,873	81,295	6,976	88,271
Share capital increase of									
- ordinary shares	32	597	-	-	-	-	629	-	629
Repurchase of own shares	(1)	(20)	-	-	-	-	(21)	-	(21)
Property revaluation reserve	-	-	-	-	940	-	940	-	940
Depreciation of property revaluation reserve	-	-	-	-	(12)	12	-	-	-
Unrealized gains on revaluation of investments available-for-sale	-	-	107	-	-	-	107	-	107
Realized gain on revaluation of available-for-sale investments	-	-	(32)	-	-	-	(32)	-	(32)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(403)	(403)
Net profit	-	-	-	-	-	16,474	16,474	734	17,208
<b>30 June 2006 (unaudited)</b>	<b>5,027</b>	<b>16,479</b>	<b>76</b>	<b>3</b>	<b>2,448</b>	<b>75,359</b>	<b>99,392</b>	<b>7,307</b>	<b>106,699</b>
31 December 2006	6,995	152,534	40	76	2,436	86,573	248,654	15,272	263,926
Share capital increase of									
- ordinary shares	1	61	-	-	-	-	62	-	62
Sale of own shares	1	171	-	-	-	-	172	-	172
Property revaluation reserve	-	-	-	-	5,243	-	5,243	-	5,243
Depreciation of property revaluation reserve	-	-	-	-	(1,591)	1,591	-	-	-
Unrealized loss on revaluation of investments available-for-sale	-	-	(9)	-	-	-	(9)	-	(9)
Exchange differences on translation of foreign operations	-	-	-	(93)	-	(3,388)	(3,481)	(218)	(3,699)
Net profit	-	-	-	-	-	25,149	25,149	1,758	26,907
<b>0 June 2007 (unaudited)</b>	<b>6,997</b>	<b>152,766</b>	<b>31</b>	<b>(17)</b>	<b>6,088</b>	<b>109,925</b>	<b>275,790</b>	<b>16,812</b>	<b>292,602</b>

\*The amounts included within the Investments available-for-sale fair value reserve, Investments revaluation reserve columns and Retained earnings, in the above table, are included within "Reserves" in the Balance sheet.

On behalf of the Management Board of the Bank:

Zhusupova N.A.  
Chairman of the Board

14 August 2007  
Almaty



Shoinbekova G.K.  
Chief Accountant

14 August 2007  
Almaty

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# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

	Notes	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		34,585	19,966
Adjustments for:			
Provision for impairment losses on interest bearing assets	6	29,305	7,416
Provision for impairment losses on other transactions	6	53	28
Provision/(reversal of provision) for insurance and guarantees and other off-balance contingencies	6	1,291	(5)
Amortization of discount on financial assets at fair value through profit or loss		(1,748)	(83)
Amortization of discount on investments held to maturity		(9)	1
Amortization of discount on debt securities issued		147	58
Depreciation and amortization	9	1,220	847
Change in interest accruals, net		(6,017)	(4,603)
Unrealized foreign exchange gain/(loss)		(1,458)	1,733
Share of results of associates		(204)	(164)
Net gain on sale of property, equipment and intangible assets		1	1
Net change in fair value of financial assets at fair value though profit or loss		(10,637)	(2,811)
Cash inflow from operating activities before changes in operating assets and liabilities		46,529	22,384
Changes in operating assets and liabilities (Increase)/decrease in operating assets:			
Minimum reserve deposit with Central Bank of Russian Federation		(726)	(299)
Minimum reserve deposit with National Bank of the Republic of Kazakhstan		(17,861)	(23,049)
Precious metals		807	-
Financial assets at fair value through profit or loss		61,458	3,428
Loans and advances to banks		27,371	14,117
Loans to customers		(742,472)	(259,626)
Other assets		1,349	(660)
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		(48,492)	(17,404)
Customer accounts		287,054	99,419
Other borrowed funds		67,840	12,039
Other liabilities		7,869	1,853
Cash outflow from operating activities before taxation		(309,274)	(147,798)
Income tax paid		(1,818)	(1,350)
Net cash outflow from operating activities		(311,092)	(149,148)

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

	Notes	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets		(10,883)	(2,555)
Proceeds on sale of investments available-for-sale		56	706
Purchase of investments available-for-sale		(415)	(2,281)
Proceeds on maturity of investments held to maturity		1,151	247
Purchase of investments held to maturity		(1,185)	(144)
Purchase of subsidiaries, excluding cash acquired by the company		-	(35)
Net cash outflow from investing activities		<u>(11,276)</u>	<u>(4,062)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issue of ordinary share capital		61	629
Proceeds from sale/(repurchase) of own shares		173	(21)
Proceeds from debt securities issued		279,626	31,738
Repayment of debt securities issued		(25,230)	-
Proceeds from subordinated debt		25,065	-
Repayment of subordinated debt		(21)	(4,485)
Net cash inflow from financing activities		<u>279,674</u>	<u>27,861</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(42,694)	(125,349)
CASH AND CASH EQUIVALENTS, beginning of period	12	114,215	210,415
Effect of changes in foreign exchange rate on cash and cash equivalents		<u>(589)</u>	<u>(738)</u>
CASH AND CASH EQUIVALENTS, end of period	12	<u>70,932</u>	<u>84,328</u>


Interest paid and received by the Group in cash during the six months ended 30 June 2007 amounted to KZT 66,508 million (30 June 2006: KZT 34,355 million) and KZT 120,189 million (30 June 2006: KZT 55,334 million)

On behalf of the Management Board of the Bank:

  
Zhustipova N.A.  
Chairman of the Board

14 August 2007  
Almaty



  
Shoinkova G.K.  
Chief Accountant

14 August 2007  
Almaty

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# JOINT STOCK COMPANY KAZKOMMERTSBANK

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

### 1. ORGANISATION

JSC Kazkommertsbank (the “Bank”) is a joint stock bank and operates in the Republic of Kazakhstan since 1990. The Bank conducts its operations under the license № 48 issued by the National Bank of the Republic of Kazakhstan (“NBRK”). The Bank’s primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin str., Almaty, Republic of Kazakhstan.

The Bank has 24 branches in the Republic of Kazakhstan, and a representative office in London (Great Britain) and Dushanbe (Tajikistan).

The Bank is a parent company of the banking group (the “Group”) which consists of the following enterprises consolidated in the condensed interim consolidated financial information:

Name	Country of operation	The Bank ownership interest		Type of operation
		30 June 2007	31 December 2006	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card and related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	Investment management of pension assets
LLP Kazkommerts RFCA	Republic of Kazakhstan	100%	-	Securities market transactions on the Regional Financial Center of Almaty special trade floor
JSC Kazkommerts Life	Republic of Kazakhstan	100%	-	Life insurance
JSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	93.58%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	80.01%	80.01%	Pension fund
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	65%	65%	Insurance

On 11 January 2007, one of the Bank’s subsidiaries LLP “Kazkommertsbank RFC” started its operations. The Company received a license #0401201454 dated 2 March 2007 from the FMSA.

Notwithstanding that as at reporting date, the Bank had no ownership in the share capital of LLP Moskommertsbank (“MKB”), a commercial bank in the Russian Federation, MKB was included in the consolidated financial information of the Group since the Bank was able to and exercised effective control over its activity.

In 2003, shareholders of MKB and the Bank entered into agreements of trust management over 60.04% of the share capital of MKB, in which the Bank effectively obtained control over 60.04% of the shares. Concurrent with this the shareholders of MKB (with an ownership interest of 39.96%) agreed that they would have no involvement in establishing policy for MKB.

In September 2006, the Bank and shareholders of MKB cancelled the trust management agreement relating to 2.6% of the share capital of MKB, decreasing the trust management percentage from 60.04% to 57.44%. In the fourth quarter of 2006 MKB increased its charter capital by 750 million Russian roubles (KZT 3,608 million at the average exchange rate effective in the fourth quarter of 2006) and additional paid-in capital of 562.5 million Russian roubles (KZT 2,706 million at the average exchange rate effective in the fourth quarter of 2006).

On 15 December 2006, the Board of Directors of the Bank approved an informal agreement between the Bank and the existing shareholders of MKB for the acquisition of 52.11% interest in the share capital of MKB and for obtaining the remaining 47.89% interest in trust management. Permission on acquisition was received from the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations (“FMSA”). On 12 April 2007, the Bank received permission # 03-28-012/25710 from the Central Bank of Russian Federation regarding the acquisition of a 52.11% interest in the share capital of MKB.

On 24 July 2007, the Group purchased 52.11% of the share capital of MKB. The fair value of the net assets acquired in the transaction will be reviewed by the Bank and disclosed in the consolidated financial statements for the year ended 31 December 2007.

## **2. BASIS OF PRESENTATION**

### **Accounting basis**

The condensed interim consolidated financial information of the Group have been prepared in accordance with International Accounting Standard № 34 “Interim Financial Reporting”. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial information have been omitted or condensed. The condensed interim consolidated financial information should be read in conjunction with the consolidated financial information and with selective notes to the consolidated financial information of the Group for the year ended 31 December 2006.

The condensed interim consolidated financial information have been prepared on the accrual basis of accounting under the historical cost convention, except for the revaluation of property and the cost of financial assets and liabilities modified for the measurement at fair value of investments available-for-sale, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

The preparation of the condensed interim consolidated financial information in conformity with International Financial Reporting Standards (“IFRS”) requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the date of the financial information, 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 impairment loss provisions on loans and investments, determination of the fair value of financial instruments and determination of the deferred tax liabilities.

Although the condensed interim consolidated financial information are unaudited, they do reflect all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim periods. All such adjustments to the financial information 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.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of consolidation**

In preparing these condensed interim consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the consolidated financial information of the Group for the year ended 31 December 2006.

## **4. RECLASSIFICATIONS**

Certain reclassifications have been made to the condensed interim consolidated financial information as at 30 June 2006 and for the six months then ended to conform to the presentation as at 30 June 2007 and for the six months then ended as the current period presentation provides a better view of the financial position of the Group. These reclassifications are not material in nature and have no impact on the financial results of the Group.

## 5. NET INTEREST INCOME

	Three months ended 30 June 2007 (unaudited) (KZT million)	Three months ended 30 June 2006 (unaudited) (KZT million)	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
<b>Interest income</b>				
Interest income on loans to customers and on reverse repurchase agreements:				
- loans to customers	66,587	27,925	119,870	52,002
- reverse repurchase agreements	771	231	1,569	459
Interest on debt securities	2,226	2,015	5,084	3,811
Interest income on loans and advances to banks and on reverse repurchase agreements:				
- loans and advances to banks	2,353	1,153	5,046	2,726
- reverse repurchase agreements	174	43	417	64
Amortization of discount on loans	2,695	1,251	5,393	1,838
<b>Total interest income</b>	<b>74,806</b>	<b>32,618</b>	<b>137,379</b>	<b>60,900</b>
<b>Interest expense</b>				
Interest on debt securities issued	15,056	8,398	27,850	16,309
Interest expense on customer accounts and repurchase agreements:				
- customer accounts	12,937	3,772	23,751	7,269
- repurchase agreements	23	205	44	241
Interest expense on loans and advances from banks and repurchase agreements:				
- loans and advances from banks	6,696	1,490	15,808	5,464
- repurchase agreements	1,070	368	2,467	435
Dividends on preference shares	150	147	299	311
Interest expense on securitization program	1,648	1,905	2,734	2,619
Other interest expense	3,409	1,552	3,678	1,678
<b>Total interest expense</b>	<b>40,989</b>	<b>17,837</b>	<b>76,631</b>	<b>34,326</b>
Net interest income before provision for impairment losses on interest bearing assets	33,817	14,781	60,748	26,574

## 6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

	Loans and advances to banks (KZT million)	Loans to customers (KZT million)	Total (KZT million)
31 March 2006	694	42,404	43,098
(Reversal of provision)/provision	(406)	7,047	6,641
Write-off of assets	-	(5)	(5)
Exchange rate difference	(2)	(2,109)	(2,111)
30 June 2006 (unaudited)	<u>286</u>	<u>47,337</u>	<u>47,623</u>
31 March 2007	551	82,138	82,689
Provision	349	19,717	20,066
Write-off of assets	-	(299)	(299)
Recoveries of assets previously written-off	-	3	3
Exchange rate difference	(8)	(779)	(787)
30 June 2007 (unaudited)	<u>892</u>	<u>100,780</u>	<u>101,672</u>

	Loans and advances to banks (KZT million)	Loans to customers (KZT million)	Total (KZT million)
31 December 2005	1,245	42,162	43,407
(Reversal of provision)/provision	(957)	8,373	7,416
Write-off of assets	-	(132)	(132)
Exchange rate difference	(2)	(3,066)	(3,068)
30 June 2006 (unaudited)	<u>286</u>	<u>47,337</u>	<u>47,623</u>
31 December 2006	857	73,936	74,793
Provision	65	29,240	29,305
Write-off of assets	-	(408)	(408)
Recoveries of assets previously written-off	-	8	8
Exchange rate difference	(30)	(1,996)	(2,026)
30 June 2007 (unaudited)	<u>892</u>	<u>100,780</u>	<u>101,672</u>

The movements in insurance provisions and allowances for impairment losses on other transactions were as follows:

	Insurance provisions (KZT million)	Other assets (KZT million)	Total (KZT million)
31 March 2006	2,527	138	2,665
Reversal of provision	(221)	(4)	(225)
Write-off of assets	-	(20)	(20)
Exchange rate difference	-	(4)	(4)
30 June 2006 (unaudited)	<u>2,306</u>	<u>110</u>	<u>2,416</u>
31 March 2007	2,969	162	3,131
Provision	305	7	312
Write-off of assets	-	(26)	(26)
Recoveries of assets previously written off	-	17	17
Exchange rate difference	-	1	1
30 June 2007 (unaudited)	<u>3,274</u>	<u>161</u>	<u>3,435</u>

	<b>Insurance provisions (KZT million)</b>	<b>Other assets (KZT million)</b>	<b>Total (KZT million)</b>
31 December 2005	2,345	131	2,476
(Reversal of provision)/provision	(39)	28	(11)
Write-off of assets	-	(45)	(45)
Exchange rate difference	-	(4)	(4)
30 June 2006 (unaudited)	<u>2,306</u>	<u>110</u>	<u>2,416</u>
31 December 2006	2,703	117	2,820
Provision	571	53	624
Write-off of assets	-	(29)	(29)
Recoveries of assets previously written-off	-	18	18
Exchange rate difference	-	2	2
30 June 2007 (unaudited)	<u>3,274</u>	<u>161</u>	<u>3,435</u>

The movements in provision for guarantees and other off-balance sheet contingencies were as follows:

	<b>2007 (KZT million)</b>	<b>2006 (KZT million)</b>
31 March	5,548	3,015
Reversal of provision	(833)	(480)
Exchange difference	(39)	(175)
30 June (unaudited)	<u>4,676</u>	<u>2,360</u>
	<b>2007 (KZT million)</b>	<b>2006 (KZT million)</b>
1 January	4,055	2,589
Provision	721	34
Exchange difference	(100)	(263)
30 June (unaudited)	<u>4,676</u>	<u>2,360</u>
	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006 (KZT million)</b>
Insurance provisions	3,274	2,703
Provision for guarantees and other off-balance sheet contingencies	<u>4,676</u>	<u>4,055</u>
Total provisions	<u>7,950</u>	<u>6,758</u>



**7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Three months ended 30 June 2007 (unaudited) (KZT million)	Three months ended 30 June 2006 (unaudited) (KZT million)	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
Debt securities	724	(315)	443	(1,607)
Equity investments	(399)	(1,133)	479	139
Derivative financial instruments	1,255	(1,001)	5,669	(1,687)
Total net gain/(loss) on financial assets at fair value through profit or loss	<u>1,580</u>	<u>(2,449)</u>	<u>6,591</u>	<u>(3,155)</u>

**8. FEE AND COMMISSION INCOME AND EXPENSE**

	Three months ended 30 June 2007 (unaudited) (KZT million)	Three months ended 30 June 2006 (unaudited) (KZT million)	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
<b>Fee and commission income:</b>				
Cash operations	2,164	1,155	3,653	2,004
Documentary operations	1,367	868	2,576	1,584
Foreign exchange and securities operations	1,216	592	2,047	1,068
Settlements	748	539	1,377	1,071
Plastic cards operations	750	429	1,349	780
Encashment operations	64	38	115	70
Other	574	410	883	693
Total fee and commission income	<u>6,883</u>	<u>4,031</u>	<u>12,000</u>	<u>7,270</u>
<b>Fee and commission expense:</b>				
Plastic cards services	275	167	487	307
Insurance activity	189	84	358	177
Foreign exchange and securities operations	54	30	99	59
Correspondent bank services	37	-	66	51
NBRK computation center services	22	21	42	42
Documentary operations	6	32	12	33
Other	44	90	54	101
Total fee and commission expense	<u>627</u>	<u>424</u>	<u>1,118</u>	<u>770</u>

## 9. OPERATING EXPENSES

	Three months ended 30 June 2007 (unaudited) (KZT million)	Three months ended 30 June 2006 (unaudited) (KZT million)	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZT million)
Staff costs	3,703	1,916	6,976	3,941
Depreciation and amortization	652	439	1,220	847
Operating lease	607	223	928	431
Payments to the Deposit Insurance Fund	443	94	774	178
Advertising costs	268	186	501	379
Property and equipment maintenance	265	173	464	289
Value added tax	129	203	329	310
Communication	161	122	302	217
Business trip expenses	159	74	252	126
Training	116	62	179	78
Taxes, other than income tax	86	37	156	80
Security services	82	45	149	78
Vehicle maintenance	69	47	130	91
Bank cards services	59	47	123	82
Consulting and audit services	-	48	122	82
Stationery	55	48	89	66
Sundry equipment	40	41	40	41
Charity and sponsorship expenses	7	8	39	46
Mail and courier expenses	19	25	34	35
Representative expenses	11	10	27	18
Cash collection expenses	12	8	12	8
Legal services	10	11	10	11
Expenses on periodicals	7	9	7	9
Fines and fees	1	2	1	2
Other expenses	14	99	187	248
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	<u>6,975</u>	<u>3,977</u>	<u>13,051</u>	<u>7,693</u>

## 10. INCOME TAXES

Tax effect of temporary differences as at 30 June 2007 and 31 December 2006 comprise:

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
<b>Deferred income tax assets:</b>		
Losses on operations with securities	1,309	-
Bonuses accrued	-	325
Unamortized commission for loans issued	282	191
Provision for unearned premium, net of reinsurance	-	123
Unrealized revaluation of investments	31	10
Other assets	531	34
	<u>2,153</u>	<u>683</u>
Total deferred income tax assets	<u>2,153</u>	<u>683</u>
<b>Deferred income tax liabilities:</b>		
Allowance for losses on loans and advances to banks and customers	17,318	13,662
Unrealized revaluation of investments	4,854	1,530
Property, equipment and intangible assets	2,563	1,583
Investments in associates	484	201
Provision on guarantees and letters of credit	266	1,167
Other liabilities	-	11
	<u>25,485</u>	<u>18,154</u>
Total deferred income tax liabilities	<u>25,485</u>	<u>18,154</u>
Net deferred income tax liabilities	<u>23,332</u>	<u>17,471</u>

Relationships between tax expenses and accounting profit for the six months ended 30 June 2007 and 30 June 2006 are explained as follows:

	Three months ended 30 June 2007 (unaudited) (KZT million)	Three months ended 30 June 2006 (unaudited) (KZT million)	Six months ended 30 June 2007 (unaudited) (KZT million)	Six months ended 30 June 2006 (unaudited) (KZTmillion)
Profit before income tax	<u>17,164</u>	<u>9,237</u>	<u>34,585</u>	<u>19,966</u>
Tax at the statutory tax rate (30%)	5,149	2,771	10,376	5,990
Tax exempt interest income on mortgage loans and financial leasing	(1,587)	(3,231)	(1,885)	(3,533)
Tax exempt interest income and other related income on state and quoted securities listed with "A" and "B" ratings	(439)	(363)	(573)	(538)
Other tax exempt income	(526)	(23)	(544)	(32)
Provisions on loans to related parties and financial leasing	346	491	346	491
Non deductible interest expense	35	134	74	220
SPV Moscow Stars expenses paid to organizers	28	-	28	-
Dividends on preferred shares	1	44	90	93
Prior year corrections	21	6	21	6
Other non deductible expenditures	(57)	(55)	122	16
Tax effect on income of subsidiaries taxed at different rates	(207)	(4)	(377)	45
	<u>2,764</u>	<u>(230)</u>	<u>7,678</u>	<u>2,758</u>
Income tax expense	<u>2,764</u>	<u>(230)</u>	<u>7,678</u>	<u>2,758</u>
Current income tax expense	596	1,000	2,766	2,420
Deferred income tax expense	<u>2,168</u>	<u>(1,230)</u>	<u>4,912</u>	<u>338</u>
Income tax expense	<u>2,764</u>	<u>(230)</u>	<u>7,678</u>	<u>2,758</u>

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006 (KZT million)</b>
<b>Deferred income tax liabilities</b>		
1 January	17,471	8,290
Increase in property and equipment revaluation reserve	949	407
Deferred income tax expense	<u>4,912</u>	<u>8,774</u>
Deferred income tax liabilities	<u><u>23,332</u></u>	<u><u>17,471</u></u>

## 11. EARNINGS PER SHARE

	<b>Three months ended 30 June 2007 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2006 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2007 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2006 (unaudited) (KZT million)</b>
Net profit for the period attributable to equity holders of the parent	13,149	9,136	25,149	16,474
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>429,010,008</u>	<u>375,363,090</u>	<u>428,988,300</u>	<u>375,367,178</u>
Earnings per share – basic and diluted (KZT)	<u><u>30.65</u></u>	<u><u>24.34</u></u>	<u><u>58.62</u></u>	<u><u>43.89</u></u>

## 12. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006 (KZT million)</b>
Cash on hand	27,000	31,100
Balances with national (central) banks	<u>135,572</u>	<u>177,905</u>
Total cash and balances with the national (central) banks	<u><u>162,572</u></u>	<u><u>209,005</u></u>

The balances with the Central Bank of the Russian Federation (“CBR”) as at 30 June 2007 include KZT 2,438 million (31 December 2006: KZT 1,712 million), which represents the permanent minimum reserve deposits required by the CBR. The Group is required to maintain the reserve balance at the CBR at all times.

Cash balances in the NBRK accounts and hard cash as at 30 June 2007 include KZT 152,862 million (31 December 2006: KZT 135,001 million), which represents the minimum reserve deposits required by the NBRK. The Group is required to maintain cash in KZT and cash in correspondent accounts in the NBRK, in compliance with minimum reserve requirements.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	30 June 2007 (unaudited) (KZT million)	30 June 2006 (unaudited) (KZT million)	31 December 2006 (KZT million)
Cash and balances with national (central) banks	162,572	113,990	209,005
Loans and advances to banks in OECD countries	63,660	11,387	41,923
Less minimum reserve deposit with the NBRK	(152,862)	(40,110)	(135,001)
Less minimum reserve deposit with the CBR	<u>(2,438)</u>	<u>(939)</u>	<u>(1,712)</u>
Total cash and cash equivalents	<u>70,932</u>	<u>84,328</u>	<u>114,215</u>

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Debt securities	245,740	309,405
Equity investments	8,121	6,126
Derivative financial instruments	<u>19,227</u>	<u>7,087</u>
	<u>273,088</u>	<u>322,618</u>

	Interest to nominal	30 June 2007 (unaudited) (KZT million)	Interest to nominal	31 December 2006 (KZT million)
<b>Debt securities:</b>				
Bonds of international financial organizations	1.21-17.50%	196,916	1.10-17.5%	217,362
Bonds of Kazakhstani companies	8-11.10%	21,929	8.0-11.30%	18,230
Bonds of Russian companies	7.20-13.80%	7,214	7.95-13.30%	5,321
Bonds of Kazakhstani banks	8-10.90%	4,476	6.8-10.9%	17,378
Eurobonds of OECD countries	3.60%	3,957	3,60%	8,233
Short-term NBRK notes	5.52-6.37%	3,686	5,04%	34,895
Eurobonds of Kazakhstani banks	7.88-9.0%	3,062	7.88-9.0%	2,332
Bonds of local executive bodies of the Russian Federation	7.95-13.30%	2,070	7.20-10.90%	1,496
Bonds of federal loan of the Ministry of Finance of the Russian Federation	6.30-10.0%	1,174	6.3-10.0%	1,392
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	11,13%	1,052
State treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.78-6.68%	1,037	3.78-6.68%	998
Bonds of Development Bank of Kazakhstan	-	-	6.5-7.125%	476
Bonds of Atyrau local executive bodies	8.50%	<u>219</u>	8,50%	<u>240</u>
		<u>245,740</u>		<u>309,405</u>

	Ownership share	30 June 2007 (unaudited) (KZT million)	Ownership share	31 December 2006 (KZT million)
<b>Equity investments:</b>				
ADR of Kazakhstani companies	0.65%	3,152	0.57%	2,342
GDR of Kazakhstani companies	0.247%	2,758	0.10%	1,148
Shares of Kazakhstani companies	0.0013%-0.402%	824	0.016%-0.391%	2,498
GDR of Russian banks	0.07%	707	-	-
Shares of Kazakhstani banks	0.0007%-0.37%	589	0.003%-0.013%	64
Shares of Russian companies	0.0001%-0.001%	75	0.0001%-0.12%	74
Shares of Russian bank	0.0001%	16	-	-
		<u>8,121</u>		<u>6,126</u>

As at 30 June 2007, included in financial assets at fair value through profit or loss is accrued interest income on debt securities amounting to KZT 1,104 million (31 December 2006: KZT 1,816 million)

As at 30 June 2007, financial assets at fair value through profit or loss included bonds of local executive bodies of the Russian Federation, bonds of Kazakhstani and Russian companies, banks, and international financial organizations are pledged under repurchase agreements with other banks/customers with a fair value of KZT 205,171 million (31 December 2006: KZT 262,008 million).

As at 30 June 2007 and 31 December 2006 all the repurchase agreements mature in October 2007 and January 2007, respectively (Note 17, 18).

	Nominal value	30 June 2007 Net fair value (unaudited) (KZT million)		Nominal value	31 December 2006 Net fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
<b>Derivative financial instruments</b>						
<i>Foreign exchange contracts</i>						
Interest swap	290,887	6,311	(3,036)	128,055	2,284	(2,544)
Forward contracts	137,219	1,696	(1,238)	72,480	728	(130)
Foreign exchange swap	111,511	11,220	(1,969)	29,704	4,075	(876)
<i>Securities purchase/sale contracts</i>						
Forward contracts		-	-	610	-	(4)
		<u>19,227</u>	<u>(6,243)</u>		<u>7,087</u>	<u>(3,554)</u>

#### 14. LOANS AND ADVANCES TO BANKS

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Loans and advances to banks	146,601	122,266
Correspondent accounts with other banks	40,448	30,277
Loans under reverse repurchase agreements	<u>1,958</u>	<u>45,505</u>
	189,007	198,048
Less allowance for impairment losses	<u>(892)</u>	<u>(857)</u>
Total loans and advances to banks	<u>188,115</u>	<u>197,191</u>

Movements in allowances for impairment losses on loans and advances to banks for the six months ended 30 June 2007 and 30 June 2006 are disclosed in Note 6.

As at 30 June 2007, loans and advances to banks included accrued interest of KZT 3,112 million (31 December 2006: KZT 860 million).

The fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 30 June 2007 and 31 December 2006 comprised:

	<b>30 June 2007 (unaudited) (KZT million)</b>		<b>31 December 2006 (KZT million)</b>	
	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>
Shares of Kazakhstani banks	2,686	1,936	817	760
Shares of Kazakhstani companies	23	22	4,940	3,254
Notes of the NBRK	-	-	26,318	25,010
Bonds of Kazakhstani banks	-	-	8,667	7,100
Bonds of Kazakhstani companies	-	-	6,127	5,042
Bonds of Ministry of Finance of the Republic of Kazakhstan	-	-	4,763	4,339
Total loans under reverse repurchase agreements	<u>2,709</u>	<u>1,958</u>	<u>51,632</u>	<u>45,505</u>

As at 30 June 2007 the guarantee deposit included in loans and advances to banks was placed with JP Morgan Chase Bank London as security for a reserve letter of credit in the amount of KZT 2,460 million.

## 15. LOANS TO CUSTOMERS

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006 (KZT million)</b>
Originated loans	2,431,670	1,713,183
Loans under reverse repurchase agreements	36,275	35,020
Net investments in finance lease	5,493	4,573
	<u>2,473,438</u>	<u>1,752,776</u>
Less allowance for impairment losses (Note 6)	(100,780)	(73,936)
Total loans to customers	<u>2,372,658</u>	<u>1,678,840</u>

As at 30 June 2007 accrued interest income included in loans to customers amounted to KZT 48,254 million (31 December 2006: KZT 33,106 million).

Movements in allowances for impairment losses for the six months ended 30 June 2007 and 30 June 2006 are disclosed in Note 6.

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006  (KZT million)</b>
<b>Analysis by type of collateral:</b>		
Loans collateralized by real estate	803.412	429.701
Loans collateralized by shares of the banks and other companies	292.440	199.680
Loans collateralized by guarantees of enterprises	256.184	219.410
Loans collateralized by mixed types of collateral	237.885	168.269
Loans collateralized by equipment	178.664	127.966
Loans collateralized by accounts receivable	92.378	106.318
Loans collateralized by cash or Kazakhastani Government guarantees	75.287	51.414
Loans collateralized by inventories	46.318	69.070
Loans collateralized by guarantees of financial institutions	34.722	46.104
Loans collateralized by securities	6.181	6.183
Loans with collateral under the registration process (land, building, shares, guarantee, other)	168.309	160.300
Unsecured loans	180.878	94.425
	<hr/>	<hr/>
Total loans to customers	<u>2.372.658</u>	<u>1.678.840</u>

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006  (KZT million)</b>
<b>Analysis by sector:</b>		
Trade	494,185	310.842
Individuals	400.503	261.708
Housing construction	242,917	183.380
Commercial real estate construction	169,757	201.298
Transport and communication	162,484	43.342
Real estate	150.216	103.101
Hotel business	130.827	47.260
Investments and finance	101.890	87.724
Energy	74.525	46.302
Food industry	61,306	53.069
Agriculture	47.693	38.931
Machinery construction	42,157	23.134
Production of construction materials	35,217	34,145
Industrial and other construction	26,908	68.904
Mining and metallurgy	22,928	23.708
Medicine	3,748	2,467
Culture and art	3,663	568
Other	201.734	148.957
	<hr/>	<hr/>
Total loans to customers	<u>2.372.658</u>	<u>1.678.840</u>

Loans to individuals comprise the following products:

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006  (KZT million)</b>
Mortgage loans	262.826	148.346
Consumer loans	94.617	74.987
Car loans	26.796	15.672
Other	16,264	22.703
	<hr/>	<hr/>
Total loans to individuals	<u>400.503</u>	<u>261.708</u>

As at 30 June 2007 and 31 December 2006 the Group has granted loans to the following borrowers, each of whom has debt amount individually exceeding 10% of the Group's equity, calculated in accordance with the rules set out by the Basle Committee (Note 28).



	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Ken-Sary LLP	64,437	-
Alibi Holding	60,073	36,715
Kuat Holding	47,915	35,229
Ordabasy Corporation	-	34,492
Mayberry Financial Services S.A.	-	34,942
Jeilan Limited Holding	-	36,423
	<u>172,425</u>	<u>177,801</u>

As at 30 June 2007, 74.36% (31 December 2006: 70.34%) of the total portfolio is granted to companies operating on the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

The fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 30 June 2007 and 31 December 2006 comprised:

	30 June 2007 (unaudited) (KZT million)		31 December 2006 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Shares of Kazakhstani companies	38,625	18,911	30,640	21,574
Shares of Russian companies	13,576	9,578	6,686	5,803
Bonds of Kazakhstani companies	3,135	3,298	3,000	3,112
Bonds of Russian companies	2,182	1,870	1,318	1,157
Bonds of Kazakhstani banks	932	1,013	1,362	1,914
Shares of Kazakhstani banks	859	868	521	585
Shares of Russian banks	776	737	958	875
Total loans under reverse repurchase agreements (REPO)	<u>60,085</u>	<u>36,275</u>	<u>44,485</u>	<u>35,020</u>

## 16. OTHER ASSETS

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Prepayments and other debtors	5,190	4,968
Prepaid expenses	3,306	3,232
Tax settlements, other than income tax	1,945	1,101
Insurance agreement accounts receivable	1,331	1,220
Income tax prepayments	-	2,611
	<u>11,772</u>	<u>13,132</u>
Less allowance for impairment losses	<u>(161)</u>	<u>(117)</u>
Total other assets	<u>11,611</u>	<u>13,015</u>

Movements in allowances for impairment losses for the six months ended 30 June 2007 and 30 June 2006 are disclosed in Note 6.

## 17. LOANS AND ADVANCES FROM BANKS

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Correspondent accounts of other banks	57,543	46,273
Correspondent accounts of organizations that perform separate types of banking operations	56	-
Loans from banks and financial institutions, including:		
Syndicated loan from a group of banks ( <i>ING Bank N.V.</i> ) (maturity – February 2008, interest rate - 5.67%)	103,102	107,377
Syndicated loan from a group of banks ( <i>Bank of Tokyo Mitsubishi/ING UniCredit/Standard Chartered Bank</i> ) (maturity – December 2007, interest rate – 5.625%)	86,639	88,481
Syndicated loan from a group of banks ( <i>Bank of Tokyo Mitsubishi</i> ) (maturity – December 2008, interest rate - 6.22%)	50,277	61,044
Syndicated loan from a group of banks ( <i>Bank of Tokyo Mitsubishi/ING UniCredit/Standard Chartered Bank</i> ) (maturity – December 2009, interest rate – 5.95%)	36,997	37,809
Loan from EBRD (maturity - September 2007, interest rate – 5.69%-6.25%)	3,744	4,933
Loan from EBRD (maturity - December 2009, interest rate – 4.376% – 6.403%)	3,412	2,371
Loans with other banks and financial institutions	276,837	276,779
Term deposits of banks	12,210	8,382
Loans under repurchase agreements	200,260	250,852
	<u>831,077</u>	<u>884,301</u>
Total loans and advances from banks	<u>831,077</u>	<u>884,301</u>

As at 30 June 2007, loans and advances from banks included accrued interest expense in the amount of KZT 5,366 million (31 December 2006: KZT 3,391 million).

As at 30 June 2007 loans with other banks and financial institutions for KZT 243,813 million (88.07% of total loans with other banks and financial institutions) (31 December 2006: KZT 262,938 million (95.00% of total loans with other banks and financial institutions)) consisted of 47 (31 December 2006: 34) banks and financial institutions of such countries as Russia, Great Britain, the Netherlands, Czech Republic, Canada, the USA, Switzerland, Kuwait, Austria, Luxemburg, Korea, Kazakhstan, Germany, Belgium, and Singapore. Maturities of these loans are from 3 days up to 101 months (31 December 2006: 1 month up to 67 months). Interest rates on these loans vary from 2.33% to 10.41% (31 December 2006: 0.5% to 10.412%).

As at 30 June 2007 included in loans and advances from banks are loans under repurchase agreements amounting to KZT 200,260 million (31 December 2006: KZT 250,852 million) with maturity in July 2007 and January 2007, respectively.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 June 2007 and 31 December 2006 are presented as follows:

	30 June 2007 (unaudited) (KZT million)		31 December 2006 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of international financial organizations	190,930	188,009	208,837	204,549
Eurobonds of countries-members of OECD	4,063	4,003	7,946	8,408
Bonds of Russian companies	556	542	-	-
Bonds of local executive bodies of the Russian Federation	734	704	-	-
Shares of Russian companies	14	14	-	-
Notes of the NBRK	-	-	24,944	24,942
Bonds of Kazakhstani companies	4,619	3,865	13,151	10,952
Bonds of Kazakhstani banks	2,154	2,117	2,485	2,001
Eurobonds of Kazakhstani banks	<u>1,308</u>	<u>1,006</u>	<u>-</u>	<u>-</u>
Total loans under repurchase agreements	<u>204,378</u>	<u>200,260</u>	<u>257,363</u>	<u>250,852</u>

## 18. CUSTOMER ACCOUNTS

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Time deposits	668,472	425,822
Demand deposits	281,815	257,600
Loans under repurchase agreements	<u>728</u>	<u>4,384</u>
Total customer accounts	<u>951,015</u>	<u>687,806</u>

As at 30 June 2007, customer accounts included accrued interest expense in the amounts of KZT 10,960 million (31 December 2006: KZT 7,466 million).

As at 30 June 2007, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities in the amounts of KZT 3,777 million (31 December 2006: KZT 2,542 million).

As at 30 June 2007, customer accounts in the amounts of KZT 313,253 million (32.94%) (31 December 2006: KZT 250,184 million (36.37%)), were due to ten customers, which represents a significant concentration.

	<b>30 June 2007 (unaudited) (KZT million)</b>	<b>31 December 2006 (KZT million)</b>
<b>Analysis by sectors:</b>		
Individuals	311,724	196,072
Chemical and petrochemical industry	217,697	167,466
Individual services	89,515	36,608
Investments and finance	69,459	52,076
Trade	62,399	52,364
Transport and communication	57,624	30,209
Construction	48,302	75,750
Agriculture	23,407	20,232
Mining and metallurgy	9,115	7,724
Education	8,045	2,170
Health care	5,009	965
Real estate	4,507	11,266
Distribution of electricity, gas and water	3,841	3,352
Public organizations and unions	2,163	680
Food industry	2,006	1,568
Hotel business	1,230	4,972
Culture and art	833	1,031
Machinery construction	745	689
Light industry	730	3,592
Energy	1	1
Other	32,663	19,019
	<u>32,663</u>	<u>19,019</u>
Total customer accounts	<u>951,015</u>	<u>687,806</u>

As at 30 June 2007, customer accounts included loans under repurchase agreements amounting to KZT 728 million (31 December 2006: KZT 4,384 million), with a maturity of one and six months, respectively.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 June 2007 and 31 December 2006 are presented as follows:

	<b>30 June 2007 (unaudited) (KZT million)</b>		<b>31 December 2006 (KZT million)</b>	
	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>
Shares of Russian companies	391	330	1,551	1,515
Shares of Kazakhstani banks	300	300	-	-
Bonds of Russian companies	48	46	2,477	2,304
Bonds of local executive bodies of the Russian Federation	54	52	617	565
	<u>793</u>	<u>728</u>	<u>4,645</u>	<u>4,384</u>
Total loans under repurchase agreements	<u>793</u>	<u>728</u>	<u>4,645</u>	<u>4,384</u>

## 19. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Eurobonds of Kazkommerts International B.V.:					
Issued in May 2002 at the price of 99.043%	USD	May 2007	10.125%	-	17,594
Issued in November 2002 at the price of 107.00%	USD	May 2007	10.125%	-	6,350
Issued in May 2007 with zero coupon	USD	16 May 2008	-	30,415	-
Issued in February 2006 at the price of 100.00%	SGD	February 2009	4.25%	7,921	8,288
Issued in November 2004 at the price of 98.967%	USD	November 2009	7.0%	42,082	42,786
Issued in February 2005 at the price of 98.967%	USD	November 2009	7.0%	18,249	19,050
Issued in March 2006 at the price of 99.993%	EUR	March 2011	5.125%	48,458	48,465
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.625%	85,204	-
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.5%	42,498	43,729
Issued in April 2004 at the price of 99.00%	USD	April 2013	8.5%	18,249	19,050
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875%	48,603	50,165
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.0%	60,830	63,246
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.5%	60,830	63,500
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875%	122,783	-
				586,122	382,223
(Less)/including:					
Discount on debt securities issued				(6,179)	(5,023)
Amounts of accrued interest on debt securities issued				10,281	6,385
Total issued Eurobonds of Kazkommerts International B.V.				590,224	383,585
Issued bonds of the Bank				-	3,036
Amounts of accrued expenses on issued bonds of the Bank				-	97
Issued promissory notes and bonds of MKB				89,386	36,982
Accrued interest expense on issued promissory notes and bonds of MKB				1,132	462
Total debt securities issued				680,742	424,162

As at 30 June 2007, accrued interest expense of KZT 11,413 million (31 December 2006: KZT 6,944 million) is included in long term debt securities issued.

During February 2007, Eurobonds were issued by Kazkommerts International B.V., a subsidiary of the Bank, and were guaranteed by the Bank. For Eurobonds with a maturity of April 2013 interest is paid on 16 April and 16 October, for Eurobonds with a maturity of April 2014 interest is paid on 7 April and 7 October, for Eurobonds with a maturity of November 2009 interest is paid on 3 May and 3 November, for Eurobonds with a maturity of November 2015 interest is paid on 3 May and 3 November, for Eurobonds with a maturity of March 2011 interest is paid on 23 March, for Eurobonds with a maturity of November 2016 interest is paid on 29 May and 29 November, for Eurobonds with a maturity of February 2017 interest is paid on 13 February, for Eurobonds with a maturity of February 2012 interest is paid on 13 February, for Eurobonds with a maturity of May 2008 interest is paid on 16 May.

Eurobonds were issued by MKB with a maturity of December 2034, first interest payment is on 16 August 2007 and maturity on December 2034, later on interest is to be paid 15<sup>th</sup> of each month.

## 20. OTHER BORROWED FUNDS

	Currency	Maturity date	Interest rate %	30 June 2007 (unaudited) (KZT million)	Interest rate %	31 December 2006 (KZT million)
Funding of agricultural equipment purchasing by Atlantik Forfaiting AG	USD	4 October 2007	9.01%	12	9.53%	26
Moore's Creek	KZT	14 February 2009	7.56%	6,568	-	-
Funding by the Ministry of Finance of the Republic of Kazakhstan and by the Ministry of Kyrgyz Republic	EUR	20 December 2009	5%	43	5%	104
Intesa Soditic Trade Finance LTD	USD	25 June 2010	6.86 – 7.47%	2,381	6.86%	2,545
Private Export Funding Corporation	USD	25 March 2011	5.76 – 5.86%	1,274	5.65 – 5.97%	1,160
Funding of agricultural equipment purchasing by Export Development Canada	USD	31 March 2011	5.59 – 5.90%	779	5.64 – 6.04%	990
Funding by the Ministry of Finance of the Republic of Kazakhstan and by the Ministry of Kyrgyz Republic	KZT	30 September 2011	0.50 – 5.81%	135	0.5 – 5.81%	156
Deere Credit	USD	12 June 2012	5.75 – 5.86%	258	5.75 – 5.8%	480
Kazkommerts DPR Company	USD	June 2013	6.58 – 7.95%	114,818	6.59 – 7.95%	56,792
DEG-Deutsche Investitions MBH	USD	15 January 2014	6.86 – 8.63%	6,273	7.88 – 8.86%	6,559
Funding by Ministry of Finance of Kyrgyz Republic	USD	01 July 2015	1.50%	2	1.5%	2
Societe Generale Financial Corp	USD	25 September 2017	5.53 – 7.96%	4,300	-	-
<b>Total other borrowed funds</b>				<b>136,843</b>		<b>68,814</b>

As at 30 June 2007, accrued interest expense of KZT 445 million (31 December 2006: KZT 255 million) is included in other borrowed funds.

## 21. OTHER LIABILITIES

	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Taxes payable, other than income tax	2,735	2,992
Payable to employees	2,201	1,576
Income tax accruals	1,214	-
Accounts payable on re-insurers	642	616
Advances received	64	144
Other	1,836	3,259
	<u>8,692</u>	<u>8,587</u>
Total other liabilities	<u>8,692</u>	<u>8,587</u>

## 22. SUBORDINATED DEBT

	Currency	Maturity date (year)	Interest rate %	30 June 2007 (unaudited) (KZT million)	31 December 2006 (KZT million)
Indexed subordinated bonds	KZT	2007	7.0%	3,368	3,479
International subordinated bonds	USD	2007	11%	2,428	2,537
Subordinated bonds	USD	2007	5.5%	-	42
Subordinated debt of Citigroup GMD AG & CO	USD	2014	8.194%	12,399	12,943
Subordinated bonds	KZT	2015	7.5%	12,682	12,639
Subordinated debt of Kazkommerts Finance II B.V.	USD	2016	9.6417%	25,139	26,239
Subordinated debt of Kazkommerts Finance II B.V.	USD	2017	9.5367%	30,369	-
Debt component of preference shares	KZT	-	-	5,516	5,758
Perpetual debt of Kazkommerts Finance II B.V.	USD	-	9.2531%	12,189	12,715
Subordinated bonds of MKB	USD	2016	10%	-	2,570
				<u>104,090</u>	<u>78,922</u>
Total subordinated debt				<u>104,090</u>	<u>78,922</u>

As at 30 June 2007 accrued interest expenses included in subordinated debt amounted to KZT 1,764 million (31 December 2006: KZT 1,677 million).

In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

## 23. SHARE CAPITAL AND SHARE PREMIUM

Dividends accrued and not paid on preference shares to 30 June 2007 amounted to KZT 299 million (2006: KZT 311 million) (Note 5). In the first half of 2007 and 2006 no dividends on ordinary shares have been declared.

## 24. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group 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.

As at 30 June 2007, accrued provision on letters of credit and guarantees amounted to KZT 4,676 million (31 December 2006: KZT 4,055 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 30 June 2007 and 31 December 2006, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2007 (unaudited)		31 December 2006	
	Nominal amount (KZT million)	Risk weighted amount (KZT million)	Nominal Amount (KZT million)	Risk weighted amount (KZT million)
<b>Contingent liabilities and credit commitments</b>				
Guarantees issued and similar commitments	104,119	104,119	91,683	91,683
Letters of credit and other transaction related to contingent obligations	98,224	18,812	92,413	17,982
Commitments on loans and unused credit lines	12,028	12,028	10,921	10,921
Total contingent liabilities and credit commitments	<u>214,371</u>	<u>134,959</u>	<u>195,017</u>	<u>120,586</u>

### Capital commitments

As at 30 June 2007, capital commitments amounted to KZT 3,998 million (31 December 2006: KZT 5,866 million).

### Operating lease commitments

No material rental commitments were outstanding as at 30 June 2007 and 31 December 2006.

### Fiduciary activities

In the normal course of its business the Group enters into agreements with limited rights on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position.



The Group also provides depositary services to its customers. As at 30 June 2007 and 31 December 2006 the Group had customer securities in its nominal holder accounts totaling:

- on broker-dealer operations 88,262,126 items and 41,579,877 items, respectively.
- on custodial operations 1,729,331,555 items and 726,520,526 items, respectively.

### **Legal proceedings**

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial information.

### **Taxes**

Due to the presence in commercial legislation of the countries where the Group operates, 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 Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Group believes that it has made all tax accruals, and therefore no allowance has been made in the financial information. Tax years remain open to review by the tax authorities for five years.

### **Pensions and retirement plans**

Employees receive pension benefits in accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate. As at 30 June 2007 and 31 December 2006 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

### **Operating environment**

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

## **25. TRANSACTIONS WITH RELATED PARTIES**

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives them significant influence over the Bank; and that have joint control over the Group;
- (b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Group is a venturer;
- (d) Members of key management personnel of the Group or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);
- (f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

The Group had the following transactions outstanding with related parties as at:

	30 June 2007 (unaudited) (KZT million)		31 December 2006 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Loans to customers</b>	785	2,473,438	2,052	1,752,776
- entities with joint control or significant influence over the entity	114		114	
- key management personnel of the entity or its parent	671		1,938	
- other related parties	-		-	
<b>Allowance for impairment losses</b>	41	100,780	50	73,936
- entities with joint control or significant influence over the entity	16		15	
- key management personnel of the entity or its parent	25		35	
- other related parties	-		-	
<b>Investments in associates</b>	1,922	1,959	1,718	1,755
- to associates	1,922		1,718	
<b>Customer accounts</b>	4,681	951,015	8,326	687,806
- entities with joint control or significant influence over the entity	1,136		92	
- associates	1,095		1,050	
- key management personnel of the entity or its parent	2,438		7,062	
- other related parties	12		122	
<b>Other liabilities</b>				
- key management personnel of the entity or its parent	25	8,692	332	8,587
<b>Provision for guarantees and other off-balance sheet contingencies</b>	-	4,676	356	4,055
- key management personnel of the entity or its parent	-		1	
- other related parties	-		355	
<b>Commitments on loans and unused credit lines</b>	696	12,028	651	10,921
- entities with joint control or significant influence over the entity	206		215	
- key management personnel of the entity or its parent	490		431	
- other related parties	-		5	
<b>Guarantees issued and similar commitments</b>	18	104,119	7,142	91,683
- key management personnel of the entity or its parent	18		30	
- other related parties	-		7,112	

Included in the income statement for the six months ended 30 June 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2007 (unaudited) (KZT million)		Six months ended 30 June 2006 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	37	137,379	70	60,900
Interest expense	(146)	(76,631)	(88)	(34,326)
Operating expenses	(476)	(13,051)	(357)	(7,693)
<i>Short-term employee benefits</i>	(476)	(6,976)	(357)	(3,941)

Key management personnel compensation for the six months ended 30 June 2007 and 30 June 2006 is represented by short-term employee benefits.

## 26. SEGMENT REPORTING

### Business segments

The Group is organized on the basis of three main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency products, guarantees and letters of credit and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.

Transactions between the business segments are conducted on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of funds attracted. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise of operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	<b>Retail Banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Six months ended 30 June 2007 (unaudited) (KZT million)</b>
External interest income	23,483	103,706	9,776	248	166	-	137,379
Internal interest income	12,560	14,979	61,765	-	30,859	(120,598)	(435)
External interest expenses	(9,717)	(12,900)	(54,186)	2	170	-	(76,631)
Internal interest expenses	<u>(14,818)</u>	<u>(58,294)</u>	<u>(16,192)</u>	<u>-</u>	<u>(30,859)</u>	<u>120,598</u>	<u>435</u>
Net interest income before provision for impairment losses on interest bearing assets	11,508	47,491	1,163	250	336	-	60,748
Provisions for impairment losses on interest bearing assets	(4,450)	(24,846)	(9)	-	-	-	(29,305)
Net non-interest income	<u>4,927</u>	<u>6,091</u>	<u>4,576</u>	<u>1,859</u>	<u>(5)</u>	<u>(114)</u>	<u>17,334</u>
Operating income	11,985	28,736	5,730	2,109	331	(114)	48,777
Operating expenses	<u>(7,251)</u>	<u>(4,589)</u>	<u>(758)</u>	<u>(527)</u>	<u>(40)</u>	<u>114</u>	<u>(13,051)</u>
Operating profit	4,734	24,147	4,972	1,582	291	-	35,726
Share of results of associates	-	-	204	-	-	-	204
Provision for guarantees and other off-balance sheet contingencies and for impairment losses on other transactions	<u>-</u>	<u>(640)</u>	<u>(102)</u>	<u>(603)</u>	<u>-</u>	<u>-</u>	<u>(1,345)</u>
Profit before income tax	4,734	23,507	5,074	979	291	-	34,585
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,678)</u>	<u>-</u>	<u>(7,678)</u>
Net profit	<u>4,734</u>	<u>23,507</u>	<u>5,074</u>	<u>979</u>	<u>(7,387)</u>	<u>-</u>	<u>26,907</u>
Segment assets	<u>400,503</u>	<u>1,935,880</u>	<u>682,224</u>	<u>9,917</u>	<u>993,878</u>	<u>(979,513)</u>	<u>3,042,889</u>
Segment liabilities	<u>311,724</u>	<u>638,562</u>	<u>1,812,394</u>	<u>3,844</u>	<u>950,612</u>	<u>(966,849)</u>	<u>2,750,287</u>

	<b>Retail Banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Six months ended 30 June 2006 (unaudited) (KZT million)</b>
External interest income	9,511	44,329	6,928	132	-	-	60,900
Internal interest income	4,426	4,863	32,593	-	17,705	(59,587)	-
External interest expenses	(3,211)	(3,062)	(28,344)	6	285	-	(34,326)
Internal interest expenses	<u>(5,565)</u>	<u>(25,491)</u>	<u>(10,826)</u>	<u>-</u>	<u>(17,705)</u>	<u>59,587</u>	<u>-</u>
Net interest income before provision for impairment losses on interest bearing assets	5,161	20,639	351	138	285	-	26,574
Provisions for impairment losses on interest bearing assets	(1,232)	(7,136)	958	(6)	-	-	(7,416)
Net non-interest income	<u>2,900</u>	<u>3,390</u>	<u>1,384</u>	<u>659</u>	<u>(6)</u>	<u>33</u>	<u>8,360</u>
Operating income	6,829	16,893	2,693	791	279	33	27,518
Operating expenses	<u>(3,007)</u>	<u>(3,864)</u>	<u>(394)</u>	<u>(376)</u>	<u>(19)</u>	<u>(33)</u>	<u>(7,693)</u>
Operating profit	3,822	13,029	2,299	415	260	-	19,825
Share of results of associates	-	-	164	-	-	-	164
Provision for guarantees and other off-balance sheet contingencies and for impairment losses on other transactions	<u>-</u>	<u>(548)</u>	<u>476</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>(23)</u>
Profit before income tax	3,822	12,481	2,939	464	260	-	19,966
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,758)</u>	<u>-</u>	<u>(2,758)</u>
Net profit	<u>3,822</u>	<u>12,481</u>	<u>2,939</u>	<u>464</u>	<u>(2,498)</u>	<u>-</u>	<u>17,208</u>
Segment assets	<u>139,787</u>	<u>779,504</u>	<u>334,961</u>	<u>6,752</u>	<u>540,598</u>	<u>(547,772)</u>	<u>1,253,830</u>
Segment liabilities	<u>128,740</u>	<u>205,099</u>	<u>829,382</u>	<u>2,825</u>	<u>516,746</u>	<u>(541,042)</u>	<u>1,141,750</u>

## 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Group’s financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

	30 June 2007 (unaudited)		31 December 2006	
	Carrying value (KZT million)	Fair value (KZT million)	Carrying value (KZT million)	Fair value (KZT million)
Cash and balances with national (central) banks	162,572	162,572	209,005	209,005
Financial assets at fair value through profit or loss	273,088	273,088	322,618	322,618
Loans and advances to banks	188,115	188,866	197,191	203,318
Investment available-for-sale	2,976	2,976	2,628	2,628
Investment held to maturity	400	400	357	357
Loans and advances from banks	831,077	835,195	884,301	890,812
Customer accounts	951,015	951,080	687,806	688,067
Derivative financial instruments	6,243	6,243	3,554	3,554
Debt securities issued	680,742	632,727	424,162	434,851
Other borrowed funds	136,843	136,843	68,814	68,814
Subordinated debt	104,090	105,955	78,922	79,928

The fair value of loans to customers cannot be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such financial instruments.

## 28. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks for up to one year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over one year
100%	Other assets

As at 30 June 2007 the Group's total capital amount for capital adequacy purposes was KZT 382,575 million (31 December 2006: KZT 327,063 million) and tier 1 capital amount was KZT 269,738 million (31 December 2006: KZT 270,384 million) with ratios of 13.54% (31 December 2006: 15.05%) and 9.55% (31 December 2006: 12.45%), respectively.

As at 30 June 2007 and 31 December 2006 the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

## **29. RISK MANAGEMENT POLICIES**

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. There have been no significant changes in the risk management policies in place since 31 December 2006.

## **30. SUBSEQUENT EVENTS TRANSACTIONS**

On 29 May 2007, the Board of Directors of the Bank decided to create a subsidiary bank CJS "Kazkommertsbank Tajikistan" with the Bank owning 100% of the share capital. On 5 July 2007, the Bank submitted an application to the FMSA on the planned creation of the subsidiary bank in Tajikistan. The creation of the subsidiary is planned to be completed by the end of September 2007.

On 17 July 2007, The Bank acquired 327 ordinary shares of JSC PF Ular Umit, which comprises 8.175% of ownership interest. After the acquisition Bank's interest in the share capital of JSC PF Ular Umit was 49.35%.

On 18 July 2007, MKB completed a securitization of the mortgage loans portfolio for a total amount of USD 179 million. Leading managers of the transactions were HSBC Bank PLC and Raiffeisen Zentralbank Osterreich AG. The structure of transaction suggests the issue of three types of collateralized securities established for the purpose of the transaction of the Netherland company (SPV) - Mortgage Stars B.V.