

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

For the six months ended 30 June 2006 (Restated)

**and Report on Review of 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 STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005 (UNAUDITED)

The following statement, which should be read in conjunction with the independent accountants' responsibilities stated in the report on review of interim financial information set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent accountants in relation to the condensed unaudited interim consolidated financial statements of Joint Stock Company Kazkommertsbank and its subsidiaries (the "Bank").

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of the Bank as at 30 June 2006, the results of its operations, cash flows and changes in equity for the six months ended on 30 June 2006 and 2005, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the condensed interim consolidated financial statements, 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 statements; and
- preparing the condensed interim consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Bank 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 Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the condensed interim consolidated financial statements of the Bank 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 Bank; and
- detecting and preventing fraud and other irregularities.

The condensed interim consolidated financial statements for the six month period ended 30 June 2006 were originally authorized for the issue on 26 July 2006 and were subsequently authorized for reissue on 15 September 2006 by the Management board of JSC Kazkommertsbank.

On behalf of the Board of the Bank:



Zhukupova N.A.
Chairman of the Board

15 September 2006
Almaty



Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of Joint Stock Company Kazkommertsbank:

We have reviewed the accompanying interim consolidated balance sheet of JSC Kazkommertsbank and its subsidiaries (the "Bank") as at 30 June 2006, and the related interim consolidated profit and loss account, and interim consolidated statements of cash flows and changes in equity for the six month periods ended 30 June 2006 and 2005. These condensed interim consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review of these condensed interim consolidated financial statements.

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

The reported balance sheets at 30 June 2006 and 31 December 2005, the related profit and loss accounts and statements of cash flows and changes in equity for the periods then ended, as determined in accordance with International Financial Reporting Standards, have been restated for the items described in Note 3 to the condensed interim consolidated financial statements.

Deloitte, LLP

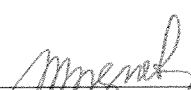
26 July 2006 (15 September 2006 as to the effects of the restatement discussed in Note 3)
Almaty


JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

| | Notes | Six months ended 30 June 2006 (restated – Note 3) (mln. tenge) | Six months ended 30 June 2005 (restated – Note 3) (mln. tenge) |
|---|-------|--|--|
| Interest income | 4, 17 | 60,480 | 38,168 |
| Interest expense | 4, 17 | (34,272) | (19,741) |
| NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS | | 26,208 | 18,427 |
| Provision for impairment losses on interest bearing assets | | (7,416) | (6,183) |
| NET INTEREST INCOME | | 18,792 | 12,244 |
| Net (loss)/gain on operations with assets held-for-trading | | (1,296) | 174 |
| Net gain on foreign exchange operations | | 2,129 | 749 |
| Fee and commission income | | 7,712 | 5,154 |
| Fee and commission expense | | (859) | (378) |
| Dividends received | | 2 | 10 |
| Other income | 5 | 1,162 | 834 |
| NET NON-INTEREST INCOME | | 8,850 | 6,543 |
| OPERATING INCOME | | 27,642 | 18,787 |
| OPERATING EXPENSES | | (7,817) | (6,146) |
| OPERATING PROFIT | | 19,825 | 12,641 |
| Recovery/(provision) for insurance reserves and reserves for impairment losses on other transactions | | 11 | (352) |
| Provision for guarantees and other off-balance sheet contingencies | | (34) | (529) |
| Share of results of associates | | 164 | 100 |
| PROFIT BEFORE INCOME TAX | | 19,966 | 11,860 |
| Income tax expense | 6 | (2,758) | (1,413) |
| NET PROFIT | | 17,208 | 10,447 |
| Attributable to: | | | |
| Equity holders of the parent | | 16,474 | 9,671 |
| Minority interest | | 734 | 776 |
| EARNINGS PER SHARE <i>Basic and diluted (KZT)</i> | 7 | 43.89 | 25.79 |

On behalf of the Board of the Bank:


Zhusupova N.A.
Chairman of the Board


Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

15 September 2006
Almaty

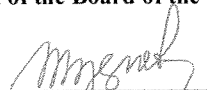
The notes on pages 8–31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK


INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

| | Notes | 30 June 2006 (unaudited) (restated – Note 3) (mln. tenge) | 31 December 2005 (restated – Note 3) (mln. tenge) |
|---|-------|--|--|
| ASSETS: | | | |
| Cash and balances with national (central) banks | | 113,990 | 37,229 |
| Assets held-for-trading | 8 | 127,852 | 140,294 |
| Loans and advances to banks, less allowance for impairment losses | | 44,606 | 253,904 |
| Derivative financial instruments | | 2,984 | 81 |
| Loans to customers, less allowance for impairment losses | 9 | 919,098 | 729,844 |
| Securities purchased under reverse repurchase agreements | | 21,261 | 13,950 |
| Investments available-for-sale | 10 | 2,098 | 427 |
| Investments held-to-maturity | 11 | 458 | 562 |
| Investments in associates and other entites | 12 | 625 | 425 |
| Goodwill | | 2,405 | 2,405 |
| Fixed and intangible assets, less accumulated depreciation and amortization | | 11,298 | 8,662 |
| Other assets, less allowance for impairment losses | 13 | 7,155 | 7,086 |
| TOTAL ASSETS | | 1,253,830 | 1,194,869 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES: | | | |
| Loans and advances from banks | | 289,175 | 320,095 |
| Securities sold under repurchase agreements | | 62,681 | 59,143 |
| Derivative financial instruments | | 4,618 | 189 |
| Customer accounts | | 333,839 | 303,405 |
| Debt securities issued | 14 | 328,568 | 303,133 |
| Other borrowed funds | | 62,613 | 50,604 |
| Provisions | | 4,666 | 4,934 |
| Dividends payable | | 312 | 1 |
| Deferred tax liabilities | 6 | 9,032 | 8,290 |
| Other liabilities | 15 | 3,894 | 4,591 |
| | | 1,099,398 | 1,054,385 |
| Subordinated debt | | 47,733 | 52,213 |
| Total liabilities | | 1,147,131 | 1,106,598 |
| EQUITY: | | | |
| Share capital | | 5,027 | 4,996 |
| Share premium | | 16,479 | 15,902 |
| Fixed assets revaluation reserve | | 2,448 | 1,520 |
| Reserves | | 75,438 | 58,877 |
| Equity attributable to shareholders of the parent | | 99,392 | 81,295 |
| Minority interest | | 7,307 | 6,976 |
| Total equity | | 106,699 | 88,271 |
| TOTAL LIABILITIES AND EQUITY | | 1,253,830 | 1,194,869 |

On behalf of the Board of the Bank:


Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty


Shoibekova G.K.
Chief Accountant

15 September 2006
Almaty


The notes on pages 8-31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK


INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

| | Share capital | Share premium | Investments available-for-sale fair value reserve | Fixed assets revaluation reserve, net of deferred tax liability | Retained earnings | Total equity attributable to shareholders of the parent | Minority interest | Total equity |
|---|---------------|---------------|---|---|-------------------|---|-------------------|----------------|
| | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) |
| 1 January 2005 (restated – Note 3) | 4,197 | 7,864 | 11 | 1,313 | 40,443 | 53,828 | 5,468 | 59,296 |
| Share capital increase of | | | | | | | | |
| - common shares | 289 | 4,142 | - | - | - | 4,431 | - | 4,431 |
| - preference shares | 513 | 3,915 | - | - | - | 4,428 | - | 4,428 |
| Resale of own shares | 1 | 16 | - | - | - | 17 | - | 17 |
| Fixed assets revaluation | - | - | - | 226 | - | 226 | - | 226 |
| Depreciation of fixed assets revaluation reserve | - | - | - | (12) | 12 | - | - | - |
| Unrealized gain on revaluation of investments available-for-sale | - | - | 4 | - | - | 4 | - | 4 |
| Gains transferred to profit and loss accounts on sale of investments available-for-sale | - | - | (7) | - | - | (7) | - | (7) |
| Exchange differences on translation of foreign operations | - | - | - | - | 3 | 3 | 34 | 37 |
| Net profit | - | - | - | - | 9,671 | 9,671 | 776 | 10,447 |
| 30 June 2005 (unaudited, restated – Note 3) | <u>5,000</u> | <u>15,937</u> | <u>8</u> | <u>1,527</u> | <u>50,129</u> | <u>72,601</u> | <u>6,278</u> | <u>78,879</u> |
| 1 January 2006 (restated – Note 3) | 4,996 | 15,902 | 1 | 1,520 | 58,876 | 81,295 | 6,976 | 88,271 |
| Share capital increase of | | | | | | | | |
| - common shares | 31 | 597 | - | - | - | 628 | - | 628 |
| Redemption of own shares | (1) | (26) | - | - | - | (27) | - | (27) |
| Resale of own shares | 1 | 6 | - | - | - | 7 | - | 7 |
| Fixed assets revaluation | - | - | - | 940 | - | 940 | - | 940 |
| Depreciation of fixed assets revaluation reserve | - | - | - | (12) | 12 | - | - | - |
| Unrealized gain on revaluation of investments available-for-sale | - | - | 107 | - | - | 107 | - | 107 |
| Gains transferred to profit and loss accounts on sale of investments available-for-sale | - | - | (32) | - | - | (32) | - | (32) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | (403) | (403) |
| Net income | - | - | - | - | 16,474 | 16,474 | 734 | 17,208 |
| 30 June 2006 (unaudited, restated – Note 3) | <u>5,027</u> | <u>16,479</u> | <u>76</u> | <u>2,448</u> | <u>75,362</u> | <u>99,392</u> | <u>7,307</u> | <u>106,699</u> |

On behalf of the Board of the Bank:


Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty


Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 8-31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

| | Notes | Six months ended 30 June 2006 (restated – Note 3) (mln. tenge) | Six months ended 30 June 2005 (restated – Note 3) (mln. tenge) |
|---|-------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Profit before income tax | | 19,966 | 11,860 |
| Adjustments for: | | | |
| Provision for impairment losses on interest bearing assets (Recovery)/provision for insurance reserves and reserves for impairment losses on other transactions | | 7,416 | 6,183 |
| Provision for guarantees and other off-balance contingencies | | (11) | 352 |
| Unrealised loss/(gain) and amortisation of discounts on securities | | 34 | 529 |
| Amortization of discount on issued debt securities | | 1,210 | (778) |
| Depreciation and amortization | | 171 | 120 |
| Change in interest accruals, net | | 847 | 259 |
| Exchange rate loss unrealized | | (4,524) | 219 |
| Share of results of associates | | 1,078 | - |
| Gain on sale of fixed and intangible assets, net | | (164) | (100) |
| Net change in fair value of derivative financial instruments | | 1 | - |
| | | 1,526 | (178) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 27,550 | 18,466 |
| Changes in operating assets and liabilities (Increase)/decrease in operating assets: | | | |
| Minimum reserve deposit with Central Bank of Russian Federation | | (299) | 252 |
| Loans and advances to banks | | 22,589 | 1,906 |
| Assets held-for-trading | | (2,228) | 24,406 |
| Securities purchased under reverse repurchase agreements | | (7,342) | (2,040) |
| Loans to customers | | (260,718) | (46,983) |
| Other assets | | (637) | 6,054 |
| Increase/(decrease) in operating liabilities: | | | |
| Loans and advances from banks | | (19,813) | (3,151) |
| Securities sold under repurchase agreements | | 3,475 | (19,379) |
| Customer accounts | | 98,228 | 20,329 |
| Other borrowed funds | | 12,039 | 9,225 |
| Other liabilities | | 1,792 | 1,417 |
| | | (125,364) | 10,502 |
| Cash (outflow)/inflow from operating activities before taxation | | (125,364) | 10,502 |
| Income tax paid | | (1,350) | (1,012) |
| Net cash (outflow)/inflow from operating activities | | (126,714) | 9,490 |

JOINT STOCK COMPANY KAZKOMMERTSBANK

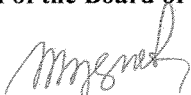
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) – (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

| | Notes | Six months ended 30 June 2006 (restated – Note 3) (mln. tenge) | Six months ended 30 June 2005 (restated – Note 3) (mln. tenge) |
|---|-------|--|--|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of fixed and intangible assets | | (2,555) | (884) |
| Dividends received | | - | (10) |
| Net (purchase)/proceeds on sale of investments available-for-sale | | (1,575) | 449 |
| Net proceeds on sale of investments held-to-maturity | | 130 | 21 |
| Acquisition of subsidiaries, net of cash of acquired entities | | (35) | - |
| | | <u>(4,035)</u> | <u>(424)</u> |
| Net cash outflow from investing activities | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from debt securities issued | | 31,624 | 24,759 |
| Subordinated debt | | (3,792) | 7,682 |
| Issue of common shares | | 628 | 11,375 |
| (Repurchase)/resale of own shares | | (20) | 17 |
| | | <u>28,440</u> | <u>43,833</u> |
| Net cash inflow from financing activities | | | |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (102,309) | 52,899 |
| CASH AND CASH EQUIVALENTS, at beginning of the period | | 227,476 | 81,858 |
| <i>Effect of foreign exchange rate changes on cash and cash equivalents</i> | | <u>(738)</u> | <u>49</u> |
| CASH AND CASH EQUIVALENTS, at end of the period | | <u><u>124,429</u></u> | <u><u>134,806</u></u> |

Interest paid and received by the Bank in cash during the six months ended 30 June 2006 amounted to 33,798 mln. tenge and 54,983 mln. tenge, respectively.


Interest paid and received by the Bank in cash during the six months 30 June 2005 amounted to 10,528 mln. tenge and 22,924 mln. tenge, respectively.

On behalf of the Board of the Bank:



Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty



Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 8-31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTIVE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005 (RESTATED)

1. ORGANISATION

JSC Kazkommertsbank (“Kazkommertsbank”) is a joint stock bank and has operated in the Republic of Kazakhstan since 1990. Kazkommertsbank’s operations are regulated by the National Bank of the Republic of Kazakhstan (“NBRK”) according to license № 48. Kazkommertsbank’s primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered address of the Kazkommertsbank is 135 “Zh”, Gagarin Ave., Almaty, Republic of Kazakhstan.

Kazkommertsbank has 22 branches in the Republic of Kazakhstan and a representative office in London (United Kingdom).

Kazkommertsbank is a parent company of the banking group (the “Bank”) which consists of the following enterprises consolidated in the interim financial statements:

| Name | Country of operation | The Bank ownership interest | | Type of operation |
|---|------------------------|-----------------------------|------------------|---|
| | | 30 June 2006 | 31 December 2005 | |
| 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 OCOPAİM Grantum Asset Management (formerly JSC OCOPAİM ABN AMRO Asset Management) | Republic of Kazakhstan | 100% | 100% | Investment management of pension assets |
| JSC Kazkommertsbank Kyrgyzstan | Kyrgyz Republic | 93.58% | 93.58% | Commercial bank |
| JSC Grantum APF (formerly JSC ABN AMRO CaspiyMunaiGaz APF) | Republic of Kazakhstan | 80.01% | 80.01% | Pension fund activities |
| JSC SK Kazkommerts-Policy | Republic of Kazakhstan | 65% | 65% | Insurance |

Notwithstanding Kazkommertsbank 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 statements of the Group since the Bank was able to and exercised effective control over its activity. This control permits Kazkommertsbank to provide loans to customers of MKB and to earn income thereon. In 2003 shareholders of MKB and Kazkommertsbank entered into agreements of trust management of 60.04% interest in the share capital of MKB. Also, at the same time shareholders owning 39.96% interest in the share capital of MKB and Kazkommertsbank signed an agreement providing for non-involvement of these shareholders in the policy of the activity of MKB determined by Kazkommertsbank.

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial statements of the Bank have been prepared in accordance with International Accounting Standard № 34 “Interim Financial Statements”. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and with the selective notes to the consolidated financial statements of the Bank for the year ended 31 December 2005.

The condensed interim consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for the revaluation of buildings and constructions and the cost of financial assets and liabilities modified for the measurement at fair value of available-for-sale investment securities, financial assets and liabilities held-for-trading, and derivative financial instruments.

The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Bank, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to setup of impairment loss on loans and investments and determination of the fair value of financial instruments.

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

In preparing these condensed interim consolidated financial statements the Bank has applied the same accounting principles as those applied in the consolidated financial statements of the Bank for the year ended 31 December 2005 (restated).

Restatements due to correction of error

Subsequent to the issuance of the Bank’s 30 June 2006 condensed interim consolidated financial statements, the Bank’s management determined that the Bank’s preference shares should be treated as compound instruments in accordance with IAS 32 “Financial Instruments: Presentation” (revised). The standard requires that the proceeds from issuance of such a compound instruments are classified as equity or liability based on the underlying rights of each component of the instrument: a contractual obligation to pay dividends is classified as a liability and a right to participate in final distributions to shareholders is classified as equity at fair value at date of issuance. To comply with IAS 32, the consolidated balance sheet, the related profit and loss accounts, and the statement of cash flows and changes in equity have been restated from the amounts previously reported.

| | Amount as per the previous report Six months ended 30 June 2006 (mln. tenge) | Amount as per the current report Six months ended 30 June 2006 (mln. tenge) | Total effect on the financial statements items Six months ended 30 June 2006 (mln. tenge) |
|---|---|--|--|
| Subordinated debt | 42,352 | 47,733 | (5,381) |
| Share premium | 22,884 | 16,479 | 6,405 |
| Interest expense | 33,961 | 34,272 | (311) |
| Net gain on foreign exchange operations | 1,436 | 2,129 | (693) |

4. NET INTEREST INCOME

| | Six months ended 30 June 2006 (unaudited) (restated – Note 3) (mln. tenge) | Six months ended 30 June 2005 (unaudited) (restated – Note 3) (mln. tenge) |
|---|---|---|
| Interest income | | |
| Interest on loans to customers | 53,420 | 34,867 |
| Interest on debt securities | 3,811 | 2,026 |
| Interest on loans and advances to banks | 2,725 | 995 |
| Interest on reverse repurchase transactions | 524 | 280 |
| | <hr/> | <hr/> |
| Total interest income | 60,480 | 38,168 |
| Interest expense | | |
| Interest on debt securities issued | 17,258 | 10,760 |
| Interest on loans and advances from banks | 8,083 | 3,909 |
| Interest on customer accounts | 6,267 | 4,444 |
| Interest on repurchase transactions | 675 | 61 |
| Dividends on preference shares | 311 | 334 |
| Other interest expenses | 1,678 | 233 |
| | <hr/> | <hr/> |
| Total interest expense | 34,272 | 19,741 |
| Net interest income before provision for impairment losses on interest bearing assets | <hr/> <hr/> | <hr/> <hr/> |
| | 26,208 | 18,427 |

5. OTHER INCOME

| | Six months ended 30 June 2006 (unaudited) (mln. tenge) | Six months ended 30 June 2005 (unaudited) (mln. tenge) |
|------------------------------|---|---|
| Insurance premiums | 779 | 736 |
| Fines and penalties received | 47 | 19 |
| Gain on sale of fixed assets | 10 | 25 |
| Other | 326 | 54 |
| | <hr/> | <hr/> |
| Total other income | <u>1,162</u> | <u>834</u> |

6. INCOME TAX

Temporary differences as at 30 June 2006 and 31 December 2005 comprise:

| | 30 June 2006 (unaudited) (restated – Note 3) (mln. tenge) | 31 December 2005 (restated – Note 3) (mln. tenge) |
|---|--|--|
| Deferred tax assets: | | |
| Unrealized gain on securities and derivatives revaluation | 717 | - |
| Other assets | 103 | 459 |
| | <hr/> | <hr/> |
| Total deferred tax assets | <u>820</u> | <u>459</u> |
| Deferred tax liabilities: | | |
| Loans to banks and customers | 8,208 | 7,440 |
| Fixed assets | 1,227 | 650 |
| Provisions under guarantees and letters of credit | - | 372 |
| Unrealized gain on securities revaluation | - | 183 |
| Investments in associates | 150 | 94 |
| Other liabilities | 267 | 10 |
| | <hr/> | <hr/> |
| Total deferred tax liabilities | <u>9,852</u> | <u>8,749</u> |
| Net deferred tax liabilities | <u>9,032</u> | <u>8,290</u> |

Relationships between tax expenses and accounting profit for the six months ended 30 June 2006 and 30 June 2005 are explained as follows:

| | Six months ended 30 June 2006 (unaudited) (restated – Note 3) (mln. tenge) | Six months ended 30 June 2005 (unaudited) (restated – Note 3) (mln. tenge) |
|--|---|---|
| Profit before income tax | <u>19,966</u> | <u>11,860</u> |
| Tax at the statutory tax rate (30%) | 5,990 | 3,558 |
| Tax effect of permanent differences | <u>(3,232)</u> | <u>(2,145)</u> |
| Income tax expense | <u><u>2,758</u></u> | <u><u>1,413</u></u> |
| Current income tax expense | 2,420 | 1,771 |
| Provision for deferred tax liabilities | <u>338</u> | <u>(358)</u> |
| Income tax expense | <u><u>2,758</u></u> | <u><u>1,413</u></u> |

7. EARNINGS PER SHARE

| | Six months ended 30 June 2006 (unaudited) (restated – Note 3) (mln. tenge) | Six months ended 30 June 2005 (unaudited) (restated – Note 3) (mln. tenge) |
|--|---|---|
| Profit: | | |
| Net profit for the period, attributable to the equity holders of the parent | <u>16,474</u> | <u>9,671</u> |
| Weighted average number of common shares for basic and diluted earnings per share | <u>375,367,178</u> | <u>375,000,000</u> |
| Earnings per share – basic and diluted (KZT) | <u><u>43.89</u></u> | <u><u>25.79</u></u> |

8. ASSETS HELD-FOR-TRADING

| | Interest to nominal | 30 June 2006 | Interest to nominal | 31 December 2005 |
|---|------------------------|-----------------------------|------------------------|---------------------|
| | % | (unaudited) (mln. tenge) | % | (mln. tenge) |
| Debt securities: | | | | |
| Bonds of Federal Home Loan Bank | 4.06% | 12,030 | 4.06% | 13,529 |
| Eurobonds of European Investment Bank | 3.00% | 11,880 | 3-5.625% | 13,577 |
| Bonds of Freddie Mac | 1.602-7.405% | 11,829 | 4.60% | 12,965 |
| Short-term notes of NBRK | 3.15% | 11,737 | 2.22% | 1,002 |
| Eurobonds KfW Intl Finance | 4.5% | 10,758 | 5.25% | 6,722 |
| Eurobonds of Hellenic Republic | 3.6% | 9,907 | - | - |
| Eurobonds of Caisse D'Amortissement Delta France | 5.0% | 5,966 | 4.60% | 6,732 |
| Corporate bonds of issuers of the Russian Federation | 7.8-15.50% | 5,861 | 7.5-15.5% | 5,371 |
| Bonds of JP Morgan Chase Bank | 8.725-17.5% | 5,264 | - | - |
| US exchequer bonds | 4.00-5.125% | 4,404 | 2.7306-10.7225% | 21,403 |
| Bonds of Almaty Merchant Bank | 8.125-8.5% | 4,112 | 8.50-10% | 4,466 |
| Bonds of the Food Contract Corporation | 8% | 3,691 | - | - |
| Bonds of Kazexporttostyk | 10.70% | 3,639 | - | - |
| Treasury bonds of the Ministry of finance of the Republic of Kazakhstan | 3.78-8.29% | 3,560 | 2.75-5.5% | 6,783 |
| Bonds of Small and Medium Enterprises Development Fund | 9% | 2,484 | - | - |
| Bonds of KazTransOil | 8.50% | 2,090 | 8.50% | 2,379 |
| Bonds of local executive bodies of the Russian Federation | 7.95-13.30% | 2,083 | 8.20-13.30% | 1,080 |
| Eurobonds of the Ministry of finance of the Republic of Kazakhstan | 11.125% | 1,847 | 11.13% | 2,159 |
| Bonds of Halyk Bank | 7.75-8.125% | 1,614 | 7.5-7.75% | 556 |
| Bonds of Bank CenterCredit | 9% | 1,547 | 8.5-10.4% | 680 |
| Eurobonds of TuranAlemFinance B.V. | 7.875-8.5% | 1,521 | 7.875-8% | 334 |
| Bonds of Development Bank of Kazakhstan | 6-8.5% | 1,357 | 9.1-13% | 964 |
| Bonds of federal loan Ministry of finance of the Russian Federation | 6.30-10% | 1,274 | 10% | 210 |
| Bonds of NSCC KazstroyService | 9% | 669 | - | - |
| Eurobonds of ALB Finance B.V | 9% | 602 | 9% | 280 |
| Bonds of CALYON | - | 593 | - | - |
| Bonds of Karazhanbasmunai | 10.90% | 554 | 9.1-9.9% | 668 |
| Bonds of BTA Ipoteka | 8.5% | 516 | - | - |
| Bonds of Nurbank | 9% | 487 | - | - |
| Bonds of Kazakhaltyn | 9.90% | 471 | 9.90% | 579 |
| Eurobonds of CenterCredit B.V. | 8% | 301 | - | - |
| Bonds of Atyrau local executive committee | 8.5% | 242 | 8.5-8.6% | 292 |
| Bonds of Astana city administration | 8.50% | 240 | 8.50% | 267 |
| Bonds of Federal Farm Credit Bank | 3.375% | 232 | 3.38% | 263 |
| Bonds of Kazakhstan kagazy | 10.00% | 131 | 10.40% | 132 |
| Bonds of Glotur | 11.70% | 105 | 10% | 102 |
| Bonds of Kazatomprom | 8.50% | 79 | 8.50% | 88 |
| Bonds of Bank TuranAlem | 9.90% | 57 | 8-9.90% | 272 |
| Bonds of Kazakh Mortgage Company | 8.29-8.40% | 10 | 6.9-12.25% | 191 |
| Bonds of KazTransCom | 8% | 10 | 8% | 135 |
| Bonds of Astana Finance | - | - | 9.40% | 126 |
| Bonds of Khimfarm | - | - | 10% | 120 |
| Eurobonds of InraAmerican Development Bank | - | - | 5.375-6.125% | 8,916 |
| Eurobonds of International Bank of Reconstruction and Development | - | - | 5% | 8,153 |
| Eurobonds of Nordic Investment Bank | - | - | 2.75% | 6,781 |
| Eurobonds of Bank Nederlandse Gemeenten | - | - | 2.50% | 5,432 |
| Bonds of the Government of Finland | - | - | 5.88% | 4,794 |
| Bonds of Mangistau REK | - | - | 13% | 65 |
| | | <u>125,754</u> | | <u>138,568</u> |

| | Ownership share % | 30 June 2006 (unaudited) (mln. tenge) | Ownership share % | 31 December 2005 (mln. tenge) |
|--|----------------------------------|--|----------------------------------|--|
| Shares: | | | | |
| ADR Kazakhtelecom | 5.11% | 1,552 | 5.11% | 1,673 |
| Kazzinc | 0.10% | 253 | 0.04% | 34 |
| Ust-Kamenogorsk Titanium and Magnesium Plant | 0.40% | 213 | - | - |
| Kazakhtelecom | | | | |
| - common | 0.015% | 49 | 0.01% | 4 |
| - preference | 0.087% | 12 | 0.08% | 6 |
| Kazchrom | 0.005% | 10 | - | - |
| Mangistaumunaigaz | 0.04% | 7 | - | - |
| Bank TuranAlem | 0.001% | 2 | - | - |
| Aktobemunaigaz | - | - | 0.004% | 9 |
| | | <u>2,098</u> | | <u>1,726</u> |
| Total assets held-for-trading | | <u><u>127,852</u></u> | | <u><u>140,294</u></u> |

9. LOANS TO CUSTOMERS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

| | 30 June 2006 (unaudited) (mln. tenge) | 31 December 2005 (mln. tenge) |
|--|--|--|
| Loans granted | 946,414 | 757,119 |
| Accrued interest income on loans to customers | <u>20,021</u> | <u>14,887</u> |
| | 966,435 | 772,006 |
| Less allowance for impairment losses | <u>(47,337)</u> | <u>(42,162)</u> |
| Total loans to customers, less allowance for impairment losses | <u><u>919,098</u></u> | <u><u>729,844</u></u> |
| | 30 June 2006 (unaudited) (mln. tenge) | 31 December 2005 (mln. tenge) |
| Loans collateralized by real estate | 276,392 | 203,045 |
| Loans collateralized by guarantees of enterprises | 140,662 | 102,095 |
| Loans collateralized by combined collateral | 126,871 | 104,917 |
| Loans collateralized by accounts receivable | 86,756 | 126,953 |
| Loans collateralized by equipment | 79,258 | 74,697 |
| Loans collateralized by inventories | 48,079 | 29,893 |
| Loans collateralized by shares of other companies | 47,750 | 33,759 |
| Loans collateralized by guarantees of financial institutions | 28,478 | 3,197 |
| Loans collateralized by cash or guarantees of the Government of the Republic of Kazakhstan | 17,547 | 14,606 |
| Unsecured loans | <u>114,642</u> | <u>78,844</u> |
| | 966,435 | 772,006 |
| Less allowance for impairment losses | <u>(47,337)</u> | <u>(42,162)</u> |
| Total loans to customers, less allowance for impairment losses | <u><u>919,098</u></u> | <u><u>729,844</u></u> |

| | 30 June 2006 (unaudited) (mln. tenge) | 31 December 2005 (mln. tenge) |
|--|--|--|
| Analysis by sector: | | |
| Trade | 188,836 | 147,657 |
| Residential construction | 132,915 | 88,706 |
| Individuals | 129,140 | 101,844 |
| Construction of commercial real estate | 121,478 | 83,102 |
| Investments and finance | 42,032 | 30,237 |
| Industrial and other construction | 41,456 | 27,522 |
| Transport and communication | 38,579 | 41,040 |
| Food industry | 35,382 | 30,145 |
| Energy | 33,596 | 33,922 |
| Agriculture | 31,411 | 33,137 |
| Mining and metallurgy | 25,122 | 25,681 |
| Hotel business | 20,917 | 17,394 |
| Real estate | 20,752 | 15,743 |
| Construction materials production industry | 16,822 | 11,101 |
| Machinery construction | 13,700 | 13,488 |
| Culture and art | 607 | 747 |
| Other | 73,690 | 70,540 |
| | <u>966,435</u> | <u>772,006</u> |
| Less allowance for impairment losses | <u>(47,337)</u> | <u>(42,162)</u> |
| Total loans to customers, less allowance for impairment losses | <u><u>919,098</u></u> | <u><u>729,844</u></u> |

The movements in allowance for impairment losses on loans to customers were as follows:

| | Six months ended 30 June 2006 (unaudited) (mln. tenge) | Six months ended 30 June 2005 (unaudited) (mln. tenge) |
|---|---|---|
| At beginning of the period: | | |
| Provision | 42,162 | 29,879 |
| Write-off of assets | 8,374 | 6,227 |
| Recoveries of assets previously written-off | (133) | (892) |
| Exchange rate difference | - | 232 |
| | <u>(3,066)</u> | <u>33</u> |
| At end of the period: | <u><u>47,337</u></u> | <u><u>35,479</u></u> |

10. INVESTMENTS AVAILABLE-FOR-SALE

| | Interest to nominal % | 30 June 2006 (unaudited) (mln. tenge) | Interest to nominal % | 31 December 2005 (mln. tenge) |
|--|-----------------------|---------------------------------------|-----------------------|-------------------------------|
| Debt securities | | | | |
| Notes of the National Bank of the Republic of Kazakhstan | 2.00-3.26% | 502 | - | - |
| Eurobonds of Ministry of finance of the Republic of Kazakhstan | 3.35-11.125% | 408 | 2.75-6.99% | 340 |
| Bonds of Bank TuranAlem | 10.90% | 219 | - | - |
| Bonds of Kazakhstan Mortgage Company | 6.9-9.90% | 217 | 6.9-8.29% | 87 |
| Bonds of Astana Finance | 11.20% | 130 | - | - |
| Bonds of KazTransCom | 8% | 125 | - | - |
| Bonds of Karazhanbasmunai | 10.90% | 123 | - | - |
| Bonds of Kazakhaltyn | 10.90% | 123 | - | - |
| Bonds of Khimfarm | 10% | 121 | - | - |
| Bonds of Almaty Merchant Bank | 8.5-9% | 105 | - | - |
| Bonds of Atyrau local executive committee | 8.60% | 18 | - | - |
| Bonds of Bank CenterCredit | 9% | 7 | - | - |
| | | 2,098 | | 427 |
| Total investments available-for-sale | | 2,098 | | 427 |

11. INVESTMENTS HELD-TO-MATURITY

| | Interest to nominal % | 30 June 2006 (unaudited) (mln. tenge) | Interest to nominal % | 31 December 2005 (mln. tenge) |
|--|-----------------------|---------------------------------------|-----------------------|-------------------------------|
| Bonds of Bank CenterCredit | 8.5-9% | 116 | 8.5% | 94 |
| Bonds of Halyk Bank | 7.75% | 109 | 7.75% | 99 |
| Bonds of the Ministry of finance of the Republic of Kazakhstan | 4-4.3% | 101 | 4-4.3% | 234 |
| Bonds of Almaty Merchant Bank | 8.5% | 92 | 8.5% | 92 |
| Bonds of the Ministry of finance of the Kyrgyz Republic | 3.80-7.05% | 40 | 4.52-8.15% | 40 |
| Bonds of the National bank of the Kyrgyz Republic | - | - | 4.9% | 3 |
| | | 458 | | 562 |
| Total investments held-to-maturity | | 458 | | 562 |

12. INVESTMENTS IN ASSOCIATES AND OTHER ENTITIES

| | 30 June 2006 (unaudited) | | 31 December 2005 | |
|--|--------------------------|---------------------|-------------------|---------------------|
| | Ownership share % | Amount (mln. tenge) | Ownership share % | Amount (mln. tenge) |
| Pension Fund "Ular Umit" | 41.18% | 588 | 41.18% | 388 |
| LLP "First Credit Bureau" | 18.40% | 37 | 18.40% | 37 |
| | | 625 | | 425 |
| Total investments in associates and other entities | | 625 | | 425 |

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

13. OTHER ASSETS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

| | 30 June 2006 (unaudited) (mln. tenge) | 31 December 2005 (mln. tenge) |
|---|---|-------------------------------------|
| Prepayments and other debtors | 2,351 | 2,926 |
| Income tax receivable | - | 1,685 |
| Insurance debtors | 1,017 | 1,040 |
| Prepaid expenses | 2,106 | 978 |
| Tax settlements, other than income tax | 1,811 | 587 |
| | <u>7,285</u> | <u>7,216</u> |
| Less allowance for impairment losses | <u>(130)</u> | <u>(130)</u> |
| Total other assets, less allowance for impairment | <u><u>7,155</u></u> | <u><u>7,086</u></u> |

14. DEBT SECURITIES ISSUED

| | Maturity date month/year | Annual coupon rate % | 30 June 2006 (unaudited) (mln. tenge) | 31 December 2005 (mln. tenge) |
|--|-----------------------------|----------------------------|---|-------------------------------------|
| Eurobonds of Kazkommerts International B.V. | | | | |
| Due in May 2007: | | | | |
| Tranche A, issued in May 2002 and placed at the price of 99.043% | 8 May 2007 | 10.125% | 16,443 | 18,561 |
| Tranche B, issued in November 2002 and placed at the price of 107.00% | 8 May 2007 | 10.125% | 5,935 | 6,699 |
| Due in April 2013: | | | | |
| Tranche A, issued in April 2003 at the price of 97.548% | 16 April 2013 | 8.5% | 40,393 | 45,730 |
| Tranche B issued in April 2003 and placed in May 2003 at the price of 99.00% | 16 April 2013 | 8.5% | 17,803 | 20,097 |
| Due in April 2014: | | | | |
| Issued in April 2004 at the price of 99.15% | 7 April 2014 | 7.875% | 46,408 | 52,386 |
| Due in November 2009: | | | | |
| Tranche A issued in November 2004 at the price of 98.967% | 3 November 2009 | 7% | 39,987 | 46,880 |
| Tranche B issued in February 2005 at the price of 98.967% | 3 November 2009 | 7% | 17,803 | 20,097 |
| Due in November 2015: | | | | |
| Issued in November 2005 at the price of 98.32% | 3 November 2015 | 7.94% | 59,345 | 66,990 |
| Due in February 2009: | | | | |
| Issued in February 2006 at the price of 100% | 24 February 2009 | 4.25% | 7,433 | - |
| Due in March 2011: | | | | |
| Issued in March 2006 at the price of 99.993% | 24 March 2011 | 5.125% | <u>41,667</u> | <u>-</u> |
| | | | 293,217 | 277,440 |
| Plus /(less): | | | | |
| Unamortized discount on debt securities | | | (3,660) | (4,098) |
| Accrued interest on debt securities issued | | | <u>4,331</u> | <u>4,125</u> |
| Total issued Eurobonds of Kazkommerts International B.V. | | | | |
| Issued bonds of Kazkommertsbank | | | 293,888 | 277,467 |
| Amounts of accrued expenses on issued bonds of Kazkommertsbank | | | 3,048 | 3,957 |
| Issued promissory notes of Moskommertsbank | | | 98 | 127 |
| Accrued interest expense on issued promissory notes of Moskommertsbank | | | 31,287 | 21,040 |
| | | | <u>247</u> | <u>542</u> |
| Total debt securities issued | | | <u><u>328,568</u></u> | <u><u>303,133</u></u> |

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of Kazkommertsbank, and guaranteed by Kazkommertsbank. For Eurobonds with a maturity in May 2007, coupon is paid semi-annually on 8 May and 8 November, while for those having a maturity in April 2013, coupon is paid on 16 April and 16 October, for Eurobonds with maturity in April 2014, coupon is paid on 7 April and 7 October, for Eurobonds with maturity in November 2009, coupon is paid on 3 May and 3 November, for Eurobonds with maturity in November 2015, coupon is paid on 3 May and 3 November, for Eurobonds (denominated in Singapore dollars) having a maturity in February 2009 coupon is paid on 24 August and 24 February, and for Eurobonds with a maturity in March 2011 coupon is paid on 23 March.

15. OTHER LIABILITIES

| | 30 June 2006 (unaudited) (mln. tenge) | 31 December 2005 (mln. tenge) |
|--------------------------------------|--|--|
| Taxes payable, other than income tax | 1,351 | 1,760 |
| Payable to employees | 1,131 | 1,033 |
| Accounts payable to reinsurers | 494 | 611 |
| Prepayments received | 225 | 412 |
| Other | 693 | 775 |
| | <hr/> | <hr/> |
| Total other liabilities | <u>3,894</u> | <u>4,591</u> |

16. FINANCIAL COMMITMENTS AND CONTINGENCIES

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.

As at 30 June 2006 and 31 December 2005 accrued allowance for impairment losses on letters of credit and guarantees amounted to 2,360 mln. tenge and 2,589 mln. tenge, respectively.

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 2006 and 31 December 2005, the nominal or contract amounts and risk-weighted amounts were:

| | 30 June 2006 (unaudited) | | 31 December 2005 | |
|---|--|--|--|--|
| | Nominal amount (mln. tenge) | Risk weighted amount (mln. tenge) | Nominal Amount (mln. tenge) | Risk weighted amount (mln. tenge) |
| Contingent liabilities and credit commitments | | | | |
| Guarantees issued and similar commitments | 50,622 | 50,622 | 39,928 | 39,928 |
| Letters of credit and other transaction related to documentary operations | 59,406 | 11,594 | 59,951 | 11,680 |
| Commitments on loans and unused credit lines | 9,417 | 9,417 | 2,670 | 2,670 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total contingent liabilities and credit commitments | <u>119,445</u> | <u>71,633</u> | <u>102,549</u> | <u>54,278</u> |

Capital commitments – As at 30 June 2006 and 31 December 2005 the Bank's commitments for capital expenditures outstanding amounted to 6,449 mln. tenge and 110 mln. tenge, respectively.

Operating lease commitments – No material rental commitments were outstanding as at 30 June 2006 and 31 December 2005.

Fiduciary activities – In the normal course of its business the Bank enters into agreements with limited right of decision making with clients for their assets management in accordance with specific criteria established by clients. The Bank may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Bank 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 Bank also provides depository services to its customers. As at 30 June 2006 and 31 December 2005 the Bank had customer securities totaling:

- on broker-dealer operations - 6,633,458 items and 13,175,579 items, respectively.
- on custodial operations - 421,914,389 items and 333,537,909 items, respectively.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank 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 financial statements.

Taxes – Due to the presence in commercial legislation of the countries where the Bank 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 Bank's business activities to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax statements 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 2006 and 31 December 2005 the Bank 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 Bank'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 Bank's assets and operations could be at risk due to negative changes in the political and business environment.

17. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS № 24 "Related party disclosures", represent:

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank (also non-executive directors and close members of the families of such individuals);
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank;
- (f) Parties with joint control over the Bank;
- (g) Joint ventures in which the Bank is a venture; and
- (h) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party to the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

| | 30 June 2006 (mln. tenge) | | 31 December 2005 (mln. tenge) | |
|---|------------------------------|--|----------------------------------|--|
| | Related party transactions | Total category as per financial statements caption | Related party transactions | Total category as per financial statements caption |
| Loans to customers | 1,193 | 966,435 | 1,785 | 772,006 |
| - who are under common control jointly with the Bank | 199 | | 342 | |
| - individuals influencing the Bank's operations, and their close family members | 418 | | 453 | |
| - key management personnel of the Bank | 544 | | 954 | |
| - Other related parties | 32 | | 36 | |
| Allowance for impairment losses | 29 | 47,337 | 51 | 42,162 |
| - who are under common control jointly with the Bank | 16 | | 20 | |
| - individuals influencing the Bank's operations, and their close family members | - | | 9 | |
| - key management personnel of the Bank | 11 | | 20 | |
| - Other related parties | 2 | | 2 | |
| Customer accounts | 5,123 | 333,839 | 2,274 | 303,405 |
| - who directly or indirectly, through one or several intermediaries, control the Bank | 45 | | 1 | |
| - who are under common control jointly with the Bank | 28 | | 15 | |
| - associates of the Bank | 3,080 | | 1,093 | |
| - individuals influencing the Bank's operations, and their close family members | 974 | | 486 | |
| - key management personnel of the Bank | 973 | | 672 | |
| - Other related parties | 23 | | 7 | |
| Commitments on loans and unused card limits | 35 | 9,417 | 45 | 2,670 |
| - individuals influencing the Bank's operations, and their close family members | 16 | | 17 | |
| - key management personnel of the Bank | 19 | | 28 | |
| Provision for guarantees | 19 | 50,622 | 19 | 39,928 |
| - who are under common control jointly with the Bank | 1 | | - | |
| - individuals influencing the Bank's operations, and their close family members | 1 | | 1 | |
| - key management personnel of the Bank | 17 | | 18 | |

Included in the consolidated profit and loss account for the six months ended 30 June 2006 and 2005 are the following amounts which arose due to transactions with related parties:

| | Six months ended 30 June 2006 (mln. tenge) | | Six months ended 30 June 2005 (mln. tenge) | |
|---------------------------|--|---|--|---|
| | Related party transactions | Total category as per financial statements caption | Related party transactions | Total category as per financial statements caption |
| Interest income | 337 | 60,480 | 98 | 38,168 |
| Interest expense | (181) | (34,272) | (124) | (19,741) |
| Benefits of key personnel | 357 | 3,922 | 216 | 2,996 |

18. 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, corporate leasing, 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 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:

| | Retail banking | Corporate banking | Investment banking | Other | Unallocated | Elimina- tions | Six months ended 30 June 2006 (unaudited) (restated – Note 3) (mln. tenge) |
|--|---------------------------|------------------------------|-------------------------------|--------------|--------------------|---------------------------|---|
| External interest income | 7,354 | 46,066 | 6,922 | 138 | - | - | 60,480 |
| Internal interest income | 4,736 | 3,416 | 28,346 | 6 | 17,705 | (54,209) | - |
| External interest expense | (3,228) | (3,039) | (27,626) | - | (379) | - | (34,272) |
| Internal interest expense | (3,943) | (24,403) | (8,152) | (6) | (17,041) | 53,545 | - |
| Net interest income before provision for impairment losses on interest bearing assets | 4,919 | 22,040 | (510) | 138 | 285 | (664) | 26,208 |
| Provision for impairment losses on interest bearing assets | (655) | (7,678) | 923 | (6) | - | - | (7,416) |
| Net non-interest income | 2,741 | 4,126 | 631 | 661 | (6) | 697 | 8,850 |
| Operating income | 7,005 | 18,488 | 1,044 | 793 | 279 | 33 | 27,642 |
| Operating expenses | (2,813) | (4,101) | (476) | (376) | (18) | (33) | (7,817) |
| Operating profit | 4,192 | 14,387 | 568 | 417 | 261 | - | 19,825 |
| Share of results of associates | - | - | 164 | - | - | - | 164 |
| Provision for impairment losses on other assets ⁽¹⁾ | - | (547) | 476 | 48 | - | - | (23) |
| Profit before income tax | 4,192 | 13,840 | 1,208 | 465 | 261 | - | 19,966 |
| Income tax expense | - | - | - | - | (2,758) | - | (2,758) |
| Net profit | 4,192 | 13,840 | 1,208 | 465 | (2,497) | - | 17,208 |
| Total assets | 121,984 | 797,114 | 334,957 | 6,624 | 540,925 | (547,774) | 1,253,830 |
| Total liabilities | 128,872 | 204,967 | 829,383 | 2,825 | 523,600 | (542,516) | 1,147,131 |

| | Retail banking | Corporate banking | Investment banking | Other | Unallocated | Elimina- tions | Six months ended 30 June 2005 (unaudited) (restated – Note 3) (mln. tenge) |
|--|-------------------|----------------------|-----------------------|-------|-------------|-------------------|--|
| External interest income | 4,964 | 29,903 | 3,218 | 83 | - | - | 38,168 |
| Internal interest income | 3,382 | 3,083 | 18,318 | 8 | 10,699 | (35,490) | - |
| External interest expense | (2,400) | (2,044) | (12,216) | - | (3,081) | - | (19,741) |
| Internal interest expense | (2,532) | (15,786) | (6,465) | (8) | (7,412) | 32,203 | - |
| Net interest income before provision for impairment losses on interest bearing assets | 3,414 | 15,156 | 2,855 | 83 | 206 | (3,287) | 18,427 |
| Provision for impairment losses on interest bearing assets | (552) | (5,038) | (591) | (2) | - | - | (6,183) |
| Net non-interest income | (245) | 4,815 | (2,029) | 784 | (2) | 3,220 | 6,543 |
| Operating income | 2,617 | 14,933 | 235 | 865 | 204 | (67) | 18,787 |
| Operating expenses | (1,816) | (3,852) | (287) | (239) | (19) | 67 | (6,146) |
| Operating profit | 801 | 11,081 | (52) | 626 | 185 | - | 12,641 |
| Share of results of associates | - | - | 100 | - | - | - | 100 |
| Provision for impairment losses on other assets ⁽¹⁾ | - | (398) | (167) | (316) | - | - | (881) |
| Profit before income tax | 801 | 10,683 | (119) | 310 | 185 | - | 11,860 |
| Income tax expense | - | - | - | - | (1,413) | - | (1,413) |
| Net profit | 801 | 10,683 | (119) | 310 | (1,228) | - | 10,447 |
| Total assets | 78,013 | 474,644 | 237,721 | 4,188 | 338,222 | (343,535) | 789,253 |
| Total liabilities | 83,925 | 151,470 | 486,075 | 2,656 | 327,071 | (340,823) | 710,374 |

(1) Provision for impairment losses on other assets includes recovery/(accrual) of insurance provision and provision for impairment losses on other transactions and provision for guarantees and other off-balance sheet contingencies: from external customers and with other segments.

19. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

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 in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The ALMC also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. The Department of Financial Control conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

| | Up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | Over 5 years | Maturity undefined, (including allowance for impairment losses) | 30 June 2006 Total (unaudited) (restated – Note 3) (mln. tenge) |
|---|----------------|---------------------|-------------------|-------------------|----------------|---|---|
| ASSETS: | | | | | | | |
| Cash and balances with national (central) banks | 50,000 | - | - | - | - | - | 50,000 |
| Assets held-for-trading | 27,855 | 28,395 | 70,153 | - | - | - | 126,403 |
| Loans and advances to banks, less allowance for impairment losses | 21,258 | 9,026 | 12,817 | 115 | 1,182 | - | 44,398 |
| Loans to customers, less allowance for impairment losses | 40,451 | 48,952 | 193,587 | 335,042 | 281,045 | - | 899,077 |
| Securities purchased under reverse repurchase agreements | 19,571 | 903 | 754 | - | - | - | 21,228 |
| Investments available-for-sale | 502 | 62 | 118 | 962 | 426 | - | 2,070 |
| Investments held-to-maturity | 100 | 17 | 23 | 22 | 290 | - | 452 |
| Total interest bearing assets | 159,737 | 87,355 | 277,452 | 336,141 | 282,943 | - | 1,143,628 |
| Cash and balances with national (central) banks | 63,982 | - | - | - | - | - | 63,982 |
| Derivative financial instruments | 344 | 911 | 102 | 1,627 | - | - | 2,984 |
| Investments in associates and other entities | - | - | - | - | - | 625 | 625 |
| Goodwill | - | - | - | - | - | 2,405 | 2,405 |
| Fixed and intangible assets, less accumulated depreciation and amortization | - | - | - | - | - | 11,298 | 11,298 |
| Accrued interest income on interest-bearing assets | 6,452 | 8,710 | 4,197 | 2,336 | 58 | - | 21,753 |
| Other assets, less allowance for impairment losses | 2,471 | 2,725 | 1,276 | 640 | 43 | - | 7,155 |
| TOTAL ASSETS | 232,986 | 99,701 | 283,027 | 340,744 | 283,044 | 14,328 | 1,253,830 |
| LIABILITIES: | | | | | | | |
| Loans and advances from banks | 28,398 | 69,316 | 118,581 | 71,101 | 631 | - | 288,027 |
| Securities sold under repurchase agreements | 45,201 | 17,369 | - | - | - | - | 62,570 |
| Customer accounts | 163,877 | 24,377 | 80,936 | 57,735 | 2,083 | - | 329,008 |
| Debt securities issued | 24 | 3,638 | 28,896 | 130,028 | 161,306 | - | 323,892 |
| Other borrowed funds | - | - | 96 | 4,725 | 57,577 | - | 62,398 |
| Subordinated debt | - | - | 45 | 29,261 | 17,748 | - | 47,054 |
| Total interest bearing liabilities | 237,500 | 114,700 | 228,554 | 292,850 | 239,345 | - | 1,112,949 |
| Derivative financial instruments | 451 | 1,153 | 922 | 2,092 | - | - | 4,618 |
| Provisions | 492 | 264 | 876 | 666 | 62 | 2,306 | 4,666 |
| Dividends payable | - | - | 312 | - | - | - | 312 |
| Deferred tax liabilities | - | - | - | 9,032 | - | - | 9,032 |
| Accrued interest expense on interest-bearing liabilities | 2,138 | 2,333 | 6,094 | 1,068 | 27 | - | 11,660 |
| Other liabilities | 3,774 | 2 | 80 | 38 | - | - | 3,894 |
| TOTAL LIABILITIES | 244,355 | 118,452 | 236,838 | 305,746 | 239,434 | 2,306 | 1,147,131 |
| Liquidity gap | (11,369) | (18,751) | 46,189 | 34,998 | 43,610 | | |
| Interest sensitivity gap | (77,763) | (27,345) | 48,898 | 43,291 | 43,598 | | |
| Cumulative interest sensitivity gap | (77,763) | (105,108) | (56,210) | (12,919) | 30,679 | | |
| Cumulative interest sensitivity gap as a percentage of total assets | (6.2)% | (8.4)% | (4.5)% | (1.0)% | 2.4% | | |

| | Up to 1 month | 1 month to 3 months | 3 month to 1 year | 1 year to 5 years | Over 5 years | Maturity undefined, (including allowance for impairment losses) | 31 December 2005 Total (restated – Note 3) (mln. tenge) |
|---|----------------|---------------------|-------------------|-------------------|----------------|---|---|
| ASSETS: | | | | | | | |
| Assets held-for-trading | 43,052 | 22,057 | 73,538 | - | - | - | 138,647 |
| Loans and advances to banks, less allowance for impairment losses | 227,481 | 18,223 | 6,716 | - | 1,340 | - | 253,760 |
| Loans to customers, less allowance for impairment losses | 28,326 | 42,434 | 162,085 | 285,620 | 196,492 | - | 714,957 |
| Securities purchased under reverse repurchase agreements | 11,379 | 1,307 | 1,200 | - | - | - | 13,886 |
| Investments available-for-sale | - | - | 36 | 287 | 97 | - | 420 |
| Investments held-to-maturity | 13 | 5 | 133 | 125 | 280 | - | 556 |
| Total interest bearing assets | 310,251 | 84,026 | 243,708 | 286,032 | 198,209 | - | 1,122,226 |
| Cash and balances with central (national) banks | 37,229 | - | - | - | - | - | 37,229 |
| Derivative financial instruments | 4 | - | - | 77 | - | - | 81 |
| Investments in associates and other entities | - | - | - | - | - | 425 | 425 |
| Goodwill | - | - | - | - | - | 2,405 | 2,405 |
| Fixed and intangible assets, less accumulated depreciation and amortization | - | - | - | - | - | 8,662 | 8,662 |
| Accrued interest income on interest bearing assets | 6,017 | 4,132 | 5,036 | 1,560 | 10 | - | 16,755 |
| Other assets, less allowance for impairment losses | 2,475 | 361 | 3,707 | 334 | 209 | - | 7,086 |
| TOTAL ASSETS | 355,976 | 88,519 | 252,451 | 288,003 | 198,428 | 11,492 | 1,194,869 |
| LIABILITIES: | | | | | | | |
| Loans and advances from banks | 36,437 | 10,200 | 192,422 | 75,590 | 4,338 | - | 318,987 |
| Securities sold under repurchase agreements | 59,095 | - | - | - | - | - | 59,095 |
| Customer accounts | 167,127 | 24,658 | 62,131 | 43,704 | 1,189 | - | 298,809 |
| Debt securities issued | 74 | 1,586 | 2,152 | 113,331 | 181,197 | - | 298,340 |
| Other borrowed funds | - | - | 23 | 3,632 | 46,704 | - | 50,359 |
| Subordinated debt | - | - | - | 6,377 | 45,128 | - | 51,505 |
| Total interest bearing liabilities | 262,733 | 36,444 | 256,728 | 242,634 | 278,556 | - | 1,077,095 |
| Derivative financial instruments | 188 | - | 1 | - | - | - | 189 |
| Dividends payable | 1 | - | - | - | - | - | 1 |
| Provisions | 625 | 265 | 1,219 | 416 | 64 | 2,345 | 4,934 |
| Deferred tax liability | - | - | - | 8,290 | - | - | 8,290 |
| Accrued interest expenses on interest bearing liabilities | 2,189 | 1,268 | 6,593 | 1,448 | - | - | 11,498 |
| Other liabilities | 1,330 | 2,075 | 746 | 440 | - | - | 4,591 |
| TOTAL LIABILITIES | 267,066 | 40,052 | 265,287 | 253,228 | 278,620 | 2,345 | 1,106,598 |
| Liquidity gap | 88,910 | 48,467 | (12,836) | 34,775 | (80,192) | | |
| Interest sensitivity gap | 47,518 | 47,582 | (13,020) | 43,398 | (80,347) | | |
| Cumulative interest sensitivity gap | 47,518 | 95,100 | 82,080 | 125,478 | 45,131 | | |
| Cumulative interest sensitivity gap as a percentage of total assets | 4,0% | 8,0% | 6,9% | 10,5% | 3,8% | | |

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT 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 national (central) banks.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

| | KZT | USD | EUR | RUR | Other currency | 30 June 2006 Total (unaudited) (restated – Note 3) (mln. tenge) |
|---|---------------------|---------------------|---------------------|---------------------|---------------------------|--|
| | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) | (mln. tenge) |
| ASSETS: | | | | | | |
| Cash and balances with the national (central) banks | 104,971 | 5,905 | 1,265 | 1,471 | 378 | 113,990 |
| Assets held-for-trading | 33,556 | 75,172 | 9,907 | 9,217 | - | 127,852 |
| Loans and advances to banks, less allowance for impairment losses | 4,129 | 28,492 | 7,733 | 3,176 | 1,076 | 44,606 |
| Derivative financial instruments | 1,846 | 391 | 618 | - | 129 | 2,984 |
| Loans to customers, less allowance for impairment losses | 240,572 | 659,240 | 8,719 | 10,446 | 121 | 919,098 |
| Securities purchased under reverse repurchase agreements | 13,334 | - | - | 7,927 | - | 21,261 |
| Investments available-for-sale | 2,077 | 21 | - | - | - | 2,098 |
| Investments held-to-maturity | 418 | - | - | - | 40 | 458 |
| Goodwill | 2,405 | - | - | - | - | 2,405 |
| Investments in associates and other entities | 625 | - | - | - | - | 625 |
| Fixed and intangible assets, less accumulated depreciation and amortization | 10,848 | - | - | 357 | 93 | 11,298 |
| Other assets, less allowance for impairment losses | 5,554 | 823 | 322 | 432 | 24 | 7,155 |
| TOTAL ASSETS | 420,335 | 770,044 | 28,564 | 33,026 | 1,861 | 1,253,830 |
| LIABILITIES: | | | | | | |
| Loans and advances from banks | 10,062 | 263,219 | 13,301 | 2,160 | 433 | 289,175 |
| Securities sold under repurchase agreements | - | 49,494 | 9,802 | 3,385 | - | 62,681 |
| Derivative financial instruments | 3,707 | 829 | 80 | 2 | - | 4,618 |
| Customer accounts | 226,981 | 86,852 | 8,538 | 10,924 | 544 | 333,839 |
| Debt securities issued | 3,146 | 266,380 | 41,942 | 9,583 | 7,517 | 328,568 |
| Other borrowed funds | 192 | 62,276 | 145 | - | - | 62,613 |
| Provisions | 2,920 | 1,215 | 523 | 2 | 6 | 4,666 |
| Dividends payable | 312 | - | - | - | - | 312 |
| Deferred tax liabilities | 8,865 | - | - | 163 | 4 | 9,032 |
| Other liabilities | 2,234 | 1,325 | 108 | 180 | 47 | 3,894 |
| Subordinated debt | 15,917 | 31,816 | - | - | - | 47,733 |
| TOTAL LIABILITIES | 274,336 | 763,406 | 74,439 | 26,399 | 8,551 | 1,147,131 |
| OPEN BALANCE SHEET POSITION | 145,999 | 6,638 | (45,875) | 6,627 | (6,690) | |

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 30 June 2006:

| | KZT | USD | EUR | RUR | Other currency | 30 June 2006 Total (unaudited) (restated – Note 3) (mln. tenge) |
|---|-----------------|-----------------|----------------|---------------|----------------|--|
| Accounts payable on forward contracts | (57,240) | (69,197) | (3,018) | - | (48) | (129,503) |
| Accounts receivable on forward contracts | 8,953 | 57,301 | 49,098 | 1,481 | 11,119 | 127,952 |
| NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION | (48,287) | (11,896) | 46,080 | 1,481 | 11,071 | |
| TOTAL OPEN POSITION | 97,712 | (5,278) | 205 | 8,108 | 4,381 | |
| | KZT | USD | EUR | RUR | Other currency | 31 December 2005 Total (restated – Note 3) (mln. tenge) |
| ASSETS: | | | | | | |
| Cash and balances with the national (central) banks | 16,405 | 16,731 | 1,168 | 1,826 | 1,099 | 37,229 |
| Assets held-for-trading | 13,336 | 120,298 | - | 6,660 | - | 140,294 |
| Loans and advances to banks, less allowance for impairment losses | 3,657 | 235,826 | 10,647 | 2,789 | 985 | 253,904 |
| Derivative financial instruments | 4 | 77 | - | - | - | 81 |
| Loans to customers, less allowance for impairment losses | 215,841 | 501,876 | 6,487 | 5,489 | 151 | 729,844 |
| Securities purchased under reverse repurchase agreements | 4,628 | - | - | 9,322 | - | 13,950 |
| Investments available-for-sale | 427 | - | - | - | - | 427 |
| Investments held-to-maturity | 519 | - | - | - | 43 | 562 |
| Goodwill | 2,405 | - | - | - | - | 2,405 |
| Investments in associates and other entities | 425 | - | - | - | - | 425 |
| Fixed and intangible assets, less accumulated depreciation and amortization | 8,417 | - | - | 146 | 99 | 8,662 |
| Other assets, less allowance for impairment losses | 5,057 | 1,453 | 93 | 477 | 6 | 7,086 |
| TOTAL ASSETS | 271,121 | 876,261 | 18,395 | 26,709 | 2,383 | 1,194,869 |
| LIABILITIES: | | | | | | |
| Loans and advances from banks | 13,291 | 288,754 | 11,409 | 5,272 | 1,369 | 320,095 |
| Securities sold under repurchase agreements | 6,781 | 52,097 | - | 265 | - | 59,143 |
| Derivative financial instruments | 94 | 95 | - | - | - | 189 |
| Customer accounts | 135,747 | 153,156 | 7,491 | 6,463 | 548 | 303,405 |
| Debt securities issued | 4,084 | 293,888 | - | 5,161 | - | 303,133 |
| Other borrowed funds | 210 | 50,183 | 211 | - | - | 50,604 |
| Provisions | 2,601 | 1,966 | 337 | 4 | 26 | 4,934 |
| Dividends payable | 1 | - | - | - | - | 1 |
| Deferred tax liabilities | 8,014 | - | - | 257 | 19 | 8,290 |
| Other liabilities | 3,418 | 1,101 | 34 | 32 | 6 | 4,591 |
| Subordinated debt | 16,281 | 35,931 | 1 | - | - | 52,213 |
| TOTAL LIABILITIES | 190,522 | 877,171 | 19,483 | 17,454 | 1,968 | 1,106,598 |
| OPEN BALANCE SHEET POSITION | 80,599 | (910) | (1,088) | 9,255 | 415 | |

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2005:

| | KZT | USD | EUR | RUR | Other currency | Currency undefined, (including allowance for impairment losses) | 31 December 2005 Total (restated – Note 3) (mln. tenge) |
|---|----------------|--------------|--------------|--------------|-------------------|--|--|
| Accounts payable on forwards | (9,657) | (9,080) | (795) | - | (155) | - | (19,687) |
| Accounts receivable on forwards | 6,895 | 11,277 | 1,192 | 15 | 200 | - | 19,579 |
| NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION | <u>(2,762)</u> | <u>2,197</u> | <u>397</u> | <u>15</u> | <u>45</u> | | |
| TOTAL OPEN POSITION | <u>77,837</u> | <u>1,287</u> | <u>(691)</u> | <u>9,270</u> | <u>460</u> | | |

Geographical concentration

The Assets and Liabilities Management Committee (“ALMC”) exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group’s activity. This approach allows the Group to minimize potential losses. The Bank’s Management Board sets up country limits, which are mainly applied by banks of the Commonwealth of Independent States (“CIS”), banks of member states of the Organisation for Economic Co-operation and Development (“OECD”), and Baltic countries.

The Group considers the principal segment to be comprised of the Commonwealth of Independent States, including the Republic of Kazakhstan, (“CIS”) as the risks and returns are considered to be similar throughout the region.

The concentration of assets and liabilities as at 30 June 2006 is set out in tables below:

| | Kazakhstan | CIS | OECD countries | Non-OECD countries | 30 June 2006 Total (unaudited – restated – Note 3) (mln. tenge) |
|---|----------------|----------------|------------------|--------------------|--|
| ASSETS: | | | | | |
| Cash and balances with national (central) banks | 104,967 | 2,235 | 6,788 | - | 113,990 |
| Assets held-for-trading | 43,365 | 9,217 | 75,270 | - | 127,852 |
| Loans and advances to banks, less allowance for impairment losses | 1,136 | 32,083 | 11,387 | - | 44,606 |
| Derivative financial instruments | 1,963 | 4 | 1,017 | - | 2,984 |
| Loans to customers, less allowance for impairment losses | 688,369 | 105,872 | 28,148 | 96,709 | 919,098 |
| Securities purchased reverse repurchase agreements | 13,333 | 7,928 | - | - | 21,261 |
| Investments available-for-sale | 2,098 | - | - | - | 2,098 |
| Investments held-to-maturity | 418 | 40 | - | - | 458 |
| Investments in associates | 625 | - | - | - | 625 |
| Goodwill | 2,405 | - | - | - | 2,405 |
| Fixed and intangibles assets, less accumulated depreciation and amortization | 10,847 | 451 | - | - | 11,298 |
| Other assets, less allowance for impairment losses | 5,767 | 851 | 530 | 7 | 7,155 |
| TOTAL ASSETS | 875,293 | 158,681 | 123,140 | 96,716 | 1,253,830 |
| LIABILITIES: | | | | | |
| Loans and advances from banks | 13,013 | 28,324 | 247,090 | 748 | 289,175 |
| Securities sold under agreements to repurchase | - | 3,385 | 59,296 | - | 62,681 |
| Derivative financial instruments | 3,486 | 2 | 1,130 | - | 4,618 |
| Customer accounts | 300,013 | 15,532 | 15,706 | 2,588 | 333,839 |
| Debt securities issued | 3,322 | 31,415 | 293,712 | 119 | 328,568 |
| Other borrowed funds | 337 | 2 | 62,274 | - | 62,613 |
| Provisions | 4,325 | 190 | 1 | 150 | 4,666 |
| Dividends payable | 312 | - | - | - | 312 |
| Deferred tax liabilities | 8,865 | 167 | - | - | 9,032 |
| Other liabilities | 2,351 | 278 | 1,257 | 8 | 3,894 |
| Subordinated debt | 21,345 | - | 26,388 | - | 47,733 |
| TOTAL LIABILITIES | 357,369 | 79,295 | 706,854 | 3,613 | 1,147,131 |
| NET POSITION | 517,924 | 79,386 | (583,714) | 93,103 | |

The concentration of assets and liabilities as at 31 December 2005 is set out in tables below:

| | Kazakhstan | CIS | OECD countries | Non-OECD countries | 31 December 2005 Total (restated – Note 3) (mln. tenge) |
|--|----------------|----------------|------------------|--------------------|---|
| ASSETS: | | | | | |
| Cash and balances with national (central) banks | 27,124 | 2,915 | 7,190 | - | 37,229 |
| Assets held-for-trading | 23,815 | 6,660 | 109,819 | - | 140,294 |
| Loans and advances to banks, less allowance for impairment losses | 16,373 | 38,677 | 192,288 | 6,566 | 253,904 |
| Derivative financial instruments | 4 | 1 | 76 | - | 81 |
| Securities purchased under reverse repurchase agreements | 4,628 | 9,322 | - | - | 13,950 |
| Loans to customers, less allowance for impairment losses | 565,072 | 74,596 | 18,900 | 71,276 | 729,844 |
| Investments available-for-sale | 427 | - | - | - | 427 |
| Investments held-to-maturity | 519 | 43 | - | - | 562 |
| Investments in associates | 291 | - | 134 | - | 425 |
| Goodwill | 2,405 | - | - | - | 2,405 |
| Fixed and intangibles assets, less accumulated depreciation and amortization | 8,417 | 245 | - | - | 8,662 |
| Other assets, less allowance for impairment losses | 4,929 | 635 | 1,053 | 469 | 7,086 |
| TOTAL ASSETS | 654,004 | 133,094 | 329,460 | 78,311 | 1,194,869 |
| LIABILITIES: | | | | | |
| Loans and advances from banks | 22,825 | 22,906 | 267,588 | 6,776 | 320,095 |
| Securities sold under agreements to repurchase | 6,781 | 265 | 52,097 | - | 59,143 |
| Derivative financial instruments | 95 | 1 | 93 | - | 189 |
| Customer accounts | 257,276 | 9,231 | 18,669 | 18,229 | 303,405 |
| Debt securities issued | 4,135 | 20,129 | 277,416 | 1,453 | 303,133 |
| Other borrowed funds | 433 | 3 | 50,168 | - | 50,604 |
| Provisions | 4,100 | 685 | 4 | 145 | 4,934 |
| Dividends payable | 1 | - | - | - | 1 |
| Income tax liabilities | 8,014 | 276 | - | - | 8,290 |
| Other liabilities | 3,167 | 230 | 1,110 | 84 | 4,591 |
| Subordinated debt | 22,408 | - | 29,805 | - | 52,213 |
| TOTAL LIABILITIES | 329,235 | 53,726 | 696,950 | 26,687 | 1,106,598 |
| NET POSITION | 324,769 | 79,368 | (367,490) | 51,624 | |

20. SUBSEQUENT EVENTS

On 21 July 2006 Kazkommertsbank made placement of 96,500,000 common shares of JSC Kazkommertsbank with par value 200 tenge per share.