

JOINT STOCK COMPANY KAZKOMMERTSBANK

**Condensed Interim Consolidated Financial
Statements (Unaudited)**
For the nine months ended 30 September 2006

**and Review Report 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 NINE MONTHS ENDED 30 SEPTEMBER 2006 AND 2005 (UNAUDITED)

The following statement, which should be read in conjunction with the independent accountants' responsibilities stated in the review report 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 September 2006, the results of its operations, cash flows and changes in equity for the nine months ended on 30 September 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 judgments 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 nine months ended 30 September 2006 were authorized for issue on 30 November 2006 by the Management board of JSC Kazkommertsbank.

On behalf of the Board:



Zhusupova N.A.
Chairman of the Board

30 November 2006
Almaty



Shoinbekova G.K.
Chief Accountant

30 November 2006
Almaty

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of JSC Kazkommertsbank:

We have reviewed the accompanying consolidated interim balance sheet of JSC Kazkommertsbank and its subsidiaries (the "Bank") as at 30 September 2006, and the related consolidated interim profit and loss account, and interim consolidated statements of cash flows and changes in equity for the nine months period ended 30 September 2006. 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 sheet at 31 December 2005, as determined in accordance with International Financial Reporting Standards, has been restated for the items described in Note 3 to the condensed interim consolidated financial statements.

Deloitte, LLP


30 November 2006


JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED)

	Notes	Nine months ended 30 September 2006 (mln. tenge)	Nine months ended 30 September 2005 (mln. tenge)
Interest income	4,18	98,577	60,030
Interest expense	4,18	(55,804)	(32,051)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		42,773	27,979
Provision for impairment losses on interest bearing assets		(18,343)	(11,574)
NET INTEREST INCOME		24,430	16,405
Net loss on operations with assets held-for-trading		(332)	(123)
Net gain on foreign exchange operations		6,313	1,025
Fee and commission income		12,216	7,672
Fee and commission expense		(1,176)	(863)
Gain from disposal of investments available-for-sale		29	9
Dividends received		60	12
Other income	5	1,976	2,123
NET NON-INTEREST INCOME		19,086	9,855
OPERATING INCOME		43,516	26,260
OPERATING EXPENSES		(11,621)	(9,897)
OPERATING PROFIT		31,895	16,363
Accrual of insurance provision and provision for impairment losses on other transactions		(1,532)	(792)
Accrual of provision for guarantees and other off-balance sheet contingencies		(1,229)	(1,273)
Share of results of associates		290	163
PROFIT BEFORE INCOME TAX		29,424	14,461
Income tax expense	6	(7,597)	(1,044)
NET PROFIT		21,827	13,417
Attributable to:			
Equity holders of the parent		20,495	12,313
Minority interest		1,332	1,104
EARNINGS PER SHARE <i>Basic and diluted (KZT)</i>	7	43.48	32.84

On behalf of the Board:


Zhusupova N.A.
Chairman of the Board


Shoinbekova G.K.
Chief Accountant

30 November 2006
Almaty

30 November 2006
Almaty

The notes on pages 9-35 form an integral part of these condensed interim consolidated financial statements. The Review Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006 (UNAUDITED) AND 31 DECEMBER 2005


	Notes	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (restated – Note 3) (mln. tenge)
ASSETS:			
Cash and balances with national (central) banks		112,104	37,229
Assets held-for-trading	8	76,501	140,294
Loans and advances to banks, less allowance for impairment losses		79,429	253,904
Derivative financial instruments		4,209	81
Loans to customers, less allowance for impairment losses	9	1,169,300	729,844
Securities purchased under reverse repurchase agreements		24,125	13,950
Investments available-for-sale	10	2,461	427
Investments held-to-maturity	11	346	562
Investments in associates and other entities	12	751	425
Goodwill		2,405	2,405
Fixed and intangible assets, less accumulated depreciation and amortization		12,295	8,662
Other assets, less allowance for impairment losses	13	8,316	7,086
TOTAL ASSETS		1,492,242	1,194,869
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks		399,550	320,095
Securities sold under repurchase agreements		8,876	59,143
Derivative financial instruments		3,452	189
Customer accounts	14	425,612	303,405
Debt securities issued	15	353,162	303,133
Other borrowed funds		66,467	50,604
Provisions		6,333	4,934
Dividends payable		465	1
Deferred tax liabilities	6	13,384	8,290
Other liabilities	16	5,520	4,591
		1,282,821	1,054,385
Subordinated debt		78,951	52,213
Total liabilities		1,361,772	1,106,598
EQUITY:			
Share capital		5,962	4,996
Share premium		34,020	15,902
Fixed assets revaluation reserve		2,442	1,520
Reserves		79,372	58,877
Total shareholder's equity		121,796	81,295
Minority interest		8,674	6,976
Total equity		130,470	88,271
TOTAL LIABILITIES AND EQUITY		1,492,242	1,194,869

On behalf of the Board:



Zhushupova N.A.
Chairman of the Board

30 November 2006
Almaty



Shoinbekova G.K.
Chief Accountant

30 November 2006
Almaty

The notes on pages 9-35 form an integral part of these condensed interim consolidated financial statements. The Review Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED 30 SEPTEMBER 2005 (UNAUDITED)

	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	Minority interest	Total equity
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
1 January 2005 (as previously reported)	4,197	11,752	-	1,313	40,044	57,306	5,468	62,774
Restatements (Note 3)	-	(3,888)	11	-	399	(3,478)	-	(3,478)
1 January 2005 (Restated)	4,197	7,864	11	1,313	40,443	53,828	5,468	59,296
Share capital increase of								
- ordinary shares	289	4,142	-	-	-	4,431	-	4,431
- preference shares	513	3,915	-	-	-	4,428	-	4,428
Sale of previously repurchased own shares	(2)	(19)	-	-	-	(21)	-	(21)
Fixed assets revaluation	-	-	-	229	-	229	-	229
Amortization of fixed assets revaluation reserve	-	-	-	(18)	18	-	-	-
Unrealized gain on revaluation of available-for-sale investments	-	-	4	-	-	4	-	4
Realized gain on revaluation of available-for-sale investments	-	-	(9)	-	-	(9)	-	(9)
Exchange differences on translation of foreign operations	-	-	-	-	15	15	7	22
Net profit	-	-	-	-	12,313	12,313	1,104	13,417
30 September 2005	4,997	15,902	6	1,524	52,789	75,218	6,579	81,797

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED) (CONTINUED)

	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 share-holders	Minority interest	Total equity
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
1 January 2006 (as previously reported)	4,996	22,307	1	1,520	58,545	87,369	6,976	94,345
Restatements (Note 3)	-	(6,405)	-	-	331	(6,074)	-	(6,074)
1 January 2006 (restated)	4,996	15,902	1	1,520	58,876	81,295	6,976	88,271
Share capital increase of								
- ordinary shares	965	18,138	-	-	-	19,103	-	19,103
Repurchase of own shares	(1)	(26)	-	-	-	(27)	-	(27)
Sale of previously repurchased own shares	2	6	-	-	-	8	-	8
Fixed assets revaluation	-	-	-	946	-	946	-	946
Amortization of fixed assets revaluation reserve	-	-	-	(24)	24	-	-	-
Unrealized gain on revaluation of available-for-sale investments	-	-	149	-	-	149	-	149
Realized gain on revaluation of available for sale investments	-	-	(29)	-	-	(29)	-	(29)
Exchange differences on translation of foreign operations	-	-	-	-	(144)	(144)	366	222
Net profit	-	-	-	-	20,495	20,495	1,332	21,827
30 September 2006	5,962	34,020	121	2,442	79,251	121,796	8,674	130,470

On behalf of the Board:

Zhusupova N.A.
Chairman of the Board

30 November 2006
Almaty

Shoinbekova G.K.
Chief Accountant

30 November 2006
Almaty

The notes on pages 9-35 form an integral part of these condensed interim consolidated financial statements. The Review Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED)

	Notes	Nine months ended 30 September 2006 (mln. tenge)	Nine months ended 30 September 2005 (mln. tenge)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		29,424	14,461
Adjustments for:			
Provision for impairment losses on interest bearing assets		18,343	11,574
Provision for insurance reserves and reserves for impairment losses on other transactions		1,532	792
Provision for guarantees and other off-balance liabilities		1,229	1,273
Unrealised gain and amortisation of discounts on securities		(113)	(248)
Amortization of discount on issued debt securities		81	218
Depreciation and amortization		1,307	1,132
Change in interest accruals, net		(5,018)	5,568
Unrealised foreign exchange loss		(3,791)	14,959
Share of results of associates		(290)	(163)
Gain on sale of fixed and intangible assets, net		(5)	5
Net change in fair value of derivative financial instruments		(865)	(43)
Cash flows from operating activities before changes in operating assets and liabilities		41,834	49,528
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with Central Bank of Russian Federation		(868)	224
Assets held-for-trading		69,476	35,842
Loans and advances to banks		3,996	(20,404)
Loans to customers		(385,857)	(143,751)
Securities purchased under reverse repurchase agreements		(10,137)	(3,009)
Other assets		(1,604)	5,572
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		66,680	62,004
Securities sold under repurchase agreements		(50,238)	(22,696)
Customer accounts		70,935	73,755
Other borrowed funds		15,929	6,560
Other liabilities		(342)	1,530
Cash (outflow)/inflow from operating activities before taxation		(180,196)	45,155
Income tax paid		(2,503)	(1,884)
Net cash (outflow)/inflow from operating activities		(182,699)	43,271

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED) (CONTINUED)

	Notes	Nine months ended 30 September 2006 (mln. tenge)	Nine months ended 30 September 2005 (mln. tenge)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(4,133)	(1,453)
Dividends received		-	(230)
Net (purchase)/proceeds on sale of investments available-for-sale		(1,879)	490
Net proceeds on sale of investments held-to-maturity		223	20
(Acquisition)/sale of investments in associates and other entities		-	(33)
Exchange differences on translation of foreign operations		330	7
		<u>(5,459)</u>	<u>(1,199)</u>
Net cash outflow from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt securities issued		37,087	24,066
Subordinated debt		25,817	11,789
Issuance of ordinary shares		19,103	4,431
Issuance of preference shares		-	4,428
Net (repurchase)/resale of repurchased own shares		(19)	(21)
		<u>81,988</u>	<u>44,693</u>
Net cash inflow from financing activities			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(106,170)	86,765
CASH AND CASH EQUIVALENTS, at beginning of the period		227,476	81,857
<i>Effect of foreign exchange rate changes on cash and cash equivalents</i>		<u>676</u>	<u>(115)</u>
CASH AND CASH EQUIVALENTS, at end of the period		<u><u>121,982</u></u>	<u><u>168,507</u></u>

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

Interest paid and received by the Bank in cash during the nine months ended 30 September 2005 amounted to KZT 10,528 mln. and KZT 22,924 mln., respectively.

On behalf of the Board:



Zhusupova N.A.
Chairman of the Board

30 November 2006
Almaty



Shoinbekova G.K.
Chief Accountant

30 November 2006
Almaty

The notes on pages 9-35 form an integral part of these condensed interim consolidated financial statements. The Review Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTIVE NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED 30 SEPTEMBER 2006 (UNAUDITED)

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 Kazkommertsbank is 135 “Zh”, Gagarin Ave., Almaty, the 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 September 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 OCOPAIM Grantum Asset Management (formerly ABN AMRO Asset Management)	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Kazkommerts Life	Republic of Kazakhstan	100%	-	Life insurance
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	93.58%	Commercial bank
JSC Grantum APF (formerly 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 Bank since the Bank was able and exercised effective control over its activity. The control presumes the ability of Kazkommertsbank to issue loans to customers of MKB and receive income from such activity. In 2003, shareholders of MKB who own 60.04% interest in share capital, and Kazkommertsbank entered into agreements of trust management of MKB. At the same time, the remaining shareholders of MKB, which own 39.96% interest in the share capital and Kazkommertsbank entered into an agreement on segregation of responsibility regarding management of MKB. This last agreement established non-involvement of those remaining shareholders in the policy of the activity of MKB determined by Kazkommertsbank. In September 2006 Kazkommertsbank and shareholders of MKB cancelled the agreements of trust management for 2.6% interest in the share capital of MKB, decreasing the ownership share from 60.04 to 57.44%.

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 Reporting”. 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 provisions 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.

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		Amount as per current report		Total effect on the financial statements items	
	2005 (mln. tenge)	2004 (mln. tenge)	2005 (mln. tenge)	2004 (mln. tenge)	2005 (mln. tenge)	2004 (mln. tenge)
Subordinated debt	46,139	19,448	52,213	22,926	6,074	3,478
Share premium	22,307	11,752	15,902	7,864	(6,405)	(3,888)
Investments						
available-for-sale						
fair value reserve	1	-	1	11	-	11
Retained earnings	58,545	40,044	58,876	40,443	331	399

4. NET INTEREST INCOME

	Nine months ended 30 September 2006 (unaudited) (mln. tenge)	Nine months ended 30 September 2005 (unaudited) (mln. tenge)
Interest income		
Interest on loans to customers	88,161	54,194
Interest on debt securities	5,416	2,730
Interest on loans and advances to banks	4,126	2,657
Interest on reverse repurchase transactions	874	449
Total interest income	98,577	60,030
Interest expense		
Interest on debt securities issued	27,267	17,746
Interest on loans and advances from banks	13,162	5,861
Interest on customer accounts	10,975	7,417
Interest on loans from organizations conducting certain types of banking operations	2,781	422
Interest on repurchase transactions	1,144	88
Dividends on preferred shares	465	501
Other interest expenses	10	16
Total interest expense	55,804	32,051
Net interest income before provision for impairment losses on interest bearing assets	42,773	27,979

5. OTHER INCOME

	Nine months ended 30 September 2006 (unaudited) (mln. tenge)	Nine months ended 30 September 2005 (unaudited) (mln. tenge)
Insurance premiums	1,510	1,864
Fines and penalties received	65	105
Gain on sale of fixed assets	15	26
Other	386	128
	<u>1,976</u>	<u>2,123</u>
Total other income	<u>1,976</u>	<u>2,123</u>

6. INCOME TAX

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

	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Deferred tax assets:		
Other tax assets	330	459
	<u>330</u>	<u>459</u>
Total deferred tax assets	<u>330</u>	<u>459</u>
Deferred tax liabilities:		
Loans to banks and customers	10,524	7,440
Fixed assets	1,260	650
Provisions under guarantees and letters of credit	1,400	372
Unrealized gain on securities and derivatives revaluation	341	183
Investments in associates	181	94
Other liabilities	8	10
	<u>13,714</u>	<u>8,749</u>
Total deferred tax liabilities	<u>13,714</u>	<u>8,749</u>
Net deferred tax liabilities	<u>13,384</u>	<u>8,290</u>

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

	Nine months ended 30 September 2006 (unaudited) (mln. tenge)	Nine months ended 30 September 2005 (unaudited) (mln. tenge)
Profit before income tax	29,424	14,461
Tax at the statutory tax rate (30%)	8,827	4,338
Tax effect of permanent differences	(1,230)	(3,294)
	<u>7,597</u>	<u>1,044</u>
Income tax expense	<u>7,597</u>	<u>1,044</u>
Current income tax expense	2,503	2,044
Provision for deferred tax liabilities	5,094	(1,000)
	<u>7,597</u>	<u>1,044</u>
Income tax expense	<u>7,597</u>	<u>1,044</u>

7. EARNINGS PER SHARE

	Nine months ended 30 September 2006 (unaudited) (mln. tenge)	Nine months ended 30 September 2005 (unaudited) (mln. tenge)
Profit:		
Net profit for the period, attributable to the equity holders of the parent	<u>20,495</u>	<u>12,313</u>
Weighted average number of common shares for basic and diluted earnings per share	<u>471,318,224</u>	<u>375,000,000</u>
Earnings per share – basic and diluted (KZT)	<u><u>43.48</u></u>	<u><u>32.84</u></u>

8. ASSETS HELD-FOR-TRADING

	Interest to nominal %	30 September 2006 (unaudited) (mln. tenge)	Interest to nominal %	31 December 2005 (mln. tenge)
Bonds of Freddie Mac	1.17333-6.88%	11,635	4.60%	12,965
Eurobonds of Hellenic Republic	3.60%	8,039		
Eurobonds KfW Intl Finance	4.70%	6,408	5.25%	6,722
Eurobonds of Caisse D'Amortissement Delta France	4.75%	6,387	4.60%	6,732
Bonds of JP Morgan Chase Bank	3.8273-17.5%	5,710	-	-
Corporate bonds of issuers of the Russian Federation	7.5-13.20%	5,650	7.5-15.5%	5,371
Bonds of Kazexportostyk	9.9-10.70%	4,002	-	-
Bonds of the Food Contract Corporation	8%	3,707	-	-
Bonds of Almaty Merchant Bank	8.125-8.5%	2,699	8.50-10%	4,466
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.78-6.68%	2,521	2.75-5.5%	6,783
Bonds of local executive bodies of the Russian Federation	7.95-13.30%	2,428	8.20-13.30%	1,080
Bonds of Small and Medium Enterprises Development Fund	9%	2,336	-	-
Bonds of Bank CenterCredit	8-9%	1,586	8.5-10.4%	680
Bonds of federal loan Ministry of Finance of the Russian Federation	6.30-10.0096%	1,383	10%	210
Bonds of Halyk Bank	7.75-8.125%	1,274	7.5-7.75%	556
Bonds of Development Bank of Kazakhstan	6-8.5%	1,097	9.1-13%	964
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	11.125%	1,095	11.13%	2,159
Eurobonds of TuranAlemFinance B.V.	7.875-8%	890	7.875-8%	334
Eurobonds of ALB Finance B.V.	9%	656	9%	280
Bonds of NSCC Kazstroyervice	9%	647	-	-
Bonds of CALYON	-	636	-	-
Bonds of BTA Ipoteka	8.5-9.90%	573	-	-
Bonds of Karazhanbasmunai	10.90%	551	9.1-9.9%	668
Bonds of Nurbank	9%	532	-	-
Bonds of Kazakhaltyn	9.90%	471	9.90%	579
Eurobonds of CenterCredit B.V.	8%	321	-	-
Bonds of Atyrau local executive committee	8.5%	252	8.5-8.6%	292
Bonds of Federal Farm Credit Bank	3.375%	249	3.38%	263
Bonds of Kazakhstan kagazy	11.30%	130	10.40%	132
Bonds of Glotur	11.70%	107	10%	102
Bonds of Kazatomprom	8.50%	87	8.50%	88
Bonds of KazTransCom	8%	12	8%	135
Bonds of Kazakhstan Mortgage Company	8.2-8.29%	11	6.9-12.25%	191
US exchequer bonds	-	-	2.7306-10.7225%	21,403
Bonds of Federal Home Loan Bank	-	-	4.06%	13,529
Eurobonds of European Investment Bank	-	-	3-5.625%	13,577
Eurobonds of InraAmerican Development Bank	-	-	5.375-6.125%	8,916
Eurobonds of European 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 KazTransOil	-	-	8.50%	2,379
Short-term notes of NBRK	-	-	2.22%	1,002
Bonds of Bank TuranAlem	-	-	8-9.90%	272
Bonds of Astana city administration	-	-	8.50%	267
Bonds of Astana Finance	-	-	9.40%	126
Bonds of Khimfarm	-	-	10%	120
Bonds of Mangistau REK	-	-	13%	65
		74,082		138,568

	Ownership share %	30 September 2006 (unaudited) (mln. tenge)	Ownership share %	31 December 2005 (mln. tenge)
Shares:				
ADR Kazakhtelecom	5.11%	1,809	5.11%	1,673
Shares of Kazzinc	0.1%	217	0.04%	34
Shares of Ust-Kamenogorsk Titanium and Magnesium Plant	0.4%	213	-	-
Shares of Rosneft	0.4%	93	-	-
Kazakhtelecom shares				
- ordinary	0.1%	54	0.01%	4
- preference	0.1%	13	0.08%	6
Shares of Halyk Bank	0.005%	11	-	-
Shares of Mangistaumunaigaz	0.1%	7	-	-
Shares of Bank TuranAlem	0.001%	2	-	-
Aktobemunaigaz	-	-	0.004%	9
		<u>2,419</u>		<u>1,726</u>
Total assets held-for-trading		<u><u>76,501</u></u>		<u><u>140,294</u></u>

9. LOANS TO CUSTOMERS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Loans issued	1,201,967	757,119
Accrued interest income on loans to customers	<u>27,684</u>	<u>14,887</u>
	1,229,651	772,006
Less allowance for impairment losses	<u>(60,351)</u>	<u>(42,162)</u>
Total loans to customers, less allowance for impairment losses	<u><u>1,169,300</u></u>	<u><u>729,844</u></u>

	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Loans collateralized by real estate	339,611	203,045
Loans collateralized by guarantees of enterprises	180,581	102,095
Loans collateralized by combined collateral	146,442	104,917
Loans collateralized by accounts receivable	99,881	126,953
Loans collateralized by shares of other companies	98,475	33,759
Loans collateralized by equipment	98,207	74,697
Loans collateralized by inventories	51,836	29,893
Loans collateralized by guarantees of financial institutions	39,074	3,197
Loans collateralized by cash or Kazakhstani Government guarantees	23,425	14,606
Unsecured loans	<u>152,119</u>	<u>78,844</u>
	1,229,651	772,006
Less allowance for impairment losses	<u>(60,351)</u>	<u>(42,162)</u>
Total loans to customers, less allowance for impairment losses	<u><u>1,169,300</u></u>	<u><u>729,844</u></u>

	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Analysis by sector:		
Trade	229,445	147,657
Individuals	184,230	101,844
Residential construction	174,346	88,706
Construction of commercial real estate	140,178	83,102
Real estate	59,835	15,743
Industrial and other construction	54,686	27,522
Agriculture	42,945	33,137
Energy	41,921	33,922
Food industry	40,309	30,145
Transport and communication	39,051	41,040
Investments and finance	37,813	30,237
Hotel business	23,593	17,394
Mining and metallurgy	23,549	25,681
Construction materials production industry	22,553	11,101
Machinery construction	14,420	13,488
Culture and art	563	747
Other	100,214	70,540
	<u>1,229,651</u>	<u>772,006</u>
Less allowance for impairment losses	<u>(60,351)</u>	<u>(42,162)</u>
Total loans to customers, less allowance for impairment losses	<u><u>1,169,300</u></u>	<u><u>729,844</u></u>

As at 30 September 2006 and 31 December 2005 the Bank granted loans to 10 borrowers for total amount of KZT 245,272 million and 7 borrowers for total amount of KZT 87,924 million, which individually exceeded 10% of the Bank's equity. As at 30 September 2006 and 31 December 2005, the maximum credit risk amount on loans to customers amounted to KZT 30,563 million and KZT 20,645 million, respectively.

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

	Nine months ended 30 September 2006 (unaudited) (mln. tenge)	Nine months ended 30 September 2006 (unaudited) (mln. tenge)
Beginning balance:	42,162	29,879
Provision	19,175	6,227
Write-off of assets	(304)	(892)
Recoveries of assets previously written-off	32	232
Exchange rate difference	(714)	33
	<u>(714)</u>	<u>33</u>
Ending balance:	<u><u>60,351</u></u>	<u><u>35,479</u></u>

10. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	30 September 2006 (unaudited) (mln. tenge)	Interest to nominal %	31 December 2005 (mln. tenge)
Debt securities:				
Notes of the National Bank of the Republic of Kazakhstan	4.04%	750	-	-
Eurobonds of Ministry of Finance of the Republic of Kazakhstan	6.68-11.125%	376	2.75-6.99%	340
Bonds of Kazakhstan Mortgage Company	9.29-9.90%	283	6.9-8.29%	87
Bonds of Bank TuranAlem	10.90%	224	-	-
Bonds of Astana Finance	11.20%	132	-	-
Bonds of Karazhanbasmunai	10.90%	128	-	-
Bonds of KazTransCom	8%	123	-	-
Bonds of Kazakhaltyn	10.90%	123	-	-
Bonds of Khimfarm	10%	117	-	-
Bonds of Almaty Merchant Bank	9%	107	-	-
Bonds of Small and Medium Enterprises Development Fund	9%	88	-	-
Bonds of Bank CenterCredit	9%	8	-	-
		<u>2,459</u>		<u>427</u>

	Ownership share %	30 September 2006 (unaudited) (mln. tenge)	Ownership share %	31 December 2005 (mln. tenge)
Shares:				
Kazakhstan Stock Exchange	1.4%	2	-	-
		<u>2</u>		<u>-</u>
Total investments available-for-sale		<u>2,461</u>		<u>427</u>

11. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	30 September 2006 (unaudited) (mln. tenge)	Interest to nominal %	31 December 2005 (mln. Tenge)
Bonds of Bank CenterCredit	8.5%	115	8.5%	94
Bonds of Halyk Bank	7.75%	110	7.75%	99
Bonds of Almaty Merchant Bank	8.5%	95	8.5%	92
Bonds of the Ministry of Finance of the Republic of Kyrgyzstan	7.05%	26	4.52-8.15%	40
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	4-4.3%	234
Bonds of the National bank of the Kyrgyz Republic	-	-	4.9%	3
Total investments held-to-maturity		<u>346</u>		<u>562</u>

12. INVESTMENTS IN ASSOCIATES AND OTHER ENTITIES

	30 September 2006 (unaudited)		31 December 2005	
	Ownership share %	Amount (mln. tenge)	Ownership share %	Amount (mln. tenge)
Pension Fund "Ular Umit"	41.18%	714	41.18%	388
LLP "First Credit Bureau"	18.40%	37	18.40%	37
Total investments in associates and other entities		<u>751</u>		<u>425</u>

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 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Prepaid expenses	3,019	978
Prepayments and other debtors	2,712	2,926
Insurance debtors	1,214	1,040
Tax settlements, other than income tax	826	587
Income tax prepayments	692	1,685
	<u>8,463</u>	<u>7,216</u>
Less allowance for impairment losses	(147)	(130)
Total other assets, less allowance for impairment	<u>8,316</u>	<u>7,086</u>

14. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 September 2005 (mln. tenge)	31 December 2005 (mln. tenge)
Loans and time deposits	269,219	184,619
Demand deposits	151,136	114,190
Accrued interest expense on customer accounts	5,257	4,596
Total customer accounts	<u>425,612</u>	<u>303,405</u>

As at 30 September 2006 and 31 December 2005 total balance of customers accounts that individually exceeded 10% of the Bank's equity equaled to one customer account of KZT 76,652 million and KZT nil, respectively.

15. DEBT SECURITIES ISSUED

	Maturity date	Annual coupon rate	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
	month/year	%		
Eurobonds of Kazkommerts International B.V. due in May 2007:				
Tranche A, issued in May 2002 and placed at the price of 99.043%	May 8, 2007.	10.125%	17,611	18,561
Tranche B, issued in November 2002 and placed at the price of 107.00%	May 8, 2007	10.125%	6,356	6,699
In April 2013:				
Tranche A, issued in April 2003 at the price of 97.548%	April 16, 2013	8.5%	43,770	45,730
Tranche B issued in April 2003 and placed in May 2003 at the price of 99.00%	April 16, 2013	8.5%	19,068	20,097
In April 2014:				
Issued in April 2004 at the price of 99.15%	April 7, 2014	7.875%	50,212	52,386
In November 2009:				
Tranche A issued in November 2004 at the price of 98.967%	November 3, 2009	7%	42,827	46,880
Tranche B issued in February 2005 r. at the price of 98.967%	November 3, 2009	7%	19,068	20,097
In November 2015:				
Issued in November 2005. at the price of 98.32%	November 3, 2015	7.94%	63,560	66,990
In February 2009:				
Issued in February 2006 at the price of 100%	February 24, 2009	4.25%	8,013	-
In March 2011 :				
Issued in March 2006 at the price of 99.993%	March 24, 2011	5.125%	46,397	-
			<u>316,882</u>	<u>277,440</u>
Including /(less):				
Discount on debt securities issued			(3,764)	(4,098)
Amounts of accrued interest on debt securities issued			10,483	4,125
Total issued Eurobonds of Kazkommerts International B.V.				
			323,601	277,467
Issued bonds of Kazkommertsbank				
			3,040	3,957
Amounts of accrued expenses on issued bonds of Kazkommertsbank				
			44	127
Issued promissory notes of MKB				
			26,078	21,040
Accrued interest expense on issued promissory notes of MKB				
			<u>399</u>	<u>542</u>
Total debt securities issued				
			<u><u>353,162</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.

16. OTHER LIABILITIES

	30 September 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Taxes payable, other than income tax	2,422	1,760
Payable to employees	1,248	1,033
Accounts payable to reinsurers	747	611
Prepayments received	197	412
Other	906	775
	<u>5,520</u>	<u>4,591</u>
Total other liabilities	<u>5,520</u>	<u>4,591</u>

17. 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 September 2006 and 31 December 2005 accrued allowance for impairment losses on letters of credit and guarantees amounted to 3,720 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 September 2006 and 31 December 2005, the nominal or contract amounts and risk-weighted amounts were:

	30 September 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 loan commitments				
Guarantees issued and similar commitments	83,174	83,174	39,928	39,928
Letters of credit and other transaction related to contingent obligations	78,834	15,363	59,951	11,680
Commitments on loans and unused credit lines	8,603	8,603	2,670	2,670
Total contingent liabilities and loan commitments	<u>170,611</u>	<u>107,140</u>	<u>102,549</u>	<u>54,278</u>

Capital commitments – As at 30 September 2006 and 31 December 2005 the Bank's commitments for capital expenditures outstanding amounted to 6,405 mln. tenge and 110 mln. tenge, respectively.

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

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 September 2006 and 31 December 2005 the Bank had customer securities totaling:

- on broker-dealer operations - 114,473,484 items and 13,175,579 items, respectively.
- on custodial operations - 489,568,392 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 condensed interim consolidated 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 condensed interim consolidated 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 September 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.

18. 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 September 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	1,159	1,229,651	1,785	772,006
- who are under common control jointly with the Bank	112		342	
- individuals influencing the Bank's operations, and their close family members	456		453	
- key management personnel of the Bank	591		954	
- Other related parties	-		36	
Allowance for impairment losses	27	60,351	51	42,162
- who are under common control jointly with the Bank	15		20	
- individuals influencing the Bank's operations, and their close family members	-		9	
- key management personnel of the Bank	12		20	
- Other related parties	-		2	
Customer accounts	4,095	425,612	2,274	303,405
- who directly or indirectly, through one or several intermediaries, control the Bank	1		1	
- who are under common control jointly with the Bank	24		15	
- associates of the Bank	2,689		1,093	
- individuals influencing the Bank's operations, and their close family members	475		486	
- key management personnel of the Bank	866		672	
- Other related parties	40		7	
Commitments on loans and unused card limits	38	8,606	45	2,670
- individuals influencing the Bank's operations, and their close family members	17		17	
- key management personnel of the Bank	21		28	
Guarantees issued and similar commitments	19	83,174	19	39,928
- individuals influencing the Bank's operations, and their close family members	1		1	
- key management personnel of the Bank	18		18	

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

	Nine months ended 30 September 2006 (mln. tenge)		Nine months ended 30 September 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	103	98,577	111	60,030
Interest expense	(192)	(55,804)	(181)	(32,051)
Operating expense:	(422)	(11,621)	(336)	(9,897)
Benefits of key personnel	(422)	(5,851)	(336)	(4,637)

19. SEGMENT REPORTING

Business segments

The Bank 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 Bank'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	Nine months ended 30 September 2006 (unaudited) (mln. tenge)
External interest revenues	11,444	76,716	10,202	215	-	-	98,577
Internal interest revenues	7,287	7,269	49,987	9	27,666	(92,218)	-
External interest expenses	(5,349)	(5,626)	(44,274)	-	(555)	-	(55,804)
Internal interest expenses	(5,668)	(40,856)	(18,028)	-	(26,677)	91,229	-
Net interest income before provision for impairment losses on interest bearing assets	7,714	37,503	(2,113)	224	434	(989)	42,773
Provision for impairment losses on interest bearing assets	(2,021)	(16,400)	70	8	-	-	(18,343)
Net not-interest income	<u>3,615</u>	<u>7,378</u>	<u>5,891</u>	<u>1,285</u>	<u>(3)</u>	<u>920</u>	<u>19,086</u>
Operating income	9,308	28,481	3,848	1,517	431	(69)	43,516
Operating expenses	<u>(4,304)</u>	<u>(6,143)</u>	<u>(664)</u>	<u>(543)</u>	<u>(36)</u>	<u>69</u>	<u>(11,621)</u>
Operating profit	5,004	22,338	3,184	974	395	-	31,895
Share of results of associates	-	-	290	-	-	-	290
Provision for impairment losses on other operations ⁽¹⁾	<u>-</u>	<u>(2,964)</u>	<u>446</u>	<u>(243)</u>	<u>-</u>	<u>-</u>	<u>(2,761)</u>
Profit before income tax	5,004	19,374	3,920	731	395	-	29,424
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,597)</u>	<u>-</u>	<u>(7,597)</u>
Net profit	<u><u>5,004</u></u>	<u><u>19,374</u></u>	<u><u>3,920</u></u>	<u><u>731</u></u>	<u><u>(7,202)</u></u>	<u><u>-</u></u>	<u><u>21,827</u></u>
Total assets	<u><u>176,966</u></u>	<u><u>992,507</u></u>	<u><u>32,935</u></u>	<u><u>7,794</u></u>	<u><u>961,409</u></u>	<u><u>(679,369)</u></u>	<u><u>1,492,242</u></u>
Total liabilities	<u><u>141,598</u></u>	<u><u>285,106</u></u>	<u><u>954,656</u></u>	<u><u>3,417</u></u>	<u><u>649,090</u></u>	<u><u>(672,095)</u></u>	<u><u>1,361,772</u></u>

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Elimina- tions	Nine months ended 30 September 2005 (unaudited) (mln. tenge)
External interest revenues	8,246	45,948	5,634	125	77	-	60,030
Internal interest revenues	4,615	4,288	29,071	6	16,715	(54,695)	-
External interest expenses	(3,713)	(3,704)	(24,505)	-	(129)	-	(32,051)
Internal interest expenses	(3,410)	(24,288)	(10,281)	-	(16,363)	54,342	-
Net interest revenue before provision for impairment losses on interest bearing assets	5,738	22,244	(81)	131	300	(353)	27,979
Provision for impairment losses on interest bearing assets	(1,504)	(10,076)	8	(2)	-	-	(11,574)
Net not-interest revenue	2,501	4,350	1,057	1,677	(14)	284	9,855
Operating income	6,735	16,518	984	1,806	286	(69)	26,260
Operating expenses	(3,025)	(6,105)	(416)	(410)	(10)	69	(9,897)
Operating profit	3,710	10,413	568	1,396	276	-	16,363
Share of results of associates	-	-	163	-	-	-	163
Provision for impairment losses on other operations ⁽¹⁾	-	(1,200)	(118)	(747)	-	-	(2,065)
Profit before income tax	3,710	9,213	613	649	276	-	14,461
Income tax expense	-	-	-	-	(1,044)	-	(1,044)
Net profit	3,710	9,213	613	649	(768)	-	13,417
Total assets	104,249	500,135	268,046	4,447	372,215	(368,666)	880,426
Total liabilities	89,702	172,989	537,800	2,569	361,299	(365,602)	798,757

(1) Provision for impairment losses on other assets includes reimbursement (accruals) of the insurance provision and allowance for impairment losses on other operations and accruals of the guarantee provision and other off-balance contingent liabilities as of external clients and other segments.

20. 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 September 2006 Total (unaudited) (mln. tenge)
ASSETS:							
Assets held-for-trading	3,020	30,357	41,722	-	-	-	75,099
Loans and advances to banks, less allowance for impairment losses	44,786	7,728	24,933	27	1,258	-	78,732
Loans to customers, less allowance for impairment losses	27,868	63,148	222,467	468,228	359,904	-	1,141,615
Securities purchased under reverse repurchase agreements	14,815	957	8,251	-	-	-	24,023
Investments available-for-sale	770	2	121	1,154	372	-	2,419
Investments held-to-maturity	-	26	-	22	290	-	338
Total interest bearing assets	91,259	102,218	297,494	469,431	361,824	-	1,322,226
Cash and balances with national (central) banks	112,104	-	-	-	-	-	112,104
Derivative financial instruments	245	1,449	2,515	-	-	-	4,209
Investments in associates and other entities	-	-	-	-	-	751	751
Goodwill	-	-	-	-	-	2,405	2,405
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	12,295	12,295
Other assets, less allowance for impairment losses	1,874	2,497	3,569	373	3	-	8,316
Accrued interest income on interest-bearing assets	11,550	8,192	6,443	3,732	19	-	29,936
TOTAL ASSETS	217,032	114,356	310,021	473,536	361,846	15,451	1,492,242

	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 September 2006 Total (unaudited) (mln. tenge)
LIABILITIES:							
Loans and advances from banks	32,920	117,675	146,961	98,519	1,779	-	397,854
Securities sold under repurchase agreements	8,857	-	-	-	-	-	8,857
Customer accounts	223,007	31,214	104,807	57,750	3,577	-	420,355
Debt securities issued	25	1,234	28,886	137,823	174,267	-	342,235
Other borrowed funds	-	-	52	4,326	61,910	-	66,288
Subordinated debt	-	-	48	5,983	71,336	-	77,367
Total interest bearing liabilities	264,809	150,123	280,754	304,401	312,869	-	1,312,956
Derivative financial instruments	1,610	1,739	103	-	-	-	3,452
Provisions	900	289	1,225	1,146	160	2,613	6,333
Dividends payable	-	-	465	-	-	-	465
Deferred tax liabilities	22	4	13,358	-	-	-	13,384
Other liabilities	1,926	3,106	467	21	-	-	5,520
Accrued interest expense on interest-bearing liabilities	7,710	4,963	5,012	1,839	138	-	19,662
TOTAL LIABILITIES	276,977	160,224	301,384	307,407	313,167	2,613	1,361,772
Liquidity gap	(59,945)	(45,868)	8,637	166,129	48,679		
Interest sensitivity gap	(173,550)	(47,905)	16,740	165,030	48,955		
Cumulative interest sensitivity gap	(173,550)	(221,455)	(204,715)	(39,685)	9,270		
Cumulative interest sensitivity gap as a percentage of total assets	(11.63)%	(14.84)%	(13.72)%	(2.66)%	0.62%		

	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 (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	-	-	-	-	-	8,662	8,662
Other assets, less allowance for impairment losses	2,475	361	3,707	334	209	-	7,086
Accrued interest income on interest bearing assets	6,017	4,132	5,036	1,560	10	-	16,755
TOTAL ASSETS	355,976	88,519	252,451	288,003	198,428	11,492	1,194,869

	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 (mln. tenge)
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
Provisions	625	265	1,219	416	64	2,345	4,934
Dividends payable	1	-	-	-	-	-	1
Deferred tax liability	-	-	-	8,290	-	-	8,290
Other liabilities	1,330	2,075	746	440	-	-	4,591
Accrued interest expenses on interest bearing liabilities	2,189	1,268	6,593	1,448	-	-	11,498
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 September 2006 Total (unaudited) (mln. tenge)
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
ASSETS:						
Cash and balances with the national (central) banks	34,987	71,846	1,874	2,755	642	112,104
Assets held-for-trading	18,903	39,843	8,200	9,555	-	76,501
Loans and advances to banks, less allowance for impairment losses	5,092	47,104	17,664	1,828	7,741	79,429
Derivative financial instruments	2,767	252	1,142	1	47	4,209
Loans to customers, less allowance for impairment losses	293,760	851,404	11,993	11,746	397	1,169,300
Securities purchased under reverse repurchase agreements	15,136	-	-	8,924	65	24,125
Investments available-for-sale	2,458	3	-	-	-	2,461
Investments held-to-maturity	320	-	-	-	26	346
Investments in associates and other entities	751	-	-	-	-	751
Goodwill	2,405	-	-	-	-	2,405
Fixed and intangible assets, less accumulated depreciation	11,786	-	-	409	100	12,295
Other assets, less allowance for impairment losses	6,532	1,001	128	637	18	8,316
TOTAL ASSETS	394,897	1,011,453	41,001	35,855	9,036	1,492,242
LIABILITIES:						
Loans and advances from banks	7,750	363,014	23,325	3,503	1,958	399,550
Securities sold under repurchase agreements	7,954	-	-	922	-	8,876
Derivative financial instruments	1,700	1,659	81	12	-	3,452
Customer accounts	277,703	118,199	10,604	18,730	376	425,612
Debt securities issued	3,084	286,361	47,503	8,210	8,004	353,162
Other borrowed funds	166	66,142	159	-	-	66,467
Provisions	3,689	1,858	775	4	7	6,333
Dividends payable	465	-	-	-	-	465
Deferred tax liabilities	13,358	-	-	22	4	13,384
Other liabilities	2,579	2,385	230	283	43	5,520
Subordinated debt	21,714	57,237	-	-	-	78,951
TOTAL LIABILITIES	340,162	896,855	82,677	31,686	10,392	1,361,772
OPEN BALANCE SHEET POSITION	54,735	114,598	(41,676)	4,169	(1,356)	

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 September 2006:

	KZT	USD	EUR	RUR	Other currency	30 September 2006 Total (unaudited) (mln. tenge)
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
Accounts payable on forward contracts	31,814	114,225	7,924	10,329	244	164,536
Accounts receivable on forward contracts	43,474	38,722	64,395	10,572	8,544	165,707
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	11,660	(75,503)	56,471	243	8,300	
TOTAL OPEN POSITION	66,395	39,095	14,795	4,412	6,944	
	KZT	USD	EUR	RUR	Other currency	31 December 2005 Total (mln. tenge)
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(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
Investments in associates and other entities	425	-	-	-	-	425
Goodwill	2,405	-	-	-	-	2,405
Fixed and intangible assets, less accumulated depreciation	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	31 December 2005 Total
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
Accounts payable on forwards	9,657	9,080	795	-	155	19,687
Accounts receivable on forwards	<u>6,895</u>	<u>11,277</u>	<u>1,192</u>	<u>15</u>	<u>200</u>	<u>19,579</u>
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 Bank’s activity. This approach allows the Bank 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 Organization for Economic Co-operation and Development (“OECD), and Baltic countries.

The management of the Bank states that a core segment is the Commonwealth of Independent States, including Republic of Kazakhstan, (CIS), characterized by similar risks and yield.

The geographical concentration of assets and liabilities as at 30 September 2006 is set out in table below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	30 September 2006 Total (unaudited) (mln. tenge)
ASSETS:					
Cash and balances with national (central) banks	100,451	3,527	8,106	20	112,104
Assets held-for-trading	26,103	9,461	40,937	-	76,501
Loans and advances to banks, less allowance for impairment losses	3,543	43,399	32,487	-	79,429
Derivative financial instruments	2,843	8	1,358	-	4,209
Loans to customers, less allowance for impairment losses	850,666	148,651	32,448	137,535	1,169,300
Securities purchased reverse repurchase agreements	15,135	8,990	-	-	24,125
Investments available-for-sale	2,461	-	-	-	2,461
Investments held-to-maturity, less allowance for impairment losses	320	26	-	-	346
Investments in associates	751	-	-	-	751
Goodwill	2,405	-	-	-	2,405
Fixed and intangibles assets, less accumulated depreciation	11,785	510	-	-	12,295
Other assets, less allowance for impairment losses	4,264	1,130	2,909	13	8,316
TOTAL ASSETS	1,020,727	215,702	118,245	137,568	1,492,242
LIABILITIES:					
Loans and advances from banks	26,772	21,184	350,392	1,202	399,550
Securities sold under agreements to repurchase	-	922	7,954	-	8,876
Derivative financial instruments	1,692	12	1,748	-	3,452
Customer accounts	376,015	23,237	10,157	16,203	425,612
Debt securities issued	3,594	26,248	323,091	229	353,162
Other borrowed funds	326	2	66,139	-	66,467
Reserves	5,898	226	1	208	6,333
Dividends payable	465	-	-	-	465
Deferred tax liabilities	13,358	26	-	-	13,384
Other liabilities	3,031	601	1,860	28	5,520
Subordinated debt	21,748	2,576	54,627	-	78,951
TOTAL LIABILITIES	452,899	75,034	815,969	17,870	1,361,772
NET POSITION	567,828	140,668	(697,724)	119,698	

The geographical 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 (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
Loans to customers, less allowance for impairment losses	565,072	74,596	18,900	71,276	729,844
Securities purchased under agreement to resell	4,628	9,322	-	-	13,950
Investments available-for-sale	427	-	-	-	427
Investments held-to-maturity, less allowance for impairment losses	519	43	-	-	562
Investments in associates	291	-	134	-	425
Goodwill	2,405	-	-	-	2,405
Fixed and intangibles assets, less accumulated depreciation	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
Reserves	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	

21. SUBSEQUENT EVENTS

In September 2006 Kazkommertsbank was licensed as a large member of the JSC OCOPAIM “Zhetysu” by the Agency on regulation and supervision of the financial market and financial organizations of Republic of Kazakhstan. In October 2006 Kazkommertsbank acquired 2 500 ordinary shares of the JSC OCOPAIM “Zhetysu”, which compose 50 % of its capital stock.

In November 2006 the Bank’s shareholders (JSC Central Asian Investment Company, Mr. Subhanderdin and EBRD) performed an offering of 45,714,706 global depository receipts, each representing two existing shares. The Bank intends to undertake an offering of newly issued shares to holders of shares in December 2006.

Additionally, in November 2006 the Bank updated its EMTN program for USD 3 billion and issued notes in amounts of 500 mln. USD with interest rate 7.5% and maturity in 2016.