

Bank TuranAlem

Unaudited Condensed Interim Consolidated Financial Statements

June 30, 2006

Together with Independent Accountants' Review Report

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Board of Directors of JSC Bank TuranAlem –

We have reviewed the accompanying interim consolidated balance sheet of JSC Bank TuranAlem (the "Bank") and its Subsidiaries (together the "Group") as of June 30, 2006, and the related interim condensed consolidated statements of income, changes in shareholders' equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

August 11, 2006
Almaty

CONSOLIDATED BALANCE SHEET**AS AT JUNE 30, 2006***(Millions of Kazakhstani Tenge)*

	Notes	June 30, 2006 (unaudited)	December 31, 2005
Assets			
Cash and cash equivalents	3	94,932	119,131
Obligatory reserves		24,813	10,791
Financial assets at fair value through profit or loss	4	192,694	110,252
Amounts due from credit institutions		52,215	23,676
Available-for-sale investment securities	5	37,744	42,406
Investments in associates		3,224	2,205
Loans to customers	6	767,675	680,385
Property and equipment		2,404	1,940
Other assets		21,844	7,019
Total assets		1,197,545	997,805
Liabilities			
Amounts due to the NBK and the Government	8	2,778	844
Amounts due to credit institutions	9	284,977	293,047
Amounts due to customers	10	390,353	306,714
Debt securities issued	11	379,277	300,009
Other liabilities		22,041	10,083
Total liabilities		1,079,426	910,697
Shareholders' equity	12		
Share capital			
- common shares		44,512	33,276
- preferred shares		-	3,055
Treasury stock		(368)	(348)
Additional paid-in capital		20,052	19,184
Securities revaluation reserve		(174)	492
Property and equipment revaluation reserve		13	18
Retained earnings		52,393	30,213
		116,428	85,890
Minority interest		1,691	1,218
Total shareholders' equity		118,119	87,108
Total liabilities and shareholders' equity		1,197,545	997,805
Commitments and contingencies	15		

Signed and authorized for release on behalf of the Board of the Bank

Saduakas K. Mameshtegi

Chairman of the Board

Saule S. Yusupova

Chief Accountant

August 11, 2006



The accompanying notes on pages 7 to 27 are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

(Millions of Kazakhstani Tenge)

		Six-month periods ended June 30,	
	Notes	2006 (unaudited)	2005 (unaudited)
Interest income			
Loans		46,508	31,933
Securities		4,363	2,537
Deposits with other banks		3,229	538
		<u>54,100</u>	<u>35,008</u>
Interest expense			
Debt securities issued		(15,548)	(9,670)
Deposits from customers		(8,661)	(5,918)
Deposits and loans from credit institutions		(8,923)	(4,162)
		<u>(33,132)</u>	<u>(19,750)</u>
Net interest income before impairment		20,968	15,258
Impairment charge	7	(11,487)	(5,140)
Net interest income		<u>9,481</u>	<u>10,118</u>
Fee and commission income		13,603	5,160
Fee and commission expense		(252)	(190)
Fees and commissions		<u>13,351</u>	<u>4,970</u>
Gains less losses from financial assets held at fair value through profit or loss		(557)	1,480
Gains less losses from foreign currencies:			
- dealing		1,237	1,004
- translation differences		20,603	(1,615)
Income from insurance operations		3,539	2,358
Expense from insurance operations		(4,143)	(1,903)
Other income		623	469
Non interest income		<u>21,302</u>	<u>1,793</u>
Salaries and other employee benefits	13	(4,787)	(3,081)
Administrative and other operating expenses	13	(4,938)	(2,937)
Depreciation and amortisation		(377)	(303)
Taxes other than income tax	14	(688)	(530)
Other provisions	7	(471)	(296)
Obligatory insurance of individuals' deposits		(261)	(212)
Non interest expense		<u>(11,522)</u>	<u>(7,359)</u>
Income before income tax expense		32,612	9,522
Income tax expense		(9,510)	(834)
Net income after income tax		23,102	8,688
Attributable to:			
Equity holder of the parent		22,325	8,503
Minority interest in net income		777	185
Net income		<u>23,102</u>	<u>8,688</u>
Basic earnings per share (in Kazakhstani Tenge)	16	6,081	3,600
Diluted earnings per share (in Kazakhstani Tenge)	16	5,672	3,413

The accompanying notes on pages 7 to 27 are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

(Millions of Kazakhstani Tenge)

	Share Capital- Common Shares	Share Capital- Preferred Shares	Treasury Stock	Additional Paid-in Capital	Property and Equipment Revaluation Reserve	Securities Revaluation Reserve	Retained Earnings	Total	Minority Interest	Total Share- holders' Equity
December 31, 2004	22,405	840	(516)	5,996	2,054	375	14,099	45,253	1,667	46,920
Fair value change of available-for-sale securities, net of tax (unaudited)	-	-	-	-	-	220	-	220	-	220
Release of property and equipment revaluation reserve on usage of previously revalued assets (unaudited)	-	-	-	-	(22)	-	22	-	-	-
Release of property and equipment revaluation reserve on disposal of previously revalued assets (unaudited)	-	-	-	-	(66)	-	66	-	-	-
Total income for the six months recognized directly in equity (unaudited)	-	-	-	-	(88)	220	88	220	-	220
Net income (unaudited)	-	-	-	-	-	-	8,503	8,503	185	8,688
Total income (unaudited)	-	-	-	-	(88)	220	8,591	8,723	185	8,908
Issue of common shares (unaudited)	2,191	-	-	2,223	-	-	-	4,414	265	4,679
Issue of preferred shares (unaudited)	-	1,137	-	1,140	-	-	-	2,277	-	2,277
Dividends – preferred shares (unaudited)	-	-	-	-	-	-	(90)	(90)	(20)	(110)
Transfers (unaudited)	-	-	-	-	26	-	(26)	-	-	-
Minority interest on acquisition (unaudited)	-	-	-	-	-	-	-	-	116	116
Minority interest on disposal (unaudited)	-	-	-	-	-	-	-	-	(1,209)	(1,209)
June 30, 2005 (unaudited)	24,596	1,977	(516)	9,359	1,992	595	22,574	60,577	1,004	61,581

The accompanying notes on pages 7 to 27 are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

(Millions of Kazakhstani Tenge)

	Share Capital- Common Shares	Share Capital- Preferred Shares	Treasury Stock	Additional Paid-in Capital	Property and Equipment Revaluation Reserve	Securities Revaluation Reserve	Retained Earnings	Total	Minority Interest	Total Share- holders' Equity
June 30, 2005 (unaudited)	24,596	1,977	(516)	9,359	1,992	595	22,574	60,577	1,004	61,581
Fair value change of available-for-sale securities, net of tax (unaudited)	-	-	-	-	-	315	-	315	-	315
Realised fair value change of available-for-sale securities (unaudited)	-	-	-	-	-	(418)	-	(418)	-	(418)
Release of property and equipment revaluation reserve on usage of previously revalued assets (unaudited)	-	-	-	-	(111)	-	111	-	-	-
Release of property and equipment revaluation reserve on disposal of previously revalued assets (unaudited)	-	-	-	-	(1,837)	-	1,837	-	-	-
Total income for the six months recognized directly in equity (unaudited)	-	-	-	-	(1,948)	(103)	1,948	(103)	-	(103)
Net income (unaudited)	-	-	-	-	-	-	5,804	5,804	214	6,018
Total income (unaudited)	-	-	-	-	(1,948)	(103)	7,752	5,701	214	5,915
Issue of common shares (unaudited)	8,680	-	-	8,806	-	-	-	17,486	(265)	17,221
Issue of preferred shares (unaudited)	-	1,078	-	1,019	-	-	-	2,097	-	2,097
Issue of treasury shares (unaudited)	-	-	466	-	-	-	-	466	-	466
Dividends – preferred shares (unaudited)	-	-	(298)	-	-	-	(139)	(437)	-	(437)
Transfer (unaudited)	-	-	-	-	(26)	-	26	-	-	-
Minority interest on acquisition (unaudited)	-	-	-	-	-	-	-	-	646	646
Minority interest on disposal (unaudited)	-	-	-	-	-	-	-	-	(381)	(381)
December 31, 2005	33,276	3,055	(348)	19,184	18	492	30,213	85,890	1,218	87,108

The accompanying notes on pages 7 to 27 are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

(Millions of Kazakhstani Tenge)

	Share Capital- Common Shares	Share Capital- Preferred Shares	Treasury Stock	Additional Paid-in Capital	Property and Equipment Revaluation Reserve	Securities Revaluation Reserve	Retained Earnings	Total	Minority Interest	Total Share- holders' Equity
December 31, 2005	33,276	3,055	(348)	19,184	18	492	30,213	85,890	1,218	87,108
Fair value change of available-for-sale securities, net of tax	-	-	-	-	-	(666)	-	(666)	19	(647)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	(5)	-	-	(5)	-	(5)
Total income recognized directly in equity	-	-	-	-	(5)	(666)	-	(671)	19	(652)
Net income	-	-	-	-	-	-	22,325	22,325	777	23,102
Total income	-	-	-	-	(5)	(666)	22,325	21,654	796	22,450
Issue of common shares	-	-	-	-	-	-	-	-	-	-
Issue of preferred shares	-	2,600	-	2,638	-	-	-	5,238	67	5,305
Purchase of treasury shares	-	-	(103)	(1,770)	-	-	-	(1,873)	-	(1,873)
Issue of treasury shares	-	-	83	-	-	-	-	83	-	83
Dividends – preferred shares	-	-	-	-	-	-	(145)	(145)	-	(145)
Conversion of preferred shares into common shares:										
Previously classified as equity	5,655	(5,655)	-	-	-	-	-	-	-	-
Previously classified as liability	5,581	-	-	-	-	-	-	5,581	-	5,581
Minority interest on disposal	-	-	-	-	-	-	-	-	(390)	(390)
June 30, 2006	44,512	-	(368)	20,052	13	(174)	52,393	116,428	1,691	118,119

The accompanying notes on pages 7 to 27 are an integral part of these unaudited condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

(Millions of Kazakhstani Tenge)

	<i>Six-month periods ended June 30,</i>	
	<i>2006</i>	<i>2005</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities:		
Net income before income tax expense	32,613	9,522
Adjustments for:		
Depreciation and amortization	377	303
Impairment charge	11,958	5,436
Unrealised foreign exchange (gain)/ loss	(20,193)	1,414
Minority interest	(777)	(185)
Unrealised loss/(gain) on financial assets held at fair value	747	(1,611)
Loss from disposal of subsidiary	20	50
(Gain)/Loss from disposal of property and equipment	(1)	134
Operating income before changes in net operating assets	24,744	15,063
(Increase) decrease in operating assets:		
Obligatory reserves	(14,022)	1,424
Financial assets at fair value through profit or loss	(97,944)	(25,604)
Amounts due from credit institutions	(32,374)	3,995
Loans to customers	(152,042)	(81,696)
Other assets	(15,450)	(4,549)
Increase (decrease) in operating liabilities:		
Amounts due to the NBK and the Government	1,960	(2,207)
Amounts due to credit institutions	16,526	25,698
Amounts due to customers	138,966	23,245
Other liabilities	17,223	(630)
Net cash flows used in operating activities before income taxes	(112,413)	(45,261)
Income tax paid	(751)	(250)
Net cash flows used in operating activities	(113,164)	(45,511)
Cash flows from investing activities		
Proceeds from sale of subsidiary	381	542
Purchase of property and equipment	(1,123)	(104)
Proceeds from sale of property and equipment	270	626
Purchase of available-for-sale securities	(504)	(2,856)
Net cash flows used in investing activities	(976)	(1,792)
Cash flows from financing activities:		
Sale of common shares	—	4,414
Sale of preferred shares	5,238	2,277
Purchase of treasury shares	(1,873)	—
Sale of treasury shares	83	—
Dividends paid	—	(20)
Debt securities issued	90,348	57,981
Net cash flows from financing activities	93,796	64,652
Effects of exchange rate changes on cash and cash equivalents	(3,855)	412
Net change in cash and cash equivalents	(24,199)	17,761
Cash and cash equivalents at the beginning of the period	119,131	51,740
Cash and cash equivalents at the end of the period	94,932	69,501
Supplementary information:		
Interest received	48,484	29,664
Interest paid	38,269	11,903
Non cash operations:		
Conversion of preferred shares into common shares	11,237	—

The accompanying notes on pages 7 to 27 are an integral part of these unaudited condensed interim consolidated financial statements.

(Millions of Kazakhstani Tenge)

1. Principal Activities

JSC Bank TuranAlem (the “Bank”) and its subsidiaries (together the “Group”) provide corporate and retail banking services, insurance services, leasing and other financial services in Kazakhstan. The parent company of the Group is Bank TuranAlem, a joint stock company. The Bank is incorporated and domiciled in the Republic of Kazakhstan. Note 2 lists the Bank’s subsidiaries and associates.

The address of the Bank’s registered office is: 97 Zholdasbekov Street, Samal-2, Almaty, 050059, Republic of Kazakhstan.

The Bank accepts deposits from the public and extends credit, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. In addition, the Group is authorized to accept pension fund deposits. The Bank has a primary listing in the Kazakhstani Stock Exchange (“KASE”). Certain of the Group’s debt securities are listed on the Luxemburg Stock Exchange with a secondary listing on the KASE. Its head office is located in Almaty, Kazakhstan. As of June 30, 2006, it had 22 regional branches and 202 cash settlement units (December 31, 2005 – 22 regional branches and 197 cash settlement units) located throughout Kazakhstan and representative offices in Moscow and Ekaterinburg, Russia; Kiev, Ukraine; Minsk, Belorussia; Bishkek, Kyrgyz Republic; Baku, Azerbaijan; Dushanbe, Tajikistan; Yerevan, Armenia; Tbilisi, Georgia; and Shanghai, China.

As of June 30, 2006, members of the Shareholders’ Council and Management Board owned 71,667 shares (1.57% of share capital) (December 31, 2005 – 889 shares or 0.03%).

2. Basis of Preparation

General

The accompanying condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Accordingly, they do not include all of the information required by International Financial Reporting Standards (“IFRS”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and provisions) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

These condensed interim consolidated financial statements are presented in millions of Kazakhstani Tenge (“KZT”), except per share amounts and unless otherwise indicated. The KZT is utilized as the functional currency as the shareholders, the management and the regulators measure the Bank’s performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Bank. Transactions in other currencies are treated as transactions in foreign currencies.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of December 31, 2005, considering the effect of the adoption of the new IFRSs and revision of the existing IASs.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

Reclassifications

Where necessary, comparative information in respect of the statement of income for the period ended June 30, 2006 and 2005 have been reclassified, in order to comply with the current presentation requirements of IFRS. The following are the main reclassifications:

June 30, 2005

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reported herein</i>	<i>Comment</i>
Statements of Income:				
Interest expense on debt securities issued	8,985	685	9,670	Grossed up withholding tax paid on behalf of non-residents is reclassified to Interest expense on debt securities issued from Taxes other than income tax.
Taxes other than income tax	1,215	(685)	530	

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended December 31, 2005, except for the adoption of the following amendments mandatory for annual periods beginning on or after January 1, 2006:

IAS 39- *Financial Instruments: Recognition and Measurement* ("IAS 39")- *Amendment for financial guarantee contracts*- which amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under IAS 39 as amended financial guarantee contracts are recognised initially at fair value and generally remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*;

IAS 39- *Amendment for hedges of forecast intragroup transactions*- which amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements;

IAS 39- *Amendment for the fair value option*- which restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit or loss.

The adoption of these amendments did not affect the Bank's results of operations or financial position.

Consolidated Subsidiaries

Subsidiaries, which are those entities in which the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

Acquisition of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the fair value of the Bank's share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Bank's share of identifiable net assets of the subsidiary acquired the difference is recognised directly in the statement of income.

Minority interest is the interest in subsidiaries not held by the Bank. Minority interest at the balance sheet date represents the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of movements in equity since the date of the combination. Minority interest is presented within equity.

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)**Consolidated Subsidiaries (continued)**

The condensed interim consolidated financial statements include the following subsidiaries:

June 30, 2006

<i>Subsidiary</i>	<i>Holding, %</i>	<i>Country</i>	<i>Date of incorporation</i>		<i>Date of acquisition</i>	<i>Total assets</i>	<i>Equity</i>	<i>Net income / (loss)</i>
TuranAlem Securities JSC	100.00%	Kazakhstan	13.12.97	Securities trading and asset management	13.12.97	5,069	3,329	1,657
JSC BTA Ipoteka Subsidiary Mortgage company of BTA JSC (formerly BTA Ipoteka)	100.00%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00	42,299	3,282	380
TuranAlem Finance B.V.	100.00%	Netherlands	22.05.01	Capital markets	22.05.01	399,460	1,292	452
TuranAlem Finance LLP	100.00%	Russia	22.06.04	Capital markets	28.09.04	13,325	(39)	(63)
BTA Finance Luxembourg	100.00%	Luxemburg	06.01.06	Capital markets	06.03.06	49,188	–	(4)
BTA Life Insurance JSC (formerly Life Insurance Company Dynasty JSC)	66.00%	Kazakhstan	22.07.99	Life insurance	30.03.01	2,927	853	260
JSC Accumulative Pension Fund BTA Kazakhstan	76.83%	Kazakhstan	16.09.98	Pension fund	16.09.98	4,534	4,518	3,001
JSC Insurance Company BTA Zabota (formerly KBS Garant)	57.53%	Kazakhstan	12.01.99	Property and casualty insurance	04.04.01	1,782	489	(15)
Force Technology LLP	–	Kazakhstan	09.04.02	IT services	–	1,362	(18)	(37)

BTA Finance Luxembourg was set up by the Bank in January 2006, as a 100% subsidiary to be used, by the Bank, as a special purpose entity for issuance of debt and equity securities on European stock exchange markets.

During 2006 TuranAlem Securities (subsidiary of the Bank) sold 28.21% of its share in JSC Insurance Company London-Almaty for KZT 415, thereby decreasing its share of ownership to 49.00%.

Associates Accounted for under Equity Method

The following associates are accounted for under the equity method and included into other assets:

<i>Associates</i>	<i>Holding, %</i>		<i>Country</i>	<i>Activities</i>	<i>Share in net income / (loss)</i>
	<i>June 30, 2006</i>	<i>December 31, 2005</i>			
BTA Insurance JSC	49.00%	49.00%	Kazakhstan	Insurance	276
BTA ORIX Leasing JSC	45.00%	45.00%	Kazakhstan	Leasing	94
Astanaeximbank CJSC	49.00%	49.00%	Belorussia	Bank	3
BTA Silk Road Bank JSC (former Commercial Bank JSC Shelkovy put)	49.00%	49.00%	Georgia	Bank	19
BTA InvestBank (former Mezhinvestbank CJSC)	48.88%	48.87%	Armenia	Bank	8
Joint Venture JSC Insurance Company London-Almaty	49.00%	–	Kazakhstan	Insurance	(3)

*(Millions of Kazakhstani Tenge)***2. Basis of Preparation (continued)****Segment reporting**

The Group's operations are highly integrated and primarily constitute a single industry segment, banking, that accounts for more than 95% of the Group's business. Accordingly for the purposes of IAS 14 "Segment Reporting" the Group is treated as one business segment. The Group's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Group's revenues and net income is derived from operations in, and connected with, the Republic of Kazakhstan.

3. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Cash on hand	14,022	17,657
Current accounts with the National Bank of Kazakhstan ("NBK")	24,149	21,906
Current accounts with other financial institutions	12,870	23,421
Reverse repurchase agreements with contractual maturity of 90 days or less	25,247	14,345
Time deposits with contractual maturity of 90 days or less	16,410	32,020
Loans to other Kazakh banks and credit institutions with contractual maturity of 90 days or less	2,234	9,782
Cash and cash equivalents	94,932	119,131

At June 30, 2006, time deposits were carrying interest at rates from 2.00% to 6.50% per annum (December 31, 2005 – from 1.00% to 6.00%) and loans were carrying interest at rate from 3.80 to 11.30% per annum (December 31, 2005 – from 7.00% to 11.00%). Reverse repurchase agreements were carrying interest at rates ranging from 4.00% to 8.00% (December 31, 2005 – from 3.00% to 9.00%).

4. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss owned comprise:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Notes of the NBK	90,607	6,772
Corporate bonds	45,718	3,237
Bonds of international financial organizations	27,660	52,095
Bonds of public agencies	8,888	10,092
Treasury bills of the Ministry of Finance	7,716	8,165
Sovereign bonds of OECD countries	6,445	23,875
Sovereign bonds of the Republic of Kazakhstan	4,357	2,891
Municipal bonds	624	708
	192,015	107,835
Equity securities	679	2,417
Financial assets at fair value through profit or loss	192,694	110,252
Subject to repurchase agreements	32,272	48,823

(Millions of Kazakhstani Tenge)

4. Financial Assets at Fair Value through Profit or Loss (continued)

Interest rates and maturities of these assets are:

	<i>June 30, 2006 (unaudited)</i>		<i>December 31, 2005</i>	
	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>
Notes of the NBK	3.2%-3.9%	2006	2.3%-3.1%	2006
Corporate bonds	5.5%-10.1%	2006-2026	2.4%-9.0%	2006-2020
Bonds of international financial organizations	2.4%-6.1%	2007-2013	2.4%-6.1%	2006-2013
Bonds of public agencies	3.9%-4.9%	2007-2009	3.9%-4.9%	2007-2009
Treasury bills of the Ministry of Finance	5.5%-8.3%	2006-2010	5.5%-8.3%	2006-2014
Sovereign bonds of OECD countries	5.1%-5.3%	2009-2016	2.5%-6.0%	2006-2009
Sovereign bonds of the Republic of Kazakhstan	11.1%	2007	11.1%	2007
Municipal bonds	8.5%-8.6%	2006-2008	8.5%-8.6%	2006-2008

5. Available-for-Sale Investment Securities

Available-for-sale investment securities comprise:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Bonds of international financial organizations	27,365	34,292
Sovereign bonds of OECD countries	3,072	1,316
Bonds of public agencies	2,999	3,407
Corporate bonds	2,126	549
Sovereign bonds of the Republic of Kazakhstan	628	734
Notes of the NBK	—	423
Treasury bills of the Ministry of Finance	—	44
	36,190	40,765
Equity securities	1,554	1,641
Available-for-sale investment securities	37,744	42,406

Included in bonds of international financial organisations are securities of the International Bank of Reconstruction and Development ("IBRD"), Council of Europe Development Bank ("CEDB"), Asian Development Bank ("ADB"), Inter-American Development Bank ("IADB") and European Company for the Financing of Railroad Rolling Stock ("EuroFIMA").

Interest rates and maturities of available-for-sale securities are:

	<i>June 30, 2006 (unaudited)</i>		<i>December 31, 2005</i>	
	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>
Bonds of international financial organizations	2.4%-6.1%	2007-2013	3.8%-6.1%	2007-2013
Sovereign bonds of OECD countries	5.3%-6.0%	2008-2009	5.3%	2009
Bonds of public agencies	4.9%	2007	4.9%	2007
Corporate bonds	8.0%-15.9%	2006-2015	2.4%-4.9%	2007-2009
Sovereign bonds of the Republic of Kazakhstan	11.1%	2007	11.1%	2007
Notes of the NBK	—	—	2.3%-3.1%	2006
Treasury bills of the Ministry of Finance	—	—	5.5%-8.3%	2006-2014

(Millions of Kazakhstani Tenge)

6. Loans to Customers

Loans to customers comprise:

	<i>June 30, 2006</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2005</i>
Loans to customers	814,040	719,233
Overdrafts	1,347	588
Financial leasing	949	284
Promissory notes	662	577
Factoring	7	14
	817,005	720,696
Less – Allowance for loan impairment (Note 7)	(49,330)	(40,311)
Loans to customers	767,675	680,385

As of June 30, 2006, the annual interest rates charged by the Bank ranged from 10% to 20% per annum for KZT-denominated loans (December 31, 2005 – from 10% to 20%) and from 9% to 22% per annum for US Dollar-denominated loans (December 31, 2005 – from 10% to 18%).

Gross loans have been extended to the following types of customers:

	<i>June 30, 2006</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2005</i>
Private companies	641,295	598,525
Individuals	170,644	120,162
State companies and authorities	5,048	1,991
Other	18	18
Loans to customers, gross	817,005	720,696

As of June 30, 2006, the Group had a concentration of loans represented by KZT 73,456 due from 10 largest borrowers that comprised 14.02% of the total gross loan portfolio (December 31, 2005 – KZT 110,893, 15.39%) and represented 58% of the Group's total shareholders' equity (December 31, 2005 – 127%). Allowances amounting to KZT 8,311 were made against these loans (December 31, 2005 - KZT 9,197).

Loans were made to the following economy sectors:

	<i>June 30, 2006</i> <i>(unaudited)</i>	<i>%</i>	<i>December 31,</i> <i>2005</i>	<i>%</i>
Individuals	170,643	20.9%	120,162	16.7%
Wholesale trade	144,362	17.7%	137,903	19.1%
Construction of roads and industrial buildings	83,271	10.2%	74,410	10.3%
Agriculture	67,301	8.2%	64,987	9.0%
Oil & gas	55,670	6.8%	72,645	10.1%
Housing construction	47,215	5.8%	40,158	5.6%
Transport	44,254	5.4%	27,869	3.9%
Food industry	37,918	4.6%	36,256	5.0%
Mining	27,968	3.4%	31,164	4.3%
Chemical industry	26,225	3.2%	25,025	3.5%
Real estate activities	21,923	2.7%	5,960	0.8%
Metallurgical industry	18,419	2.3%	3,564	0.5%
Production of machinery and equipment	17,105	2.1%	7,690	1.1%
Retail trade	13,426	1.6%	11,005	1.5%
Telecommunication	7,404	0.9%	4,886	0.7%
Energy	4,402	0.5%	21,491	3.0%
Publishing	3,653	0.5%	3,927	0.5%
Financial operations	1,973	0.2%	7,066	1.0%
Hospitality	1,592	0.2%	1,776	0.2%
Research & development	1,386	0.2%	1,466	0.2%
Textile and leather industry	1,351	0.2%	939	0.1%
Production of rubber and plastic articles	582	0.1%	1,750	0.2%
Other	18,962	2.3%	18,597	2.7%
	817,005	100.0%	720,696	100.0%

(Millions of Kazakhstani Tenge)

7. Allowances for Impairment and Provisions

The movements in allowances for impairment of interest earning assets, were as follows:

	<i>Due from credit institutions</i>	<i>Loans to customers</i>	<i>Other assets</i>	<i>Total</i>
December 31, 2004	(527)	(29,633)	(423)	(30,583)
Impairment charge (unaudited)	(75)	(5,065)	(229)	(5,369)
Write-offs (unaudited)	391	5,019	680	6,090
Recoveries (unaudited)	—	(1,833)	(28)	(1,861)
June 30, 2005 (unaudited)	(211)	(31,512)	—	(31,723)
Reversal / (Impairment charge) (unaudited)	75	(10,294)	688	(9,531)
Write-offs (unaudited)	136	3,136	(680)	2,592
Recoveries (unaudited)	—	(1,641)	(80)	(1,721)
December 31, 2005	—	(40,311)	(72)	(40,383)
Impairment charge (unaudited)	—	(11,487)	(90)	(11,577)
Write-offs (unaudited)	—	3,180	12	3,192
Recoveries (unaudited)	—	(712)	(188)	(900)
June 30, 2006 (unaudited)	—	(49,330)	(338)	(49,668)

Allowances for impairment of assets are deducted from the related assets.

The movements in allowances for other losses and provisions were as follows:

	<i>Letters of credit and guarantees</i>
December 31, 2004	(2,031)
Provision (unaudited)	(67)
Write-offs (unaudited)	—
Recoveries (unaudited)	—
June 30, 2005 (unaudited)	(2,098)
Reversal / (Impairment charge) (unaudited)	(1,575)
Write-offs (unaudited)	195
Recoveries (unaudited)	—
December 31, 2005	(3,478)
Provision (unaudited)	(381)
Write-offs (unaudited)	—
Recoveries (unaudited)	—
June 30, 2006 (unaudited)	(3,859)

Provisions for letters of credit and guarantees are recorded within other liabilities.

8. Amounts Due to the NBK and the Government

Amounts due to the NBK and Government consist of the following:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Amounts due to the NBK:		
Deposits	2,000	—
Loans	28	28
Amounts due to the Government:		
Interest bearing – KZT denominated	445	427
Interest bearing – EUR denominated	267	317
Interest bearing – USD denominated	35	68
Non-interest bearing	3	4
Amounts due to the NBK and the Government	2,778	844

(Millions of Kazakhstani Tenge)

8. Amounts Due to the NBK and the Government (continued)

	<i>June 30, 2006 (unaudited)</i>		<i>December 31, 2005</i>	
	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>
Amounts due to the NBK:				
Deposits	5.9%-6.8%	2006	—	—
Loans	—	2007-2015	—	2006-2015
Amounts due to the Government:				
Interest bearing – KZT denominated	0.5%-10.0%	2006-2010	0.5%-10.0%	2006-2010
Interest bearing – EUR denominated	5.0%	2010	5.0%	2010
Interest bearing – USD denominated	3.7%	2011	2.9%	2011
Non-interest bearing	—	2006	—	2006

9. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Loans from OECD based banks and financial institutions	141,723	126,371
Syndicated bank loans	112,031	134,249
Loans from Kazakh banks and financial institutions	12,541	6,744
Pass-through loans	7,317	7,939
Loans from other banks and financial institutions	4,755	6,265
Redeemable Convertible Preferred Shares	—	5,581
	278,367	287,149
Interest-bearing placements from non OECD banks	4,748	3,081
Interest-bearing placements from Kazakh banks	1,472	2,322
Loro accounts	390	495
	6,610	5,898
Amounts due to credit institutions	284,977	293,047

Interest rates and maturities of amounts due to credit institutions follow:

	<i>June 30, 2006 (unaudited)</i>		<i>December 31, 2005</i>	
	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>
Loans from OECD based banks and financial institutions	2.0%-10.0%	2006-2017	1.0%-6.9%	2006-2017
Syndicated bank loans	5.8%-7.0%	2006-2008	4.3%-6.1%	2006-2008
Loans from Kazakh banks and financial institutions	4.2%-7.6%	2007-2011	5.4%-7.0%	2006
Pass-through loans	5.6%-8.6%	2006-2010	6.0%-7.3%	2006-2008
Loans from other banks and financial institutions	2.0%-8.5%	2006-2011	2.0%-6.2%	2006
Redeemable Convertible Preferred Shares	—	—	10.3%	—
Interest-bearing placements from non OECD based banks	5.2%-6%	2006	1.0%-7.9%	2006
Interest-bearing placements from Kazakh banks	5.0%-7.0%	2006	1.0%-7.0%	2006
Loro accounts	up to 2.0%	—	up to 2.0%	—

(Millions of Kazakhstani Tenge)

9. Amounts Due to Credit Institutions (continued)**Financial covenants**

In accordance with the contractual terms of the syndicated bank loans, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy, and lending exposures. In addition, and in accordance with the terms of certain of those loans, the Bank is required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Management believes that as at June 30, 2006 and December 31, 2005 the Bank was in compliance with the covenants of the various debt agreements the Bank has with banks and financial institutions.

10. Amounts Due to Customers

The amounts due to customers included balances in customer current accounts, time deposits, and certain other liabilities as follows:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Time deposits	260,338	218,626
Current accounts	111,954	81,454
Guarantee and restricted deposits	18,061	6,634
Amounts due to customers	390,353	306,714

Interest rates and maturities of amounts due to customers follow:

	<i>June 30, 2006 (unaudited)</i>				<i>December 31, 2005</i>			
	<i>KZT</i>		<i>USD/EURO</i>		<i>KZT</i>		<i>USD/EURO</i>	
	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>
Time deposits	1.0%-12.0%	2006- 2008	2.0%-8.5%	2006- 2007	1.0%-12.0%	2006-2010	2.0%-8.5%	2006-2007
Current accounts	up to 2.0%	–	up to 1.0%	–	up to 2.0%	–	up to 1.0%	–
Guarantee and restricted deposits	–	2006	–	2006-2007	–	2006	–	2006-2007

At June 30, 2006 and December 31, 2005, the Bank's ten largest customers accounted for approximately 34.50% and 37.19%, respectively, of the total amounts due to customers.

The amounts due to customers included balances in customer current accounts and term deposits, and were analysed as follows:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
Time deposits:		
Commercial entities	106,306	109,739
Individuals	122,350	101,000
Governmental entities	31,682	7,887
Current accounts:		
Commercial entities	78,218	59,926
Individuals	20,983	15,970
Governmental entities	12,753	5,558
Guarantee and other restricted deposits:		
Commercial entities	10,850	2,664
Individuals	7,176	3,931
Governmental entities	35	39
Amounts due to customers	390,353	306,714

(Millions of Kazakhstani Tenge)

10. Amounts Due to Customers (continued)

An analysis of customer accounts by sector follows:

	<i>June 30, 2006 (unaudited)</i>	<i>%</i>	<i>December 31, 2005</i>	<i>%</i>
Individuals	150,508	38.6%	120,901	39.4%
Oil and gas	56,593	14.5%	55,154	18.0%
Wholesale trading	38,343	9.8%	10,387	3.4%
Transportation	34,239	8.8%	5,828	1.9%
Metallurgy	24,407	6.2%	49,524	16.1%
Construction	14,264	3.6%	12,114	3.9%
Non-credit financial organizations	12,422	3.2%	13,069	4.3%
Mining	9,279	2.4%	7,170	2.3%
Retail trade	5,824	1.5%	2,356	0.8%
Machinery and equipment production	3,931	1.0%	2,221	0.7%
Agriculture	2,408	0.6%	2,045	0.7%
Energy industry	2,088	0.5%	1,440	0.5%
Chemical processing	1,968	0.5%	1,949	0.6%
Textile and leather industry	1,086	0.3%	703	0.2%
Communication	1,004	0.3%	790	0.3%
Food industry	978	0.3%	576	0.2%
Hotel and hospitality	480	0.1%	326	0.1%
Entertainment	466	0.1%	268	0.1%
Other	30,065	7.7%	19,893	6.5%
	390,353	100.0%	306,714	100.0%

11. Debt Securities Issued

Debt securities issued consisted of the following:

	<i>June 30, 2006 (unaudited)</i>	<i>December 31, 2005</i>
USD notes with fixed rates	213,642	194,356
USD perpetual financial instruments	47,476	—
KZT notes with fixed rates	37,416	18,979
USD and KZT subordinated notes	28,330	42,369
USD notes with floating rate	23,738	26,988
RUR notes with fixed rates	13,140	13,980
PLZ notes with floating rate	7,809	—
USD promissory notes	593	672
	372,144	297,344
Own USD notes held by the Group	(663)	(103)
Own USD and KZT subordinated notes held by the Group	(106)	—
Own KZT notes held by the Group	(27)	(77)
	371,348	297,164
Plus unamortized premium	1,476	1,616
Less unamortized discount	(2,650)	(2,179)
Less unamortized cost of issuance	(1,007)	(977)
Less unamortized cost of issuance of perpetual financial instruments	(421)	—
	368,746	295,624
Interest accrued	10,531	4,385
Debt securities issued	379,277	300,009

(Millions of Kazakhstani Tenge)

11. Debt Securities Issued (continued)

The interest rates and maturities of these debt securities issued follow:

	<i>June 30, 2006 (unaudited)</i>		<i>December 31, 2005</i>	
	<i>%</i>	<i>Maturity</i>	<i>%</i>	<i>Maturity</i>
USD notes with fixed interest rate	7.9%-10.0%	2007 – 2015	7.9%-10.0%	2007 – 2015
USD Perpetual financial instruments	8.3%	–	–	–
KZT notes with fixed rates	7.0%-10.9%	2008-2016	8.5%-10.0%	2010-2015
USD and KZT subordinated notes	7.0%-12.0%	2009-2015	7.0%-12.0%	2009-2015
USD notes with floating interest rate	3-month LIBOR +1.7%	2008	3 month LIBOR +1.7%	2008
RUR notes with fixed rates	6.4%	2006-2009	6.4%	2006-2009
	3-month LIBOR			
PLZ notes with floating rate	+2.7%	2011	–	–
			6 month LIBOR	
USD promissory notes	–	–	+1.5%	2006

Under the terms of a USD 3,000,000 thousand Global Medium Term Notes (GMTN) Programme, the Group had one USD notes issue in 2005 for the amount of USD 200,000 thousand, two USD notes issue in the first half of 2006 for the aggregate amount of USD 350,000 thousand, and one PLZ notes issue for the USD equivalent of USD 65,789 thousand, whereby total amount of issues under the GMTN Programme as at June 30, 2006 equalled USD equivalent of USD 615,789 thousand.

In accordance with the terms of the USD Notes, the Bank is required to maintain certain financial ratios particularly with regard to its liquidity, capital adequacy, and lending exposures. Management believes that the Bank maintains these ratios as of June 30, 2006.

In January 2006 the Bank issued Perpetual financial instruments for the total amount of USD 400,000 thousand, with the call option after ten years time from the issue date .

The subordinated notes at June 30, 2006 and December 31, 2005, are unsecured obligations of the Group and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Group.

12. Shareholders' Equity

During the six-month period ended June 30, 2006 the Bank issued 260,042 non-redeemable convertible preferred shares ("CPS") at a premium of 10,146 KZT per share (2005: 121,110 non-redeemable CPS at a premium 6,639 KZT per share). In accordance with the terms of the CPS issue, all holders of CPS executed their rights to convert their shares into common shares (the "Conversion") and accordingly filed an application for the Conversion prior to the final filing date of May 1, 2006. The Conversion was officially registered on May 25, 2006. As a result of the Conversion, the Bank's authorised, issued and fully paid share capital at June 30, 2006 increased by 1,134,432 common shares and comprised 4,555,948 common shares in the aggregate amount of KZT 44,512.

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13. Salaries and Administrative and Other Operating Expenses

Salaries and other employee benefits and administrative and other operating expenses comprise:

	<i>Six-month periods ended June 30,</i>	
	<i>2006 (unaudited)</i>	<i>2005 (unaudited)</i>
Salaries and bonuses	4,185	2,695
Social security costs	515	331
Other payments	87	55
Salaries and other employee benefits	4,787	3,081
Occupancy and rent	995	511
Marketing and advertising	750	434
Business travel and related expenses	486	229
Insurance expenses	462	151
Repair and maintenance of property and equipment	386	231
Communications	275	208
Security	253	208
Legal services and consultancy	208	161
Cash collection	200	2
Transportation expenses	174	131
Office supplies	87	85
Data processing	64	71
Loss on disposals of property and equipment	1	134
Other	597	381
Administrative and other operating expenses	4,938	2,937

14. Taxes Other than Income Tax

Taxes other than income tax comprise:

	<i>Six-month periods ended June 30,</i>	
	<i>2006 (unaudited)</i>	<i>2005 (unaudited)</i>
Value-added tax	554	329
Withholding tax	71	79
Other	63	122
Taxes other than income tax	688	530

15. Commitments and Contingencies**Financial Commitments and Contingencies**

The Group's financial commitments and contingencies comprised the following:

	<i>June 30, 2006</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2005</i>
Commercial letters of credit	86,912	81,900
Guarantees	80,110	55,683
Undrawn loan commitments	213	33,112
	167,235	170,695
Less: cash collateral	(18,061)	(6,634)
Less: provisions (Note 7)	(3,859)	(3,478)
Financial commitments and contingencies	145,315	160,583

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the bank, government securities, and other assets.

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15. Commitments and Contingencies (continued)

Trust Activities

The Group provides custody services to third parties which involve the Group making allocation and purchase and sales decisions in relation to securities. Those securities that are held in a fiduciary capacity are not included in these condensed interim consolidated financial statements. As at June 30, 2006 such securities held in this capacity were KZT 168,955 (December 31, 2005 – KZT 73,721).

Deliverable Forward Contracts

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement at a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates.

16. Earnings per Share

The following reflects the income and share data used in the basic and diluted earnings per share computations for the six-month periods ended June 30:

	<i>June 30, 2006</i> <i>(unaudited)</i>	<i>June 30, 2005</i> <i>(unaudited)</i>
Net income attributable to common shareholders for basic earnings per share, being net income less dividends declared on convertible preferred shares (in KZT millions)	22,179	8,413
Net income attributable to common and potential common shareholders for diluted earnings per share (in KZT millions)	22,325	8,503
Weighted average number of common shares for basic earnings per share	3,647,149	2,336,699
Weighted average number of common and potential common shares for diluted earnings per share	3,936,056	2,491,465

A reconciliation of the weighted average number of common shares and the weighted average number of potential common shares at six-month periods ended June 30 is as follows:

	<i>June 30, 2006</i> <i>(unaudited)</i>	<i>June 30, 2005</i> <i>(unaudited)</i>
Weighted average number of common shares at June 30 for basic earnings per share	3,647,149	2,336,699
Weighted average number of ordinary shares (common and preferred)	288,907	154,766
Weighted average number of common and potential common shares at June 30	3,936,056	2,491,465

17. Risk Management Policies

Management of risk is fundamental to the 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, liquidity and market movements in interest and foreign exchange rates. A summary description of the Bank's risk management policies in relation to those risks follows.

Currency Risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows, which are monitored daily. The Board of Directors sets limits on the level of exposure by currencies, by branches and in total. These limits also comply with the minimum requirements of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA"). The Group's exposure to foreign currency exchange rate risk follows:

(Millions of Kazakhstani Tenge)

17. Risk Management Policies (continued)**Currency Risk (continued)**

	<i>June 30, 2006 (unaudited)</i>				<i>December 31, 2005</i>			
	<i>KZT</i>	<i>Freely convertible</i>	<i>Non convertible</i>	<i>Total</i>	<i>KZT</i>	<i>Freely convertible</i>	<i>Non convertible</i>	<i>Total</i>
Assets:								
Cash and cash equivalents	69,164	25,398	370	94,932	57,134	58,798	3,199	119,131
Obligatory reserves	24,813	–	–	24,813	10,791	–	–	10,791
Financial assets at fair value through profit or loss	113,275	79,419	–	192,694	18,852	91,400	–	110,252
Amounts due from credit institutions	38,860	12,755	600	52,215	4,059	10,642	8,975	23,676
Available-for-sale investment securities	3,680	34,064	–	37,744	2,462	39,751	193	42,406
Loans to customers	198,560	589,882	28,563	817,005	163,450	548,852	8,394	720,696
Investments in associates	2,209	125	890	3,224	1,288	138	779	2,205
Other assets	18,349	2,711	1,122	22,182	5,749	1,233	109	7,091
	468,910	744,354	31,545	1,244,809	263,785	750,814	21,649	1,036,248
Liabilities:								
Due to the Government and the NBK	2,476	302	–	2,778	458	386	–	844
Due to credit institutions	57,766	227,078	133	284,977	12,859	280,079	109	293,047
Due to customers	217,913	171,658	782	390,353	144,122	161,736	856	306,714
Debt securities issued	57,912	308,041	13,324	379,277	55,769	230,061	14,179	300,009
Other liabilities	21,336	693	12	22,041	9,423	560	100	10,083
	357,403	707,772	14,251	1,079,426	222,631	672,822	15,244	910,697
Net balance sheet position	111,507	36,582	17,294	165,383	41,154	77,992	6,405	125,551

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT 49,668 and KZT 40,383 as of June 30, 2006 and December 31, 2005, respectively.

The Group's principal cash flows (revenues, operating expenses) are largely generated in KZT. As a result, future movements in the exchange rate between KZT and USD or EUR will affect the carrying value of the Group's USD and EUR denominated monetary assets and liabilities.

Freely convertible currencies mainly include USD, Euros and Great Britain pounds. Non-convertible currencies are mainly RUR, Kyrgyz soms and Belarusian roubles.

The market exchange rates at June 30, 2006 were KZT 118.69 to USD 1 and KZT 148.81 to EUR 1 (December 31, 2005-KZT 133.98 to USD 1 and KZT 158.99 to EUR 1).

(Millions of Kazakhstani Tenge)

17. Risk Management Policies (continued)**Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The interest rates earned and incurred by the Group on its assets and liabilities are disclosed in the relevant notes to these consolidated financial statements.

A significant portion of the Group's assets and liabilities reprice within one year. Accordingly there is a limited exposure to interest rate risk. As at June 30, the effective average interest rates by currencies for interest generating/ bearing monetary financial instruments were as follow:

	<i>June 30, 2006 (unaudited)</i>		<i>December 31, 2005</i>	
	<i>KZT</i>	<i>Foreign currency</i>	<i>KZT</i>	<i>Foreign currency</i>
Financial assets at fair value through profit or loss	2.8%	5.5%	3.9%	4.5%
Amounts due from credit institutions	4.6%	4.5%	2.7%	4.0%
Investment securities:				
- available-for-sale securities	5.3%	4.5%	6.3%	3.3%
Loans to customers	18.6%	11.2%	19.7%	11.3%
Amounts due to the Government and the NBK	5.1%	6.2%	4.9%	4.9%
Amounts due to credit institutions	7.9%	6.1%	9.1%	5.7%
Amounts due to customers	7.2%	5.6%	7.5%	5.4%
Debt securities issued	11.6%	8.6%	9.9%	8.7%

The Group monitors its interest rate margins on a regular basis and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual repricing date, which are shown as if they can be repriced within one month as management is able to liquidate those securities within a short period of time.

(Millions of Kazakhstani Tenge)

17. Risk Management Policies (continued)**Interest Rate Risk (continued)***June 30, 2006 (unaudited)*

	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
Assets:							
Cash and cash equivalents	69,451	25,481	–	–	–	–	94,932
Obligatory reserves	–	–	–	24,813	–	–	24,813
Financial assets at fair value through profit or loss	89,693	1,572	19,307	16,388	65,734	–	192,694
Amounts due from credit institutions	6,668	5,642	21,687	3,735	14,439	44	52,215
Available-for-sale Securities	–	41	5,146	10,990	21,567	–	37,744
Loans to customers	61,035	68,545	163,766	157,319	356,788	9,552	817,005
Investments in associates	–	–	–	–	3,224	–	3,224
Other assets	10,047	12,073	–	62	–	–	22,182
	<u>236,894</u>	<u>113,354</u>	<u>209,906</u>	<u>213,307</u>	<u>461,752</u>	<u>9,596</u>	<u>1,244,809</u>
Liabilities:							
Amounts due to the Government and NBK	86	2,002	117	108	465	–	2,778
Amounts due to credit institutions	38,776	107,253	40,045	82,980	15,923	–	284,977
Amounts due to customers	164,776	53,554	118,325	41,521	12,177	–	390,353
Debt securities issued	–	31,727	13,053	27,539	306,958	–	379,277
Other liabilities	14,703	4,146	2,324	172	696	–	22,041
	<u>218,341</u>	<u>198,682</u>	<u>173,864</u>	<u>152,320</u>	<u>336,219</u>	<u>–</u>	<u>1,079,426</u>
Net interest sensitivity gap	18,553	(85,328)	36,042	60,987	125,533	9,596	165,383
Cumulative interest sensitivity gap	18,553	(66,775)	(30,733)	30,254	155,787	165,383	

(Millions of Kazakhstani Tenge)

17. Risk Management Policies (continued)**Interest Rate Risk (continued)***December 31, 2005*

	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
Assets:							
Cash and cash equivalents	109,442	9,689	—	—	—	—	119,131
Obligatory reserves	—	—	—	10,791	—	—	10,791
Financial assets at fair value through profit or loss	13,285	—	14,944	47,604	34,419	—	110,252
Amounts due from credit institutions	801	3,296	7,405	2,022	10,152	—	23,676
Available-for-sale Securities	444	2,867	206	9,926	28,963	—	42,406
Loans to customers	33,378	66,522	216,953	99,412	295,508	8,923	720,696
Investments in associates	—	—	—	—	2,205	—	2,205
Other assets	271	3,740	451	58	2,571	—	7,091
	157,621	86,114	239,959	169,813	373,818	8,923	1,036,248
Liabilities:							
Amounts due to the Government and NBK	35	—	101	203	505	—	844
Amounts due to credit institutions	62,221	10,270	170,411	36,280	13,865	—	293,047
Amounts due to customers	114,886	59,379	99,086	27,852	5,511	—	306,714
Debt securities issued	—	26,967	672	38,375	233,995	—	300,009
Other liabilities	1,944	3,562	2,821	1,095	661	—	10,083
	179,086	100,178	273,091	103,805	254,537	—	910,697
Net interest sensitivity gap	(21,465)	(14,064)	(33,132)	66,008	119,281	8,923	125,551
Cumulative interest sensitivity gap	(21,465)	(35,529)	(68,661)	(2,653)	116,628	125,551	

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. In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The 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.

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date, except financial assets at fair value through profit or loss.

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17. Risk Management Policies (continued)**Liquidity Risk (continued)**

	June 30, 2006 (unaudited)							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	Total
Assets:								
Cash and cash equivalents	27,035	42,416	25,481	–	–	–	–	94,932
Obligatory reserves	–	–	–	–	24,813	–	–	24,813
Financial assets at fair value through profit or loss	192,694	–	–	–	–	–	–	192,694
Amounts due from credit institutions	20	6,649	5,641	21,687	3,735	14,439	44	52,215
Available- for- sale investment securities	–	–	41	5,146	10,990	21,567	–	37,744
Loans to customers	–	61,035	68,124	152,055	164,963	361,276	9,552	817,005
Investments	–	–	–	–	–	3,224	–	3,224
Other assets	9,954	93	12,073	–	62	–	–	22,182
	229,703	110,193	111,360	178,888	204,563	400,506	9,596	1,244,809
Liabilities:								
Amounts due to the Government and the NBK	86	–	2,002	117	108	465	–	2,778
Amounts due to credit institutions	258	38,518	107,254	24,819	88,095	26,033	–	284,977
Amounts due to customers	119,263	45,513	53,554	118,325	41,521	12,177	–	390,353
Debt securities issued	–	–	–	13,053	51,457	314,767	–	379,277
Other liabilities	12,139	2,564	4,146	2,324	172	696	–	22,041
	131,746	86,595	166,956	158,638	181,353	354,138	–	1,079,426
Net position	97,957	23,598	(55,596)	20,250	23,210	46,368	9,596	165,383
Accumulated gap	97,957	121,555	65,959	86,209	109,419	155,787	165,383	

(Millions of Kazakhstani Tenge)

17. Risk Management Policies (continued)**Liquidity Risk (continued)**

	December 31, 2005							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	
Assets:								
Cash and cash equivalents	76,004	33,438	9,689	—	—	—	—	119,131
Obligatory reserves	—	—	—	—	10,791	—	—	10,791
Financial assets at fair value through profit or loss	110,252	—	—	—	—	—	—	110,252
Amounts due from credit institutions	47	754	3,296	7,405	2,022	10,152	—	23,676
Available- for- sale investment securities	—	444	2,867	206	9,926	28,963	—	42,406
Loans to customers	746	32,632	65,986	207,423	106,060	298,926	8,923	720,696
Investments in associates	—	—	—	—	—	2,205	—	2,205
Other assets	248	23	3,740	451	58	2,571	—	7,091
	187,297	67,291	85,578	215,485	128,857	342,817	8,923	1,036,248
Liabilities:								
Amounts due to the Government and the NBK	—	35	—	101	203	505	—	844
Amounts due to credit institutions	279	61,942	6,175	148,213	48,435	28,003	—	293,047
Amounts due to customers	81,869	33,017	59,379	99,086	27,852	5,511	—	306,714
Debt securities issued	—	—	—	672	38,375	260,962	—	300,009
Other liabilities	1,860	84	3,562	2,821	1,095	661	—	10,083
	84,008	95,078	69,116	250,893	115,960	295,642	—	910,697
Net position	103,289	(27,787)	16,462	(35,408)	12,897	47,175	8,923	125,551
Accumulated gap	103,289	75,502	91,964	56,556	69,453	116,628	125,551	

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT 49,668 and KZT 40,383 as of June 30, 2006 and December 31, 2005, respectively.

18. Related Party Transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Bank's related parties include shareholders and entities which exercise significant influence over the Bank's key management personnel. Transactions with related parties are made on an arms length basis.

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18. Related Party Transactions (continued)

For the six-month period ended June 30, the Bank had the following transactions with related parties:

	<i>6 months, ended June 30, 2006 (unaudited)</i>				<i>December 31, 2005 (unaudited)</i>			
	<i>Share-holders</i>	<i>Asso-ciates</i>	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Share-holders</i>	<i>Asso-ciates</i>	<i>Key management personnel</i>	<i>Other related parties</i>
Loans outstanding, gross, beginning of the period	16,095	2,943	241	763	4,202	2,429	242	2,598
Loans issued during 6 months	677	11,237	349	1,263	12,388	4,021	117	3,004
Loan repayments during 6 months	(7,603)	(11,082)	(120)	(446)	(495)	(3,507)	(122)	(4,839)
Positive revaluation	-	-	-	-	-	-	6	-
Negative revaluation	-	-	(21)	-	-	-	(2)	-
Loans outstanding, gross, ending of the period	9,169	3,098	449	1,580	16,095	2,943	241	763
Less: allowance for impairment	(56)	-	-	-	(212)	-	-	-
Loans outstanding, net, ending	9,113	3,098	449	1,580	15,883	2,943	241	763
Deposits, beginning of the period	-	42	146	-	-	241	87	-
Deposits received during 6 months	-	3,995	866	6,899	-	3,355	1,755	26,126
Deposits repaid during 6 months	-	(4,037)	(806)	(734)	-	(3,554)	(1,696)	(26,126)
Deposits, ending of the period	-	-	206	6,165	-	42	146	-
Commitments and guarantees issued	210	1,021	4	5,345	481	518	-	6,646
Commitments and guarantees received	210	1,021	-	5,345	481	518	-	6,646

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18. Related Party Transactions (continued)

	<i>6 months, ended June 30, 2006 (unaudited)</i>				<i>6 months, ended June 30, 2005 (unaudited)</i>			
	<i>Share- holders</i>	<i>Associ- ates</i>	<i>Key mana- gement person- nel</i>	<i>Other related parties</i>	<i>Share- holders</i>	<i>Associ- ates</i>	<i>Key mana- gement person- nel</i>	<i>Other related parties</i>
Interest income on loans	447	105	11	9	7	145	12	–
Interest expense on deposits	–	(1)	(1)	(45)	–	–	–	–
Fee and commission income	7	3	–	82	12	6	–	34
Other income	–	1	–					
Fee and commission expense	–	(1)	–					

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors of the Bank for the six-month period ended June 30, 2006 was KZT 261 (June 30, 2005 KZT 183).

19. Subsequent Events

In July 2006 the Bank's Board decided to close down the Bank's representative office in Yekaterinburg, Russia.

Also, in July the Bank has placed on initial over-the-counter offering part of its subordinated bonds in the amount of KZT 12,516, with the rate of interest of 7% and maturing on June 29, 2036.