



21 March 2007

JSC Kazkommertsbank announces Full Year 2006 financial results

Almaty, Kazakhstan – March 21, 2007 – JSC Kazkommertsbank, Kazakhstan's leading bank, today announces its financial results for the year ended December 31, 2006.

Highlights:

- Net profit increased by 49.3% from KZT 19,815 million to **KZT 29,586 million** in 2006
- Net profit before income tax increased by 86.8% from KZT 22,153 million to **KZT 41,375 million**
- Net interest income increased by 37.5% from KZT 22,719 million to **KZT 31,248 million**
- Net commission income grew by 68.5% from KZT 9,415 million to **KZT 15,865 million**
- Operating income increased by 61.5% from KZT 37,286 million to **KZT 60,215 million**
- Earnings per share increased by 27.2% from KZT 50.95 to **KZT 64.83**
- Total assets increased by 104.6% from KZT 1,195 billion to **KZT 2,444 billion**
- Total equity increased by 205.9% from KZT 81 billion to **KZT 249 billion**
- Loans to customers less allowance for impairment losses increased by 125.8% from KZT 743 billion to **KZT 1,679 billion**
- Customer accounts increased by 126.7% from KZT 303 billion to **KZT 688 billion**
- Debt securities issued increased by 39.9% from KZT 303 billion to **KZT 424 billion**



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Financial Results Conference Call:

Kazkommertsbank management will discuss its 2006 annual results during a conference call on March 21st, 2007 at 20:00 Almaty time (14:00 GMT, 10:00 EST).

**Dial in number: +44 (0)20 7138 0835 (if calling from Europe)
+1 718 354 1172 (if calling from the US)**

The FY2006 financial results are released in a separate file and are also available at the following URL address:

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The slide presentation for the call may be accessed at the following URL address:

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This text is also available at our website at: •

Notes to Editors:

About Kazkommertsbank

Established in 1990, KKB is one of the leading banks in Kazakhstan. As at 31 December 2006, it was the market leader as measured by total assets, total loans and total deposits (according to the FMSA data). The Bank has a network of 23 full-service branches and 88 outlets in Kazakhstan. In addition, the Bank has a well-developed alternative channel distribution network including internet banking, 556 ATMs, over 4,272 point-of-sale terminals and a call centre.



Business Performance Overview

PROFIT AND LOSS STATEMENT HIGHLIGHTS

Net interest income

Net interest income before provisions for impairment losses increased by 58.2 per cent. to KZT64,135 million in the year ended 31 December 2006 from KZT40,552 million in the year ended 31 December 2005. The increases from 2005 to 2006 resulted primarily from 70.4 per cent. growth in average interest-earning assets to KZT1,246 billion as at 31 December 2006 from KZT731 billion as at 31 December 2005. Interest expense grew at a faster rate than interest income over the years ended 31 December 2006 and 2005, resulting in a decrease in the Bank's net interest margin to 5.1 per cent. in 2006 from 5.5 per cent. in 2005. Net interest income as a percentage of total operating income has decreased in 2006 as a result of growth in average costs of interest-bearing liabilities and 109.5 per cent. growth in non-interest income to KZT229.7 billion from KZT109.6 billion.

Net non-interest income

Net non-interest income increased by 98.9 per cent. to KZT28,967 million in 2006 from KZT14,567 million in 2005. This increase was primarily due to the increase in net fees and commissions and net gains from foreign exchange operations. Net fees and commission income have declined as a share of net non-interest income. It constituted 54.7 per cent. of total net non-interest income in 2006 compared to 64.6 per cent. in 2005.

Net gain on foreign exchange operations increased 239.6 per cent. to KZT5,403 million in 2006 from KZT1,591 million in 2005. It comprises dealing (KZT4,435 million) and translation differences (KZT968 million). Volume of dealing operations with foreign currency increased significantly due to high volatility of the Tenge over 2006. Positive translation difference is a result of revaluation of provisions for impairment losses.

Other non-interest income increased 13.1 per cent. to KZT3,042 million in 2006 from KZT2,690 million in 2005. Insurance premiums received by the Bank's non-life insurance subsidiary JSC SK Kazkommerts Policy constituted 81 per cent. and 89 per cent. of this item in 2006 and 2005.

Fee and commission income increased by 64.1 per cent. to KZT17,537 million for the year ended 31 December 2006 from KZT10,684 million for the year ended 31 December 2005 primarily as a result of a growing range of banking products sold to an expanding retail and corporate customer base. In 2006 compared to 2005 the documentary operations commission increased by 58.3 per cent, bank card fees increased by 54.0 per cent, cash operations fees increased by 42.1 per cent, foreign exchange and securities trading commissions increased by 86.8 per cent. Other fees and commissions increased significantly as a result of growing activities of the Bank's pension fund and asset management company (JSC Grantum APF and JSC OCOPAIM Grantum Asset Management). Fees and commissions received by JSC Grantum APF were KZT 1,171 million for the year ended 31 December 2006.

Fee and commission expense increased by 31.8 per cent. to KZT1,672 million for the year ended 31 December 2006 from KZT1,269 million for the year ended 31 December 2005. The increases in fee and commission expense were mainly attributable to growth in the Bank's plastic card services and fees and commissions relating to the Group's insurance business. In 2006, 41.4 per cent. of fee and commission expenses were related to payment cards as a result of increases in the volume of transactions and the number of cards issued. In addition, 28.3 per cent. of fee and commission expense is represented by insurance claims. In 2006, they increased by 28.8 per cent. as compared to 2005. Other commission expense primarily represented by fees paid for rating services remained stable at KZT139 million in 2006 against KZT141 million in 2005.

Provisions for impairment losses

Provisions for impairment losses increased by 84.4 per cent. to KZT32,887 million in the year ended 31 December 2006 from KZT17,833 million in the year ended 31 December 2005. The growth in provisions for impairment losses on loans to customers of 94.4 per cent. from 2005 to 2006 was mainly attributable to a 75 per cent. increase in the average gross loan portfolio to KZT1,015 billion as



at 31 December 2006 from KZT580 billion as at 31 December 2005. Despite the growth of gross loans to customers, the effective rate of provisions on customer loans fell to 4.3 per cent. for 2006 from 5.5 per cent. for 2005 due to the general improvement of the quality of the Bank's loan portfolio (for details – see Classification of loan portfolio and Write-Offs).

In 2006 nil provisioning requirement for loans to OECD banks was introduced. As a result, recoveries on impairment losses on loans to banks accounted for KZT370 million, compared to provisions for impairment losses on loans to banks of KZT712 million in 2005.

Operating expenses

Operating expenses increased by 34.9 per cent. to KZT18,039 million in the year ended 31 December 2006 from KZT13,368 million in the year ended 31 December 2005. However, notwithstanding this growth in operating expenses, the ratio of the Bank's operating expenses to operating income before provisions for impairment losses decreased to 19.4 per cent. in 2006 from 24.3 per cent. in 2005 reflecting the effectiveness of the Bank's efficiency initiatives.

Staff costs accounted for 50.6 per cent. of operating expenses for the year ended 31 December 2006 compared to 48.8 per cent. for the year ended 31 December 2005. Staff costs increased by 50.7 per cent. to KZT9,154 million in 2006 from KZT6,517 million in 2005. This increase reflected an increase in employees' salaries and an increase in the number of employees as the Bank grew its retail business. The number of the Group's employees increased by 65.3 per cent. over the period to 5,186 as at 31 December 2006 from 3,643 as at 31 December 2005.

Depreciation and amortization costs increased by 17.2 per cent. to KZT1,833 million in the year ended 31 December 2006 from KZT1,564 million in the year ended 31 December 2005, due to the Bank's investment in its customer service network as well as the upgrading of existing and opening of new branches. As a result, average tangible and intangible assets in 2006 were 81.0 per cent. higher than the average in the same period in 2005. As a percentage of total operating expenses, depreciation and amortization costs decreased to 10.2 per cent. in the year ended 31 December 2006 compared to 11.7 per cent. in the year ended 31 December 2005.

Lease expenses increased 120.2 per cent. to KZT1,134 million in 2006 from KZT514 in 2005 primarily as a result of the Bank opening 31 new branches in 2006 and entering into lease agreements on additional branch premises which have not been fully refurbished and opened yet. The Bank had 111 branches as at 31 December 2006 and 80 branches as at 31 December 2005.

Advertising expenses increased by 76.8 per cent. to KZT1,038 million in 2006 from KZT587 million in 2005 due to an active advertising campaign promoting the Bank and its products and services.

VAT payments increased by 40.4 per cent. to KZT640 million in the year ended 31 December 2006 from KZT456 million in the year ended 31 December 2005 in line with the increase in overall operating expenses and expenditures on fixed assets.

Taxation

The statutory corporate income tax rate in Kazakhstan is 30 per cent. For the years ended 31 December 2006 and 2005, the effective tax rates incurred by the Bank were 28.5 per cent. and 10.6 per cent., respectively. Tax expense increased by 404.2 per cent. in 2006, to KZT11,789 million in 2006 from KZT2,338 million in 2005.

In 2005, the Bank started to apply the non-discrimination principle under the Double Tax Treaty between Kazakhstan and the Netherlands, by which Netherlands source interest income should be treated the same as Kazakh source interest income. This resulted in an increase in deductible items by the amount of interest payments on the eurobonds issued by the Bank through its Netherlands subsidiaries. The net tax result of this application was a reduction of the amount of income taxation expense by KZT1.6 billion.

The increase in the Bank's effective tax rate in 2006 was primarily due to changes in the composition of the Bank's income and a proportionate decrease in tax exempt income and due to the removal of tax exemptions on investment loans, which offset the benefits of tax exemptions on income from



residential mortgages. Moreover, in 2006 there was a trend towards mortgages being repaid early, which resulted in a decrease in tax exempt interest earned on such loans to KZT6.1 billion in 2006 from KZT9.6 billion in 2005. Profit before taxes increased to KZT41 billion in 2006 from KZT22 billion in 2005.



BALANCE SHEET HIGHLIGHTS

ASSETS

Loans to Customers

As at 31 December 2006, the Bank's total gross loan portfolio grew by 123.1 per cent. to KZT1,752.8 billion from KZT785.6 billion as at 31 December 2005.

Composition of the loan portfolio

Whilst the Bank's total loan portfolio increased by 122.5 per cent. between 31 December 2005 and 31 December 2006, its composition underwent several changes. During 2006, the Bank increased its lending to individuals and its lending to companies in the construction, transport and communications, mining and metallurgy and machinery construction sectors. Lending to construction, trade sectors and individuals comprise the largest shares in the Bank's loan portfolio, amounting to 63.1 per cent. of the total loan portfolio as at 31 December 2006. The Bank aims to focus on lending to sectors of the economy that have high growth and development prospects. Additionally, the Bank expects new opportunities for expansion in the provision of financing to medium-sized companies engaged as subcontractors or servicing companies for large international projects carried out in Kazakhstan.

Loans to construction companies increased by 141.4 per cent., constituting a 29.6 per cent. share in the Bank's loan portfolio as at 31 December 2006 compared to 27.3 per cent. as at 31 December 2005 due to the development of large-scale construction projects in Astana, Almaty and Atyrau. Loans to trade companies increased by 107 per cent., while their percentage of the Bank's total loan portfolio decreasing slightly to 17.8 per cent. compared to 19.1 per cent. as at the end of 2005.

As at 31 December 2006, loans to individuals, including consumer and mortgage lending, increased by 165.6 per cent. in comparison to the end of 2005. These loans, as a percentage of the Bank's loan portfolio, increasing from 13.2 per cent. as at 31 December 2005 to 15.7 per cent. as at 31 December 2006. As at 31 December 2006 retail loans were represented by mortgages (56.7 per cent.), consumer loans (28.6 per cent.), car loans (6 per cent.) and other loans (8.7 per cent.)

Loans to the transport and communications industries decreased by 0.2 per cent. in the same period and the percentage of these loans in the Bank's portfolio decreased to 2.4 per cent. as at 31 December 2006 from 5.3 per cent. at the end of 2005. Loans to the oil and gas sector increased by 35.7 per cent. from 31 December 2005 to 31 December 2006 whilst their share in the total loan portfolio decreased to 2.7 per cent. compared to 4.4 per cent. in 2005. The oil and gas sector is represented by large Kazakhstan companies, as well as developing but still relatively small domestic oil producers with existing production facilities. The contribution of the oil and gas sector to the Bank's loan portfolio is declining as a result of the relatively easy access by such companies to less expensive funding in the international capital markets. The total amount lent to companies in the agriculture sector increased by 52.1 per cent. and as a percentage of the Bank's total loan portfolio such loans decreased to 2.9 per cent. as at 31 December 2006 from 4.3 per cent. as at 31 December 2005. Loans to agricultural companies are primarily provided to large integrated companies, which are involved in all stages of grain production and processing.

As at 31 December 2006 the Bank's 20 largest borrowers accounted for 27.8 per cent. of the total loan portfolio compared to 26.8 per cent. as at 31 December 2005. Going forward the Bank expects to reduce the concentration of its loan portfolio by attracting new medium- and small-sized borrowers.

Loan portfolio by currency

In line with the Bank's policy to limit its foreign currency risk and open foreign currency positions, foreign currency loans comprise the major part of the Bank's loan portfolio. As at 31 December 2006, US dollar-denominated or indexed loans comprised 66.7 per cent. of the Bank's loan portfolio compared to 67.5 per cent. as at 31 December 2005. Tenge loans grew by 135.0 per cent. in the same period, resulting in their comprising 30.8 per cent. of the Bank's portfolio. Such Tenge loans have a shorter-term maturity profile and contain provisions to allow the Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

Collateralization of loan portfolio



In order to limit its lending risks, the Bank typically requires collateral from borrowers including domestic securities, commercial goods, real estate or cash deposits and personal guarantees. The Bank estimates the net realizable market value of such collateral and regularly monitors the quality of the collateral taken as security. In cases where the existing collateral declines in value, additional collateral may be required from the borrower.

As at 31 December 2006, unsecured loans constituted 15.2 per cent. of the Bank's loan portfolio, compared to 10.2 per cent as at 31 December 2005.

Non Performing Loans

The Bank classifies as non-performing only that portion of principal, interest or fees on a loan which is overdue by more than 30 days for a corporate loan or retail loan, which is a classification methodology consistent with that used by other banks in Kazakhstan. According to this definition the Bank had a non-performing loan ratio of 0.9 per cent. as at 31 December 2006 compared to 1.4 per cent. as at 31 December 2005.

Classification of loan portfolio and Write-Offs

"Standard" and "Watch" loans amounted to KZT1,633 billion as at 31 December 2006, as compared to KZT705.8 billion as at 31 December 2005. "Standard" and "Watch" categories as a percentage of all loans increased to 95.1 per cent. in 2006 from 91.4 per cent. in 2005. "Sub-standard" while as the percentage of the total portfolio fell to 3 per cent. as at 31 December 2006 from 5.3 per cent. as at 31 December 2005. "Doubtful" and "Loss" loans as a percentage of the total portfolio decreased to 1.9 per cent. as at 31 December 2006 from 3.3 per cent. as at the end of 2005.

In 2006, the Bank wrote off loans in the aggregate amount of KZT0.9 billion, as compared to KZT5.4 billion in 2005.

Loans and advances to banks

As at 31 December 2006, loans and advances to banks, less allowance for impairment losses, decreased by 22.5 per cent. to KZT197.2 billion, as compared to KZT253.9 billion as at 31 December 2005. At the same time, loans and advances to banks as a percentage of total assets decreased to 8.1 per cent. as at 31 December 2006 from 21.3 per cent. as at 31 December 2005. The majority (88.3 per cent.) of loans and advances to banks had maturities of less than three months.

Cash and balances with National Bank

Cash and balances with the National Bank of Kazakhstan, the National Bank of Kyrgyz Republic and the Central Bank of Russia increased substantially from KZT37.2 billion as at 31 December 2005 to KZT209 billion as at 31 December 2006 as a result of tightening regulatory reserve requirements on internal and external liabilities to 6 per cent. and 8 per cent., respectively. Besides, in 2006, the FMSA limited the list of liquid assets in which the banks were allowed to place reserves to the balances with the National Bank of Kazakhstan.

Securities portfolio

The size of the Bank's securities portfolio increased by 130.3 per cent. as at 31 December 2006 to KZT325.6 billion compared to KZT141.4 billion as at the end of 2005. The increase was mainly in the Bank's trading portfolio (96.9 per cent. of the Bank's securities portfolio), which increased by 124.9 per cent. or KZT175,237 billion. This decrease was primarily attributable to the purchase of foreign securities of KZT225.6 billion, net purchase of short-term NBK notes of KZT34.9 billion.

The Bank continued to invest in securities of prime Kazakhstan companies and Kazakhstan municipal bonds, which portfolio as at 31 December 2006 was KZT44.7 billion. Securities of the Russian entities in the Bank's portfolio totaled KZT8.3 billion as at 31 December 2006.

Maturity Profile of Securities Portfolio

The maturity structure of the Bank's securities portfolio in the first half of 2006 indicates that over 60 per cent. of the portfolio had maturities of between one month and three months.



In the last quarter of 2005, the Bank raised from a syndicated borrowing and the measure of Eurobonds, the proceeds of which were initially invested in securities. Those securities were subsequently sold and the proceeds were reinvested in the Bank's loan portfolio by June 2006. However, the Bank continued to hold a significant balance of securities at the end of 2005 which explains the difference between the total of the average marketable securities portfolio between 31 December 2005 and 2006.

LIABILITIES AND OWNERS EQUITY

Funding

Customer accounts as a percentage of the Bank's total liabilities comprised 28.1 per cent. and 27.4 per cent. as at 31 December 2006 and 2005, respectively. Loans and advances from banks including repurchase operations as a percentage of the Bank's total liabilities accounted for 36.2 per cent. as at 31 December 2006 as compared to 34.3 per cent. as at 31 December 2005.

The Bank's debt securities decreased to 19.4 per cent. of the Bank's liabilities as at 31 December 2006 from 27.4 per cent. as at 31 December 2005 as a result of more rapidly growing customers accounts and loans and advances from banks. Long-term liabilities decreased to 46.5 per cent. of the Bank's liabilities as at 31 December 2006 from 48.3 per cent. as at 31 December 2005.

Corporate term deposits increased by 159.8 per cent. and amounted KZT255.4 billion as at 31 December 2006 as compared to KZT98.3 billion as at 31 December 2005. Corporate demand deposits increased by 142.4 per cent. and amounted KZT224.7 billion as at 31 December 2006, compared to KZT92.7 billion as at 31 December 2005. As at 31 December 2006 the deposits (less accrued interest) of 20 largest depositors accounted for 44.4 per cent. of total deposits, compared to 24.5 per cent. at the end of 2005 and 30.2 per cent. at the end of 2004.

The percentage of term deposits to total customer accounts slightly decreased to 60.8 per cent. as at 31 December 2006, compared to 62.4 per cent. as at 31 December 2005. The percentage of demand deposits to total customer accounts decreased by 0.1 per cent to 37.5 per cent as at 31 December 2006.

The Bank also adopts a policy of extending the maturities of its assets in accordance with the maturities of its funds raised in the debt capital markets so as to reduce risks related to interest rate changes. Long-term assets (over one year) increased by 122.2 per cent. during 2006 and accounted for 45.3 per cent. of total assets, as compared to 40.7 per cent. of assets as at 31 December 2005. As at 31 December 2006 the asset and liability interest gap was positive in respect of assets and liabilities with maturities of over five years, at 1.7 per cent. of assets. The positive gap means that an interest rate increase would have a positive effect on net interest income. Where practicable, the Bank also links loans to their underlying funding sources through participation in special programs sponsored by the National Bank of Kazakhstan, the Ministry of Finance of Kazakhstan and international financial institutions. The Bank also endeavors to increase and extend the maturities of its retail time deposits.

Owner's equity

The Bank's shareholders' equity increased by 205.9 per cent. to KZT248,654 million as at 31 December 2006 compared to KZT81,295 million as at 31 December 2005.

In August 2006 the Bank completed placement of 96.5 million of its shares among existing shareholders. Later, in November 2006 the Bank's controlling shareholders offered to public 91.4 million of the Bank's shares at the London Stock Exchange. The sale was followed by a domestic offer of 103.5 million of the Bank's Shares among existing shareholders. In addition, the Bank earned KZT27.8 billion net income in 2006.