IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS UNDER RULE 144A OR (2) NON-U.S. PERSONS OR PERSONS OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities, you must be either (1) a Qualified Institutional Buyer ("**QIB**") (within the meaning of Rule 144A under the Securities Act) or (2) a non-U.S. person (within the meaning of Regulation S under the Securities Act). This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) not (or, if you are acting on behalf of another person, such person is not) a U.S. person and that, in the latter case, the electronic mail address that you gave us and to which this e-mail has been delivered is not located (or, if you are acting on behalf of another person, such person is not) in the U.S. and (2) you consent to delivery of such Prospectus by electronic transmission. You are urged to read the information in "*Form of Notes and Transfer Restrictions*" in the attached Prospectus.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, JSC Halyk Finance or JSC Halyk Bank or any person who controls any of them or any director, officer, employee, adviser or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, JSC Halyk Finance or JSC Halyk Bank.

JSC HALYK BANK

(incorporated in the Republic of Kazakhstan)

U.S.$500,000,000

7.25 per cent. Notes due 2021
Issue Price 98.263 per cent.

The U.S.$500,000,000 7.25 per cent. Notes due 2021 (the "**Notes**") are issued by JSC Halyk Bank (the "**Issuer**" or the "**Bank**"), a joint stock company incorporated in the Republic of Kazakhstan. Interest on the Notes will accrue from 28 January 2011 and will be payable semi-annually in arrear on 28 January and 28 July of each year, commencing on 28 July 2011. The Notes will be constituted by, subject to, and have the benefit of, a trust deed dated 28 January 2011 (the "**Trust Deed**") among the Issuer and Deutsche Trustee Company Limited as trustee for the holders of the Notes (the "**Trustee**"). See "*Terms and Conditions of the Notes*".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") to approve this Prospectus as a prospectus, and this Prospectus constitutes a prospectus for the purposes of article 5 of Directive 2003/71/EC. Application has also been made to admit the Notes described in this Prospectus to listing on the official list of the UK Listing Authority (the "**Official List**") and to trading on the London Stock Exchange plc's (the "**London Stock Exchange**") Regulated Market (the "**Regulated Market**"). The Regulated Market is a Regulated Market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List, and to trading on the Regulated Market. In addition, application has been made for the Notes to be admitted to the "rated debt securities" category of the official list of the Kazakhstan Stock Exchange.

It is expected that, on issue, the Notes will be assigned a rating of B+ by Fitch Ratings, Ba3 by Moody's Investor Service and B+ by Standard and Poor's Rating Service. A security or credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of these credit rating agencies is established in the European Union and has applied to be registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council dated 16 September 2009 on credit rating agencies.

The Notes will be offered and sold in an offering in the United States to "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) in reliance on Rule 144A and in offshore transactions outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Subscription and Sale*" and "*Form of Notes and Transfer Restrictions*". The Notes may not be reoffered, resold, pledged, exchanged or otherwise transferred except in transactions exempt from or not subject to the registration requirements of the Securities Act and any other applicable securities laws. See "*Form of Notes and Transfer Restrictions*". This document is not a "prospectus" as such term is defined in section 2(a)(10) of the U.S. Securities Act, as amended.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in a permanent global Note (the "**Unrestricted Global Note**") in registered form, without interest coupons attached, which will be registered in the name of BT Globenet Nominees Limited as nominee for, and shall be deposited on or about 28 January 2011 (the "**Closing Date**") with Deutsche Bank A.G., as common depository, Euroclear Bank S.A./N.V. ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in a permanent global Note (the "**Restricted Global Note**" and, together with the Unrestricted Global Note, the "**Global Notes**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Deutsche Bank Trust Company Americas, as custodian for, and registered in the name of Cede & Co., as nominee for, The Depository Trust Company ("**DTC**"). Notes, whether sold (i) in offshore transactions in reliance on Regulation S, or (ii) to qualified institutional buyers in reliance on Rule 144A, will be issued in minimum denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000. See "*Terms and Conditions of the Notes*". Interests in the Restricted Global Note will be subject to certain restrictions on transfer. See "*Form of Notes and Transfer Restrictions*". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

Prospective investors should have regard to "*Risk Factors*" beginning on page 10 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Citi **Deutsche Bank** **Halyk Finance**

The date of this Prospectus is 26 January 2011.

This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC.

The Issuer, having taken all reasonable care to ensure that such is the case, declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility for the information contained in this Prospectus.

Certain information in the section "*The Banking Sector in Kazakhstan*" has been extracted from documents and other publications released by various officials and other public and private sources, including participants in the capital markets and financial sector in the Republic of Kazakhstan ("**Kazakhstan**"). There is not necessarily any uniformity of views among such sources as to the information provided therein. Accordingly, the Issuer only accepts responsibility for accurately reproducing such extracts, and as far as the Issuer is aware and able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading. For further details, see "*Market Share, Industry and Economic Data*".

None of the Managers (as defined in "*Subscription and Sale*"), the Trustee nor any of their respective directors, affiliates, advisers or agents, has made an independent verification of the information contained in this Prospectus in connection with the issue and offering of the Notes and no representation or warranty, expressed or implied, is made by the Managers, the Trustee or any of their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether relating to the past or the future, by the Managers, the Trustee or any of their respective directors, affiliates, advisers or agents in any respect. Furthermore, none of the Managers nor the Trustee makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability of the Notes, the performance and observance by the Issuer of its obligations in respect of the Notes or the recoverability of any sums due or to become due from the Issuer under the Notes.

In making an investment decision, investors must rely on their own examination of the Issuer, Kazakhstan, the Notes and the terms of this offering, including the merits and risks involved. See "*Risk Factors*". Investors should not construe anything in this Prospectus as legal, business or tax advice. Each investor should consult its own advisers as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations. The Notes have not been approved or disapproved by any U.S. federal or state securities commission or regulatory authority. In addition, no U.S. federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

This Prospectus has been prepared by the Issuer solely for use in connection with the offering of the Notes described in this Prospectus. No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee or any of the Managers or any of their respective directors, affiliates, advisers or agents. No representation or warranty, express or implied, is made by the Trustee or any of the Managers or any of their respective directors, affiliates, advisers or agents and nothing contained in this Prospectus is or shall be relied upon as a promise, warranty or representation, whether relating to the past or the future. The delivery of this Prospectus does not imply that there has been no change in the business or affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

This communication is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons together being referred to as "**relevant persons**"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

This Prospectus does not, and is not intended to, constitute or contain an offer to sell or a solicitation of an offer to purchase the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. Persons into whose possession this Prospectus may come are required by the Issuer and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Prospectus is set out under "*Subscription and Sale*" and "*Form of Notes and Transfer Restrictions*".

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER DOES ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEAN THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

The Issuer is not currently required to file periodic reports under Sections 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), with the U.S. Securities and Exchange Commission ("**SEC**"). In order to preserve the exemption for resales and transfers under Rule 144A, the Issuer has agreed that, so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, if it is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2(b) thereunder and does not thereafter become subject to and comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act, provide to any holder of such restricted securities, or to any prospective purchaser of such restricted securities designated by a holder, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Securities Act. See "*Terms and Conditions of the Notes—Condition 5.3*".

TABLE OF CONTENTS

ENFORCEMENT OF FOREIGN JUDGMENTS

The Issuer is a joint stock company incorporated under the laws of Kazakhstan and most of its officers and directors and certain other persons referred to in this Prospectus are residents of Kazakhstan.

All or a substantial portion of the assets of the Issuer and of each of such persons are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Issuer or any such person outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in respect of the Notes or the Trust Deed in the courts of England and judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

The Notes, the Trust Deed and the Paying Agency Agreement (as defined in "*Terms and Conditions of the Notes*") are governed by the laws of England and the Issuer has agreed in the Notes and in the Trust Deed and in the Paying Agency Agreement that disputes arising thereunder are subject to arbitration in London, England or, at the election of the Trustee or, in certain circumstances, a Noteholder (as defined in "*Terms and Conditions of the Notes*") to the English courts. See "*Terms and Conditions of the Notes—Conditions 14 and 20*". Courts in Kazakhstan will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and England. However, each of Kazakhstan and England is a party to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**"), and English arbitration awards are generally recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention and Kazakhstan laws are met.

The Law on International Commercial Arbitration (the "**Arbitration Law**") was adopted by the Kazakhstan Parliament on 28 December 2004. The Arbitration Law is intended to resolve uncertainty created by prior decisions of the Constitutional Council of Kazakhstan regarding enforcement of the Convention in Kazakhstan, which were effective 15 February 2002 and 12 April 2002 and were cancelled by the Constitutional Council in February 2008. The Arbitration Law provides clear statutory guidelines for the enforcement of arbitral awards under the conditions set forth in the Convention.

However it may be difficult to enforce arbitral awards in Kazakhstan due to: (i) the limited experience of the Kazakhstan courts in international commercial transactions and enforcement of foreign arbitral awards; and (ii) political resistance to the enforcement of awards against Kazakhstan companies in favour of foreign investors.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as "estimates", "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately", or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Such forward-looking statements include, but are not limited to, statements regarding the Issuer's objective to maintain higher returns on equity and on assets and to increase profitability by (among other things) consolidating the Issuer's position as the leading retail bank in Kazakhstan; the anticipated expansion of the Issuer's corporate client base and of the Issuer's revenue base through selective growth and development of subsidiary operations; the impact of anticipated improvements in operational efficiency and management; planned capital expenditures; and Management's expectations regarding improvements in the quality of the Issuer's loan portfolio. Factors that might affect such forward-looking statements include, among other things, overall economic and business conditions; the demand for the Issuer's services; competitive factors; changes in government regulation; changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); results of litigation or arbitration; interest rate and currency fluctuations and other market conditions; economic and political conditions in international markets; and the timing, impact and other uncertainties of future actions. See "*Risk Factors*" for a discussion of important factors that could cause actual results to differ materially from these forward-looking statements.

The Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributed to the Issuer, or to persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Until 31 December 2003, the Issuer was required to maintain its books of account in **Tenge** (defined below) with the relevant laws and regulations in Kazakhstan, including the regulations of the National Bank of Kazakhstan (the "**NBK**"). Since 1 January 2003, the Issuer has been required to maintain its books of account and prepare its accounts for regulatory purposes in accordance with International Financial Reporting Standards ("**IFRS**"). Since 1 January 2004, the Issuer has been required to comply with the requirements of the Agency of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations (the "**FMSA**") (collectively, "**Kazakhstan Regulations**" or "**Prudential Norms**"). If not otherwise specified, for the sake of the financial analysis and management's discussion herein, the term "**the Issuer**" or "**the Bank**" shall mean JSC Halyk Bank and its consolidated subsidiaries.

The financial information of the Issuer set forth herein, has, unless otherwise indicated, been extracted from (i) the audited consolidated statements of financial position as at 31 December 2009, 2008 and 2007 and consolidated income statements and consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2009, 2008 and 2007 (together, the "**Audited Financial Statements**") and (ii) the unaudited condensed interim consolidated statements of financial position as at 30 September 2010 and 2009 and the related condensed interim consolidated income statements and condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2010 and 2009 (together, the "**Unaudited Interim Financial Statements**"). See the Audited Financial Statements and the Unaudited Interim Financial Statements, including the relevant notes thereto, included elsewhere in this Prospectus and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". Readers are advised that the financial information of the Issuer set forth herein should be read together with the Audited Financial Statements and the Unaudited Interim Financial Statements and the notes thereto, contained in this Prospectus beginning on page F-1.

In this Prospectus, references to "**Tenge**" or "**KZT**" are to Kazakhstan Tenge, the lawful currency of Kazakhstan; references to "**U.S. Dollars**" or "**U.S.$**" are to United States Dollars, the lawful currency of the United States of America; references to "**Russian Roubles**" or "**RUR**" are to Russian Roubles, the lawful currency of the Russian Federation; references to "**SOM**" are to Kyrgyz Som, the lawful currency of Kyrgyzstan; references to "**GEL**" are to Georgian Lari, the lawful currency of Georgia; and references to "**Euros**" or "**€**" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam. References to "**Kazakhstan**", the "**Republic**" or the "**State**" are to the Republic of Kazakhstan; references to the "**Government**" are to the government of the Republic of Kazakhstan; and references to the "**CIS**" are to the Commonwealth of Independent States.

Solely for the convenience of the reader, this Prospectus presents unaudited translations of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any balance sheet data in U.S. Dollars is translated from Tenge at the applicable exchange rate on the date of such balance sheet (or, if no such rate was quoted on such date, the immediately preceding date on which such rate was quoted) and any income statement data in U.S. Dollars is translated from Tenge into U.S. Dollars at the average exchange rate applicable to the period to which such income statement data relate, in each case calculated in accordance with the exchange rates for U.S. Dollars on the Kazakhstan Stock Exchange ("**KASE**") as reported by the NBK. For further details of applicable exchange rates, see the Audited Financial Statements and Unaudited Interim Financial Statements included herein.

The following table sets out certain average and period-end Tenge/U.S. Dollar exchange rates on the KASE as reported by the NBK:

(*KZT per U.S. Dollar*)	**Period Average**	**Period-end**
2007	122.58	120.30
2008	120.31	120.79
2009	147.51	148.46
30 September 2010	147.31	147.57

Source: the NBK

As at 6 January 2011, the exchange rate for U.S. Dollars on the KASE as reported by the NBK was KZT 147.13 per U.S. $1.00.

No representation is made that the Tenge or U.S. Dollar amounts in this Prospectus could have been converted into U.S. Dollars or Tenge, as the case may be, at any particular rate or at all. Certain amounts which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

MARKET SHARE, INDUSTRY AND ECONOMIC DATA

It is difficult to obtain precise industry and market information on the Kazakhstan banking sector or macroeconomic data on Kazakhstan. Certain statistical and market information that is presented in this Prospectus on such topics and related subjects has, unless otherwise stated herein, been extracted from documents and other publications released by the FMSA, the NBK, the National Statistics Agency of Kazakhstan (the "**NSA**") and the KASE.

The Issuer has accurately reproduced such industry and market information on the Kazakhstan banking sector and macroeconomic data and, so far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Where third party information has been used in this Prospectus, the source of such information has been identified. Prospective investors should note that some of the Issuer's estimates are based on such third party information. Neither the Issuer nor the Managers have independently verified the figures, market data or other information on which third parties have based their studies.

Official data published by Kazakhstan governmental or regional agencies is substantially less complete or researched than those of more developed countries. Further, official statistics, including those published by the FMSA, the NBK, the NSA and the KASE, may be produced on different bases than those used in more developed countries. Macroeconomic data, which appears in this Prospectus, has been derived from statistics published by the NSA, the NBK and the Economist Intelligence Unit ("**EIU**"). See "*Risk Factors—Risk Factors relating to the Republic of Kazakhstan—The lack of accurate official statistics and corporate and financial information in Kazakhstan may lead to uncertainties and may limit the ability of the Bank to assess customer credit risks accurately.*" Any discussion of matters relating to Kazakhstan's banking sector, economy and related topics as well as other participants in the Kazakhstan banking sector in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

OVERVIEW OF THE BANK

This overview must be read as an introduction to this Prospectus and any decision to invest in Notes should be made based on all of the more detailed information contained in this Prospectus as a whole.

The Bank is one of Kazakhstan's leading financial services groups, which (according to calculation by the Bank's management based on information published by the FMSA), as at 30 September 2010, had the largest customer base (in terms of numbers of accounts) and the largest distribution network (in terms of numbers of branches) among Kazakhstan banks. The Bank is a universal financial services group offering a broad range of services to its retail and SME customers and corporate clients. The Bank's core business is focused on retail, corporate and small and medium enterprise ("**SME**") banking. The Bank is also the largest (in terms of the volume of payments processed) paying and collection agent for the Government for pension and other social security payments, servicing nearly 1.2 million customers.

The Bank has the most extensive retail distribution network in Kazakhstan, comprising, as at 30 September 2010, 22 regional branches, 124 district branches, 428 limited service branches, four VIP centres and 51 personal service centres. Other distribution channels used by the Bank include, as at 30 September 2010, 1,686 ATMs, 594 information and transaction terminals (multi-service kiosks) and 3,825 points of sale ("**POS**") terminals located within the Bank's branches and at shopping centres and supermarkets throughout Kazakhstan, as well as the Bank's Internet and mobile phone banking operations. Through subsidiary companies, the Bank's services also include pension funds, insurance, leasing and securities brokerage and asset management services. See "*Business of the Bank—Principal Business Activities—Retail Banking—Sales, Service and Distribution Channels*".

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, travellers' cheques, currency exchange, Internet banking and mobile phone banking and ATM services. The Bank also provides a range of wholesale banking products and services to corporate and SME business customers, financial institutions and Government entities. As at 30 September 2010, the Bank had approximately 5.9 million retail customers (including 457,648 retail borrowers), which comprised the largest retail customer base among all banks in Kazakhstan, 1,725 corporate clients (including 298 corporate borrowers) and 61,600 SME customers (including 11,836 borrowers). As at the same date, according to statistics published by the FMSA and NBK, the Bank had the leading market position in retail term deposits with a market share of 20.8 per cent., retail current accounts with a market share of 37.3 per cent., net income with a market share of 61.5 per cent.(excluding BTA Bank, Alliance and Temirbank), fees and commissions with a market share of 32.5 per cent., letters of credit with a market share of 21.1 per cent. and pension assets under management with a market share of 31.2 per cent.

As at 30 September 2010, the Bank had total consolidated assets of KZT 2,063,890 million (compared to KZT 2,023,009 million as at 31 December 2009) and total equity of KZT 309,229 million (compared to KZT 280,952 million as at 31 December 2009). For the nine months ended 30 September 2010, the Bank's net income after income tax expense was KZT 26,001 million (compared to KZT 9,274 million for the corresponding period in 2009) and its operating income (net interest income plus fees and commissions, net and other non-interest income and net of insurance claims incurred, net of reinsurance, net of insurance reserves) was KZT 100,880 million (compared to KZT 111,336 million for the corresponding period in 2009).

The Bank is also one of the leading participants in the fixed income securities market and the foreign currency market in Kazakhstan. The Bank is a primary dealer in both Treasury Bills and short-term notes of the NBK and, for the nine months ended 30 September 2010, the Bank's combined purchases of Treasury Bills and notes represented 23.4 per cent. of total issued volume. For the nine months ended 30 September 2010, the Bank was one of the most active traders of Government securities on the KASE, generating 14.8 per cent. of total trading volume in Treasury Bills and NBK notes. As at 30 September 2010, according to statistics published by the KASE, the Bank ranked second in Government bond activity.

Shares of the Bank were first listed on the KASE in 1998 and common shares in the form of GDRs were listed on the London Stock Exchange in December 2006. As at 30 September 2010, Holding Group Almex JSC ("**Almex**") and JSC "National Welfare Fund" "Samruk-Kazyna" ("**Samruk-Kazyna**") owned 41.8 per cent. and 26.8 per cent., respectively of the Bank's common and preferred shares. See "*Share Capital, Principal Shareholders and Related Party Transactions—Principal Shareholders*".

The Bank's principal office is located at 109 "V" Abay Avenue, Almaty 050008, Kazakhstan.

Business Strategy

The Bank's overall strategy is to retain and strengthen its position as a leading Kazakhstan universal financial services group offering a broad range of products to retail and SME customers and corporate clients with an active presence in all sectors of Kazakhstan's financial markets. In this connection, the Bank intends to focus, in particular, on asset quality and liquidity management, whilst maintaining operating efficiency. In addition to developing its core banking business in Kazakhstan and neighbouring countries, the Bank plans to expand by cross-selling the Bank's other businesses, such as pension funds, insurance, leasing and securities brokerage and asset management services. See "*Business of the Bank—Business Strategy*".

Competitive Strengths

The Bank has the following competitive strengths, which it believes will enable it to retain and strengthen its position as a leading Kazakhstan universal financial services group, offering a broad range of products to retail customers and corporate and SME clients:

- The Bank is a systemically and socially important universal financial services group;
- The Bank has a winning franchise, which has successfully withstood the global and domestic financial crisis;
- The Bank has the largest retail customer base, which gives the Bank an opportunity to capture future growth and generate a higher proportion of non-interest-based fee and commission income;
- The Bank has the largest distribution network in Kazakhstan, which provides the Bank with a strong basis for cross-selling and provides the Bank with competitive advantages as the only or significantly largest operator in certain regions of the country;
- The Bank has a diversified loan portfolio, by type of borrower and by economic and industry sector;
- The Bank has strong operating efficiency reflected in its low cost-to-income ratio;
- The Bank has access to relatively low-cost funding sources;
- The Bank has an experienced management team with a proven track record; and
- The Bank has a reputation in the market as a stable and liquid financial institution in comparison with its peers and a correspondingly widely recognised and trusted brand.

Credit Ratings

As at the date of this Prospectus, the Bank is rated by three rating agencies: Fitch Ratings ("**Fitch**"), Moody's Investors' Service ("**Moody's**") and Standard & Poor's Rating Service, a division of The McGraw-Hill Companies Inc. ("**Standard & Poor's**"). The current ratings of the Bank are as follows:

Fitch		**Moody's**		**Standard & Poor's**	
Long term	B+	*Long term*	Ba2	*Long term*	B+
Short term	B	*Short term*	NP	*Short term*	B
Outlook	Stable	*Outlook*	Stable	*Outlook*	Stable
Individual	D/E	*Strength*	D-		

It is expected that, on issue, Fitch and Standard & Poor's will assign a B+ rating, and Moody's will assign a Ba3 rating, respectively, to the Notes.

The credit ratings included or referred to in this Prospectus have been issued by Fitch, Moody's or Standard & Poor's, respectively, as indicated in the table above; each of these credit rating agencies is established in the European Union and has applied to be registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council dated 16 September 2009 on credit rating agencies ("**Regulation No 1060/2009**").

The European Securities and Market Association ("**ESMA**") is obliged to maintain on its website a list of credit rating agencies registered in accordance with Regulation No 1060/2009. This list must be updated within five working days of

ESMA's adoption of any decision to withdraw the registration of a credit rating agency under Regulation No 1060/2009.

A security rating is not a recommendation to buy, sell or hold the securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

OVERVIEW OF THE OFFERING

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be made based on consideration of this Prospectus as a whole. Capitalised terms not specifically defined in this overview have the meaning set out in the "*Terms and Conditions of the Notes*".

Issuer:	JSC Halyk Bank, incorporated in the Republic of Kazakhstan under the Joint Stock Companies Law with registration number 3898-1900-AO.
Issue:	U.S.$500,000,000 7.25 per cent. Notes due 2021. The Notes are being offered, by the Issuer through the Managers, to (i) certain qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act), in the United States in reliance on Rule 144A under the Securities Act; and (b) to certain non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S. See "*Subscription and Sale*".
Issue Date:	28 January 2011.
Issue Price:	98.263 per cent. of the principal amount of the Notes.
Use of Proceeds:	The proceeds of the offering, which are expected to amount to U.S.$ 491,315,000 will be used for general corporate purposes, including the financing of the Issuer's growth and expansion plans and the refinancings of existing indebtedness. The expenses and combined management, underwriting and selling commission incurred with the issue of the Notes will be paid by the Issuer and will be deducted from the proceeds of the issue of the Notes.
Interest and Interest Payment Dates:	The Notes will bear interest at a rate of 7.25 per cent. per annum. Interest on the Notes will accrue from the Closing Date and will be payable semi-annually in arrear on the interest payment dates falling on 28 January and 28 July of each year, commencing on 28 July 2011.
Maturity Date:	28 January 2021.
Status:	The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) under "*Terms and Conditions of the Notes*"), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and (save for such exceptions as may be provided by mandatory provisions of applicable law) with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Negative Pledge:	The Issuer has agreed that, so long as any Notes remain outstanding, it shall not, and shall not permit any of its Material Subsidiaries (as defined in Condition 5 under "*Terms and Conditions of the Notes*") to, create, incur, assume or permit to arise any mortgage, charge, lien, pledge, security interest or other encumbrance (other than a Permitted Security Interest as defined in Condition 5 under "*Terms and Conditions of the Notes*" upon or with respect to any of their respective undertakings, assets or revenues to secure any Financial Indebtedness (as defined in Condition 5 under "*Terms and Conditions of the Notes*") unless the Issuer's obligations under the Notes and the Trust Deed are secured equally and rateably with such other Financial Indebtedness or are otherwise given the benefit of such other arrangements as shall be approved. See Condition 4 under "*Terms and Conditions of the Notes*".

Certain Covenants:	The Notes and the Trust Deed contain certain covenants, including, without limitation, covenants with respect to the following matters: (i) limitation on payment of dividends, (ii) limitations on transactions not at fair market value, (iii) limitation on merger and consolidation and (iv) maintenance of capital adequacy. See Condition 5 under "*Terms and Conditions of the Notes*".
Taxation:	All payments of principal and interest in respect of the Notes will be made free and clear of any taxes imposed by or within Kazakhstan or any other jurisdiction from or through which payment is made, unless withholding or deduction thereof is required by law. See Condition 9 under "*Terms and Conditions of the Notes*". In such event, the Issuer will, subject to certain exceptions and limitations, pay such additional amounts to the holder of any Note as may be necessary in order that every net payment of the principal of and interest on such Note, after withholding for or on account of such tax upon or as a result of such payment, will not be less than the amount provided for in such Note to be then due and payable. See Condition 9 under "*Terms and Conditions of the Notes*" and "*Taxation—Kazakhstan Taxation*".
Tax Redemption:	The Notes are subject to redemption in whole at the option of the Issuer, in the event of certain changes in taxation in Kazakhstan. See Condition 6.2 under "*Terms and Conditions of the Notes*".
Substitution:	The Trust Deed contains provisions to the effect that the Issuer may, having obtained the consent of the Trustee (which consent may be given without the consent of the Noteholders) and subject to having complied with certain requirements as the Trustee may direct in the interests of the Noteholders, substitute (once or more than once) any entity (the "**Substituted Obligor**") in place of the Issuer as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to all other relevant conditions of the Trust Deed having been complied with. See Condition 11.4 under "*Terms and Conditions of the Notes*".
Optional Exchange and Redemption:	In the event of an exchange offer (the "**Exchange Offer**") for the Notes being accepted by holders of 90 per cent. in principal amount of Notes for the time being outstanding, the Issuer shall, subject to the receipt of any required certification, have the option to require the exchange of such outstanding Notes for the securities offered by way of the Exchange Offer. The Issuer shall have the option to redeem Notes held by holders of Notes who are unable to provide such certification at their principal amount together with accrued interest. See Condition 6.5 under "*Terms and Conditions of the Notes*".
Form:	The Notes are issued in registered form, without interest coupons attached, in minimum denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000. The Notes will initially be represented by the Unrestricted Global Note and the Restricted Global Note, which will be exchangeable in the limited circumstances specified by their respective terms for Unrestricted Note Certificates and Restricted Note Certificates, respectively.
Payment and Settlement:	The identification numbers for the Notes are as follows: ***Regulation S Notes*:** ISIN: XS0583796973 Common Code: 058379697 ***Rule 144 Notes*:** ISIN: US46627JAB08 Common Code: 058444251 CUSIP: 46627JAB0
Governing Law:	The Notes, the Trust Deed and the Paying Agency Agreement, and any non-contractual obligation arising out of or in connection therewith, are governed by, and will be construed in accordance with, the laws of England.

Arbitration and jurisdiction:	The Notes, the Paying Agency Agreement and the Trust Deed provide that disputes are to be resolved by arbitration in London, England or, at the option of the Trustee, by submission to the English courts.
Listing:	Application has been made to list the Notes described in this Prospectus on the Official List and for trading on the Regulated Market of the London Stock Exchange. Application has also been made for the Notes to be admitted to the "rated debt securities" category of the official list of the Kazakhstan Stock Exchange.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person, except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in the United Kingdom and Kazakhstan. See "*Form of Notes and Transfer Restrictions*".
Trustee:	Deutsche Trustee Company Limited.
Principal Paying Agent and Transfer Agent:	Deutsche Bank AG, London Branch.
NY Paying Agent, Registrar and Transfer Agent:	Deutsche Bank Trust Company Americas.
Registrar:	Deutsche Bank Luxembourg S.A.
Risk Factors:	**For a discussion of certain investment considerations relating to Kazakhstan and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*".**

RISK FACTORS

Prior to making an investment decision, prospective purchasers of Notes should carefully consider, along with the other matters referred to in this Prospectus, the following risks associated with investment in Kazakhstan entities generally, as well as in the Bank and in Notes specifically. The Bank believes that the factors described below represent the principal risks inherent in investing in Notes; however, the risks and uncertainties described below are not the only ones the Bank faces. Additional risks and uncertainties that the Bank is not aware of or that the Bank currently believes are immaterial may also materially adversely affect the Bank's business, financial condition, results of operations or prospects. If any of the possible events described below occurs, the Bank's business, financial condition, results of operations or prospects could be materially and adversely affected.

Risk Factors relating to the Bank

Liquidity risk is inherent in the Bank's operations.

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access its resources only at an excessive cost. This risk is inherent in banking operations and can be heightened by a number of factors, including changes in credit ratings or market-wide phenomena, such as, for example, financial market instability like that experienced in the recent global financial crisis. Credit markets worldwide have experienced and continue to experience a reduction in liquidity and term-funding as a result of the global financial crisis. It is the policy of the Bank to manage its liquidity prudently for all currencies, to focus on maintaining a diverse and appropriate funding strategy for its operations, to control the mismatch of its maturities and to carefully monitor its undrawn commitments and contingent liabilities. While the ratio of the Bank's liquid assets to total assets was 34.5 per cent. as at 30 September 2010 (33.1 per cent. as at 31 December 2009) and although management believes that the Bank's liquidity position is generally better than that of its peers, the Bank's ability to access sources of liquidity during periods of liquidity stress may be constrained as a result of current and future adverse market conditions, which, in turn, could materially adversely affect the Bank's business, financial condition, results of operations or prospects.

The Bank has a substantial amount of non-performing loans.

The Bank reports non-performing loans on an unconsolidated basis only. As at 30 September 2010, the Bank had non-performing loans of KZT 224,534 million (counting the total principal amount of such loans (on an unconsolidated basis pursuant to Kazakhstan accounting standards) in respect of which any portion of principal or interest is overdue by more than 30 days), comprising 18.5 per cent. of total gross loans to customers of KZT 1,216,978 million (on an unconsolidated basis pursuant to Kazakhstan accounting standards). As at 30 September 2010, the Bank had recorded provisions of KZT 270,601 million (on an unconsolidated basis pursuant to Kazakhstan accounting standards), representing 120.5 per cent. of the Bank's total non-performing loans and 22.2 per cent. of total gross loans to customers (on an unconsolidated basis pursuant to Kazakhstan accounting standards). In comparison, as at 31 December 2009, the Bank had non-performing loans of KZT 233,891 million, comprising 19.0 per cent. of total gross loans to customers of KZT 1,233,213 million (on an unconsolidated basis pursuant to Kazakhstan accounting standards), and had recorded provisions of KZT 233,081 million (on an unconsolidated basis pursuant to Kazakhstan accounting standards), representing 99.7 per cent. of the Bank's total non-performing loans and 18.9 per cent. of total gross loans to customers (on an unconsolidated basis pursuant to Kazakhstan accounting standards).

On a consolidated basis in accordance with IFRS, as at 30 September 2010, the Bank had allowance for loan impairment of KZT 243,289 million, representing 18.2 per cent. of total gross loans to customers of KZT 1,337,527 million (on a consolidated basis in accordance with IFRS), compared to allowance for loan impairment of KZT 207,101 million, representing 15.5 per cent. of total gross loans to customers of KZT 1,340,336 million (on a consolidated basis in accordance with IFRS), as at 31 December 2009.

Although the Bank believes that it has created adequate provisions and adequate allowance for loan impairment in respect of its loan portfolio, any further increase in the level of non-performing loans could require the Bank to take additional provisions, which would impair the Bank's capital and could, in turn, materially adversely affect the Bank's business, financial condition, results of operations or prospects. See "*Selected Statistical and Other Information—Non-performing Loans*".

The Bank's asset quality could be affected by depressed collateral values resulting from adverse conditions in Kazakhstan's real estate market.

As at the date of this Prospectus, over 50 per cent. of the Bank's loan portfolio is secured by real estate collateral. The real estate sector in Kazakhstan has been materially and adversely affected by falling prices on both commercial and residential properties, particularly as a result of the recent global financial crisis. Despite some recent recovery, further adverse conditions in Kazakhstan's real estate market may cause the fair value of the collateral held by the Bank to decline further than currently estimated. Moreover, declining real estate prices make it difficult to value certain collateral held by the Bank and future valuations reflecting then-prevailing market conditions may result in significant changes in the fair value of the collateral held by the Bank. The value of any collateral ultimately realised by the Bank will depend on the fair value of that collateral as determined at the relevant time and may be materially different from the current or estimated fair value. If the value of the collateral held by the Bank declines, the Bank could be required to record additional provisions and could experience lower than expected recovery levels, which could, in turn, materially adversely affect the Bank's business, financial condition, results of operations or prospects.

The Bank may not be able to pay its debts.

As at 30 September 2010, the Bank had total liabilities of KZT 1,755 billion, of which KZT 261.9 billion represented debt securities issued and KZT 83.2 billion represented amounts due to credit institutions. See "*Selected Statistical and Other Information*". Although the Bank believes it currently has sufficient liquidity, including significant stable corporate and retail deposits, the Bank's ability to service, repay and refinance its indebtedness will depend on its ability to generate cash in the future, which, is, in turn, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond the Bank's control. If the Bank is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments in respect of its indebtedness, it may be forced to default, following which the holders of the Bank's indebtedness would be entitled to accelerate the maturity of such indebtedness, which could cause cross defaults under, and potential acceleration of, certain of the Bank's other indebtedness, including the Notes, which could, in turn, materially and adversely affect the Bank's business, financial condition, results of operations or prospects. For an analysis of the maturity profile of the Bank's financing arrangements, see Note 30 to the Unaudited Interim Financial Statements and Note 34 to the Audited Financial Statements.

The Bank faces significant competition, which may increase in the future and have an adverse impact on the Bank.

Although the Bank believes that it is well-positioned to compete in the Kazakhstan banking sector due to its extensive branch network and stable customer base, the Bank faces or could face competition from a number of existing and prospective participants in the Kazakhstan banking sector. The Bank is subject to competition from both domestic and foreign banks. As at 1 December 2010, there were a total of 39 banks operating in Kazakhstan (excluding the NBK and the Development Bank of Kazakhstan, neither of which functions like a typical commercial bank). Several domestic banks, which are directly or indirectly owned by Samruk-Kazyna, including JSC BTA Bank ("**BTA Bank**"), JSC Temir Bank ("**Temir Bank**") and JSC Alliance Bank ("**Alliance Bank**"), benefit from special support from the Government, which may allow them to exert additional competitive pressures in the market. Moreover, foreign-owned banks present increasing competition in the Kazakhstan banking sector, including in mortgage lending and in the corporate and SME sectors. Many foreign-owned banks have significantly greater resources and cheaper funding sources than the Bank, as well as greater international experience, which allow them to target the strongest domestic corporate clients and foreign companies operating in Kazakhstan. In addition, since the 50 per cent. limit on foreign ownership of banks in Kazakhstan was eliminated in 2005, it has become easier for foreign banks to increase their market penetration in Kazakhstan, and, accordingly, these entities are likely to become increasingly competitive with the Bank in the corporate and SME banking sector (and possibly in the retail banking sector) in the longer term.

In particular, although the Bank believes it has competitive advantages based on its having the most extensive distribution network among all Kazakhstan banks and its positive market reputation as a safe institution for retail deposits, there is increased competition in the retail and SME market, mainly due to lower barriers to entry, which allow smaller banks seeking to increase their market share to enter that sector. Smaller banks, although riskier in terms of security of deposits, generally offer higher interest rates on customer deposits than the Bank. This increased competition, particularly on the basis of rates, may result in downward pressure on the Bank's margins and, accordingly, have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank is exposed to a number of market risks, including interest rate risk resulting from mismatches between the interest rates on its interest-bearing liabilities and on its interest-earning assets and foreign currency exchange risk resulting from fluctuations in prevailing foreign currency exchange rates.

Although the Bank believes that it has policies and procedures in place, as well as appropriately trained staff, to measure, monitor and manage the market risks to which it is exposed, any maturity mismatches or significant volatility in interest rate movements, exchange rates or commodity market prices could have an adverse effect on the Bank's business, financial condition, results of operations or prospects. Management of these risks also requires substantial resources. The failure to appropriately manage these risks may materially and adversely affect the Bank's business, financial condition, results of operations or prospects.

The Bank maintains some open currency positions and, although Kazakhstan regulations set limits on permitted currency exposures (see "*Asset, Liability and Risk Management—Foreign Currency Risk Management*", to the extent that these limits are breached, or related currency risks are not managed correctly, any losses incurred may have a material and adverse effect on the Bank's business, financial condition, results of operations or prospects. Changes in currency exchange rates, such as occurred when the Tenge was devalued in February 2009, could also materially adversely affect the Bank's business, financial condition, results of operations or prospects. See "*—Risk Factors relating to the Republic of Kazakhstan—Changes in exchange rate policies in Kazakhstan may impose risks on the Bank*".

Any decline in the Bank's net interest income or net interest margin could materially adversely affect the Bank's profitability.

The Bank's net interest margin, which is the net interest income on its average interest earning assets, is a significant factor in determining the Bank's profitability. Net interest margins in Kazakhstan remain generally higher than those in most Western countries, although interest margins have been generally declining over the past few years. The Bank's net interest margin decreased from 6.7 per cent. for the nine months ended 30 September 2007 to 4.7 per cent. for the nine months ended 30 September 2010 partially due to higher liquidity. Interest rates are highly sensitive to many factors beyond the Bank's control, including the reserve policies of the NBK and domestic and international economic and political factors. As noted above, the increasing competition in the Kazakhstan banking sector also puts downward pressure on the Bank's margins. See "*—The Bank faces significant competition, which may increase in the future and have an adverse impact on the Bank*". There can be no assurance that the Bank will be able to protect itself from the negative effects of future declines in its net interest margin. Any decrease in market interest rates on the Bank's loans, alone or in combination with increases in rates payable on deposits or other interest-bearing liabilities, could lead to a reduction in net interest income and net interest margin and materially adversely affect the Bank's business, financial condition, results of operations or prospects. Although the Bank expects that its net interest margin will return to higher levels as liquidity is better utilised following the recovery of the economy from the global financial crisis, no assurance can be given that this will happen.

The Bank's pension fund and insurance businesses are subject to risks.

In 2008, Halyk Pension Fund, an asset management company and subsidiary of the Bank, received fee income for administration of pension assets of KZT 4,642 million, but recorded an unrealised loss on performance-linked asset management fees of KZT 7,209 million. This loss resulted from the decrease in the value of Halyk Pension Fund's pension assets under management, which, in turn, reflected the general decline in the domestic and international securities markets in 2008. In contrast, Halyk Pension Fund received fee and commission income of KZT 16,103 million in 2009. Performance-linked asset management fees in pension fund business are highly volatile, as such fees are generally calculated based on the values of assets under management and related investment income, which, in turn, depend on domestic and global securities market conditions. The general decline in market values in 2008, followed by some recoveries in 2009, as a result of volatility in the securities markets, particularly in the equity markets of Russia and Kazakhstan, thus drove the fluctuations in Halyk Pension Fund's results. Any future deterioration in these markets may adversely affect the profitability of Halyk Pension Fund, which could, in turn, materially adversely affect the Bank's business, financial condition, results of operation or prospects.

Future claims in the Bank's general and life assurance business also may be higher than expected as a result of changing trends in claims experience resulting from catastrophic weather conditions, demographic developments, changes in mortality, damage of property and other causes outside the Bank's control. Such changes would affect the profitability of current and future insurance products and services. In addition, although the Bank reinsures some of the risks it has assumed (44 per cent. of gross premiums written for the nine months ended 30 September 2010), it is, accordingly, exposed to the risk of loss should its reinsurers become unable or unwilling to pay claims made by the Bank against them.

Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank's business, financial condition, results of operations or prospects.

As at 30 September 2010, the Bank's Tier I (k1-1 and k1-2) and total capital (k2) adequacy ratios calculated in accordance with FMSA rules, were 11.0 per cent. (k1-1), 14.5 per cent. (k1-2) and 19.8 per cent. (k2), compared to the minimum levels of 5 per cent., 5 per cent. and 10 per cent., respectively, required under the FMSA rules applicable to commercial banks whose shareholder has the status of a bank holding company, as is the case for the Bank. See "*Selected Statistical and Other Information—Capital and Capital Adequacy*". The FMSA has introduced changes to its regulations on capital adequacy, which are intended to result in (among other things) an increase in the minimum Tier 1 capital adequacy ratio (k1-2; Tier I capital/risk-weighted assets) from 5 per cent. to 8 per cent. with effect from 1 July 2011 and in the minimum leverage ratio (k1-1; Tier I capital/total assets) from 5 per cent. to 7 per cent. with effect from 1 July 2012 and further to 8 per cent. with effect from 1 July 2013. See "*The Banking Sector in Kazakhstan*". Although the FMSA has indicated that it may postpone the effectiveness of these changes until 2013 and that it may lower the proposed new ratios, in the event that the Bank is, at any time, unable to comply with these increasing capital adequacy requirements, this would have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

In addition, Almex has an option to buy-back the common shares sold to Samruk-Kazyna in March 2009 in connection with the State funding programme initiated to provide support to the overall financial sector following the global financial crisis. Almex also has the option to buy-back the preferred shares held by Samruk-Kazyna. These options may either be exercised by Almex or be assigned to, and exercised by, Almex's controlling shareholders or the Bank. Although the Bank has relatively high capital adequacy ratios compared to the minimum regulatory levels, the full or partial exercise of either of these options by the Bank could affect the Bank's capitalisation levels. In the event that the Bank decides to exercise this option and repurchase common or preferred shares from Samruk-Kazyna, this would reduce the Bank's capital, which could, in turn, lower the Bank's capital adequacy ratios, unless the Bank has sufficient earnings or other sources of funds to contribute to capital and offset the effects of the share buy-back. See "*Share Capital, Principal Shareholders and Related Party Transactions—Principal Shareholders—Option Agreements*".

Any deterioration in the Bank's loan portfolio quality and the consequent need to take additional impairment charges may also require the Bank to raise additional capital to meet required capital adequacy levels. Moreover, any failure to raise capital as and when needed, could adversely affect the Bank's ability to continue to comply with applicable capital adequacy requirements and substantially limit its ability to grow its business. Any such events would have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank's share ownership is currently highly concentrated.

As at 30 September 2010, Almex owned 54.26 per cent. of the Bank's outstanding common shares and Samruk-Kazyna owned 19.80 per cent. of the Bank's outstanding common shares. As such, Almex and Samruk-Kazyna are able to control or affect the composition of the Bank's board of directors (the "**Board of Directors**") and the outcome of any corporate transaction or other matter submitted to the Bank's shareholders for approval, as well as to prevent or cause a change in control. For a description of the ownership of the Bank, see "*Share Capital, Principal Shareholders and Related Party Transactions*".

Almex's interests as the Bank's principal shareholder may differ from the interest of the Bank and of the holders of Notes.

Due to the size of its ownership interest, Almex, the Bank's principal shareholder, has the ability to influence significantly the Bank's strategy and business through actions that require shareholders' approval, including, without limitation, the appointment of members of the Board of Directors, certain acquisitions, divestitures and financings and any increase in the share capital of the Bank required for funding purposes or otherwise. There can be no assurance that the principal shareholder will approve actions deemed advisable by the Bank's management, which require shareholders' approval, and there is nothing to prevent the Bank's principal shareholder from engaging in activities that compete directly with the Bank's businesses or activities. The interests of the Bank's principal shareholder may differ significantly from or compete with the Bank's interests, and there can be no assurance that the Bank's principal shareholder will exercise influence over the Bank in a manner that is in the best interests of the Bank or the holders of Notes. Any failure of the principal shareholder to act in the interests of the Bank could materially and adversely affect the Bank's business, financial condition, results of operations or prospects.

Although Almex, in its capacity as the principal shareholder of the Bank, has provided additional capital to the Bank in the past, there is no assurance that Almex will be willing or able to provide such support in the future. In addition, through its ownership of a significant majority of the Bank's voting share capital, Almex has the ability to block any increase in the Bank's capital and no assurance can be given that, if the Bank requires a capital increase, the Bank's principal shareholder will approve such increase or participate in the subscription for any new shares or otherwise provide financing to the Bank. Any inability to raise sufficient amounts of capital could substantially limit the Bank's ability to increase the size of its asset base in accordance with the Bank's strategic plans, while aggressive asset growth may result in a breach of the capital adequacy requirements applicable to the Bank or a breach of certain covenants contained in certain of its outstanding financing documents requiring the Bank to maintain a minimum capital adequacy ratio. Any such events could materially and adversely affect the Bank's business, financial condition, results of operations or prospects. See "*—Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank's business, financial condition, results of operations or prospects*".

Moreover, Almex's majority joint shareholders, Mr. Kulibayev and Mrs. Kulibayeva, are, respectively, the son-in-law and daughter of the President of Kazakhstan. In November 2010, certain media sources published information that the prosecutor's office in Switzerland has initiated an investigation in relation to, amongst other persons, Mr. Kulibayev relating to alleged money laundering. There is little information available about the claims and related defences and, accordingly, it is not possible to predict the impact (if any) on Almex or the Bank. Since Mr. Kulibayev (together with his family) owns 100 per cent. of the shares of Almex, such investigation, if pursued, and more generally any political uncertainty in Kazakhstan, could have a material adverse effect on Almex. Although neither the Bank nor any of its subsidiaries is named in the investigation, and management understands that the investigation does not involve any assets or operations of the Bank or any of its subsidiaries, because Almex owns a controlling stake in the Bank, there can be no assurance that the investigation, if pursued, will not have a material adverse effect on the Bank's reputation, which could, in turn, have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. See "*—Risk Factors relating to the Republic of Kazakhstan—Most of the Bank's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Bank is largely dependent on the legal, economic and political conditions prevailing in Kazakhstan*".

In addition, parties directly and indirectly related to Almex and its shareholders have significant transactions and balances with the Bank. See "*Share Capital, Principal Shareholders and Related Party Transactions*". A change in the nature of the relationship with these parties could have a material adverse effect on the Bank's business financial condition, results of operations or prospects.

Samruk-Kazyna is a large shareholder of the Bank, which, as an agent of the State, may have interests that may differ from the interests of the Bank and of the holders of Notes.

Following its acquisition of common shares on 27 March 2009, as at the date of this Prospectus, Samruk-Kazyna owns 19.8 per cent. of the Bank's outstanding common shares. Samruk-Kazyna also owns 50.3 per cent. of the Bank's outstanding preferred shares, which, although non-voting, still represent an equity interest in the Bank. See "*Share Capital, Principal Shareholders and Related Party Transactions*". Although it is expected that Samruk-Kazyna will hold its equity stake in the Bank only for a limited period of time and Samruk-Kazyna is not involved in the day-to-day operations of the Bank, as a large shareholder, Samruk-Kazyna may influence the Bank's business through actions requiring shareholders' approval. As the Government's national welfare fund aimed at supporting and diversifying Kazakhstan's economy, the interests of Samruk-Kazyna may differ significantly from or compete with the Bank's interests, and there can be no assurance that Samruk-Kazyna will exercise influence over the Bank in a manner that is in the best interests of the Bank or the holders of Notes.

Conversely, if Almex (or its principal shareholders) or the Bank exercises the outstanding options to buy-back the common and preferred shares of the Bank held by Samruk-Kazyna, Samruk-Kazyna would cease to have an ownership interest in the Bank. See "*Share Capital, Principal Shareholders and Related Party Transactions—Principal Shareholders—Option Agreements*". Other than any possible impact on the Bank's capital adequacy ratios in the event such options are exercised by the Bank itself, the Bank does not expect that any sale by Samruk-Kazyna of its ownership interest in the Bank would have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank may not be successful in implementing its strategic plans.

According to its strategy, the Bank plans to further expand its revenue base through an increased emphasis on retail and corporate banking and other products, as well as through selective regional expansion. See "*Business of the Bank—Business Strategy*".

The expansion of the Bank's business activities to offer new financial products and services exposes it to a number of risks and challenges, including, among others, the following:

- new business activities may require greater marketing and compliance costs than the Bank's traditional services focused on the Kazakhstan corporate, SME and retail banking sectors;
- the Bank may fail to raise additional capital to finance its expansion;
- new business activities may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;
- the Bank may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to its competitors;
- the Bank's competitors, particularly foreign banks, may have substantially greater experience in, and resources for, the new business activities the Bank wishes to commence, and the Bank may, thus, not be able to attract customers from its competitors;
- the Bank may need to hire or retrain personnel who are able to supervise and conduct the relevant new business activities, adding significantly to the Bank's cost base; and
- the Bank may need to enhance the capability of its information technology systems to support a broader range of activities and an increased retail customer base.

To the extent the Bank further expands its international operations, it will be exposed to additional risks. In particular, it is likely that the Bank will be affected by local licensing and regulations, as well as by political and economic developments in other former Soviet Union countries, particularly Russia, Georgia and Kyrgyzstan, such as the public unrest and political developments in Kyrgyzstan in April and June 2010 and the military operations in Georgia in July 2008. Any failure to manage such business risks and risks associated with the Bank's international operations or geographic expansion may cause the Bank to incur increased liabilities, which could result in a material adverse effect on the Bank's business, financial condition, results of operation or prospects. Moreover, the inability of the Bank to successfully integrate and extract value from its newer business areas and acquisitions could also materially adversely affect the Bank's business, financial condition, results of operations or prospects.

Concentrations in the Bank's loan and deposit portfolio subject it to risks of default by its large borrowers, exposure to particular sectors of the Kazakhstan economy and withdrawal of large deposits.

The Bank's loan portfolio shows industry and borrower concentration. As at 30 September 2010, loans to the Bank's ten largest borrowers represented 20 per cent. (compared to 19 per cent. as at 31 December 2009) of the Bank's loans to customers before allowance for loan impairment and 85 per cent. (compared to 92 per cent. as at 31 December 2009) of the Bank's equity. As at 30 September 2010, the Bank's exposure to its single largest borrower was KZT 37,697 million and constituted 2.8 per cent. (compared to KZT 47,689 million and 3.6 per cent. as at 31 December 2009) of the Bank's loans to customers before allowance for loan impairment and 12 per cent. (compared to 17 per cent. as at 31 December 2009) of the Bank's equity. As at 30 September 2010, mortgages, consumer loans, wholesale trade, construction and services accounted for 10 per cent., 10 per cent., 24 per cent., 14 per cent. and 8 per cent., respectively (compared to 11 per cent., 11 per cent., 20 per cent., 14 per cent. and 7 per cent., respectively, as at 31 December 2009) of the Bank's loans to customers before allowance for loan impairment.

The Bank's ten largest depositors accounted for 47 per cent. and 52 per cent. of amounts due to customers as at 30 September 2010 and 31 December 2009, respectively. Although the Bank considers that it has adequate access to sources of funding, and that, in the unlikely event that customers seek to withdraw deposits in substantial part, it would be given sufficient notice so as to liquidate its assets to enable the repayment of such deposits, the withdrawal of a significant portion of deposits could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Moreover, a downturn in the business, financial condition, results of operations or prospects of the Bank's large borrowers or depositors or in the sectors in which they operate may adversely affect their ability to repay loans or maintain deposits (as the case may be), which could, in turn, have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank's banking business entails operational risks, which may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank is exposed to operational risk. Operational risk is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Bank is susceptible to and has experienced in the past, among other things, fraud by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. In addition, the Bank processes a number of transactions manually, which may further increase the risk that human error or employee tampering or manipulation will result in losses that may be difficult to detect.

The Bank maintains a system of controls designed to monitor and control operational risk. There can be no assurance, however, that the Bank will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, the inadequacy of the Bank's internal processes or systems may result in unauthorised transactions and errors not being detected and, particularly given the Bank's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. The Bank is also the biggest payment card issuer in Kazakhstan, which also increases its exposure to fraud. The Bank's insurance coverage may not be sufficient to cover losses from such unauthorised transactions, errors or fraud and, accordingly, any such developments may, in turn, have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank relies heavily on information systems to conduct its business. While the Bank is currently upgrading a number of its information technology systems, including to provide greater automation of reporting systems and database integration and centralisation, there can be no assurance that the improved information technology systems will be developed according to schedule or that the new systems will address all of the shortcomings of the current systems.

Furthermore, any failure or interruption in or breach of security of these systems could result in failures or interruptions in the Bank's risk management, deposit servicing or loan origination systems or errors in its accounting books and records. Although the Bank has back-up systems in place, including two fully-equipped disaster recovery centres in Almaty, as well as a third centre, which is being developed in Astana, if the Bank's information systems fail, even for a short period of time (e.g., as a result of the occurrence of a disaster), the Bank might be unable to serve some customers' needs on a timely basis and might lose their business. Likewise, a temporary shutdown of the Bank's information systems may result in the Bank incurring costs associated with information retrieval and verification. In addition, a failure to update and develop the Bank's existing information systems may result in a competitive disadvantage. No assurance can be given that such failures or interruptions will not occur or that the Bank will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions and failure to implement properly any systems could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Bank's success depends on its ability to recruit and retain key personnel.

To meet business challenges and retain the effectiveness of its operations, the Bank must continue to recruit and retain appropriately skilled personnel. The Bank relies on its senior management for the implementation of its strategy and the operation of its day-to-day activities. If the Bank is unable to retain key members of its senior management and cannot hire new qualified personnel in a timely manner, its business, financial condition, results of operations or prospects could be adversely affected.

The Bank's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks.

Although the Bank invests substantial time and effort in the development, implementation and monitoring of its risk management strategies and techniques, it may nevertheless fail to adequately manage risks under certain circumstances, particularly when it is confronted with risks that it has not identified or anticipated. If circumstances arise that the Bank has not identified or anticipated in developing its statistical models, its losses could be greater than expected. If its measures to assess and mitigate risk prove insufficient, or if its models yield inaccurate results or incorrect valuations, the Bank may experience material unexpected losses. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values using mathematical models that may be inadequate or imperfect and, accordingly, generate values that may be incorrect. Such mistaken or inaccurate assessments of asset values could, in turn, lead to unexpected losses, which could materially adversely affect the Bank's business, financial condition, results of operations or prospects.

The Bank's measures to prevent money laundering may not be completely effective.

The existence of "black" and "grey" market economies in Kazakhstan, less developed legislation and insufficient administrative guidance on the interpretation of such legislation increase the risk of Kazakhstan's financial institutions being used as vehicles for money laundering.

In August 2009, the Parliament of Kazakhstan adopted the Law of the Republic of Kazakhstan "On Anti-money Laundering and Combating Financing of Terrorism" (the "**AML Law**"), which came into effect in March 2010 and which identifies various types of transactions subject to financial monitoring, such as exchanges or withdrawals of large sums of cash, large insurance payments and major securities or real estate transactions and establishes thresholds for each of them. Banks, pension funds, insurance and reinsurance companies and certain other financial institutions and individuals, including the Bank and its pension and insurance subsidiaries, are obliged to monitor any such transaction entered into by their clients by conducting diligence as outlined in the AML Law with respect both to the clients and the transaction. In case it is not possible to conduct such diligence, the financial institution cannot establish relations with such clients and a transaction cannot be performed. The AML Law also requires any suspicious transaction to be reported to an authorised state body. Furthermore, in line with the AML Law, the Law of the Republic of Kazakhstan "On Banks and Banking Activity" No. 2444 dated 31 August 1995 (the "**Banking Law**") was amended in 2009 to provide for the possible suspension or revocation of a bank's licence for money-laundering violations.

The Bank has implemented measures aimed at preventing it from being used as a vehicle for money laundering, including "know your customer" policies and the adoption of anti-money laundering and compliance procedures in all its branches, in compliance with the AML Law. There can be no assurance, however, that attempts to launder money through the Bank will not be made or that its anti-money laundering measures will be completely effective. If the Bank were associated with money laundering as a result of any failure or insufficiency of its anti-money laundering procedures or if it were unable to comply with all of the relevant laws regarding financial assistance or money laundering, it could be subject to significant fines as well as harm to its reputation, and its business, financial condition, results of operations or prospects could be materially adversely affected.

Changes in tax regulations may affect the Bank's financial position.

Taxes in Kazakhstan to which the Bank is subject include value added tax, income tax, social taxes, and other taxes. The current statutory income tax rate in Kazakhstan is 20 per cent. The Bank's effective tax rate was 15.7 per cent. for the nine months ended 30 September 2010 and 17.0 per cent. for the year ended 31 December 2009. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Nine Months ended 30 September 2010 and 30 September 2009—Taxation*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Years ended 31 December 2009, 2008 and 2007—Taxation*".

Effective 1 January 2009, Kazakhstan enacted a new tax code (the "**2009 Tax Code**"), which, among other things, reduced rates for certain taxes, including the corporate income tax rate from 30 per cent. to 20 per cent. Although the Bank's effective tax rate has generally decreased in recent years, including as a result of the 2009 Tax Code, future changes in tax legislation could result in a return to higher tax rates or the imposition of additional taxes, which could, in turn, have a material adverse effect on the business, financial condition, results of operations or prospects of the Bank and its borrowers.

General Risks relating to Emerging Markets

Financial instability in emerging economies has caused and could cause the price of the Bank's securities to suffer.

Financial instability in some emerging economies tends to adversely affect their capital markets as investors move their money to more developed markets, which may be considered more stable. In the recent past, financial problems and an increase in the perceived risks associated with investing in emerging markets have caused foreign investment in Kazakhstan to decrease and have adversely affected Kazakhstan's economy and could do so again in the future.

If market conditions and circumstances deteriorate, a decline in credit quality and in asset prices could follow, which, in turn, could lead to an increase in defaults and higher levels of non-performing debt, as well as a worsening of general economic conditions, in the Bank's key market, any or all of which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. Financial instability in any other emerging market could also have a material adverse effect on the Bank's business, financial conditions, results of operation or prospects.

Emerging markets, such as in Kazakhstan, expose investors to significant legal, economic and political risks.

Investors in emerging markets, such as Kazakhstan, should be aware that these markets are subject to legal, economic and political risks. The occurrence of these risks as well as the risks related to significant political instability (including terrorism) associated with emerging markets may reduce the level of foreign investment in Kazakhstan and could have a material adverse effect on Kazakhstan's economy. During such times, companies operating in emerging markets could face severe liquidity constraints and their businesses could be seriously disrupted. Any such disruption could have a material adverse effect on the business, financial condition, results of operations or prospects of such companies, including the Bank.

In addition, emerging markets change rapidly, and information set out in this Prospectus may become outdated relatively quickly.

Companies in emerging markets are particularly exposed to reduced liquidity and increased financing costs.

The recent financial crisis in international and domestic capital markets, which is still ongoing in certain sectors and jurisdictions, reduced liquidity and increased credit risk premiums for certain market participants, resulting in lower levels of available financing and increased funding costs. See "*—Risk Factors relating to the Republic of Kazakhstan—The crisis in the global financial markets and deterioration of general economic conditions have materially and adversely affected the Bank's business, financial condition, results of operations or prospects and could continue to do so*". Companies operating in emerging economies, such as Kazakhstan, may be particularly sensitive to this. The availability of credit to companies in emerging markets is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence (for example, a downgrade in credit ratings, central bank or state interventions or debt restructurings in a relevant industry) could affect the price or availability of funding for companies operating in any of these markets.

Risk Factors relating to the Republic of Kazakhstan

The Bank is subject to Kazakhstan-specific risks, including, but not limited to, local currency devaluation, civil disturbances, changes in exchange control or lack of availability of hard currency, changes in energy prices, changes with respect to taxes, including withholding taxation on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property and interruptions or embargos on the export of hydrocarbons or other strategic material. The occurrence of any of these factors could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The crisis in the global financial markets and deterioration of general economic conditions have materially and adversely affected the Bank's business, financial condition, results of operations or prospects and could continue to do so.

The global economy and the global financial system have experienced a period of significant turbulence and uncertainty, particularly the severe disruption of the financial markets around the world that began in August 2007, substantially worsened in September 2008 and continued through most of 2009 and 2010, with adverse consequences for many large global commercial and investment banks, insurance companies and other financial institutions, including in Kazakhstan. Kazakhstan's economy was one of the economies most affected by the recent financial crisis. In Kazakhstan, the crisis resulted in increased inflation, higher unemployment, reduced corporate profitability, increased corporate and personal insolvency rates, increased volatility in market interest rates and foreign exchange rates and increased volatility and reduced liquidity in the equity and bond markets, which limited the availability of and increased the cost of funding and heightened counterparty risk, all of which undermined business and consumer confidence and, in turn, reduced the ability of borrowers to repay loans and the value of the collateral on some of the Bank's loans. Governments around the world, including Kazakhstan, have sought to inject liquidity into their national banking systems and to recapitalise their banking sectors both to reduce the risk of systemic failure and to increase confidence in the financial markets.

The general slowdown in many economies, including Kazakhstan's, as a result of the recent market disruptions has adversely affected the Bank's earnings and profits. Continued general deterioration could be expected to further reduce the level of demand for, and supply of, the Bank's products and services, lead to lower realisations on, as well as write downs and impairments of, the Bank's loans and investments and negative fair value adjustments of assets, all of which could materially adversely affect the Bank's business, financial condition, results of operations or prospects.

The Kazakhstan banking sector has been, and continues to be, particularly affected by the lack of availability and relatively high cost of international wholesale debt financing and fluctuations in the volumes of deposits, both of which have historically been significant sources of funding for Kazakhstan banks. The high dependence on capital market funding continues to pose a significant refinancing risk for both individual banks and the banking system as a whole. Although the Bank has historically been less dependent than many of its peers on international capital market funding, if international wholesale debt financing is available only on a limited basis or at significantly high cost, or if the volatility of the Bank's deposit base increases, the Bank may experience material and adverse effects on its business, financial condition, results of operations or prospects. The effect of any of these conditions may be exacerbated by the deterioration of the financial condition of other banks in Kazakhstan.

See "*—Risk Factors relating to Operating within the Kazakhstan Banking Sector—Financial stability legislation has been enacted in Kazakhstan since 2008, but its possible impact on the Bank is unpredictable*".

A downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could, in turn, materially and adversely affect the Bank's business, financial condition, results of operations or prospects.

In February 2009, Standard & Poor's downgraded the credit ratings of five of Kazakhstan's largest commercial banks, while Moody's downgraded the financial strength ratings of six banks, in each case, including the Bank, with each rating agency indicating that the downgrades were partially due to a perceived lack of Government support for the banking sector. Other ratings services have also downgraded certain Kazakhstan banks. The rating agencies have stated that these downgrades were the consequence of the increasingly negative impact of the global economic crisis on the Kazakhstan economy and its financial institutions and, specifically, asset quality and liquidity problems and the inability of some Kazakhstan banks to refinance their large foreign wholesale debt, in large part because of the devaluation of the Tenge in February 2009.

On 5 April 2010, Moody's changed the outlook on the sovereign rating of Kazakhstan from negative to stable, based on its findings that the economic downturn was proving shallower than expected and that the Government will emerge relatively unscathed from Kazakhstan's serious banking crisis. On 23 December 2010, Standard & Poor's raised its long-term foreign and local currency sovereign credit ratings of Kazakhstan to 'BBB' and 'BBB+' from 'BBB-' and 'BBB', respectively, based on its belief that the Government has preserved its credit-standing following several bank failures during the global financial crisis. The stable outlook on Kazakhstan reflects Standard & Poor's expectation that the Government will continue to manage its economic and related financial sector challenges without impairing its own fiscal or external positions.

On 23 December 2010, Standard & Poor's also changed its outlook on the Bank from negative to stable, based on its finding that asset quality pressure at the Bank has started to ease due to the gradual improvements in the domestic economy and stabilisation in the Bank's earnings and capital. Standard & Poor's also noted that, despite Standard & Poor's classification of the Bank as a systemically important bank in Kazakhstan, its ratings on the Bank reflect its stand-alone credit profile and include no uplift for extraordinary parental or government support, which it considers as uncertain in the future.

Any downgrade of Kazakhstan's sovereign credit rating or liquidity problems in Kazakhstan's economy, however, could adversely affect Kazakhstan's economic development and would likely result in a downgrade of the Bank's ratings, which could, in turn, materially and adversely affect the Bank's business, financial condition, results of operations or prospects.

Kazakhstan's economy is highly dependent on oil exports, export trade and commodity prices. Accordingly, Kazakhstan's economy, the profitability of the Bank and operating costs may be affected by changes in the price of oil and commodities generally.

Countries in the Central Asian region, like Kazakhstan, whose economies and state budgets rely in part on the export of oil, oil products and other commodities, as well as the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by volatility in oil and other commodity prices and by any sustained fall in those prices or by the discontinuation or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects. In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility on earnings from U.S. Dollar-denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant market for oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which would, in turn, have an adverse effect on the business, financial condition, results of operations or prospects of the Bank.

Although the Government has promoted economic reform, inward foreign investment and the diversification of the economy, if demand for Kazakhstan exports weakens or commodity prices decline, especially oil and gas prices, Kazakhstan's economy would likely be adversely affected, which could, in turn, have a material adverse effect on the business, financial condition, results of operations or prospects of the Bank.

As the commodity sector in Kazakhstan recovers, it is possible that operating costs, such as labour costs, leases, machinery and plant costs, may increase as well. Rising costs may result in increased expenses for businesses operating in Kazakhstan, including many of the Bank's borrowers. Rising costs will impact the profit margins of such companies and may adversely affect their ability to service loans granted to them by the Bank, which may, in turn, have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Most of the Bank's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Bank is largely dependent on the legal, economic and political conditions prevailing in Kazakhstan.

Kazakhstan became an independent sovereign state in 1991 as a result of the break-up of the Soviet Union, and has largely transitioned from a centrally-controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a recessionary economy characterised by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. Although Kazakhstan, among other countries of the CIS, is comparatively more advanced in pursuing a programme of economic reform designed to establish a free-market economy through privatisation of state enterprises, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their initially intended aims.

Although Kazakhstan has recently enjoyed relative stability, it could be adversely affected by political unrest in the Central Asian region. Additionally, as with any other country in the world, Kazakhstan could be adversely affected by terrorism or by military or other action taken against sponsors of terrorism. Kazakhstan's President, Nursultan Nazarbayev, is 70 years old and has been in office since 1991 when Kazakhstan became an independent sovereign state. As at the date of this Prospectus, the next national elections are scheduled to be held in 2012. On 23 December 2010, the lower chamber of Kazakhstan's Parliament approved the making of a request to the President to hold a referendum on amending the Constitution to extend the powers of the President until December 2020 without a further election. The request for this Constitutional amendment remains subject to approval by the upper house of the Parliament, after which (assuming it is so approved) it will be submitted to the President for his final decision. Should President Nazarbayev fail to complete his current term of office for whatever reason or should the request or the referendum to amend the Constitution to extend the President's term fail to be approved and a new president with a different political outlook be elected in the 2012 election, Kazakhstan's political situation, business regime and economy could change. The situation in Kazakhstan could become unstable and the investment climate in the country could deteriorate; particularly in light of the fact that President Nazarbayev's son-in-law and daughter own a controlling interest in the Bank, this could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Kazakhstan judicial system, tax and regulatory framework are not fully developed and are therefore unpredictable.

The legal framework in Kazakhstan, although one of the most developed amongst the countries of the former Soviet Union, is at a relatively early stage of development compared to countries with established market economies. The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. Related risks include some instances of improper payments to public officials; unpredictable and sometimes inconsistent judicial and administrative decisions; and some arbitrary judgments by tax authorities as to tax liabilities, which may pose difficulties for companies in ascertaining their tax liabilities, penalties and interest. As a result of such uncertainties, as well as the lack of any established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed legal and tax system.

The lack of accurate official statistics and corporate and financial information in Kazakhstan may lead to uncertainties and may limit the ability of the Bank to assess customer credit risks accurately.

Kazakhstan's system for gathering and publishing statistical information relating to its economy generally, or specific economic sectors within it, and corporate or financial information relating to companies or other economic enterprises, is not as comprehensive as those of many countries with established market economies. Official statistics and other data published by Kazakhstan authorities may not be as complete as those of more developed countries and may be produced on a different basis from those used in more developed countries. The Bank has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Prospectus have been extracted from official Government sources. See "*Market Share, Industry and Economic Data*".

The Bank, in cooperation with six other Kazakhstan commercial banks established a credit reference bureau in Kazakhstan in September 2004 to provide information about potential borrowers. This credit reference bureau, however, is still developing and, as a result, the quality of information it provides may not be sufficient, in which case, the Bank may continue to have relatively limited information, as compared to lenders in more developed markets, on which to base its lending decisions.

Changes in exchange rate policies in Kazakhstan may impose risks on the Bank.

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Since the NBK adopted a floating rate exchange policy for the Tenge in April 1999, the Tenge has fluctuated significantly. Exchange rates may also be affected by the levels of inflation in Kazakhstan as high rates of inflation tend, over time, to lead to a depreciation of the currency.

On 4 February 2009, the Tenge was devalued by 18 per cent. to KZT 143.98 per U.S.$1.00. This devaluation was due in part to pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (particularly oil and gas prices) in the international markets and an outflow of foreign investments. Devaluation of the Tenge was also intended to enhance the competitiveness of Kazakhstan exports. On 31 December 2009, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 148.36 per U.S.$1.00, reflecting a depreciation of the Tenge against the U.S. Dollar by 22.8 per cent. from 31 December 2008. The official KZT/U.S.$ exchange rate remained relatively stable throughout 2010, and, on 31 December 2010, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 147.40 per U.S.$1.00. As at 6 January 2011, the official KZT/U.S.$ exchange rate quoted on the KASE, as reported by the NBK, was KZT 147.13 per U.S.$1.00.

A further devaluation or depreciation of the Tenge against the U.S. Dollar or other foreign currencies could negatively affect the Bank in a number of ways, including, among other things, by increasing the actual cost to the Bank of financing its U.S. Dollar-denominated liabilities and by making it more difficult for Kazakhstan borrowers to service their U.S. Dollar-denominated loans. Any of these developments could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Kazakhstan is dependent on access to export routes in neighbouring countries, and an impairment in this access could adversely affect Kazakhstan's economy.

Kazakhstan depends on good relations with its neighbouring countries to access world markets for a number of its major exports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. In order to ensure its ability to export, Kazakhstan has taken various steps to promote regional economic integration among neighbouring states, including entering into a new Customs Union with Russia and Belorussia, which the Bank expects will promote trade between Kazakhstan and these neighbouring countries. Should access to these export routes be materially impaired, however, or should other adverse economic factors develop in regional markets, this could adversely impact the economy of Kazakhstan.

Kazakhstan has a less developed securities market than the United States, the United Kingdom and the rest of Western Europe, which may hinder the development of the Kazakhstan economy.

An organised securities market was established in Kazakhstan only in mid-to-late 1990s and, accordingly, the securities market in Kazakhstan is less developed than in the United States, the United Kingdom and other Western European countries. As a result, procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, including an initiative to develop Almaty as a regional financial centre, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed, or as strictly enforced, in Kazakhstan as they are in the United States, the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan entities, like the Bank, may be publicly available to investors in securities issued or guaranteed by such entities than is available to investors in entities organised in the United States, the United Kingdom or the rest of Western Europe.

Risk Factors relating to Operating within the Kazakhstan Banking Sector

Changes to the NBK minimum reserve requirements, capital reserve requirements, as well as potential restrictions imposed by the FMSA, may materially and adversely affect the Bank's business, financial conditions, results of operations or prospects.

In September 2008, the FMSA adopted resolutions increasing the charter capital and own capital requirements for commercial banks. On 1 October 2009, the minimum own capital (net worth) requirement for commercial banks increased from KZT 1 billion to KZT 5 billion and, on 1 July 2011, will be further increased to KZT 10 billion. In the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to banks. Starting from 3 March 2009, the NBK changed its minimum reserve requirements for liabilities to constitute 1.5 per cent. of internal liabilities (liabilities of the Bank due to Kazakhstan residents) and 2.5 per cent. of other liabilities.

If the NBK and the Government were to withdraw their funding from the banking sector, this would lead to decreased overall liquidity in the Kazakhstan banking sector. The decreased liquidity would likely result in an increase in the Bank's funding costs, which would materially and adversely affect the Bank's business, financial condition, results of operations or prospects.

If the Bank is unable to meet these or future requirements imposed by the NBK or the FMSA, its business, financial condition, results of operations or prospects may be materially and adversely affected.

Financial stability legislation has been enacted in Kazakhstan since 2008, but its possible impact on the Bank is unpredictable.

On 23 October 2008, to improve the stability of the financial sector, the Kazakhstan Parliament adopted *Law No.72-IV On Stability of the Financial System* (the "**Financial Stability Law**"), which introduced number of amendments to the Banking Law, the JSC Law and the Securities Market Law. The Financial Stability Law delineates the procedure through which the Government may, with the agreement of the FMSA, acquire, either directly or through a national management holding company, a stake in any commercial bank in Kazakhstan (but not less than 10 per cent. of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or a national management holding company) in the event of a significant deterioration in its financial position to the extent necessary to improve such bank's financial condition and ensure its compliance with prudential or other mandatory requirements. Under the Financial Stability Law, management and shareholders of an affected bank do not have the right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the authority empowered by the Government or the national management holding company authorised to manage the acquired bank is entitled to appoint no more than 30 per cent. of the members of the board of directors and the management board of an affected bank. The Government or a national management holding company must sell the acquired shares within one year of their acquisition to a third party investor or investors by way of direct sale or through the stock exchange; however, this term may be extended if the financial condition of the bank shows no sign of improvement. The main objectives of the Financial Stability Law were to improve early detection mechanisms for risks in the financial system, to expand the competence of the authorised body to address any default claims made by security holders of financial institutions and generally to improve the condition of financial institutions in Kazakhstan, as well as to consolidate the authority to oversee large commercial banks in Kazakhstan and enhance the mechanisms for supervising commitments made by banks and other financial institutions.

Pursuant to the terms of further financial stability legislation adopted by the Government, in February 2009, the Government agreed with the FMSA to acquire approximately 75.1 per cent. of JSC BTA Bank's shares, 76.0 per cent. of JSC Alliance Bank's common shares and 79.1 per cent. of JSC Temir Bank through Samruk-Kazyna. Apart from the acquisition of Alliance Bank's common shares, Samruk-Kazyna signed a deposit agreement for the deposit of KZT 24,000 million with Alliance Bank to support its financial stabilisation and further capitalisation. Separately, further to measures aimed at supporting the real economy, the Government, through Samruk-Kazyna, acquired a 19.8 per cent. stake in the Bank and an interest of just over 20 per cent. in JSC Kazkommertsbank.

While the main objective of the Financial Stability Law is to improve mechanisms for early detection of risks in the financial system, there can be no assurance that this objective will be ultimately achieved or that systemic risk resulting from failures in the banking industry will not adversely affect the Bank's business, financial condition, results of operations or prospects. See "*—Kazakhstan bank failures could adversely affect the rest of the Kazakhstan banking industry*".

Kazakhstan bank failures could adversely affect the rest of the Kazakhstan banking industry.

Within Kazakhstan's banking industry, the default of any institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could prevent the Bank from accessing its international credit lines or raising new or additional funds in the international markets and could also significantly reduce depositors' confidence in the banking industry in general and in the Bank in particular. The commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships and, accordingly, such concerns or defaults could also lead to significant liquidity problems, losses or defaults by other institutions. This risk is sometimes referred to as "systemic risk" or "contagion risk" and may adversely affect financial intermediaries, such as banks, securities firms and exchanges with whom the Bank interacts on a daily basis. This could, in turn, have a material adverse effect on the Bank's ability to raise new funds and on the Bank's business, financial condition, results of operations or prospects.

The Kazakhstan banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. Although BTA Bank, Alliance Bank and Temir Bank have been restructured, further defaults and debt restructurings cannot be ruled out, and the Bank is exposed to the risk of further bank failures, which could result in the Government's resources becoming strained such that the Government may be required to allocate support and funds selectively.

The Bank depends on its banking and other licences.

All banking operations in Kazakhstan require licensing by the FMSA, which also acts as the licensing authority for entities engaged in securities, insurance and pension services business in Kazakhstan. As at the date of this Prospectus, the Bank and its subsidiaries have licences for banking, pensions, insurance and securities operations. Although the Bank believes it is currently in compliance with its existing material licences obligations, there is no assurance that the Bank will be able to maintain such licences in the future. The Bank is subject to unannounced periodic reviews by the FMSA. The loss of any of its licences, a temporary suspension thereof, a breach of the terms of a licence by the Bank or failure to obtain any further required licences in the future for whatever reason could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. If the Bank loses its general banking licence or such licence is temporarily suspended, the Bank will be unable to perform any banking operations.

The corporate governance and disclosure laws and practices in Kazakhstan that apply to the Bank are less developed than corresponding requirements applicable to corporations organised in the United States, the United Kingdom and other Western European countries.

The Bank's corporate affairs are regulated by laws and regulations governing companies incorporated in Kazakhstan, including the Banking Law and the Corporate Governance Code, as well as the Bank's own Charter. See "*Management and Employees*". Although the Bank's Corporate Governance Code implements certain provisions of the UK Corporate Governance Code, such as those related to remuneration, performance evaluation, information and professional development of the directors, dialogue with shareholders, establishment of audit, nomination and remuneration committees of the Board of Directors, the corporate governance regime in Kazakhstan is generally less developed than that in the United States, the United Kingdom and other West European countries and the rights of shareholders and the responsibilities of members of the Board of Directors and the Management Board under Kazakhstan law are different from, and may be subject to certain requirements not generally applicable to, corporations organised in the United States, the United Kingdom and other Western European countries.

A principal objective of the securities laws of the United States, the United Kingdom and other Western European countries is to promote the full and fair disclosure of all material corporate information to the public. Although the Bank is subject to certain Kazakhstan law disclosure requirements, these requirements are less stringent than the comparable requirements in the United States, the United Kingdom and other Western European jurisdictions and there is generally less required and publicly available information about the Bank than about comparable companies in the United States, the United Kingdom and other Western European countries.

The Government has stated that it intends to continue to reform the corporate governance regulations to which the Bank and all other joint stock companies are subject, with a view toward increasing disclosure and transparency in the corporate sector in order to promote growth and stability. There can be no assurance, however, that the Government will continue to pursue such a policy in the future or that such policy, if continued, will ultimately prove to be successful. It is not possible to predict the effect on the Bank of future legislative developments in this regard.

Risk Factors relating to the Notes and their Trading Market

Insolvency laws in Kazakhstan may not be as favourable to holders of Notes as English or U.S. insolvency laws or those of another jurisdiction with which Noteholders may be familiar.

The Bank is organised in Kazakhstan and is subject to the bankruptcy laws of Kazakhstan. From the moment bankruptcy proceedings are initiated, a Kazakhstan debtor is prohibited from paying any outstanding debts predating the bankruptcy proceedings, with specific exceptions.

After the initiation of bankruptcy proceedings, any claims against the Bank by creditors can only be brought within the framework of bankruptcy procedures and it is forbidden to enforce the creditor's rights against property of the debtor or to debit its accounts. Contractual provisions would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events are not enforceable under Kazakhstan law. In addition, an administrator may apply to a court to set aside certain contracts. Specifically, Kazakhstan bankruptcy law provides that transactions or payments entered into or made (i) at any time prior to the commencement of bankruptcy proceedings which infringe Kazakhstan law or (ii) within the period beginning three years prior to commencement of the bankruptcy proceedings for no consideration or below market rates, without sound reasons and which prejudice other creditors, may be declared void by a Kazakhstan court. Under current legislation, significant uncertainty remains with respect to the outcome of a bankruptcy proceeding in Kazakhstan.

Changes in respect of the credit ratings of the Notes may materially and adversely affect the trading price of the Notes.

The Notes are expected to be rated B+ by Fitch, Ba3 by Moody's and B+ by Standard & Poor's. See "*General Information*". A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any downwards change in the ratings of either the Bank or the Republic of Kazakhstan could affect the trading price of the Notes.

The Notes could be subject to taxation.

Under EC Council Directive 2003/48/EC regarding the taxation of income from savings, Member States are required to provide tax authorities of another Member State with details of interest payments (or similar income) made by a person within its jurisdiction to a resident of that other Member State. For a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The conclusion of this transitional period depends upon the conclusion of certain other agreements regarding information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (in the case of Switzerland, a withholding system) effective from the same date. On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of these proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or with respect to tax were to be withheld from that payment, neither the Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

In order for payments to be made on the Notes exempt from Kazakhstan withholding tax, it will be necessary for the Notes to be admitted to listing on the KASE. Whilst the Bank has made an application to the KASE for the Notes to be admitted to the KASE and does not presently anticipate any difficulties in obtaining this listing, there can be no assurances given that such listing will be obtained or maintained.

Gains realised by non-Kazakhstan holders derived from the disposal, sale, exchange or transfer of the Notes otherwise than through open trades on a stock exchange will be subject to withholding tax at a rate of 15 per cent. or 20 per cent. for non-Kazakhstan holders registered in countries with favourable tax regimes. A purchaser may be treated as a withholding agent for such purposes and be liable to account for Kazakhstan withholding tax on the portion of the purchase price that represents the gain by the seller of such Note. The withholding tax on the gains may be reduced or eliminated under an applicable double taxation treaty. However, Kazakhstan's tax legislation does not specify a mechanism for the collection of any such tax or specify whether the purchaser of Notes in such a situation is treated as a withholding agent.

The trading price of the Notes may be volatile.

In recent years, stock markets have experienced significant price fluctuations. These fluctuations were often unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations, as well as adverse economic conditions, have negatively affected the market price of many securities and may affect the market price of the Notes.

In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan.

An active trading market for the Notes may not develop.

There can be no assurance as to the liquidity of any market for the Notes that may develop, the ability of Noteholders to sell their Notes or the price at which such Noteholders would be able to sell Notes.

Application has been made for the listing of the Notes on the Official List and for trading on the Regulated Market of the London Stock Exchange and for the listing of the Notes on the KASE. There can be no assurance that these listings and admission to trading will be obtained or, if they are obtained, that an active trading market will develop or be sustained. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes.

USE OF PROCEEDS

The proceeds of the offering, expected to amount to U.S.$491,315,000, will be used for general corporate purposes, including the financing of the Bank's growth and expansion plans and the refinancings of existing indebtedness. The expenses and combined management, underwriting and selling commission incurred in relation to the issue of the Notes are estimated to be not more than U.S.$900,000.

BUSINESS OF THE BANK

Overview

The Bank is one of Kazakhstan's leading financial services groups, which (according to calculation by the Bank's management based on information published by the FMSA), as at 30 September 2010, had the largest customer base (in terms of numbers of accounts) and the largest distribution network (in terms of numbers of branches) among Kazakhstan banks.

The Bank's core business is focused on retail, corporate and SME banking. The Bank is also the largest (in terms of the volume of payments processed) paying and collection agent for the Government for pension and other social security payments, servicing nearly 1.2 million customers. As at 30 September 2010, the Bank had the most extensive retail distribution network in Kazakhstan, comprising 22 regional branches, 124 district branches, 428 limited service branches, four VIP centres and 51 personal service centres. Other distribution channels used by the Bank include, as at 30 September 2010, 1,686 ATMs, 594 information and transaction terminals (multi-service kiosks) and 3,825 POS terminals located within the Bank's branches and at shopping centres and supermarkets throughout Kazakhstan, as well as the Bank's Internet and mobile phone banking operations. Through subsidiary companies, the Bank's services also include operations with pension funds, insurance, leasing and securities brokerage and asset management services. See "*—Principal Business Activities—Retail Banking—Sales, Service and Distribution Channels*".

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, travellers' cheques, currency exchange, Internet banking and mobile phone banking and ATM services. The Bank also provides a range of wholesale banking products and services to corporate clients and SME business customers, financial institutions and Government entities. As at 30 September 2010, the Bank had approximately 5.9 million retail customers (including 457,648 retail borrowers), which comprised the largest retail customer base among all banks in Kazakhstan, 61,600 SME customers (including 11,836 borrowers) and 1,725 corporate clients (including 298 corporate borrowers).

As at 30 September 2010, according to statistics published by the FMSA and NBK, the Bank had the leading market position in retail term deposits with a market share of 20.8 per cent., retail current accounts with a market share of 37.3 per cent., net income with a market share of 61.5 per cent. (excluding BTA, Alliance and Temirbank, as a result of the completion of their respective restructurings during the period), fees and commissions with a market share of 32.5 per cent., letters of credit with a market share of 21.1 per cent. and pension assets under management with a market share of 31.2 per cent. As at 30 September 2010, the Bank had total consolidated assets of KZT 2,063,890 million (compared to KZT 2,023,009 million as at 31 December 2009) and total equity of KZT 309,229 million (compared to KZT 280,952 million as at 31 December 2009). For the nine months ended 30 September 2010, the Bank's net income after income tax expense was KZT 26,001 million (compared to KZT 9,274 million for the corresponding period in 2009) and its operating income (net interest income plus fees and commissions, net, and other non-interest income and net of insurance claims incurred, net of reinsurance, net of insurance reserves) was KZT 100,880 million (compared to KZT 111,336 million for the corresponding period in 2009).

The Bank is also one of the leading participants in the fixed income securities market and the foreign currency market in Kazakhstan. The Bank is a primary dealer in both Treasury Bills and short-term notes of the NBK and, for the nine months ended 30 September 2010, the Bank's combined purchases of Treasury Bills and notes represented 23.4 per cent. of total issued volume. For the nine months ended 30 September 2010, the Bank was one of the most active traders of Government securities on the KASE, generating 14.8 per cent. of total trading volume in Treasury Bills and NBK notes. As at 30 September 2010, according to statistics published by the KASE, the Bank ranked second in Government bond activity.

Shares of the Bank were first listed on the KASE in 1998 and common shares in the form of GDRs were listed on the London Stock Exchange in December 2006. As at 30 September 2010, Almex and Samruk-Kazyna owned 41.8 per cent. and 26.8 per cent., respectively, of the Bank's common and preferred shares. See "*Share Capital, Principal Shareholders and Related Party Transactions—Principal Shareholders*". The Bank's principal office is located at 109 "V" Abay Avenue, Almaty 050008, Kazakhstan.

History

The Bank's history dates back to the opening of a limited service branch of Sberbank (the savings bank of the former Soviet Union) in Aktubinsk in 1923, followed by the establishment of a full service branch of Sberbank in Alma-Ata (now Almaty) in 1936. The Bank became a separate legal entity wholly-owned by the Republic of Kazakhstan in 1993 and, in 1998, was reorganised into an open joint stock company with an unlimited duration. In 2003, the Bank completed its re-registration as a joint stock company in accordance with the Law on Joint Stock Companies adopted on 13 May 2003.

Since the early 1990s, the Bank has been moving towards becoming a more commercially focused bank, aiming at improving the scope, volume and quality of services to its customers and to provide value to its shareholders. The Bank has undertaken a rationalisation of its branch network by closing unprofitable branches, reducing headcount and investing in new technology, while opening new branches in selected locations.

The Bank has also expanded the scope of its operations, to include pension fund operations in 1998, lease financing and other leasing services in 2000, insurance products and services, including non-life insurance products and services in 2003 and life insurance products and services in 2005, and securities brokerage and asset management operations in 2004.

In 1997, the Bank opened representative offices in London and Beijing. In 2004, the Bank acquired subsidiary banks in Russia and Kyrgyzstan, as well as an investment company in Russia, and, in 2007, the Bank opened its subsidiary bank in Georgia.

The Bank was privatised in a series of transactions between 1998 and 2001. Following the introduction of the privatisation programme in 1998, the Bank's shares were listed on the KASE.

Almex, the Bank's principal shareholder, first acquired shares in the Bank in December 2001, increasing its shareholding in 2003 and 2004 through a series of transactions on the secondary market and by participating in several capital increases effected by the Bank. Almex acquired a controlling stake of 77.6 per cent. of the Bank's total common shares in August 2004.

In December 2006 and March 2007, the Bank and its principal shareholder completed an initial public offering of the Bank's common shares (the "**IPO**") in two stages. In the first stage, completed in December 2006, Almex sold 187 million common shares of the Bank in the form of global depositary receipts, each representing four common shares (the "**GDRs**"), which were listed on the London Stock Exchange. In the second stage of the IPO, completed in March 2007, the Bank offered 55,000,000 new common shares on the domestic market pursuant to a rights issue made to its pre-IPO shareholders (the "**Rights Issue**"), including Almex, which applied the proceeds received by it from the first stage of the IPO to subscribe for the common shares allocated to it in the Rights Issue. The Bank raised KZT 28,156 million in new capital in the Rights Issue.

On 15 January 2009, the Bank entered into an agreement with Samruk-Kazyna and Almex, providing the principal terms governing the participation of Samruk-Kazyna, acting on behalf of the Government of Kazakhstan, in the equity of the Bank up to 25 per cent. of its total common shares. Pursuant to this agreement, on 27 March 2009, the Bank sold 259,064,909 additional new common shares (comprising 20.9 per cent. of the Bank's common shares on a post-transaction basis) to Samruk-Kazyna for the total amount of KZT 26,951 million. In addition, on 29 May 2009, the Bank sold approximately 196,232,499 non-convertible preferred shares to Samruk-Kazyna for a total amount of KZT 33,049 million.

Competitive Strengths

The Bank has the following competitive strengths, which it believes will enable it to retain and strengthen its position as a leading Kazakhstan universal financial services group, offering a broad range of products to retail customers and corporate (large corporate and SME) clients.

The Bank is a systemically and socially important universal financial services group.

The Bank is a leading Kazakhstan universal financial services group, which (according to calculations by the Bank's management based on information published by the FMSA), as at 30 September 2010, had with the largest customer base (in terms of numbers of accounts) and largest distribution network (in terms of numbers of branches) among Kazakhstan banks. The Bank offers its clients a broad range of retail and corporate banking products and services and enjoys leadership position in Kazakhstan in a number of product segments. See "*—Principal Business Activities*". The Bank's management believes that, with the largest retail customer base, the largest branch network and the largest pension fund in Kazakhstan and by being the leading processor of salary and pension and other social security payments in Kazakhstan, the Bank is entrenched as a systemically important and socially critical institution in the Kazakhstan financial sector and a key player in the broader Kazakhstan economy.

The significant role which the Bank plays in the framework of the Kazakhstan economy was emphasised in early to mid-2009, when the Bank was chosen as a recipient of capital investment by Samruk-Kazyna as part of the Government's plan initially announced in October 2008 to invest in the top four Kazakhstan banks, with a view to supporting growth in the real sector and stabilising the banking sector in Kazakhstan. See "*Share Capital, Principal Shareholders and Related Party Transactions*".

The Bank has a winning franchise, which has successfully withstood the global and domestic financial crisis.

The recent global financial crisis has tested the Bank's business model. The Bank believes that it has successfully met the challenges presented by the global financial crisis by adopting a conservative approach significantly in advance of the crisis with the result that, in comparison to many of its peers, the Bank has managed to maintain relatively higher asset quality, a stable liquidity position and a strong capital base notwithstanding the negative effects of the crisis. The Bank was able to withstand the global financial crisis without recourse to foreign funding or aid from the Government and has retained the highest credit ratings of all locally-owned banks in Kazakhstan. As a consequence, the Bank believes that it has continued to be perceived as a as a stable and liquid financial institution among Kazakhstan banks and, accordingly, benefited from a "flight to quality" by corporates and individuals, with resulting gains in market share in certain banking segments. See "*Share Capital, Principal Shareholders and Related Party Transactions*".

The Bank has the largest retail customer base, which gives the Bank an opportunity to capture future growth and generate a higher proportion of non-interest-based fee and commission income.

The Bank believes that it is the pre-eminent retail bank in Kazakhstan and it enjoys leading positions across a wide range of retail banking products, including retail deposits, retail current accounts, pension assets under management and payment cards issued. As compared to other Kazakhstan banks, the Bank generates a relatively balanced revenue mix, including a high proportion of fee and commission income, which is not interest-rate sensitive.

The Bank's sizeable and stable retail deposit base also provides the Bank with a strong funding advantage over other Kazakhstan banks, while its large customer base permits diversification of risks, as well as enhanced cross-selling opportunities for both banking and non-banking products.

The Bank has the largest distribution network in Kazakhstan, which provides the Bank with a strong basis for cross-selling and provides the Bank with competitve advantages as the only or significantly largest operator in certain regions of the country.

The Bank has the largest and most extensive branch network in Kazakhstan, providing coverage in all 14 regions of Kazakhstan on a scale that (according to statistics published by the FMSA) is almost three times the size of its closest competitor. In certain regions or cities, the Bank is the only financial institution. The Bank's network of ATMs, multi-service kiosks and POS terminals and its Internet banking and mobile phone banking platforms complement its branch network and expand its distribution capabilities. In addition, the Bank takes advantage of the significant network of agencies and agents established by Halyk Pension Fund and Kazakhinstrakh to promote and cross-sell its retail services throughout Kazakhstan. See "*— Distribution Network*".

The scope and sophistication of the Bank's distribution network, much of which was inherited from the Bank's predecessor, the state savings bank of the former Soviet Union in Kazakhstan, provides the Bank has a unique competitive advantage, particularly as this would be costly and time-consuming to replicate.

The Bank has a diversified loan portfolio, by type of borrower and by economic and industry sector.

Despite the general economic weakness and market deterioration resulting from the global financial crisis, the Bank has maintained a strong asset base. In comparison to the loan books of its peers, the Bank's loan portfolio is relatively well-diversified by maturity and by industry, in particular with a relatively low exposure to the construction industry.

The Bank has access to relatively low-cost funding sources.

The Bank believes that its positive market reputation as a stable and liquid financial institution has allowed it to access cheaper sources of funding, including a stable customer deposit base and balances regularly maintained in payroll accounts, despite offering lower rates. In particular, the Bank has been able to obtain and maintain a high market share of relatively low-cost and free deposits in the Kazakhstan financial sector. In addition, although a historically conservative foreign funding strategy has meant that the Bank does not have any significant foreign-currency maturities until 2013, the Bank's overall financial strength and strong credit ratings from internationally recognised rating agencies, which are the highest credit ratings of all locally-owned banks in Kazakhstan, have enabled it to exploit opportunities to access the international capital markets on relatively favourable terms.

The Bank has strong operating efficiency reflected in its low cost-to-income ratio.

The Bank had a cost-to-income ratio of 31.4 per cent. for the nine months ended 30 September 2010 and 23.9 per cent. for the nine months ended 30 September 2009. Management believes that the Bank's cost structures resulting in these ratios compare favourably to those of other regional financial institutions engaged in similar lines of business. The Bank's strong operating efficiency primarily reflects the lower cost of funding enjoyed by the Bank, the higher levels of fee and commission income contributing to the Bank's revenues and the Bank's continuing efforts to reduce expenses across many levels of the Bank's operations, including salaries and other employee benefits, personnel training programmes, marketing and other items.

The Bank has an experienced management team with a proven track record.

In 2005, the Board of Directors of the Bank recruited a new senior management team, which has proved successful in leading the development of the Bank's operations. In January 2009, Ms. Umut Shayakhmetova, who was previously the Deputy Chairperson of the Management Board of the Bank, was appointed as the Chairperson of the Management Board of the Bank, replacing Mr. Grigoriy Marchenko, who was appointed Governor of the NBK on 21 January 2009. The Bank has also been successful in recruiting banking professionals from international banks, with experience and expertise in risk management, treasury, corporate banking and transaction services. In particular, the Bank believes that the prior international banking experience of many of its senior managers has been and will continue to be a key asset as the Bank seeks to continue to improve its operating performance and efficiency.

The Bank has a reputation in the market as a stable and liquid financial institution in comparison with its peers and a correspondingly widely recognised and trusted brand.

Given its unique pre-privatisation history as the only retail bank in Kazakhstan, its high market penetration (with approximately 5.9 million retail customers as of 30 September 2010, out of a total Kazakhstan population of approximately 16 million) and its long-term relationships with many of Kazakhstan's leading private and State-owned companies, the Bank enjoys broad brand recognition throughout Kazakhstan. The Bank's management believes that its brand is associated with financial strength, which is reinforced by its role in acting as a systemically important and socially critical institution in the Kazakhstan financial sector and a key player in the broader Kazakhstan economy.

Business Strategy

The Bank's overall strategy is to retain and strengthen its position as a leading universal financial services group in Kazakhstan offering a broad range of products to retail and SME customers and corporate clients with an active presence in all sectors of Kazakhstan's financial markets. In this regard, the Bank intends to focus, in particular, on asset quality and liquidity management, whilst maintaining operating efficiency. In addition to developing its core banking business in Kazakhstan certain countries in the region, the Bank plans to expand by cross-selling the Bank's other businesses, such as pension funds, insurance, leasing and securities brokerage and asset management services.

The key elements of the Bank's strategy are as follows:

- to continue to develop as a client-focused regional financial services group, offering high-quality services in all segments of the financial market (including banking, pension funds, insurance, leasing and securities brokerage and asset management services) in Kazakhstan and its neighbouring countries;

- to improve asset quality, by focusing on (among other things) the overall credit-worthiness of the Bank's customer base, including, in particular, new borrowers, and taking timely actions to prevent and minimise losses on existing loans and promote efficient recovery of existing problem loans;

- to provide the widest range of financial products through the Bank's branch network and subsidiaries;

- to retain the Bank's leading position in the retail banking sector, by (among other things) increasing the number of retail customers and improving the quality and scope of the Bank's retail products and services;

- to focus on developing SME customers with stable operating income and a positive credit history, in particular, in the manufacturing, trading and distribution segments, including through participation in Government programmes aimed at the rehabilitation of small businesses;

- to retain and grow the Bank's existing client base to include an increasing number of large and medium-sized, financially stable companies;

- to participate actively in Government programmes aimed at supporting existing clients, as well as attracting new clients;

- to promote the Bank's goal of maintaining profitability, while also further increasing market share;

- to increase operating efficiencies and optimise business processes by effectively utilising the Bank's capital and human resources;

- to develop further common principles of corporate governance across all of the Bank's departments, branches and subsidiaries in order to operate in accordance with international standards and thereby enhancing the Bank's reputation; and

- to introduce and develop modern information technologies, including by upgrading the Bank's principal banking systems, customer relationship management systems, Internet banking, payment card management systems and internal databases, and automating key business processes to reduce processing times and errors and promote transparency of procedures.

Principal Business Activities

The Bank's core business is focused on retail, corporate and SME banking. Through subsidiary companies, the Bank's services also include pension fund operations, insurance, leasing and securities brokerage and asset management services.

Retail Banking

Overview

The Bank's retail banking operations include deposit taking activities (current and term deposits in Tenge and foreign currencies), salary accounts, money transfers (including utility payments), credit and debit card services, consumer lending, mortgages and personal banking services. The Bank also provides paying agency services for State pension payments and other social security payments. As at 30 September 2010, the Bank had approximately 5.9 million retail customers (excluding 2,021,464 customers of Halyk Pension Fund). Retail banking accounted for 23.0 per cent. of the Bank's interest income and 18.0 per cent. of the Bank's fee and commission income for the nine months ended 30 September 2010 (34.2 per cent. and 79.3 per cent., respectively, for the corresponding period in 2009).

In April 2010, the Bank was included in the State Register of Market Participants with Dominant or Monopoly Position on the territory of Kazakhstan with regard to the following types of activities: (i) cash payment operations and (ii) transfer operations. Although, the Bank is subject to monitoring by, and is required to submit certain periodic reports to, the "Agency of the Republic of Kazakhstan for the Protection of Competition" (the "**Competition Agency**"), the Bank's fee and commission levels are not regulated by the Competition Agency.

Customer Segmentation

In order to better serve the individual needs of its retail customers and to enable the Bank to identify its most profitable customers, the Bank divides its retail customers into the following three segments based on social status, annual income levels and amounts of deposits and loans: (i) "mass-market" customers, comprising individuals, such as production workers, public servants, students and customers; (ii) "mid-market" customers, comprising, primarily, owners of small-sized businesses, top and mid-level management of large and medium-sized companies, managers and other employees of State-owned companies and mid-level public servants; and (iii) "VIP" customers, comprising mostly owners of large and medium-sized businesses and top management of national companies and top and mid-level management of public administrative agencies. The Bank uses this customer segmentation to offer its customers services and products tailored to their individual needs. VIP customers have access to VIP centres with personal managers appointed to assist them. Mid-market customers also benefit from personal service centres, while mass market customers are served through the Bank's extensive branch network.

Products and Services

Retail Current Accounts and Term Deposits: For the nine months ended 30 September 2010, 72.5 per cent. of daily average retail current accounts and demand deposits were considered by management to be stable. As at 30 September 2010, the Bank had amounts due to retail customers (individuals) of KZT 449,309 million, of which KZT 349,406 million were term deposits, which bear interest and have terms generally ranging from 30 days to 10 years, and KZT 99,903 million were current accounts, which do not bear interest and are repayable on demand. Amounts due to retail customers represented 32.8 per cent. of the Bank's total amounts due to customers as at 30 September 2010, compared to 31.4 per cent. as at 31 December 2009. In terms of volume, Tenge-denominated and foreign currency-denominated deposits represented 53.8 per cent. and 46.2 per cent. of total retail deposits, respectively. According to statistics published by the FMSA, the Bank's total market share of total amounts due to retail customers across the banking sector was 20.8 per cent. as at 30 September 2010, compared to 20.4 per cent. as at 31 December 2009.

The Bank has been able to access cheaper sources of funding, including a stable customer deposit base, despite offering lower rates than most of its principal competitors. In management's view, this ability to attract and retain stable deposits reflects the Bank's market reputation as a stable and liquid financial institution in comparison with its peers.

Retail Lending: The Bank is active in both the retail mortgage and consumer lending markets. Retail lending (loans to individuals) represented 20.4 per cent. of the Bank's total loans to customers before allowance for loan impairment as at 30 September 2010, compared to 22.3 per cent. as at 31 December 2009. Retail mortgages represented 10.3 per cent., while consumer loans represented 10.1 per cent., of the Bank's total loans to customers before allowance for loan impairment as at 30 September 2010, compared to 11.1 per cent., in each case, as at 31 December 2009. See "*Selected Statistical and Other Information*". According to statistics published by the NBK, the Bank's market share of total retail loans across the banking sector was 17.7 per cent. as at 30 September 2010, compared to 18.6 per cent. as at 31 December 2009.

The Bank offers a number of residential mortgage products. While the stated maturities of the Bank's mortgage products range from seven to 30 years, as at 30 September 2010, the Bank's mortgage loan portfolio had a remaining average life of 13 years. All mortgages are offered at a fixed rate of interest.

As at 30 September 2010, the Bank held a total of 28,282 outstanding mortgages, which were comprised 43.0 per cent. by mortgages issued under the "Ipoteka Lights" programme, 37.0 per cent. by standard mortgages, 13.0 per cent. by mortgage loans refinanced using funds provided by Samruk-Kazyna, 5.8 per cent. by mortgages issued under the "New Ipoteka" programme and 1.2 per cent. by mortgages issued under the Government-sponsored Kazakhstan Mortgage Company funding programme, mortgages for household improvements and construction loans to individuals. The "Ipoteka Lights" programme was closed in September 2008 following management's determination to replace this programme with programmes imposing stricter lending criteria.

In February 2009, the Bank received a KZT 20.5 billion deposit for a 20-year term from Samruk-Kazyna, the proceeds of which were designated for the refinancing of mortgage loans to individuals at preferential rates; the Bank has used this deposit to refinance 4,895 mortgage loans at lower interest rates.

According to statistics published by the NBK, the Bank's market share of the mortgage lending market in Kazakhstan was 19.8 per cent. as at 30 September 2010, compared to 20.9 per cent. as at 31 December 2009.

Consumer loans are to a large extent represented by salary-backed loans (65.3 per cent. of aggregate consumer loans as at 30 September 2010), which were introduced in 2002, with a maturity of up to three years. These loans are marketed as "Express Loans", and are targeted at the Bank's mass and mid-market retail customer base. In addition, the Bank offers revolving loans (card overdrafts) to its retail customers. Salary-backed loans and revolving loans are general purpose loans and are only available to employees of those companies that have a payroll agreement with the Bank. These loans are backed by the borrower's monthly salary, with the Bank having the right to debit the borrower's salary accounts directly to collect amounts due on a loan; accordingly, the Bank's salary-backed loans have the lowest default rate among the Bank's lending products.

Payroll Services: The Bank provides payroll services to over 2.2 million employees, including 900,000 employees of more than 7,000 Kazakhstan commercial companies and 1.3 million employees of some of the largest State-owned companies in Kazakhstan, such as JSC National Company KazMunayGas, JSC National Company Kazakhstan Temir Zholy, JSC National Company Kazakhtelecom or who receive their salaries out of the State budget, as well as the Bank's own employees and employees of its subsidiaries. Employees taking part in this service are issued with salary cards and can take advantage of the various programmes on offer to salary cardholders, including (among others) "Plus Credit" credit cards, revolving loans and salary-backed loans. Generally, the Bank charges fees and commissions to the employers taking part in this service, and the employees themselves are not charged for the service, other than transaction costs and interest charges when using revolving loans (card overdrafts). Management believes that the Bank holds the largest market share of more than 60 per cent. in the payroll services business in Kazakhstan.

Retail Card Services: The Bank was the first bank in Kazakhstan to issue plastic cards and to develop a POS terminal system and has subsequently played a key role in developing the retail card market in Kazakhstan. The Bank distributes both debit and credit cards, including VISA (Electron, Classic, Gold, Platinum, Infinite and Virtuon), MasterCard (Standard, Gold and Maestro/Cirrus), China Union Pay cards and provides card processing services for a number of Kazakhstan banks.

As at 30 September 2010, according to statistics published by the NBK, while 20 banks in Kazakhstan were offering cards, the Bank had issued 38.5 per cent. of all cards in circulation and owned 15.4 per cent. of all POS terminals. As at 30 September 2010, the Bank had issued a total of 3,235,422 cards, 70 per cent. of which were salary cards issued by the Bank to employees of companies for which it administers payroll schemes. Of the total number of cards issued by the Bank, there were, on average, 1,713,164 active cards in circulation during the nine months ended 30 September 2010. See "*—Payroll Services*".

ATM Services: The Bank operates the largest ATM network in Kazakhstan, which consisted of 1,686 operating ATMs and 594 information and transaction terminals (multi-service kiosks) as at 30 September 2010. The volume of cash withdrawals through the Bank's ATM network was KZT 835 billion for the nine months ended 30 September 2010, compared to KZT 665 billion for the nine months ended 30 September 2009 (KZT 922 billion for the year ended 31 December 2009 and KZT 756 billion for the year ended 31 December 2008).

Since 2005, the Bank has introduced a number of products for cardholders, including mobile phone banking services that allow the Bank's customers to access account information and transfer money using mobile phones and other wireless communication units. In April 2007, the Bank introduced a service called "VISA to VISA 24/7", which enables transfer of funds between VISA cardholders using an ATM internationally. At the end of 2009, the Bank introduced Internet banking, which allows individuals to manage their bank accounts on a 24/7 basis and to conduct money transfers (including utility and tax payments) on the Internet in real time on the Bank's special website. In October 2010, the Bank introduced a new system of remote access to information on customer accounts via telephone banking. By introducing new products and expanding its customer base, the Bank has increased its total earnings generated from payment card services by 9.8 per cent. to KZT 8,084 million for the nine months ended 30 September 2010, compared to KZT 7,362 million for the nine months ended 30 September 2009 (KZT 9,995 million for the year ended 31 December 2009, compared to KZT 9,290 million for the year ended 31 December 2008). The Bank is continuing to expand its Internet banking and mobile phone banking platforms.

The Bank was the first bank in the CIS to enter into an agreement with the China Union Pay international payment system, enabling the Bank to offer services to China Union Pay cardholders on the Bank's network. The agreement also allows the Bank's cardholders to access China Union Pay's services in China.

Sales, Service and Distribution Channels

In addition to its branch network, its ATMs, multi-service kiosks and POS terminals and its Internet banking and mobile phone banking platforms (see "*—Distribution Network*"), the Bank also takes advantage of the network of agencies and agents established by Halyk Pension Fund and Kazakhinstrakh to promote and cross-sell its retail services throughout Kazakhstan. In addition, the Bank performs high volume operations, such as cash management, money transfers, utility payments, cash operations and foreign currency exchange, across all of its distribution channels.

Since 1996, the Bank has been one of the main operators of the Republican Public Enterprise "State Center for Payment of Pensions and Benefits" of the Ministry of Labour and Social Protection of the Republic of Kazakhstan for the payment of pensions and benefits, and serves more than 1.1 million retirees and beneficiaries. Management believes that the Bank's share in the total payments of all welfare payments from the State budget is over 50 per cent.

Corporate Banking

Overview

The Bank's corporate banking operations include lending, trade finance, payroll services, underwriting, liquidity, asset management and cash management. The Bank has historically had a strong corporate banking franchise, based on its well-developed relationships with many of Kazakhstan's leading private and State-owned companies and its strong deposit base, which has enabled it to provide corporate lending on competitive terms. As at 30 September 2010, (not including SMEs) the Bank had 1,725 corporate clients, including 298 corporate borrowers, and loans to corporate clients represented 65.0 per cent. of total loans to customers before allowance for loan impairment. For the nine months ended 30 September 2010, 77.0 per cent. (65.8 per cent. for the corresponding period in 2009) of total interest income and 82.0 per cent. (20.7 per cent. for the corresponding period in 2009) of total fee and commission income was derived from banking services provided to corporate clients, including SME customers. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*". According to statistics published by the NBK (which include lending to SMEs), as at 30 September 2010, the Bank had a 14.5 per cent. share of the Kazakhstan corporate lending market.

Customer Segmentation

The Bank classifies its corporate clients as: (i) large companies located in Almaty or the Almaty region, which have a total credit exposure to the Bank in excess of U.S.$7 million and include companies that are part of a larger business group serviced by the Head Office; (ii) national companies, which are exporters, and large corporations with an annual turnover of more than U.S.$100 million; and (iii) corporate clients, which are non-residents of Kazakhstan. Although the Bank further divides its corporate clients from its SME customers to track the development of its businesses, the Bank does not treat its SME business as a separate segment for accounting purposes. Moreover, statistics compiled by the FMSA and NBK with respect to corporate banking services include both corporate clients and SME customers as banks across Kazakhstan define SMEs differently. Accordingly, the figures included in this discussion with respect to corporate banking include the Bank's SME services and customers.

Products and Services

Corporate Current Accounts and Deposit Accounts: As at 30 September 2010, the Bank had KZT 453 billion in its corporate current accounts (including SME current accounts) and KZT 468 billion of corporate term deposits (including SME term deposits), having terms generally ranging from overnight to 365 days. According to statistics published by the NBK, the Bank's corporate deposits and current accounts (including those of SMEs) of KZT 920,841 million represented 19.5 per cent. of the total market share for Kazakhstan banks as at 30 September 2010. Amounts due to corporate clients (including SME customers) represented 67.2 per cent. of the Bank's total amounts due to customers as at 30 September 2010, compared with 68.6 per cent. as at 31 December 2009. Largely as a result of decreasing the Bank's interest rates on corporate deposits in the first half of 2010 and the Bank's temporary decision to stop paying interest on term deposits of up to two months from June through October 2010, the Bank has experienced a shift in corporate term deposits (including SME term deposits) into corporate current accounts (including SME current accounts).

Corporate Lending: Loans to corporate clients (including SME customers) consist principally of secured loans with maturities ranging from one month to 10 years. The Bank has continued to increase its lending to corporations and its loans to its corporate clients (including SME customers), which amounted to KZT 1,065,331 million as at 30 September 2010, reflecting an increase of KZT 23,510 million, or 2.3 per cent., from KZT 1,041,821 million as at 31 December 2009. Major sectors of corporate lending are: wholesale trade, residential and commercial construction, real estate, retail trade and agriculture. See "*Selected Statistical and Other Information—Loan Portfolio—Loans by Sector*". Loan portfolio quality is monitored regularly by the Bank's risk management function to facilitate the taking of adequate provisions. See "*Asset, Liability and Risk Management*". As at 30 September 2010, the Bank's largest single exposure to any one borrower had an outstanding aggregate amount (including principal and accrued interest) of KZT 37,697 million and represented 2.8 per cent. of the Bank's gross loan portfolio, while the Bank's 10 largest loans had an outstanding aggregate principal amount of KZT 263,090 million and represented 20.0 per cent. of gross loans.

Trade Finance: The Bank's trade finance business, which is expected to be a growth area for the Bank, is focused on documentary operations, such as the issuance of letters of credit and guarantees. The Bank's trade finance facilities include: (i) letters of credit and guarantees, (ii) short term trade finance borrowings, (iii) medium- and long-term facilities and (iv) financings through credit lines from Islamic banks to SME customers. Medium- and long-term facilities for financing the import of capital goods are usually covered by export credit agencies (including Euler Hermes Kreditversicherungs AG of Germany, COFACE of France, U.S. Exim Bank, SACE S.p.a. of Italy, Office National du Ducroire, Atradius, ExIm Korea, OEKB and others). As at 30 September 2010, the aggregate amount drawn by the Bank and outstanding under its on-lending trade finance facilities supported by export credit agencies was KZT 14,281 million, compared to KZT 19,361 million as at 31 December 2009. According to statistics published by the FMSA, as at 30 September 2010, the Bank held the leading market position in terms of the number of letters of credit issued, with a market share of 21.1 per cent.

Corporate Card Services: Corporate cards are issued to corporate clients for payment of general and administrative expenses and generally include nominal overdraft protection. At the client's option, various limits and restrictions on the use of the corporate card account can be set for security purposes. As at 30 September 2010, the Bank had 6,970 active cards issued to corporate clients (including SME customers). Customs payment cards are also available to corporate clients. See "*—SME Banking—Products and Services—SME Card Services*". Salary cards are issued to employees of large corporates having corporate payroll schemes with the Bank. See "*—Retail banking—Products and Services—Payroll Services*".

Other Corporate Banking Products and Services: One of the Bank's main growth areas in the corporate sector is expected to be the provision of cash management services, including foreign exchange operations, interest rate, commodity and foreign currency hedging activities and the processing of incoming export payments to the Bank's clients. For the nine months ended 30 September 2010, the Bank's cash management operations, as measured by incoming clients' export payments, represented 16.6 per cent. of Kazakhstan's total export revenues.

In addition, the Bank provides asset management and investment banking services through its subsidiary, JSC Halyk Finance ("**Halyk Finance**"). See "*—Other Business Activities—Securities Brokerage and Asset Management—Halyk Finance*". The Bank's corporate relationship managers are also responsible for cross-selling pension, insurance and leasing services. See "*—Other Business Activities*".

Sales, Service and Distribution Channels

In order to maintain and develop its customer base in the corporate banking sector in line with the Bank's overall strategy, there are two corporate lending departments located at its Head Office in Almaty, through which companies are able to obtain a broad range of corporate banking services from a relationship management team. Relationship managers are responsible for the Bank's overall relationship with its corporate clients, while managers at branch level provide technical support.

SME Banking

Overview

The Bank's SME banking operations include lending, payroll services, transactional banking services, leasing, insurance, pensions, cards and trade finance. Although the Bank does not treat its SME business as a separate segment for accounting purposes, the SME business is supervised by a separate dedicated department in the Bank. As at 30 September 2010, the Bank had 61,600 SME customers, including 11,836 borrowers, and loans to SME customers represented 14.7 per cent. of total loans to customers before allowance for loan impairment. Because statistics are not published by the FMSA or NBK for the SME segment on a stand-alone basis apart from corporate banking, there is no official market share information available in respect of the Bank's SME businesses. See "*—Corporate Banking—Overview*".

Customer Segmentation

The Bank divides its SME customers between small businesses and medium-sized businesses. Generally, although such parameters are indicative and may vary from region to region and depending on the nature of the relationship between the relevant customer and the Bank, small business customers are those customers with a total credit exposure to the Bank of up to KZT 120 million or annual turnover up to KZT 125 million or from which the Bank receives aggregate income from operational and settlement services of up to KZT 15.7 million, while medium-sized businesses are those customers that have a total credit exposure of between KZT 120 million and KZT 1.4 billion or annual turnover of between KZT 125 million and KZT 3 billion or from which the Bank receives aggregate income from operational and settlement services provided of between KZT 15.7 million and KZT 133.9 million.

Products and Services

Lending: The Bank offers its SME customers loans secured by real estate, other fixed assets, inventory and future receivables and with maturities ranging from one month to ten years. More specifically, in order to take advantage of the growth opportunities in this business, the Bank has established standardised loan programmes for SME customers, which are designed to meet different business requirements and provide terms varying by reference to the available collateral and the tenor of the loan. In addition, some SME loans are granted under Government-sponsored co-financing programmes. The Bank's dedicated programme for small businesses initially evolved from the micro-lending programmes developed by the European Bank for Reconstruction and Development for the top banks in Kazakhstan in 1998. Based on this platform, from 2005 to 2007, the Bank developed its own small business programmes, including, among others, programmes aimed at lending to start-up companies. In 2009 and 2010, two new SME lending programmes, captioned "DAMU-Ondiris" and "Road map of business - 2020", were launched using funds provided by the Distressed Assets Fund and from the State Budget, respectively; these programmes are aimed at providing funding to promote the stability and balanced growth of regional businesses in the primary sectors of the economy, as well as to maintain and create new jobs in these sectors.

SME card services: Since 2003, the Bank has offered medium-sized businesses the opportunity to participate in a customs payment system, which permits customers to use the Bank's payment cards at 152 specially-adapted POS terminals located at 144 customs stations nationwide to make customs duty payments. Management believes that, as at 30 September 2010, the Bank's payment system was the largest of its kind in Kazakhstan in terms of the volume of payments made. Customs payments made through the Bank's POS terminals averaged KZT 8.0 billion per month for the nine months ended 30 September 2010 (compared to KZT 7.6 billion per month for the nine months ended 30 September 2009). The Bank charges customs payment customers the same standard fee assessed to all customers for the use of the Bank's POS terminals, as a result of which the Bank collected KZT 97.9 million in fee and commission income for these services for the nine months ended 30 September 2010 (compared to KZT 103.1 million for the nine months ended 30 September 2009). As a result of the new Customs Union among Kazakhstan, Russia and Belorussia, management expects, however, that this level of fee income may decrease.

Sales, Service and Distribution Channels

All SME customers are serviced at the Bank's regional branches. Since 2010, the Bank has also had a specialised-integrated department, based in the Bank's Head Office in Almaty, the main function of which is to develop further the Bank's SME business. The Bank also utilises its SME network to cross-sell the Bank's pension funds, insurance, payroll, card and leasing services.

International Banking

The Bank also provides services for customers engaged in international trading. In addition, the Bank conducts banking operations in Russia, Kyrgyzstan and Georgia through its banking subsidiaries in these jurisdictions. See "*—Subsidiaries and Associated Companies—Foreign Banking Subsidiaries*".

Other Business Activities

Pension Fund Services – Halyk Pension Fund

The Bank's pension arm, Halyk Pension Fund, was established on 8 January 1998 and, as at 30 September 2010, according to statistics published by the FMSA, was the largest pension fund in Kazakhstan in terms of both assets under management and number of customers serviced. In 1998, a statutory pension scheme was introduced in Kazakhstan, and there are currently 13 pension funds (including one State-owned fund) providing pension fund services. All employees in Kazakhstan are required to pay 10 per cent. of their wages or salary into a pension fund of their choice, with payments being withheld at the source of income. The pensions benefits are based solely on contributions and the relevant fund's gains and no defined benefit pensions are available.

In December 2008, the Bank increased its share in the capital of Halyk Pension Fund by KZT 10 billion, by subscribing for 10 million new common shares and, as at 30 September 2010, the Bank owned 95.6 per cent. of Halyk Pension Fund's total share capital. Halyk Pension Fund is authorised to collect pension contributions, provide pension payments, manage pension assets and develop pension programmes for its customers in Kazakhstan. As at 30 September 2010, Halyk Pension Fund had over 2 million customers and had pension assets under management of KZT 665 billion, which, according to statistics published by the FMSA, represented 31.2 per cent. of the aggregate pension assets of the Kazakhstan pension system, making it the largest pension fund in Kazakhstan, with its next largest competitor having 16.5 per cent. market share. Halyk Pension Fund had total equity of KZT 24.0 billion as at 30 September 2010 (compared to KZT 25.7 million as at 31 December 2009) and net income of KZT 3.3 billion for the nine months ended 30 September 2010 (compared to KZT 12.6 billion for the corresponding period in 2009).

The organisations whose employees' funds are invested with Halyk Pension Fund include Government entities, corporates and the Bank itself. Employees are free to move their pension accruals to a new pension fund provider up to twice a year. Also, according to the Bank's internal estimates, 60 per cent. of customers of the Bank using the Bank's payroll services also use pension fund and asset management services provided by Halyk Pension Fund. As at 30

September 2010, Halyk Pension Fund had the largest branch network in Kazakhstan (among pension funds), with 18 branches, 13 regional offices, 66 service centres located in branches of the Bank and 86 service centres located in the offices of its main corporate clients providing their employees with pension funds services through Halyk Pension Fund, as well as contracts with 20 agencies comprising 456 agents for the sale and promotion of its pension fund products. Halyk Pension Fund and the Bank are jointly focused on introducing and developing innovative technologies and cross-selling packaged products, such as discounted Bank mortgage loans and attractive rates on large deposits, to certain Halyk Pension Fund customers.

Insurance – Kazakhinstrakh and Halyk Life

The Bank's insurance arm, JSC Kazakhinstrakh ("**Kazakhinstrakh**"), is a non-life insurance company providing a full package of general insurance services to all types of legal entities and individuals across a broad range of industry sectors. Kazakhinstrakh is a successor to the former Soviet Union's insurance system in Kazakhstan, which was created as a separate legal entity in 1995 and privatised in 2001. Following the Bank's initial investment in Kazakhinstrakh in 2003, in September 2006, the Bank acquired a majority interest in Kazakhinstrakh from Almex and, as at 30 September 2010, the Bank held 100.0 per cent. of the total share capital of Kazakhinstrakh.

According to the FMSA, as at 30 September 2010, Kazakhinstrakh was the third largest general insurance company in Kazakhstan with a 13.0 per cent. market share in net premiums written and over 400,000 corporate clients and individual customers. As at 30 September 2010, Kazakhinstrakh had the largest branch and agency network among insurance companies in Kazakhstan with 18 branches and 221 agencies comprising 1,687 agents located throughout Kazakhstan, some of which are located within the Bank's branch network.

As at 30 September 2010, Kazakhinstrakh had total assets of KZT 30,158 million, total liabilities of KZT 16,798 million and total equity of KZT 13,360 million, compared to total assets of KZT 19,698 million, total liabilities of KZT 8,746 million and total equity of KZT 10,952 million as at 31 December 2009. For the nine months ended 30 September 2010, Kazakhinstrakh had net income of KZT 1,639 million (KZT 1,024 million for the corresponding period in 2009), based on net premiums written of KZT 7,351 million (KZT 6,070 million for the corresponding period in 2009) and gross premiums written of KZT 13,175 million (KZT 11,350 million for the corresponding period in 2009). For the nine months ended 30 September 2010, 3.9 per cent. of gross premiums written were generated through cross-selling to the Bank's customer base, compared to 3.6 per cent., 8.9 per cent. and 15.7 per cent. for 2009, 2008 and 2007, respectively. Kazakhinstrakh reinsures a portion of its portfolio with major European and U.S. reinsurers, which are regularly monitored through their ratings. Approximately 6.0 per cent. and 58.0 per cent. of the total reinsured risks are reinsured through AA-rated and A-rated reinsurers respectively, while the balance of the portfolio is reinsured primarily with Russian insurers, the majority (although not all) of whom are BBB-rated. As at 30 September 2010, 44.2 per cent. of Kazakhinstrakh's insurance risks were reinsured, compared to 43.8 per cent. as at 31 December 2009.

In November 2005, Kazakhinstrakh created a wholly-owned life insurance company, JSC Halyk Life ("**Halyk Life**"), which began operations in April 2006. For regulatory reasons, Halyk Life was transferred later in 2006 to the Bank and is now wholly-owned directly by the Bank. Halyk Life offers various types of personal insurance products, including life, annuity and casualty insurance products. On 1 August 2007, Halyk Life launched the sale of its products through the Bank's branch network. As at 30 September 2010, Halyk Life had total assets of KZT 3,871 million, total liabilities of KZT 2,522 million and total equity of KZT 1,349 million, compared to total assets of KZT 2,395 million, total liabilities of KZT 1,238 million and total equity of KZT 1,156 million as at 31 December 2009. For the nine months ended 30 September 2010, Halyk Life had net income of KZT 68 million (net loss of KZT 30.2 million for the corresponding period in 2009), based on net premiums written of KZT 2,411 million (KZT 404 million for the corresponding period in 2009) and gross premiums written of KZT 2,435 million (KZT 434 million for the corresponding period in 2009). According to statistics published by the FMSA, as at 30 September 2010, Halyk Life was the second largest life insurance company in Kazakhstan in terms of net premiums written, with a 17.4 per cent. market share, and the third largest in terms of assets, with an 11.7 per cent. market share.

Leasing Services – Halyk Leasing

Through its wholly-owned subsidiary, JSC Halyk Leasing ("**Halyk Leasing**"), the Bank provides operating lease financing to most industrial sectors of the Kazakhstan economy, including principally construction, oil and gas, mining, transport, agriculture and food processing. As at 30 September 2010, Halyk Leasing had a leasing portfolio of KZT 8,379 million, which it believes to be one of the largest in Kazakhstan. Halyk Leasing is headquartered in Almaty and has representative offices in Aktau and Atyrau, which provide consulting services, as well as a full service branch in Chelyabinsk, Russia. Halyk Leasing also utilises the "Leasing Classic" programme, which it runs jointly with the Bank, to make use of the Bank's extensive branch network throughout Kazakhstan to cross-sell its leasing products. A large portion of Halyk Leasing's customers are corporate clients of the Bank (including both large corporations and SME customers) and the Bank is actively engaged in selling Halyk Leasing's products, particularly to SMEs.

The average lease term is four years, at the end of which title to the leased property is transferred to the lessee for no further payment. The Kazakhstan tax regulations applicable to leasing are beneficial to clients in that the leased asset is recorded on the client's balance sheet and the related amortisation and depreciation are fully tax deductible by the lessee during the lease term. The customer also derives a tax benefit because value added tax is not chargeable in Kazakhstan on certain equipment imported for leasing purposes. In addition, the lessee benefits from not having to provide collateral, other than the leased equipment itself, although Halyk Leasing retains legal title to the leased equipment throughout the lease term, thereby protecting against default.

All income received by Halyk Leasing from its leasing business is based on a margin charged on the lease payments made by clients above the funding costs charged to Halyk Leasing by the Bank. Halyk Leasing is 100 per cent. owned and financed by the Bank. Interest income received from certain leases is exempt from corporate income tax. In the case of clients who default on their lease payments, the leased assets are repossessed; for the nine months ended 30 September 2010, Halyk Leasing repossessed 1.6 per cent. of the assets held within its portfolio (compared to 0.2 per cent. for the corresponding period in 2009).

In June 2008, FLC-Leasing ("**FLC-Leasing**") was established as a joint venture between Halyk Leasing (49.0 per cent.), "Mercury" JSC (Kazakhstan) (11.0 per cent.) and "Kapital Bank" LLP (Uzbekistan) (40.0 per cent.) in Tashkent, Uzbekistan. FLC-Leasing provides operating lease financing in Uzbekistan, and, as at 30 September 2010, had a share capital of U.S.$300,000.

Securities Brokerage and Asset Management – Halyk Finance

JSC Halyk Finance ("**Halyk Finance**"), a wholly-owned subsidiary of the Bank, provides a full range of investment banking and asset management services, including sales and trading (with market-making on the KASE), investment portfolio management, consulting and underwriting, M&A advisory, debt restructuring and research. Halyk Finance was established on 10 November 2004. As at 30 September 2010, Halyk Finance had total assets of KZT 15,154 million, total liabilities of KZT 5,308 million and total equity of KZT 9,847 million, compared to total assets of KZT 30,116 million, total liabilities of KZT 21,358 million and total equity of KZT 8,758 million as at 31 December 2009; for the nine months ended 30 September 2010, Halyk Finance had net income of KZT 1,434 million, compared to KZT 1,879 million for the corresponding period in 2009.

As at 30 September 2010, Halyk Finance had KZT 2,037 million in assets under management. As at 30 September 2010, it had 141 brokerage clients, comprising 20 corporate clients and 121 individuals with total clients' assets (assets held in brokerage portfolios) of KZT 49,917 million. Halyk Finance actively employs a joint cross-selling strategy with the Bank by offering its products to the Bank's customers, including corporate clients and SME and retail customers.

Halyk Finance engages in proprietary trading within the limits set by the FMSA. Halyk Finance acts as a market-maker on the KASE for six issuing entities in respect of 19 different securities. Halyk Finance has also acted as a financial adviser and underwriter on a number of international and domestic bond issues and believes that it is the leading investment bank in the domestic market. In 2010, Halyk Finance acted as Kazakhstan Lead Manager, Joint Lead Manager, Bookrunner and Underwriter in several significant international and domestic capital markets transactions, including issuances by the Development Bank of Kazakhstan of U.S.$500 million in notes due 2015, by JSC National Company KazMunayGas of U.S.$1.25 billion in notes due 2020, by Samruk-Kazyna of KZT 75 billion in bonds due 2020 and by Kazatomprom of U.S.$500 million in notes due 2015.

Other Banking and Financial Services

Through its Treasury Department, the Bank is one of the primary participants in the foreign exchange and Government securities markets. In the foreign exchange market, the Bank conducts spot, forward and physical cash settlement transactions for its retail customers and corporate clients and management of the Bank believes that the Bank holds one of the largest market shares in this market (in terms of the volume of foreign exchange transactions completed). Foreign exchange transactions are primarily conducted on the OTC market in Kazakhstan. The Bank also has a licence to engage in certain precious metal transactions in Kazakhstan and abroad.

Distribution Network

As at 30 September 2010, the Bank's branch network consisted of 629 outlets, comprising; 22 regional branches, which report to the Head Office in Almaty; 124 district branches and 428 limited service branches, distributed across all regions of Kazakhstan, each of which reports to its respective regional branch; four VIP centres and 51 personal service centres. In addition, as at 30 September 2010, the Bank operated a network of 1,686 operating ATMs, 594 information and transaction terminals (multi-service kiosks) and 3,825 POS terminals (including information and transaction terminals) located within the Bank's branches and at shopping centres and supermarkets throughout Kazakhstan. The

Bank's distribution network development strategy focuses on selective expansion, as well as the rationalisation of the existing network through the combination of small or non-productive branches in nearby communities, upgrading existing sales outlets and developing remote banking service channels. Each regional and district branch provides a broad range of banking services; in comparison, limited service branches provide a limited number of banking services, such as deposits, utility payments, cash withdrawals, currency exchange, pension collection and money transfers. Small loans of up to KZT 2 million may also be obtained from limited service branches.

Other distribution channels used by the Bank include Internet banking and mobile phone banking. As at 30 September 2010, the Bank had 7,347 Internet banking customers and 371,500 mobile phone banking customers. In addition, the Bank uses the distribution channels established by some of the Bank's other business lines, principally its pension fund and insurance businesses.

The Bank's Head Office in Almaty is responsible for the co-ordination of the branch network operations, marketing strategy, asset and liability management, management of the Bank's financial position and development of its international operations. The Head Office is also generally responsible for servicing the Bank's large corporate clients, while retail and SME customers are serviced by the branches.

Subsidiaries and Associated Companies

The following table sets out the Bank's subsidiaries as at 30 September 2010:

	Country	Industry	Ownership Interest of the Bank as at 30 September 2010
			(%)
JSC Halyk Leasing	Kazakhstan	Leasing	100.0
JSC Kazteleport	Kazakhstan	Telecommunications	100.0
HSBK (Europe) B.V.	Netherlands	Issue and placement of Eurobonds attracting of syndicated loans	100.0
OJSC Halyk Bank Kyrgyzstan	Kyrgyzstan	Banking	100.0
JSC Halyk Finance	Kazakhstan	Broker and dealer activities	100.0
LLP Halyk Inkassatsiya	Kazakhstan	Cash collection services	100.0
JSC Halyk Life	Kazakhstan	Life insurance	100.0
JSC Halyk Capital	Kazakhstan	Broker and dealer activities	100.0
LLP NBK Finance(1)	Russia	Broker and dealer activities	100.0
OJSC NBK Bank	Russia	Banking	100.0
JSC Halyk Bank Georgia	Georgia	Banking	100.0
JSC Kazakhinstrakh	Kazakhstan	Insurance	100.0
JSC Accumulated Pension Fund of Halyk Bank	Kazakhstan	Pension assets accumulation and management	95.6

Note:
(1) In voluntary liquidation.

As at 30 September 2010, the Bank also owned 25.1 per cent. of the share capital of JSC National Processing Centre (a company providing payment clearing and card processing services to clients in Kazakhstan), as well as immaterial minority interests in certain other companies, which the Bank treats as associates in accordance with IFRS.

As at 30 September 2010, the Bank had invested KZT 49.6 billion in the capital of its subsidiaries and associated companies.

Foreign Banking Subsidiaries

The Bank has three foreign subsidiaries, OJSC Halyk Bank Kyrgyzstan ("**Halyk Bank Kyrgyzstan**"), OJSC NBK Bank ("**NBK Bank**") and JSC Halyk Bank Georgia ("**Halyk Bank Georgia**"). The Bank believes that these three subsidiaries are an important part of its strategy of building a regional financial service group and of leveraging its experience gained in Kazakhstan. In addition, the Bank has representative offices in Beijing and London.

Halyk Bank Kyrgyzstan

Halyk Bank Kyrgyzstan is a commercial bank incorporated in Kyrgyzstan, which specialises in SME banking services. In September 2004, the Bank acquired OJSC Kairat Bank for a total consideration of KZT 180 million and renamed the bank "Halyk Bank Kyrgyzstan". As at 30 September 2010, Halyk Bank Kyrgyzstan had total assets of SOM 2,498 million (KZT 7,943 million, translated at an exchange rate of KZT 3.18 per SOM 1.00 as at 30 September 2010, as reported by the NBK), compared to SOM 3,039 million as at 31 December 2009 (KZT 10,240 million, translated at an exchange rate of KZT 3.37 per SOM 1.00 as at 31 December 2009, as reported by the NBK), and total equity of SOM 860 million (KZT 2,734 million, translated at an exchange rate of KZT 3.18 per SOM 1.00 as at 30 September 2010, as reported by the NBK), compared to SOM 806 million as at 31 December 2009 (KZT 2,717 million, translated at an exchange rate of KZT 3.37 per SOM 1.00 as at 31 December 2009, as reported by the NBK). For the nine months ended 30 September 2010, Halyk Bank Kyrgyzstan had net income of SOM 53 million (KZT 174 million, translated at an average exchange rate of KZT 3.25 per SOM 1.00 for the nine months ended 30 September 2010, as reported by the NBK), compared to SOM 76 million for the corresponding period in 2009 (KZT 262 million, translated at an average exchange rate of KZT 3.47 per SOM 1.00 for the nine months ended 30 September 2009, as reported by the NBK).

NBK Bank

NBK Bank is a regional Russian bank with its head office located in Moscow and one regional office in the Chelyabinsk industrial region. The Bank acquired a 77 per cent. interest in NBK Bank (then called JSC Bank Khlebny) in April 2004 for a total consideration of KZT 163 million. In December 2007, JSC Bank Khlebny was renamed "JSC NBK Bank". In 2005 and 2006, the Bank made additional contributions of RUR 56 million (KZT 260 million, translated at an exchange rate of KZT 4.65 per RUR 1.00 as at 31 December 2005, as reported by the NBK) and RUR 111.2 million (KZT 536 million, translated at an exchange rate of KZT 4.82 per RUR 1.00 as at 31 December 2006, as reported by the NBK), respectively, to the share capital of NBK Bank. In December 2006, the Bank increased its holding in NBK Bank to 100 per cent. In December 2008, the Bank made an additional contribution to the share capital of NBK Bank of RUR 1 billion (KZT 4,195 million, translated at an exchange rate of KZT 4.16 per RUR 1.00 as at 29 December 2008, as reported by the NBK) by subscribing to 10 million new common shares. As at 30 September 2010, NBK Bank had total assets of RUR 1,432 million (KZT 6,917 million, translated at an exchange rate of KZT 4.83 per RUR 1.00 as at 30 September 2010, as reported by the NBK), compared to RUR 1,599 million as at 31 December 2009 (KZT 7,836 million, translated at an exchange rate of KZT 4.90 per RUR 1.00 as at 31 December 2009, as reported by the NBK), and total equity of RUR 1,190 million (KZT 5,750 million, translated at an exchange rate of KZT 4.83 per RUR 1.00 as at 30 September 2010, as reported by the NBK), compared to RUR 1,154 million as at 31 December 2009 (KZT 5,655 million, translated at an exchange rate of KZT 4.90 per RUR 1.00 as at 31 December 2009, as reported by the NBK). For the nine months ended 30 September 2010, NBK Bank had net income of RUR 40 million (KZT 192 million, translated at an average exchange rate of KZT 4.87 per RUR 1.00 for the nine months ended 30 September 2010), compared to a net loss of RUR 53 million for the corresponding period in 2009 (KZT 237 million, translated at an average exchange rate of KZT 4.53 per RUR 1.00 for the nine months ended 30 September 2009, as reported by the NBK).

The Bank's wholly owned subsidiary, LLP NBK Finance, which is located in Moscow, was previously engaged in broker/dealer activities. Because these activities are now conducted through NBK Bank's head office in Moscow, the Bank has commenced voluntary liquidation proceedings in respect of LLP NBK Finance.

Halyk Bank Georgia

Halyk Bank Georgia is a commercial bank incorporated in Georgia with a focus on corporate and SME banking. Halyk Bank Georgia was created by the Bank in January 2008 though the registration of a new subsidiary in Georgia. On 29 January 2008, JSC Halyk Bank Georgia received a licence to carry out banking operations in the territory of Georgia. In January 2008 and again in July 2008, the Bank made additional contributions to the share capital of Halyk Bank Georgia of GEL 16,000,000 (KZT 1.2 billion, translated at an exchange rate of KZT 75.4997 per GEL 1.00 as at 28 January 2008, as reported by the NBK) and GEL 15,000,000 (KZT 1.3 million, translated at an exchange rate of KZT 85.1336 per GEL 1.00 as at 15 July 2008, as reported by the NBK) by subscribing to 16,000 and 15,000 newly-listed common shares, respectively. As at 30 September 2010, Halyk Bank Georgia had total assets of GEL 31 million (KZT 2,533 million, translated at an exchange rate of KZT 81.4269 per GEL 1.00 as at 30 September 2010, as reported by the NBK), compared to GEL 29 million as at 31 December 2009 (KZT 2,499 million, translated at an exchange rate of KZT 87.3494 per GEL 1.00 as at 31 December 2009, as reported by the NBK) and equity of GEL 25 million (KZT 1,991 million, translated at an exchange rate of KZT 81.4269 per GEL 1.00 as at 30 September 2010, as by the NBK), compared to GEL 27 million as at 31 December 2009 (KZT 2,376 million, translated at an exchange rate of KZT 87.4941 per GEL 1.00 as at 31 December 2009, as reported by the NBK). For the nine months ended 30 September 2010, Halyk Bank Georgia had a net loss of GEL 2 million (KZT 177 million, translated at an average exchange rate of KZT 82.3757 per GEL 1.00 for the nine months ended 30 September 2010, as reported by the NBK), compared to a net loss of GEL 2 million for the corresponding period in 2009 (KZT 187 million, translated at an average exchange rate of KZT 88.3231 per GEL 1.00 for the nine months ended 30 September 2009, as reported by the NBK).

Properties

As at 30 September 2010, the total net book value of the Bank's fixed assets (which are mostly represented by the Bank's branch network and comprise (among other things) land, buildings and computer hardware) owned by the Bank and its consolidated subsidiaries was KZT 62,229 million, following the revaluation of a substantial part of the Bank's real property assets in 2009 in accordance with IFRS. There are no liens or encumbrances on any of the Bank's properties securing indebtedness of the Bank.

Information Systems

The Bank considers information technology to be an integral component of its daily operations. Since 2004, the Bank has made substantial investments in technology with the aim of improving customer service, increasing its operating efficiencies, imposing risk control systems and enhancing the Bank's overall competitive position. The Bank is committed to continued investment in information technology to support the efficient growth of its operations, improve its risk management, asset and liability management and liquidity management functions and its ability to monitor its lending activities and improve overall management and business efficiency.

The Bank services and continuously upgrades its corporate and retail banking information systems, with the aim of improving the reliability and quality of payments and customer service. The Bank's remote customer service systems, such as Internet banking and mobile phone banking, as well as the Bank's ATMs and POS terminals, have been updated through the establishment of enhanced functional transaction terminals (multi-service kiosks).

The transactional and reporting systems in the regional branches and certain limited service branches are fully centralised. As at 30 September 2010, the implementation of a collateral management and monitoring system was completed. In addition, the Bank has installed special software applications permitting enhanced business process automation and improved card payment processing.

The Bank has developed back-up systems, including two fully-equipped disaster recovery centres in Almaty at a distance of four kilometres from the main servers. These centres comprise continuously operating back-up servers designed to ensure minimum data loss in the event of any systems failure or other incident. The Bank is in the process of developing another back-up centre in Astana. In the case of a failure of any of the main servers or destruction of the building where these are located, the reserve servers will be automatically put in operation. All information on the database is backed up on a magnetic carrier daily. See "*Risk Factors—Risk Factors relating to the Bank—The Bank's banking business entails operations risks, which may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects*".

Security and Anti-Money Laundering

The Bank has implemented security procedures and policies for all its branches and offices. Each new branch or representative office premises is initially reviewed by the Security Department to promote compliance with the Bank's procedures and policies. Further security procedures include monitoring of branch credit procedures and information technology systems by the Bank's Economic Security Division and Information Security Division, Legal Department and internal Audit Department. All of the Bank's branches contain video surveillance systems and most of its ATMs and multi-service kiosks are monitored by cameras.

The Bank has implemented measures aimed at preventing it from being used as a vehicle for money laundering, including "know your customer" policies and the adoption of anti-money laundering and compliance procedures in all of its branches and subsidiaries. All applicants are required to provide the Bank with identification documents, their Kazakhstan tax identification number, as well as certain other documents. See "*Asset, Liability and Risk Management—Money Laundering Risk Management*".

Insurance Cover

The Bank has a number of insurance policies provided by Kazakhinstrakh and Halyk Life, including voluntary property insurance (coverage KZT 11,130 million), sickness benefit insurance (coverage KZT 157 million), compulsory insurance for workers covering their official (occupational) duties (coverage KZT 8,131 million), directors and officers liability insurance (coverage KZT 735 million), compulsory vehicle owners insurance (coverage varies), voluntary group life insurance for employees (coverage KZT 8,214 million) and voluntary insurance of other financial losses (coverage KZT 1,500 million). In addition, the Bank carries group insurance for the Bank's cardholders provided by Chartis Kazakhstan Insurance Company (coverage varies). The amount and scope of such insurance coverage, however, are, in most cases, more limited than would normally be acquired by similar companies for similar purposes in the United States, the United Kingdom or other more developed economies. All policies are generally renewable annually.

Legal Proceedings

From time to time and in the normal course of business, the Bank is subject to legal actions and complaints.

The Bank is not and has not been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) that may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of the Bank.

CAPITALISATION OF THE BANK

The following table sets out the consolidated capitalisation of the Bank as at 30 September 2010. This information is unaudited and should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operation*", "*Selected Consolidated Financial Data*" and "*Selected Statistical and Other Information*" and the Bank's Unaudited Interim Financial Statements, and related notes thereto, included elsewhere in this Prospectus.

	As at 30 September 2010	
	(unaudited)	
	(U.S.$ millions)[1]	*(KZT millions)*
Indebtedness		
Senior long-term liabilities[2]	2,397.0	353,724
Subordinated long-term debt[3]	258.0	38,076
Total long-term liabilities	**2,655.0**	**391,800**
Equity		
Common share capital	566.3	83,571
Preferred share capital	407.4	60,124
Share capital[4]	973.7	143,695
Share premium reserve	9.2	1,351
Treasury stock	(0.7)	(96)
Retained earnings and other reserves	1,106.1	163,223
Non-controlling interest	7.2	1,056
Total shareholders' equity	**2,095.5**	**309,229**
Total capitalisation	**5,724.2**	**701,029**

Notes:

(1) See "*Presentation of Financial and Certain Other Information*" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.

(2) Senior long-term liabilities represent amounts due to customers, amounts due to credit institutions, debt securities issued and other credit financial liabilities that fall due after one year and are not subordinated.

(3) Subordinated long-term debt represents subordinated debt that falls due after one year.

(4) As at 30 September 2010, the Bank's issued and fully paid share capital consisted of 1,308,415,960 common shares, 309,859,430 non-convertible preferred shares and 80,225,222 convertible (at the option of the Bank) preferred shares. As at 30 September 2010, the Bank and its consolidated subsidiaries held 7,249,050 of the Bank's common shares as treasury shares.

On 9 November 2010, the Bank repurchased its debt securities with an original maturity of 2018 and a nominal amount of KZT 5,000 million. The carrying value of these debt securities was KZT 4,764 million, resulting in a loss of KZT 236 million.

Save as disclosed herein, there has been no material change in the Bank's total capitalisation and total long-term liabilities since 30 September 2010.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below as at and for the nine months ended 30 September 2010 and 2009 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Bank's Unaudited Interim Financial Statements, including the notes thereto, contained elsewhere in this Prospectus. The selected consolidated financial data presented below as at and for the three years ended 31 December 2009, 2008 and 2007 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Bank's Audited Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

The Unaudited Interim Financial Statements have been prepared using the same accounting principles and on the same basis as the Audited Financial Statements and, in the opinion of the Bank's management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair representation of interim results. These interim results, however, are not necessarily indicative of results to be expected for the full year.

Prospective investors should read the summary consolidated financial information in conjunction with the information contained in "*Risk Factors*", "*Capitalisation of the Bank*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Selected Statistical and Other Information*" *and* "*Business of the Bank*", *as well as the Unaudited Interim Financial Statements and the Audited Financial Statements, in each case, including the notes thereto, and all other financial data appearing elsewhere in this Prospectus.*

Income statement data

	For the nine months ended 30 September			**For the years ended 31 December**			
	2010		**2009**	**2009**		**2008**	**2007**
	(unaudited)			*(unaudited)*			
	(U.S.$ millions)[1]	*(KZT millions)*[2]		*(U.S.$ millions)*[1]	*(KZT millions)*[2]		
Net income							
Interest income	911.3	134,238	149,221	1,315.2	194,005	192,660	132,566
Interest expense	(453.3)	(66,778)	(78,775)	(700.1)	(103,277)	(100,753)	(61,532)
Net interest income before impairment charge	458.0	67,460	70,446	615.1	90,728	91,907	71,034
Impairment charge on interest-earning and other assets	(258.5)	(38,083)	(73,408)	(566.2)	(83,513)	(60,015)	(22,184)
Net interest income	199.5	29,377	(2,962)	48.9	7,215	31,892	48,850
Fees and commissions, net	138.0	20,331	26,675	254.6	37,558	25,527	24,173
Other non-interest income	114.2	16,826	16,520	163.8	24,168	16,231	17,141
Non-interest expenses	(242.2)	(35,680)	(30,153)	(337.7)	(49,812)	(57,472)	(38,997)
Net income before income tax expense	209.5	30,854	10,080	129.7	19,129	16,178	51,167
Income tax expense	(32.9)	(4,853)	(806)	(22.1)	(3,253)	(1,624)	(10,642)
Net income	**176.6**	**26,001**	**9,274**	**107.6**	**15,876**	**14,554**	**40,525**
Attributable to:							
Non-controlling interest	1.0	145	171	1.1	166	(46)	428
Preferred shareholders	38.5	5,675	1,548	19.7	2,904	1,411	3,883
Common shareholders	137.0	20,181	7,555	86.8	12,806	13,189	36,214
Basic earnings per share (in KZT)	—	15.51	6.43	—	10.78	13.19	37.01
Diluted earnings per share (in KZT)	—	15.51	6.43	—	10.78	12.32	35.93

Notes:

(1) See "*Presentation of Financial and Certain Other Information*" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.

(2) Except for per share data.

Balance sheet data

	As at 30 September		As at 31 December			
	2010		2009		2008	2007
	(*unaudited*)		(*unaudited*)			
	(U.S.$ millions)(1)	*(KZT millions)*	*(U.S.$ millions)*(1)		*(KZT millions)*	
Assets						
Cash and cash equivalents	1,657.9	244,650	3,237.4	480,622	161,088	255,245
Obligatory reserves	181.7	26,809	174.9	25,949	30,825	87,268
Financial assets at fair value through profit or loss	43.5	6,412	57.4	8,528	14,987	48,073
Amounts due from credit institutions	138.8	20,482	377.9	56,101	10,357	3,398
Available-for-sale investment securities	2,697.3	398,036	1,348.7	200,221	135,801	107,839
Investments held-to-maturity	1,121.7	165,535	115.8	17,186	8,689	—
Precious metals	10.6	1,562	9.7	1,445	34	3
Loans to customers	7,415.0	1,094,238	7,633.3	1,133,235	1,188,280	1,040,273
Property and equipment	421.6	62,229	425.4	63,158	58,023	22,766
Assets held-for-sale	64.6	9,527	56.9	8,447	—	—
Goodwill	20.9	3,085	21.5	3,190	3,190	3,265
Intangible assets	41.0	6,052	50.4	7,475	6,436	3,841
Insurance assets	87.3	12,893	33.3	4,945	4,417	3,886
Other assets	83.9	12,380	84.3	12,507	29,222	19,218
Total assets	**13,985.8**	**2,063,890**	**13,626.7**	**2,023,009**	**1,651,349**	**1,595,075**
Liabilities and shareholders' equity						
Amount due to customers	9,284.7	1,370,150	8,581.9	1,274,069	867,392	935,429
Amounts due to credit institutions	564.0	83,236	1,163.3	172,706	289,608	247,452
Financial liabilities at fair value through profit or loss	23.5	3,467	21.6	3,201	6,048	2,851
Debt securities issued	1,774.6	261,885	1,777.5	263,893	262,991	224,886
Provisions	20.7	3,050	29.9	4,433	2,889	1,885
Deferred tax liability	40.5	5,973	41.7	6,194	8,854	3,897
Insurance liabilities	129.0	19,037	64.6	9,586	8,618	7,389
Other liabilities	53.3	7,863	53.7	7,975	13,894	10,261
Total liabilities	**11,890.3**	**1,754,661**	**11,734.2**	**1,742,057**	**1,460,294**	**1,434,050**
Equity						
Share capital	973.7	143,695	967.9	143,695	65,531	65,531
Share premium reserve	9.2	1,351	8.9	1,317	1,908	1,952
Treasury shares	0.7	(96)	(0.7)	(103)	(69)	(66)
Retained earnings and other reserves	1,106.1	163,223	914.0	135,693	123,428	92,253
	2,088.3	308,173	1,890.1	280,602	190,798	159,670
Non-controlling interest	7.2	1,056	2.4	350	257	1,355
Total equity	2,095.5	309,229	1,892.5	280,952	191,055	161,025
Total liabilities and equity	**13,985.8**	**2,063,890**	**13,626.7**	**2,023,009**	**1,651,349**	**1,595,075**

Note:
(1) See "*Presentation of Financial and Certain Other Information*" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.

Common shareholders' equity(1)

	As at 30 September		As at 31 December			
	2010		2009		2008	2007
	(*unaudited*)		(*unaudited*)			
	(U.S.$ millions)(2)	*(KZT millions)*	*(U.S.$ millions)*(2)		*(KZT millions)*	
Total equity	2,095.5	309,229	1,892.4	280,952	191,055	161,025
Non-controlling interest	(7.2)	(1,056)	(2.4)	(350)	(257)	(1,355)
Preferred shares in share capital	(407.4)	(60,124)	(405.0)	(60,124)	(15,707)	(15,707)
Preferred shares in share premium reserve	(8.4)	(1,237)	(8.3)	(1,237)	(1,237)	(1,237)
Common shareholders' equity	1,672.5	246,812	1,476.7	219,241	173,854	142,726

Notes:
(1) Common shareholders' equity comprises total equity, less non-controlling interest and preferred shares from each of share capital and share premium reserve.
(2) See "*Presentation of Financial and Certain Other Information*" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.

Selected financial ratios and economic data

	As at and for the nine months ended 30 September		As at and for the years ended 31 December		
	2010	2009	2009	2008	2007
			(unaudited) *(%, except exchange rates)*		
Profitability Ratios					
Return on average common shareholders' equity[1]	11.8[2]	5.1[2]	6.3	8.2	29.0
Return on average total assets[3]	1.6[2]	0.6[2]	0.8	0.9	3.3
Net interest margin[4]	4.7[2]	5.5[2]	5.3	6.0	6.6
Net interest spread[5]	4.4	5.6	5.2	5.8	6.4
Operating expenses/operating income before impairment charge[6]	31.4	23.9	28.5	35.5	33.1
Operating expenses/net interest income before impairment charge	47.0	37.7	49.1	48.2	53.3
Operating expenses/average total assets	2.0	1.8	2.2	2.6	3.1
Impairment charge[7]/operating income before impairment charge[6]	37.8	65.9	57.1	49.9	20.4
Impairment charge[7]/average loans to customers before allowance for loan impairment	2.9	5.4	6.1	5.0	2.7
Loan Portfolio Quality					
Non-performing loans (unconsolidated, Kazakhstan accounting standards) [8]/total gross loans to customers (unconsolidated, Kazakhstan accounting standards)	18.5	19.7	19.0	10.1	2.2
Allowance for loan losses (consolidated, IFRS)/loans to customers before allowance for loan impairment (consolidated, IFRS)	18.2	14.8	15.5	8.8	5.2
Provisions (unconsolidated, Kazakhstan accounting standards)/total gross loans to customers (unconsolidated, Kazakhstan accounting standards)	22.2	18.9	18.9	11.0	6.4
Provisions (unconsolidated, Kazakhstan accounting standards)/non-performing loans (unconsolidated, Kazakhstan accounting standards) [8]	120.5	95.9	99.7	108.3	288.5
Balance Sheet Ratios					
Amounts due to customers/loans to customers	125.2	115.7	112.4	73.0	89.9
Amounts due to customers/total assets	66.4	62.4	63.0	52.5	58.6
Loans to customers/total assets	53.0	53.9	56.0	72.0	65.2
Total equity/total assets	15.0	12.9	13.9	11.6	10.1
Liquid assets[9]/total assets	34.5	36.7	33.1	17.6	23.7
Capital Adequacy (Basel ratios)					
Tier 1 capital ratio	18.4	16.1	16.9	9.9	10.6
Total capital ratio	22.5	20.2	20.6	13.4	12.9
Economic Data					
Period-end exchange rate (KZT/U.S.$)	147.57	150.95	148.46	120.79	120.30
Average exchange rate for period (KZT/U.S.$)	147.31	146.79	147.51	120.31	122.58
Inflation rate (CPI) (*source: NBK*)	7.0	7.8	6.2	9.5	18.8
GDP growth (real) (*source: Economist Intelligence Unit*)	7.5	2.2	1.2	3.3	8.9

Notes:

(1) Return on average common shareholders' equity is (x) net income attributable to common shareholders, divided by (y) average common shareholders' equity, where common shareholders' equity comprises total equity, less non-controlling interest and preferred shares in (x) share capital, and (y) share premium reserves.

(2) Annualised. The calculation reflects monthly compounding. See "*Selected Statistical and Other Information—Average Balances and Rates*".

(3) Return on average total assets comprises (x) net income divided by (y) average total assets.

(4) Net interest margin comprises (x) net interest income before impairment charge divided by (y) average interest-earning assets.

(5) Net interest spread comprises the difference between (x) the average interest rate earned on interest-earning assets and (y) the average interest rate paid on interest-bearing liabilities.

(6) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net and other non-interest income, net of insurance claims incurred, net of reinsurance, net of expenses for insurance reserves.

(7) Impairment charge includes impairment charge on loan losses and other assets.

(8) Total principal amount of loans (on an unconsolidated basis, in accordance with Kazakhstan accounting standards) in respect of which principal or interest is overdue by more than 30 days.

(9) Liquid assets consist of cash and cash equivalents, NBK notes, Treasury Bills of the Ministry of Finance of Kazakhstan, Treasury Bills of the governments of other countries, notes of national banks of other countries and bonds of quasi-sovereign banks.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Bank's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this review are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such differences include, but are not limited to, those discussed in "*Forward-Looking Statements*" *and* "*Risk Factors*"*. In this Prospectus, the consolidated financial statements presented are those of the Bank and its subsidiaries. Unless otherwise indicated, all of the financial data and discussions thereof are based on, and should be read in conjunction with, the Unaudited Interim Financial Statements and the Audited Financial Statements, in each case, including the notes thereto, prepared in accordance with IFRS and included elsewhere in this Prospectus. See* "*Presentation of Financial and Certain Other Information*"*.*

Key Factors Affecting the Bank's Results of Operations

The Bank's financial condition and results of operations are affected by numerous factors. The Bank's management believes that the following are of particular importance:

The Current Economic Environment

Kazakhstan's economy has been and is likely to continue to be subject to worldwide market downturns and economic slowdowns, such as the recent global financial crisis, which has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and tighter credit conditions within Kazakhstan and generally for Kazakhstan companies. In 2010, certain positive economic signs were evident. The rate of GDP growth for the first six months of 2010, according to statistics published by the NSA, was 8.0 per cent. higher than for the corresponding period in 2009; the Government's forecast for real GDP growth for the full year in 2010 is 5.0 per cent.; and the International Monetary Fund has upgraded its economic growth forecast, in terms of real GDP, for Kazakhstan from 4.0 per cent. to 5.4 per cent. for 2010; all primarily as a result of increases in export revenues for the oil and gas and metallurgy sectors, additional public spending as a result of the global economic crisis and State industrialisation projects. Nonetheless, global economic circumstances and related developments in Kazakhstan had an adverse effect on the Bank's financial position and results of operations in 2008 and 2009 and may continue to do so in the future. Moreover, despite positive signs in the overall economy, uncertainties remain.

Weaknesses in the global financial markets have contributed to bank failures globally, including in Kazakhstan, and put downward pressure on emerging market currencies, including the Tenge. See "*Risk Factors—Risks Factors relating to the Republic of Kazakhstan—Changes in exchange rate policies in Kazakhstan may impose risks on the Bank*". Future changes in currency exchange rates, which can be particularly volatile in times of national or global financial instability, such as the recent period of global economic turmoil, could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. Moreover, concerns about the stability of the banking sector in Kazakhstan have led to a material reduction in liquidity in the financial sector and funding has become both more expensive and less available. The Government has taken a number of steps to support the Kazakhstan banking sector, including making significant capital injections. See "*Risk Factors—Risk Factors relating to Operating within the Kazakhstan Banking Sector—Kazakhstan bank failures could adversely affect the rest of the Kazakhstan banking industry*" and "*The Banking Sector in Kazakhstan*".

The future stability of the Kazakhstan economy is largely dependent upon certain economic reforms and legal, tax and regulatory developments, which the Government of Kazakhstan continues to pursue, as well as a range of stabilisation measures aimed at providing liquidity and supporting the refinancing of foreign debt for Kazakhstan banks and companies. See "*Risk Factors—Risks Factors relating to the Republic of Kazakhstan*".

Credit Quality

The Bank's impairment charge decreased by 48.1 per cent. to KZT 38,083 million for the nine months ended 30 September 2010 from KZT 73,408 million for the corresponding period in 2009 due to stabilisation in the quality of the Bank's loan portfolio. Impairment charge increased in 2009 and 2008 reflecting the overall deterioration of the quality of the Bank's loan portfolio mainly resulting from the global financial crisis, which led to a general slowdown in Kazakhstan's economy and, in particular, negatively affected many of the Bank's borrowers. The contraction of Kazakhstan's domestic credit market as a result of the global financial crisis also triggered a decrease in economic activity in the country. The inability to obtain access to new financing, in turn, impaired the ability of certain of the Bank's borrowers, particularly those whose business activities were linked to construction services, from servicing their debts. In addition, the devaluation of the Tenge in February 2009, caused certain of the Bank's borrowers with foreign currency-denominated obligations to have difficulties in servicing these obligations, which also resulted in the increase of the Bank's impairment charges in 2009. Although management believes that the Bank's asset quality has stabilised, the Bank faces the risk that it will continue to incur increasing impairment charges in the future.

Relatively High Liquidity and Low Funding Costs

In recent years, including during the global financial crisis, the Bank has maintained a relatively high level of liquidity, including cash and cash equivalents. As the Kazakhstan economy and financial sector have begun to recover, the Bank has been able to use its excess cash not only to increase its liquid and total assets, but also, because lending opportunities remain somewhat limited, to reduce certain high-cost liabilities, including by repaying debt evidenced by bonds and debt owed to the Government. In addition, the Bank believes that its market reputation as a stable and liquid financial institution, has allowed it to access cheaper sources of funding, including a stable customer deposit base, despite offering lower rates. In particular, within its deposit base, the Bank has been able to increase the level of its current accounts, which do not bear any interest, both in absolute terms and as a percentage of total deposits. As a result of these various factors, the Bank has been able to decrease its funding costs, which has had a positive impact on its net interest margin and overall profitability.

Ability to Manage Costs

The Bank believes it has effective controls on costs, which, on an overall basis, have grown less rapidly than revenues in recent years. In particular, although the Bank has spent significant sums on improving its branch network and information technology infrastructure, these targeted improvements have served as platforms for increasing revenue growth, which has outweighed the cost of these investments. In 2009, the Bank followed a policy of cost cutting due to the global financial crisis; while, in 2010, the Bank returned to more normal levels of expenditures consistent with 2008 and 2007, a significant portion of the increased expenses in 2010, compared to 2009, reflect the accrual of employee bonuses, which were not awarded during the crisis, rather than any policy to increase spending.

Diversification of Revenue Streams

In recent years, interest income, fee and commission income and income generated by the Bank's pension and insurance businesses have been major contributors to the Bank's revenues. The Bank has deliberately targeted this revenue mix in order to mitigate adverse effects on its interest income that may result from future changes in interest rates, which reflect, to a certain degree, short-term and long-term rates in Kazakhstan and the United States and inflation expectations in Kazakhstan. By successfully retaining a well-balanced revenue mix, the Bank believes it will be better insulated from future changes in interest rates, which negatively affect interest margins and may result in liquidity problems.

Taxes

Taxes to which the Bank is subject in Kazakhstan include value added tax and income tax, as well as social and certain other taxes. The current statutory income tax rate in Kazakhstan is 20.0 per cent. The Bank's effective tax rate was 15.7 per cent. for the nine months ended 30 September 2010 and 17.0 per cent., 10.0 per cent. and 20.8 per cent. for the years ended 31 December 2009, 2008 and 2007, respectively. See "*—Results of Operations for the Nine Months ended 30 September 2010 and 30 September 2009—Taxation*" and "*—Results of Operations for the Years ended 31 December 2009, 2008 and 2007—Taxation*". The Bank's effective tax rate is lower than the statutory tax rate as certain interest income, principally interest on State and other qualifying securities, is not taxable. Furthermore, before 1 January 2008, interest income on mortgage loans was also not taxable. In addition, income received by insurance companies is subject to income tax at a relatively low rate of 4.0 per cent. Tax legislation may further change in the future and, if it does, the Bank's effective tax rate could change substantially. See "*Risk Factors—Risk Factors relating to the Bank—Changes in tax regulations may affect the Bank's financial position*".

Kazakhstan tax regulations generally do not provide for the filing of consolidated income tax returns. Accordingly, the Bank and its subsidiaries file individual tax returns. The Bank and its subsidiaries, other than HSBK (Europe) B.V., NBK Bank, LLP NBK Finance, Halyk Bank Kyrgyzstan and Halyk Bank Georgia, are subject to taxation in Kazakhstan. HSBK (Europe) B.V. is subject to income tax in The Netherlands; NBK Bank and LLP NBK Finance are subject to income tax in the Russian Federation; Halyk Bank Kyrgyzstan is subject to income tax in Kyrgyzstan; and Halyk Bank Georgia is subject to income tax in Georgia. Kazakhstan has concluded a double taxation treaty with each of these jurisdictions, such that a credit towards income tax in Kazakhstan was given for income tax paid on dividends in these jurisdictions. The 2009 Tax Code provides an exemption from income tax for dividends paid to Kazakhstan legal entities (with certain exceptions) irrespective of whether such dividends are received from subsidiaries in Kazakhstan or abroad.

Critical Accounting Policies

The Bank's accounting policies are integral to understanding the financial condition and results of operations presented in the audited consolidated financial statements and the related notes thereto. The Bank's significant accounting estimates are described in Notes 3 and 4 to the Unaudited Interim Financial Statements and Notes 3 and 4 of the Audited Financial Statements appearing elsewhere in this Prospectus. The preparation of the Unaudited Interim Financial Statements and the Audited Financial Statements requires the Bank's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an ongoing basis, the Bank's management evaluates its estimates and judgments, including those related to allowances for losses, income taxes, insurance reserves, contingencies, fair value of financial instruments and properties, and litigation and arbitration. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

The Bank's management believes that the following critical significant accounting policies require more critical judgments or estimates or involve a relatively greater degree of complexity in the application of accounting policies that affect the Bank's financial condition and results of operations:

Allowance for Impairment of Loans and Receivables

The Bank regularly reviews its loans and receivables to assess for impairment. The Bank's loan impairment provisions are established when there is objective evidence that impairment losses in its portfolio of loans and receivables have been incurred. The Bank considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses will require the Bank to make provisions which, if significantly different, could have a material impact on its future consolidated income statement and its consolidated balance sheet.

The Bank uses management's judgment to estimate the amount of any impairment loss in cases where a borrower is experiencing financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of other borrowers in the relevant borrower's group, and national or local economic conditions that correlate with defaults on assets in the Bank. Management estimates are based on the historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the relevant borrower's group loans and receivables. Management uses its judgment to adjust observable data for the relevant borrower's group loans or receivables to reflect current circumstances not reflected in the historical data.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation, as applied to the transactions and activity of the Bank, may be challenged by the relevant regional and State authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar periods preceding the period of review.

As at 30 September 2010, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Bank's reported net income.

Claims Liability Arising from Insurance Contracts

For insurance contracts, estimates are made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported ("**IBNR**") claims at the balance sheet date. For certain lines of business, IBNR claims form the majority of the balance sheet claims provision. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Bank actuarially determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by the FMSA, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money. Gross reserves for claims and related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated and, therefore, may have an impact on the Bank's net income.

Goodwill Impairment Testing

Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management's judgment, for example, those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. Difference in fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Bank's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash-generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable and willing parties.

Impairment testing inherently involves a number of value judgments: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

Results of Operations for the Nine Months ended 30 September 2010 and 30 September 2009

Net Income

The following table sets out the main components of the Bank's net income and certain income statement ratios for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	2010/2009
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Net Income:				
Interest income	134,238	149,221	(14,983)	(10.0)
Interest expense	(66,778)	(78,775)	11,997	(15.2)
Net interest income before impairment charge	67,460	70,446	(2,986)	(4.2)
Impairment charge	(38,083)	(73,408)	35,325	(48.1)
Net interest income	29,377	(2,962)	32,339	(1,091.8)
Fees and commissions, net	20,331	26,675	(6,344)	(23.8)
Other non-interest income	16,826	16,520	306	1.9
Non-interest expenses	(35,680)	(30,153)	(5,527)	18.3
Income before income tax expense	30,854	10,080	20,774	206.1
Income tax expense	(4,853)	(806)	(4,047)	502.1
Net income	**26,001**	**9,274**	**16,727**	180.4
Attributable to:				
Non-controlling interest	145	171	(26)	(15.2)
Preferred shareholders	5,675	1,548	4,127	266.6
Common shareholders	20,181	7,555	12,626	167.1
Profitability ratios:				
Return on average common shareholders' equity(1) (*per cent.*)	11.8(2)	5.1(2)		
Return on average total assets(3) (*per cent.*)	1.6(2)	0.6(2)		
Net interest margin(4) (*per cent.*)	4.7(2)	5.5(2)		
Operating expenses/operating income before impairment charge(5) (*per cent.*)	31.4	23.9		
Impairment charge/operating income before impairment charge(5) (*per cent.*)	37.8	65.9		
Basic earnings per share (*in KZT*)	15.51	6.43		
Diluted earnings per share (*in KZT*)	15.51	6.43		

Notes:

(1) Return on average common shareholders' equity is (x) net income attributable to common shareholders, divided by (y) average common shareholders' equity, where common shareholders' equity comprises total equity, less non-controlling interest and preferred shares in (x) share capital and (y) share premium reserves.

(2) Annualised. The calculation reflects monthly compounding. See "*Selected Statistical and Other Information—Average Balances and Rates*".

(3) Return on average total assets comprises (x) net income divided by (y) average total assets.

(4) Net interest margin comprises (x) net interest income before impairment charge, divided by (y) average interest-earning assets.

(5) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net, and other non-interest income, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves.

The Bank's net income after income tax expense increased by KZT 16,727 million, or 180.4 per cent., to KZT 26,001 million for the nine months ended 30 September 2010 from KZT 9,274 million for the corresponding period in 2009. This increase was mainly attributable to decreases in interest expense and impairment charge, partially offset by decreases in interest income and net fee and commission income, as well as increases in non-interest expenses and income tax expense.

Interest Income

The following table sets out the principal components of the Bank's interest income for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Interest on loans to customers	120,128	137,230	(17,102)	(12.5)
Interest on securities[1]	11,787	8,623	3,164	36.7
Interest on amounts due from credit institutions and cash and cash equivalents	2,323	3,368	(1,045)	(31.0)
Interest income, total	**134,238**	**149,221**	**(14,983)**	(10.0)

Note:

(1) Interest on debt securities comprises interest income on financial assets at fair value through profit or loss, available-for-sale investment securities and investments held-to-maturity.

Total interest income decreased by KZT 14,983 million, or 10.0 per cent., to KZT 134,238 million for the nine months ended 30 September 2010 from KZT 149,221 million for the corresponding period in 2009, mainly due to decreases in interest income on loans to customers.

Interest income on loans to customers decreased by KZT 17,102 million, or 12.5 per cent., to KZT 120,128 million for the nine months ended 30 September 2010 from KZT 137,230 million for the corresponding period in 2009. This decrease was primarily due to the decrease in loans to customers and the lower average interest rates charged on loans to customers. Loans to customers before allowance for loan impairment decreased by KZT 2,809 million, or 0.2 per cent., to KZT 1,337,527 million as at 30 September 2010 from KZT 1,340,336 million as at 31 December 2009, primarily due to an overall decrease in the Bank's lending activity, particularly lending to retail customers and, to a lesser extent, to SMEs. See "*Selected Statistical and Other Information—Loan Portfolio—Loans by Borrower*".

Interest income on securities, principally Treasury Bills, NBK notes and corporate bonds, increased by KZT 3,164 million, or 36.7 per cent., to KZT 11,787 million for the nine months ended 30 September 2010 from KZT 8,623 million for the corresponding period in 2009, offsetting some of the overall decrease in interest income. This increase was driven by increases in the average balances of the securities portfolio, partially offset by lower yields on NBK notes. See "*Selected Statistical and Other Information—Securities Portfolio—Financial Assets at Fair Value through Profit or Loss*" and "*Selected Statistical and Other Information—Securities Portfolio—Available-for-Sale Investment Securities*".

Interest income on amounts due from credit institutions and cash and cash equivalents decreased by KZT 1,045 million, or 31.0 per cent., to KZT 2,323 million for the nine months ended 30 September 2010 from KZT 3,368 million for the corresponding period in 2009, primarily reflecting lower interest rates, particularly on Tenge-denominated balances. See "*Selected Statistical and Other Information—Average Balances and Rates*".

The following table sets out the average interest rates on the Bank's interest-earning Tenge and foreign currency assets for the periods indicated:

	For the nine months ended 30 September					
	2010			2009		
	(unaudited)					
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
	(%)					
Loans to customers	14.8	16.1	13.6	15.5	17.1	14.0
Amounts due from credit institutions and cash and cash equivalents	0.8	1.5	0.5	1.2	5.7	0.5
Financial assets at fair value through profit or loss	10.8	11.2	6.5	12.4	12.4	—
Available-for-sale investment securities	3.7	3.5	4.6	7.4	7.6	4.4
Investments held-to-maturity	2.1	1.3	18.4	13.4	8.9	15.6
Average interest rates on interest-earning assets	**9.4**	**9.6**	**9.1**	**11.8**	**15.3**	**9.2**

The average interest rate on the Bank's interest-earning assets decreased to 9.4 per cent. for the nine months ended 30 September 2010 from 11.8 per cent. for the nine months ended 30 September 2009, primarily reflecting the decrease in the average interest rate on both Tenge-denominated assets and foreign currency-denominated assets, in each case, following general market trends.

The average interest rate on the loan portfolio decreased to 14.8 per cent. for the nine months ended 30 September 2010 from 15.5 per cent. for the corresponding period in 2009. This decrease was primarily a result of the lower average rates on Tenge-denominated loans, principally due to the Bank's participation in Government on-lending programmes providing for lower-rate financing aimed at stabilising the economy and stimulating economic growth and following general domestic market trends, as well as, to a lesser extent, the lower average rates on foreign currency-denominated loans, following general market trends.

The average interest rate on amounts due from credit institutions and cash and cash equivalents decreased to 0.8 per cent. for the nine months ended 30 September 2010 from 1.2 per cent. for the corresponding period in 2009. This decrease was primarily due to the decrease in the average rates on Tenge-denominated balances over the period following general trends in the domestic market.

The average interest rate on financial assets at fair value through profit or loss decreased to 10.8 per cent. for the nine months ended 30 September 2010 from 12.4 per cent. for the corresponding period in 2009, primarily due to lower yields, following general domestic market trends, on these securities denominated in Tenge. In addition, for the nine months ended 30 September 2010, the Bank's financial assets at fair value through profit or loss included foreign currency-denominated securities with lower interest rates compared to securities denominated in local currency.

The average interest rate on available-for-sale securities decreased to 3.7 per cent. for the nine months ended 30 September 2010 from 7.4 per cent. for the corresponding period in 2009, primarily due to lower yields, following general domestic market trends, on the Bank's Tenge-denominated investment securities, comprising primarily Government securities and NBK notes.

The average interest rate on investments held-to-maturity decreased to 2.1 per cent. for the nine months ended 30 September 2010 from 13.4 per cent. for the corresponding period in 2009, primarily due to the reclassification, as at 30 September 2010, of certain NBK notes with a maturity in 2010, which carried lower interest rates, from available-for-sale investment securities to held-to-maturity investments. In contrast, average rates on foreign currency-denominated held-to-maturity investments increased to 18.4 per cent. as at 30 September 2010 from 15.6 per cent. as at 30 September 2009, partially offsetting the decrease in rates on Tenge-denominated held-to-maturity investments.

Interest Expense

The following table sets out the principal components of the Bank's interest expense for the periods indicated:

	For the nine months ended 30 September		**Variation**	
	2010	**2009**	**2010/2009**	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Interest on amounts due to customers	(46,861)	(49,351)	2,490	(5.0)
Interest on debt securities issued	(16,662)	(21,500)	4,838	(22.5)
Interest on amounts due to credit institutions	(3,255)	(7,924)	4,669	(58.9)
Interest expense, total	**(66,778)**	**(78,775)**	**11,997**	**(15.2)**

Total interest expense decreased by KZT 11,997 million, or 15.2 per cent., to KZT 66,778 million for the nine months ended 30 September 2010 from KZT 78,775 million for the corresponding period in 2009, reflecting decreases in interest expense on all components of the Bank's interest-bearing liabilities.

Interest expense on amounts due to customers decreased by KZT 2,490 million, or 5.0 per cent., to KZT 46,861 million for the nine months ended 30 September 2010 from KZT 49,351 million for the corresponding period in 2009, primarily due to a decrease in average interest rates paid on customer deposits, as well as a change in the mix of customer deposits to include a higher percentage of non-interest-bearing current accounts, rather than interest-bearing term deposits, partially offset by an increase in the total volume of term deposits. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on debt securities issued decreased by KZT 4,838 million, or 22.5 per cent., to KZT 16,662 million for the nine months ended 30 September 2010 from KZT 21,500 million for the corresponding period in 2009, primarily due to the lower outstanding balances of Eurobonds resulting from partial redemptions of Eurobonds made by the Bank in 2009. See "*Selected Statistical and Other Information*".

Interest expense on amounts due to credit institutions decreased by KZT 4,669 million, or 58.9 per cent., to KZT 3,255 million for the nine months ended 30 September 2010 from KZT 7,927 million for the corresponding period in 2009. This decrease was primarily attributable to the decrease in the level of borrowings from banks based in Organisation for Economic Co-operation and Development Countries ("**OECD**"), which amounted to KZT 18,534 million as at 30 September 2010, compared to KZT 138,944 million as at 30 September 2009. See "*Selected Statistical and Other Information—Funding Sources—Other Sources of Funding—Amounts due to Credit Institutions by Type of Account*".

The following table sets out the average interest rates paid by the Bank on its Tenge and foreign currency-denominated interest-bearing liabilities for the periods indicated:

	For the nine months ended 30 September					
	2010			2009		
	(unaudited)					
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
	(%)					
Amounts due to customers	4.5	3.4	5.5	5.8	5.5	6.0
Debt securities issued	8.6	10.3	8.2	9.6	10.8	9.3
Amounts due to credit institutions	3.4	3.7	2.4	4.2	7.6	3.4
Average interest rates on interest-bearing liabilities	**5.0**	**3.9**	**6.0**	**6.2**	**6.2**	**6.3**

The average interest rate paid on the Bank's interest-bearing liabilities decreased to 5.0 per cent. for the nine months ended 30 September 2010 from 6.2 per cent. for the corresponding period in 2009, reflecting decreases in average rates paid across all components of the Bank's interest–bearing liabilities.

The average interest rate paid on amounts due to customers decreased to 4.5 per cent. for the nine months ended 30 September 2010 from 5.8 per cent. for the corresponding period in 2009, primarily due to decreases in the average rates paid on both Tenge-denominated and foreign-currency-denominated customer deposits following general market trends. The decrease in the average rate paid on Tenge-denominated amounts due to customers to 3.4 per cent. for the nine months ended 30 September 2010 from 5.5 per cent. for the corresponding period in 2009, was also attributable to the increase in interest-free current accounts, both in absolute terms and as a percentage of total customer deposits.

The average interest rate paid on debt securities issued decreased to 8.6 per cent. for the nine months ended 30 September 2010 from 9.6 per cent. for the corresponding period in 2009. This decrease was primarily due to the higher expense recorded in 2009 on debt securities issued as a result of the accelerated amortisation in 2009 of the discount on certain U.S. Dollar-denominated debt securities issued by HSBK (Europe) B.V. following the transfer of the related liability to the Bank after the substitution of the Bank (in place of HSBK (Europe) B.V.) as the primary obligor in respect of these debt securities. This expense was partially offset by the related increase in income on the accelerated amortisation of the premium received by HSBK (Europe) B.V. from the Bank under the intercompany deposit agreement entered into in connection with the issuance of these debt securities. The decrease in the average interest rate paid on debt securities issued also reflected the increase, in Tenge terms in the average balance of debt securities issued for the nine months ended 30 September 2010 following the devaluation of the Tenge in February 2009.

The average interest rate on amounts due to credit institutions decreased to 3.4 per cent. for the nine months ended 30 September 2010 from 4.2 per cent. for the corresponding period in 2009. This decrease was primarily due to the decrease in average interest rates on Tenge-denominated instruments and, to a lesser extent, on foreign currency-denominated instruments, in each case, following general market trends.

Net Interest Income before Impairment Charge

The following table sets out certain data and ratios on net interest income before impairment charge for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Interest income	134,238	149,221	(14,983)	(10.0)
Interest expense	(66,778)	(78,775)	11,997	(15.2)
Net interest income before impairment charge	**67,460**	**70,446**	**(2,986)**	**(4.2)**
Net interest income before impairment charge/operating income before impairment charge[(1)] (*per cent.*)	66.9	63.3		
Net interest margin[(2)(3)] (*per cent.*)	4.7	5.5		

Notes:

(1) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net and other non-interest income, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves.

(2) Net interest margin comprises (x) net interest income before impairment charge, divided by (y) average interest-earning assets.

(3) Annualised. The calculation reflects monthly compounding.

Net interest income before impairment charge decreased by KZT 2,986 million, or 4.2 per cent., to KZT 67,460 million for the nine months ended 30 September 2010 from KZT 70,446 million for the corresponding period in 2009, due to the larger decrease in interest income by KZT 14,983 million, or 10.0 per cent., compared to the decrease in interest expense by KZT 11,997 million, or 15.2 per cent., for the nine months ended 30 September 2010. As a result of the overall decrease in net interest income before impairment charge and increased average balances of interest-earning assets (see "*Selected Statistical and Other Information*"), net interest margin also decreased to 4.7 per cent. for the nine months ended 30 September 2010 from 5.5 per cent. for the corresponding period in 2009.

Net interest income before impairment charge increased as a percentage of operating income before impairment charge to 66.9 per cent. for the nine months ended 30 September 2010 from 63.3 per cent. for the corresponding period in 2009. This increase primarily reflected the overall decrease in operating income before impairment charge, which, in turn, resulted primarily from the lower fee and commission income generated by Halyk Pension Fund. See "*—Fees and Commissions*".

Impairment Charge

The following table sets out certain data and ratios on impairment charge for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Impairment charge	(38,083)	(73,408)	35,325	(48.1)
Allowance for loan losses/loans to customers before allowance for loan impairment (*per cent.*)	18.2	14.8		
Impairment charge/operating income before impairment charge[(1)] (*per cent.*)	37.8	65.9		

Note:

(1) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net, and other non-interest income, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves.

For the nine months ended 30 September 2010, the Bank's impairment charge decreased by KZT 35,325 million, or 48.1 per cent., to KZT 38,083 million from KZT 73,408 million for the corresponding period in 2009, primarily reflecting stabilisation in the quality of the Bank's loan portfolio. The allowance for loan losses as a percentage of loans to customers before allowance for loan impairment increased primarily as a result of the decrease in the total amount of loans to customers. Impairment charge as a percentage of operating income before impairment charge decreased reflecting the lower impairment charge for the nine months ended 30 September 2010, compared to the corresponding period in 2009.

Fees and Commissions

Net fee and commission income decreased by KZT 6,344 million, or 23.8 per cent., to KZT 20,331 million for the nine months ended 30 September 2010, from KZT 26,675 million for the corresponding period in 2009, primarily as a result of the decrease in fee and commission income and, to a lesser extent, the increase in fee and commission expense.

Fee and Commission Income

The following table sets out certain information on the Bank's fee and commission income for the periods indicated:

	For the nine months ended 30 September		**Variation**	
	2010	**2009**	**2010/2009**	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Bank transfers	7,348	6,317	1,031	16.3
Pension fund and asset management	5,808	12,981	(7,173)	(55.3)
Plastic cards maintenance	2,434	1,944	490	25.2
Cash operations	2,292	2,328	(36)	(1.5)
Customers' pension payments	1,891	1,551	340	21.9
Maintenance of customer accounts	1,715	2,630	(915)	(34.8)
Letters of credit and guarantees issued	1,612	1,393	219	15.7
Utilities payments	282	233	49	21.0
Foreign currency operations	3	15	(12)	(80.0)
Other	995	683	312	45.7
Fee and commission income, total	**24,380**	**30,075**	**(5,695)**	**(18.9)**

Fee and commission income decreased by KZT 5,695 million, or 18.9 per cent., to KZT 24,380 million for the nine months ended 30 September 2010 from KZT 30,075 million for the corresponding period in 2009, primarily as a result of decreases in fees and commissions from the Bank's pension fund and asset management business and from the maintenance of customer accounts, partially offset by increases in fees and commissions from bank transfers and plastic cards maintenance.

Fees and commissions from the pension fund and asset management business, which comprise mainly performance-linked asset management fees, decreased by KZT 7,173 million, or 55.3 per cent., to KZT 5,808 million for the nine months ended 30 September 2010 from KZT 12,981 million for the corresponding period in 2009. Performance-linked asset management fees in the pension fund business are generally calculated based on the values of assets under management and related investment income. Accordingly, the decrease in fee and commission income from the pension fund and asset management business was primarily a result of a "one-off" increase in the 2009 period in performance-linked asset management fees, mainly due to the devaluation of the Tenge in February 2009, which resulted in higher valuations of foreign currency-denominated assets under management in Tenge terms. Fees and commissions from the maintenance of customer accounts decreased by KZT 915 million, or 34.8 per cent., to KZT 1,715 million for the nine months ended 30 September 2010 from KZT 2,630 million for the corresponding period in 2009, primarily due to a decrease in fees from mobile phone banking services, as well as the "one off" recognition of income for the nine months ended 30 September 2009 (which did not recur in 2010) in respect of customer accounts, the balances of which had not been claimed since 1 April 2004 such that the accounts were classified as inactive in connection with the optimisation of the customer database in the Bank's transactional systems (although, in the event that any customer proves a claim in respect of monies previously held in a closed inactive account, the Bank will satisfy such claim). Partially offsetting these decreases, fees from bank transfers increased by KZT 1,031 million, or 16.3 per cent., to KZT 7,348 million for the nine months ended 30 September 2010 from KZT 6,317 million for the corresponding period in 2009, mainly due to the increase in the volume of bank transfers, while fees from plastic cards maintenance increased by KZT 490 million, or 25.2 per cent., to KZT 2,434 million for the nine months ended 30 September 2010 from KZT 1,944 million for the corresponding period in 2009, primarily as a result of the increase in the number of payment cards issued by the Bank over the period, as well as an overall expansion of the Bank's payment cards services. See "*Business of the Bank—Principal Business Activities—Retail Banking—Products and Services—Retail Card Services*".

Fee and Commission Expense

The following table sets out information on the Bank's fee and commission expense for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	**2009**	**2010/2009**	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Plastic cards	513	566	(53)	(9.4)
Bank transfers	159	119	40	33.6
Foreign currency operations	109	98	11	11.2
Deposit insurance[1]	2,442	1,847	595	32.2
Other	826	770	56	7.3
Fee and commission expense, total	**4,049**	**3,400**	**649**	**19.1**

Note:
(1) During the nine months ended 30 September 2010, the Bank's management reclassified deposit insurance expenses from operating expenses to fee and commission expenses in order to better reflect the nature and purpose of these expenses with regard to the Bank's operations.

Fee and commission expense increased by KZT 649 million, or 19.1 per cent., to KZT 4,049 million for the nine months ended 30 September 2010 from KZT 3,400 million for the corresponding period in 2009, primarily as a result of an increase in fee expense from deposit insurance of KZT 595 million, or 32.2 per cent., to KZT 2,442 million for the nine months ended 30 September 2010 from KZT 1,847 million for the corresponding period in 2009, which was, in turn, primarily due to the increase in amounts due to customers. In addition, other fee and commission expense increased by KZT 56 million, or 7.3 per cent., to KZT 826 million for the nine months ended 30 September 2010 from KZT 770 million for the corresponding period in 2009, mainly as a result of the increase in commissions paid to bad debt collection agencies as the Bank increased its co-operation with collection agencies to improve its bad debt recoveries, while fee expenses from bank transfer operations increased by KZT 40 million, or 33.6 per cent., to KZT 159 million for the nine months ended 30 September 2010 from KZT 119 million for the corresponding period in 2009 due to the launch by the Bank of the worldwide money transfer services with Western Union.

Other Non-Interest Income

The following table sets out certain information on the Bank's other non-interest income for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	**2009**	**2010/2009**	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Net gain/(losses) from financial assets and liabilities at fair value through profit or loss	979	991	(12)	(1.2)
Net (losses)/gain from available-for-sale investment securities	208	(297)	505	—
Net gain from redemption of debt securities issued	—	439	(439)	(100.0)
Dealing, net[1]	5,279	8,533	(3,254)	(38.1)
Translation differences, net[1]	139	40	99	247.5
Insurance underwriting income	8,975	5,954	3,021	50.7
Share of (losses)/income of associates	(13)	(21)	8	(38.1)
Other income/(loss)	1,259	881	378	42.9
Other non-interest income, total	**16,826**	**16,520**	**306**	**1.9**

Note:
(1) Comprises net gain on foreign exchange operations.

Total other non-interest income increased by KZT 306 million, or 1.9 per cent., to KZT 16,826 million for the nine months ended 30 September 2010, from KZT 16,520 million for the corresponding period in 2009, primarily due to increases in insurance underwriting income and the net gain from available-for-sale investment securities, partially offset by the decreases in the net gain from dealing in foreign currencies and the non-recurrence of net gains from the redemption of debt securities issued.

Insurance underwriting income increased by KZT 3,021 million, or 50.7 per cent., to KZT 8,975 million for the nine months ended 30 September 2010 from KZT 5,954 million for the corresponding period in 2009, primarily due to an increase in Halyk Life's gross insurance premiums written during the period, which, in turn, resulted from an overall increase in the volume of insurance business. Net gain from available-for-sale investment securities increased by KZT 505 million to a net gain of KZT 208 million for the nine months ended 30 September 2010 from a net loss of KZT 297 million for the corresponding period in 2009, primarily as a result of improving conditions in the global financial markets. Partially offsetting these increases, net gains from dealing in foreign currencies decreased by KZT 3,254 million, or 38.1 per cent., to KZT 5,279 million for the nine months ended 30 September 2010 from KZT 8,533 million for the corresponding period in 2009, primarily as a result of the lower spread charged by the Bank on foreign currency operations conducted for customers, partially offset by the higher volume of such operations. In addition, the net gain from redemption of debt securities issued of KZT 439 million for the nine months ended 30 September 2009 did not recur in the corresponding 2010 period.

Non-Interest Expenses

The following table sets out certain information on the Bank's non-interest expenses for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Operating expenses	(31,708)	(26,586)	(5,122)	19.3
Recoveries of provisions/(provisions)[1]	1,422	(761)	2,183	–
Insurance claims incurred, net of reinsurance	(5,394)	(2,806)	(2,588)	92.2
Non-interest expenses, total	**(35,680)**	**(30,153)**	**(5,527)**	**18.3**

Note:

(1) Provisions represent provisions against guarantees issued and letters of credit.

Non-interest expenses increased by KZT 5,527 million, or 18.3 per cent., to KZT 35,680 million for the nine months ended 30 September 2010 from KZT 30,153 million for the corresponding period in 2009. This increase was attributable to increases in operating expenses (as more fully described below) and in insurance claims incurred, net of reinsurance, partially offset by the net recovery of provisions in the 2010 period, compared to the additional provisions taken in the corresponding period in 2009.

Insurance claims incurred, net of reinsurance increased by KZT 2,588 million, or 92.2 per cent., to KZT 5,394 million for the nine months ended 30 September 2010 from KZT 2,806 million for the corresponding period in 2009, primarily as a result of increased expenses attributable to the increased demand for pension annuities written by Halyk Life, which, in turn, however, resulted in the generation of increased insurance income from the insurance business. The Bank recorded a net recovery of provisions against guarantees issued and letters of credit in the amount of KZT 1,422 million for the nine months ended 30 September 2010, compared to the additional provisions taken against guarantees issued and letters of credit of KZT 761 million for the nine months ended 30 September 2009, primarily reflecting the decrease in the size of the Bank's portfolio of guarantees issued. See "*Selected Statistical and Other Information—Contingent Liabilities and Other Off-Balance Sheet Arrangements*".

Operating Expenses

The following table sets out information on the Bank's operating expenses for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Salaries and other employee benefits	15,064	12,719	2,345	18.4
Depreciation and amortisation expenses	4,987	4,462	525	11.8
Taxes other than income tax	1,403	1,324	79	6.0
Write-off of intangible assets	1,093	—	1,093	100.0
Security expenses	1,055	991	64	6.5
Repairs and maintenance	974	1,165	(191)	(16.4)
Communication expenses	870	733	137	18.7
Rent expenses	766	1,084	(318)	(29.3)
Insurance agents' fees	615	916	(301)	(32.9)
Stationery and office supplies	516	462	54	11.7
Information services	438	440	(2)	(0.5)
Business trip expenses	374	307	67	21.8
Advertisement	368	225	143	63.6
Professional services	368	563	(195)	(34.6)
Transportation	286	271	15	5.5
Charity	53	45	8	17.8
Hospitality expenses	49	28	21	75.0
Social events	12	14	(2)	(14.3)
Other	2,417	837	1,580	188.8
Operating expenses, total	**31,708**	**26,586**	**5,122**	**19.3**

Operating expenses increased by KZT 5,122 million, or 19.3 per cent., to KZT 31,708 million for the nine months ended 30 September 2010 from KZT 26,586 million for the corresponding period in 2009. This increase reflected increases in most expenses, particularly salaries and other employee benefits, depreciation and amortisation expenses and other operating expenses, as well as the non-recurring write-off of intangible assets. Salaries and other employee benefits increased by KZT 2,345 million, or 18.4 per cent., for the nine months ended 30 September 2010 to KZT 15,064 million from KZT 12,719 million for the corresponding period in 2009, primarily as a result of the partial accrual of employee bonuses for 2010. Depreciation and amortisation expenses increased by KZT 525 million, or 11.8 per cent., for the nine months ended 30 September 2010 to KZT 4,987 million from KZT 4,462 million for the corresponding period in 2009, mainly due to the increase in depreciation and amortisation expense for other fixed assets and intangible assets. Other operating expenses increased by KZT 1,580 million, or 188.8 per cent., for the nine months ended 30 September 2010 to KZT 2,417 million from KZT 837 million for the corresponding period in 2009, mainly due to increased expenses on the disposal of fixed and intangible assets and increased administrative expenses. The write-off of intangible assets of KZT 1,093 million in the 2010 period was a result of the write-off of a capitalised expense incurred from the implementation of certain banking software, following the Bank's decision not to complete the implementation of such software due to its failure to meet the Bank's requirements.

Taxation

The Bank had an income tax expense of KZT 4,853 million for the nine months ended 30 September 2010, compared to KZT 806 million for the corresponding period in 2009.

The following table sets out certain information on the Bank's income tax expense for the periods indicated:

	For the nine months ended 30 September		Variation	
	2010	2009	2010/2009	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Current tax charge	5,127	776	4,351	560.7
Deferred tax (benefit)/charge	(274)	30	(304)	—
Income tax expense	**4,853**	**806**	**4,047**	**502.1**

The Bank's current tax charge increased by KZT 4,351 million, or 560.7 per cent., for the nine months ended 30 September 2010 to KZT 5,127 million from KZT 776 million for the corresponding period in 2009 primarily due to a decrease in the portion of tax-exempt income included in the Bank's income before income tax expense, which, in turn, resulted in an increase in the Bank's effective tax rate to 15.7 per cent. for the nine months ended 30 September 2010 from 8.0 per cent. for the corresponding period in 2009. The Bank's effective tax rate is generally lower than the statutory tax rate because certain interest income, principally interest on Government and other qualifying securities, is not taxable. In addition, income received by insurance companies is subject to income tax at a relatively low rate of 4.0 per cent. See "*—Key Factors Affecting the Bank's Results of Operations*".

The Bank had a net deferred tax benefit of KZT 274 million for the nine months ended 30 September 2010, primarily due to the tax effect of deductible temporary differences arising from certain employees' bonuses, which had accrued and fair value of derivatives, as well as the tax effect of taxable temporary differences arising from depreciation accrued on property and equipment, fair value of derivatives and allowance for impairment losses on loans to customers. In contrast, the Bank had a net deferred tax charge of KZT 30 million for the nine months ended 30 September 2009, primarily reflecting the tax effect of deductible temporary differences arising from the fair value of derivatives and losses carried forward, as well as the tax effect of taxable temporary differences arising from allowance for impairment losses on loans to customers and depreciation accrued on property and equipment.

For further information on the Bank's deferred tax assets and liabilities as at 30 September 2010 and 2009, see Note 19 to the Unaudited Interim Financial Statements.

Capital Expenditures

The following table sets out information on the Bank's capital expenditures for the periods indicated:

	For the nine months ended 30 September		**Variation**	
	2010	**2009**	**2010/2009**	
	(unaudited)			
	(KZT millions)		*(KZT millions)*	*(%)*
Buildings and constructions	1,591	5,466	(3,875)	(70.9)
Vehicles	177	120	57	47.5
Computer and banking equipment	668	1,297	(629)	(48.5)
Other fixed assets	3,107	3,163	(56)	(1.8)
Intangible assets	574	2,219	(1,645)	(74.1)
Capital expenditures[(1)], total	**6,117**	**12,265**	**(6,148)**	**(50.1)**

Note:
(1) Additions to the Bank's property and equipment and intangible assets.

Capital expenditures decreased by KZT 6,148 million, or 50.1 per cent., to KZT 6,117 million for the nine months ended 30 September 2010 from KZT 12,265 million for the corresponding period in 2009, primarily due to lower expenditures on buildings and construction and on intangible assets during the nine months ended 30 September 2010, compared to the corresponding period in 2009. During the nine months ended 30 September 2009, the Bank undertook necessary renovations and repairs at certain branches comprising ordinary course maintenance, as well as higher expenditures on computer software. These decreases in expenditures on buildings and constructions and on intangible assets were slightly offset by the increase in expenditures on vehicles for the nine months ended 30 September 2010.

Results of Operations for the Years ended 31 December 2009, 2008 and 2007

The following table sets out the Bank's income statement and certain income statement ratios for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Net income							
Interest income	194,005	192,660	132,566	1,345	0.7	60,094	45.3
Interest expense	(103,277)	(100,753)	(61,532)	(2,524)	2.5	(39,221)	63.7
Net interest income before impairment charge	90,728	91,907	71,034	(1,179)	(1.3)	20,873	29.4
Impairment charge	(83,513)	(60,015)	(22,184)	(23,498)	39.2	(37,831)	170.5
Net interest income	7,215	31,892	48,850	(24,677)	(77.4)	(16,958)	(34.7)
Fees and commissions, net	37,558	25,527	24,173	12,031	47.1	1,354	5.6
Other non-interest income	24,168	16,231	17,141	7,937	48.9	(910)	(5.3)
Non-interest expenses	(49,812)	(57,472)	(38,997)	7,660	(13.3)	(18,475)	47.4
Income before income tax expense	19,129	16,178	51,167	2,951	18.2	(34,989)	(68.4)
Income tax expense	(3,253)	(1,624)	(10,642)	(1,629)	100.3	9,018	(84.7)
Net income	**15,876**	**14,554**	**40,525**	**1,322**	**9.1**	**(25,971)**	**(64.1)**
Attributable to:							
Non-controlling interest	166	(46)	428	212	(460.9)	(474)	(110.7)
Preferred shareholders	2,904	1,411	3,883	1,493	105.8	(2,472)	(63.7)
Common shareholders	12,806	13,189	36,214	(383)	(2.9)	(23,025)	(63.6)
Profitability ratios							
Return on average common shareholders' equity (1)(2) (*per cent.*)	6.3	8.2	29.0				
Return on average assets (1)(3) (*per cent.*)	0.8	0.9	3.3				
Net interest margin (1)(4) (*per cent.*)	5.3	6.0	6.6				
Operating expenses/operating income before impairment charge (5) (*per cent.*)	28.5	35.5	33.1				
Impairment charge/operating income before impairment charge (5) (*per cent.*)	57.1	49.9	20.4				
Basic earnings per share (*in KZT*)	10.78	13.19	37.01				
Diluted earnings per share (*in KZT*)	10.78	12.32	35.93				

Notes:

(1) Amounts used in ratios are average monthly balances for the periods. See "*Selected Statistical and Other Information—Average Balances and Rates*".

(2) Return on average common shareholders' equity is (x) net income attributable to common shareholders, divided by (y) average common shareholders' equity, where common shareholders' equity comprises total equity, less non-controlling interest and preferred shares in (x) share capital and (y) share premium reserves.

(3) Return on average total assets comprises (x) net income divided by (y) average total assets.

(4) Net interest margin comprises (x) net interest income before impairment charge, divided by (y) average interest-earning assets.

(5) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net, and other non-interest income, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves, net of deposit insurance fees.

Net Income

The Bank's net income increased by KZT 1,322 million, or 9.1 per cent., to KZT 15,876 million for 2009 from KZT 14,554 million for 2008, primarily reflecting increases in net fees and commissions and other non-interest income, as well as the decrease in non-interest expenses, partially offset by increases in impairment charge and, to a lesser extent, in interest expense.

The Bank's net income decreased by KZT 25,971 million, or 64.1 per cent., in 2008 from KZT 40,525 million for 2007, primarily reflecting increases in impairment charge and in non-interest expenses, partially offset by the increase in net interest income before impairment charge.

Interest Income

The following table sets out the principal components of the Bank's interest income for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Interest on loans to customers	178,524	173,402	116,147	5,122	3.0	57,255	49.3
Interest on debt securities[(1)]	10,967	10,393	10,326	574	5.5	67	0.6
Interest amounts due from credit institutions and cash and cash equivalents	4,514	8,865	6,093	(4,351)	(49.1)	2,772	45.5
Interest income, total	**194,005**	**192,660**	**132,566**	**1,345**	**0.7**	**60,094**	**45.3**

Note:

(1) Interest on debt securities comprises interest income on financial assets at fair value through profit or loss, available-for-sale investment securities and investments held-to-maturity.

Total interest income increased by KZT 1,345 million, or 0.7 per cent., to KZT 194,005 million for 2009 from KZT 192,660 million for 2008, mainly due to the increase in interest income on loans to customers, partially offset by the decrease in interest income on amounts due from credit institutions and cash and cash equivalents. In 2008, interest income increased by KZT 60,094 million, or 45.3 per cent., from KZT 132,566 million for 2007, mainly due to increases in interest income on loans to customers and in interest income on amounts due from credit institutions and cash and cash equivalents.

Interest income on loans to customers increased by KZT 5,122 million, or 3.0 per cent., for 2009 to KZT 178,524 million from KZT 173,402 million for 2008, after having increased by KZT 57,255 million, or 49.3 per cent., in 2008 from KZT 116,147 million for 2007. These year-on-year increases, in each case, primarily reflected increases in the volume of loans made to customers. See "*Selected Statistical and Other Information—Loan Portfolio*".

Interest income on amounts due from credit institutions and cash and cash equivalents decreased by KZT 4,351 million, or 49.1 per cent., to KZT 4,514 million for 2009, from KZT 8,865 million for 2008, after having increased by KZT 2,772 million, or 45.5 per cent., in 2008 from KZT 6,093 million for 2007. The decrease for 2009, compared to 2008, was mainly attributable to the lower average rates received on amounts due from credit institutions and cash and cash equivalents, while the increase for 2008, compared to 2007, was mainly due to the increased average balances of amounts due from credit institutions, partially offset by a decrease in average interest rates.

Interest income on debt securities, principally short-term notes issued by the NBK, Treasury Bills, bonds of Kazakhstan banks and corporates, increased by KZT 574 million, or 5.5 per cent., to KZT 10,967 million for 2009 from KZT 10,393 million for 2008, after having increased by KZT 67 million, or 0.6 per cent., in 2008 from KZT 10,326 million for 2007. The increases in both 2009 and 2008 were attributable to the increases in average interest rates on the securities portfolio, partially offset by the decreasing balances of the securities portfolio. See "*Selected Statistical and Other Information—Securities Portfolio—Financial Assets at Fair Value through Profit or Loss*".

The following table sets out the effective average annual interest rates or the Bank's interest-earning Tenge and foreign currency assets for the periods indicated:

	For the years ended 31 December								
	2009			2008			2007		
					(unaudited)				
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
					(%)				
Loans to customers	15.0	16.4	13.7	15.5	17.0	13.1	14.7	16.7	12.4
Amounts due from credit institutions	1.1	4.5	0.2	3.1	11.0	2.6	5.6	5.5	5.6
Financial assets at fair value through profit or loss	10.0	12.4	9.4	6.9	6.3	14.9	6.6	6.6	6.7
Available for sale investment securities	4.8	4.7	6.0	8.0	7.9	11.0	7.4	7.3	9.9
Investments held-to-maturity	13.2	8.8	16.9	15.7	7.1	16.1	—	—	—
Average interest rates on interest-earning assets	**11.3**	**13.9**	**9.1**	**12.5**	**15.9**	**8.7**	**12.3**	**13.5**	**10.7**

The average interest rate on the Bank's interest-earning assets decreased to 11.3 per cent. for 2009 from 12.5 per cent. for 2008, after having increased in 2008, from 12.3 per cent. for 2007. The year-on-year decrease in 2009 was primarily driven by the decrease in the average interest rate on Tenge-denominated interest-earning assets, partially offset by the increase in the average interest rate on foreign currency-denominated interest-earning assets, in each case, following general market trends. The increase in the average interest rate on interest-earning assets for 2008, compared to 2007, was primarily due to the Bank's ability to charge higher rates on Tenge-denominated interest-earning assets when the domestic market was suffering from a severe lack of liquidity. This overall increase in the average interest rate on the Bank's interest-earning assets was partially offset by the decrease in the average interest rate on the Bank's foreign currency-denominated interest-earning assets in 2008, compared to 2007, which followed general market trends.

The average interest rate on the loan portfolio decreased to 15.0 per cent. for 2009 from 15.5 per cent. for 2008. This decrease was primarily driven by the general trend in market rates, as well as a result of the lower average rates on Tenge-denominated loans due to the Bank's participation in Government programmes providing for lower-rate financing aimed at stabilising the economy and stimulating economic growth. In 2008, the average interest rate on the loan portfolio had increased from 14.7 per cent. for 2007, primarily due to the Bank's repricing policy introduced in September 2007 pursuant to which the Bank increased interest rates on its newly issued loans by an average of 2.0 per cent.

The average interest rate on amounts due from credit institutions decreased to 1.1 per cent. for 2009 from 3.1 per cent. for 2008, after having decreased in 2008 from 5.6 per cent. for 2007. These year-on-year decreases were, in each case, primarily due to lower interest rates paid on the Bank's U.S. Dollar-denominated balances held with U.S.-based banks in line with general trends in the international markets. The average interest rate on KZT-denominated balances decreased to 4.5 per cent. for 2009 from 11.0 per cent. for 2008, primarily as a result of the increased proportion of amounts due from credit institutions comprised of short-term NBK deposits, which earn interest at lower rates. The average interest rate on KZT-denominated balances increased, in 2008, from 5.5 per cent. for 2007, primarily reflecting general market rates.

The average interest rate on financial assets at fair value through profit or loss increased to 10.0 per cent. for 2009 from 6.9 per cent. for 2008, after having increased in 2008 from 6.6 per cent. for 2007. The year-on-year increase in 2009, compared to 2008, was primarily due to increased yields on Tenge-denominated securities following domestic market trends, while the year-on-year increase in 2008, compared to 2007, primarily reflected the higher average rate on foreign currency-denominated financial assets at fair value through profit and loss following general market trends.

The average interest rate on the available-for-sale investment securities portfolio decreased to 4.8 per cent. for 2009 from 8.0 per cent. for 2008, after having increased in 2008 from 7.4 per cent. for 2007. The decrease in the average interest rate on available-for-sale investment securities in 2009, compared to 2008, was due to the decreased yields on Tenge-denominated investment securities, primarily Government securities and NBK notes, and the higher average balance of these securities within the available-for-sale securities portfolio, compared to the balance of foreign currency-denominated securities on which yields increased, thereby partially offsetting the decline in average rates. The increase in the average interest rate on available-for-sale securities in 2008, compared to 2007, was primarily caused by the higher interest rates on Government securities and NBK notes for that period.

The average interest rate on investments held-to-maturity decreased to 13.2 per cent. for 2009 from 15.7 per cent. for 2008. While the average rates on both Tenge- and foreign currency-denominated held-to-maturity securities increased, these increases were more than offset by the change in the mix of held-to-maturity securities by currency as a result of the purchase of Tenge-denominated Government securities, which bear lower interest rates than foreign currency-denominated securities.

Interest Expense

The following table sets out the principal components of the Bank's interest expense for the periods indicated:

	For the years ended 31 December			**Variations**			
	2009	**2008**	**2007**	**2009/2008**		**2008/2007**	
		(KZT millions)		*(KZT millions)* *(unaudited)*	*(%)*	*(KZT millions)*	*(%)*
Interest on amounts due to customers	(66,869)	(66,878)	(35,348)	9	(0.0)	(31,530)	89.2
Interest on debt securities issued	(27,237)	(21,278)	(15,395)	(5,959)	28.0	(5,883)	38.2
Interest on amounts due to credit institutions	(9,171)	(12,597)	(10,789)	3,426	(27.2)	(1,808)	16.8
Interest expense, total	**(103,277)**	**(100,753)**	**(61,532)**	**(2,524)**	**2.5**	**(39,221)**	**63.7**

Total interest expense increased by KZT 2,524 million, or 2.5 per cent., to KZT 103,277 million for 2009 from KZT 100,753 million for 2008, primarily as a result of the increase in interest expense on debt securities issued, partially offset by the decrease in interest expense on amounts due to credit institutions. Total interest expense increased by KZT 39,221 million, or 63.7 per cent., in 2008 from KZT 61,532 million for 2007, primarily as a result of the increase in average balances of interest-bearing liabilities, as well as the increase in average interest rates paid on such balances. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on amounts due to customers increased by KZT 9 million to KZT 66,869 million for 2009 from KZT 66,878 million for 2008, primarily due to the increase in the average balances of amounts due to customers, which was almost wholly offset by the decrease in average interest rates on such average balances. Interest expense on amounts due to customers increased by KZT 31,530 million, or 89.2 per cent., for 2008 from KZT 35,348 million for 2007, primarily due to the increases in both the average balances of and average interest rates paid on amounts due to customers. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Interest expense on debt securities issued increased by KZT 5,959 million, or 28.0 per cent., to KZT 27,237 million for 2009 from KZT 21,278 million for 2008, after having increased by KZT 5,883 million, or 38.2 per cent., for 2008 from KZT 15,395 million for 2007, in each case, primarily as a result of additional issuances of debt securities, as well as, for 2009, compared to 2008, as a result of the devaluation of the Tenge in February 2009, which increased expenses in Tenge terms on U.S. Dollar-denominated Eurobonds.

Interest expense on amounts due to credit institutions decreased by KZT 3,426 million, or 27.2 per cent., to KZT 9,171 million for 2009 from KZT 12,597 million for 2008, after having increased in 2008 by KZT 1,808 million, or 16.8 per cent., from KZT 10,789 million for 2007. The decrease in interest expense on amounts due to credit institutions for 2009, compared to 2008, was mainly attributable to the decrease in international borrowings by the Bank through the repayment of a U.S.$300 million syndicated loan on 2 September 2009 and the pre-payment of two syndicated loans for the amounts of U.S.$300 million and U.S.$400 million on 1 October 2009 and 27 October 2009, respectively. Both pre-paid syndicated loans had residual maturities of less than one year. The increase in interest expense on amounts due to credit institutions for 2008, compared to 2007, was primarily attributable to the increased level of the Bank's borrowings from OECD-based banks, which amounted to KZT 191,337 million as at 31 December 2008, compared to KZT 176,480 million as at 31 December 2007. See "*Selected Statistical and Other Information—Average Balances and Rates*".

The following table sets out the average interest rates paid by the Bank on its Tenge and foreign currency-denominated interest-bearing liabilities for the periods indicated:

	For the years ended 31 December								
	2009			2008			2007		
					(unaudited)				
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
					(%)				
Amounts due to customers..	5.7	5.2	6.1	6.6	6.9	6.4	5.4	5.5	5.3
Debt securities issued..........	9.3	10.5	8.9	8.1	10.8	6.9	7.7	7.8	7.6
Amounts due to credit institutions......................	4.2	10.6	2.0	5.3	7.5	4.8	5.9	5.8	5.9
Average interest rates on interest-bearing liabilities........................	**6.1**	**6.1**	**6.1**	**6.7**	**6.1**	**7.3**	**5.9**	**5.7**	**6.1**

The average interest rate on the Bank's interest-bearing liabilities decreased to 6.1 per cent. for 2009 from 6.7 per cent. for 2008, after having increased, in 2008, from 5.9 per cent. for 2007. The decrease in 2009, compared to 2008, was primarily driven by the decrease in the average interest rate on foreign currency-denominated liabilities following general market trends, while the increase in 2008, compared to 2007, reflected increases in the average rates on both Tenge- and foreign currency-denominated liabilities in each case, again following general market trends.

The average interest rate paid on amounts due to customers decreased to 5.7 per cent. for 2009 from 6.6 per cent. for 2008, after having increased, in 2008, from 5.4 per cent. for 2007. These year-on-year fluctuations, in each case, followed general market trends.

The average interest rate paid on Tenge-denominated amounts due to customers decreased to 5.2 per cent. for 2009 from 6.9 per cent. for 2008, while the average interest rate paid on foreign currency-denominated amounts due to customers decreased to 6.1 per cent. for 2009 from 6.4 per cent. for 2008, in each case, following general market trends. The average interest rate paid on Tenge-denominated amounts due to customers increased to 6.9 per cent. for 2008 from 5.5 per cent. for 2007, while the average interest rate paid on foreign currency-denominated amounts due to customers increased to 6.4 per cent. for 2008 from 5.3 per cent. for 2007, again, in each case, following general market trends.

The average interest rate paid on amounts due to credit institutions decreased to 4.2 per cent. for 2009 from 5.3 per cent. in 2008, after having decreased from 5.9 per cent. in 2007. The decrease in the average interest rate paid on amounts due to credit institutions in 2009, compared to 2008, was mainly due to a decrease in the average interest rate on foreign currency-denominated interest–bearing liabilities as a result of the increased liquidity in the global financial markets.

The average interest rate paid on debt securities issued increased to 9.3 per cent. for 2009 from 8.1 per cent. for 2008, primarily due to the accelerated amortisation in 2009 of the discount on certain U.S. Dollar-denominated debt securities issued by HSBK (Europe) B.V. following the transfer of the related liability to the Bank after the substitution of the Bank (in place of HSBK (Europe) B.V.) as the primary obligor in respect of these debt securities. See *"Management Discussion and Analysis of Financial Condition and Result of Operations—Results of Operations for the Nine Months ended 30 September 2010 and 30 September 2009—Interest Expense"*. The average interest rate paid on debt securities issued increased in 2008 from 7.7 per cent. for 2007, primarily as a result of the issuance of new Eurobonds at higher interest rates as a result of the deterioration in the domestic and global financial markets.

Net Interest Income before Impairment Charge

The following table sets out certain information on net interest income before impairment charge for the periods indicated:

	For the years ended 31 December			Variation			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Interest income	194,005	192,660	132,566	1,345	0.7	60,094	45.3
Interest expense	(103,277)	(100,753)	(61,532)	(2,524)	2.5	(39,221)	63.7
Net interest income before impairment charge	**90,728**	**91,907**	**71,034**	**(1,179)**	**(1.3)**	**20,873**	**29.4**
Net interest income before impairment charge/operating income before impairment charge(1) (*per cent.*)	62.1	72.0	65.2				
Net interest margin (2) (*per cent.*)	5.3	6.0	6.6				

Notes:

(1) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net, and other non-interest income, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves, net of deposit insurance fees.

(2) Net interest margin comprises (x) net interest income before impairment charge, divided by (y) average interest-earning assets.

Net interest income before impairment charge decreased by KZT 1,179 million, or 1.3 per cent., to KZT 90,728 million for 2009 from KZT 91,907 million for 2008, after having increased, in 2008, by KZT 20,873 million, or 29.4 per cent., from KZT 71,034 million for 2007. Net interest income before impairment charge decreased for 2009, compared to 2008, mainly as a result of the higher increase in average balances of interest-bearing liabilities compared to the increase in average balances of interest-earning assets, as well as the more significant decrease in the average rate on interest-earning assets compared to the decrease in the average rate on interest-bearing liabilities, which resulted in net interest margin decreasing to 5.3 per cent. for 2009 from 6.0 per cent. for 2008. Net interest income before impairment charge increased for 2008, compared to 2007, mainly as a result of the increase in the average interest rate on interest-earning assets, partially offset by the increase in the average interest rate on interest-bearing liabilities. Notwithstanding this increase in net interest income before impairment charge, net interest margin decreased, in 2008, from 6.6 per cent. for 2007, due to the higher increase in the average interest rate on balances of average interest-bearing liabilities compared to the increase in the average interest rate on balances of average interest-earning assets. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Net interest income before impairment charge decreased as a percentage of operating income before impairment charge to 62.1 per cent. for 2009 from 72.0 per cent. for 2008, after having increased, in 2008, from 65.2 per cent. for 2007. The year-on-year decrease in 2009 was primarily due to the overall increase in operating income before impairment charge, which, in turn, resulted primarily from the higher fee and commission income generated by Halyk Pension Fund for that year. The year-on-year increase in 2008 was primarily due to the more significant increase in net interest income before impairment charge, compared to the increases in other components contributing to the overall increase in operating income before impairment charge.

Impairment Charge

The following table sets out certain data and ratios on impairment charge for the periods indicated:

	For the years ended 31 December			Variation			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Impairment charge	(83,513)	(60,015)	(22,184)	(23,498)	39.2	(37,831)	170.5
Allowance for loan losses/ loans to customers before allowance for loan impairment (*per cent.*)	15.5	8.8	5.2				
Impairment charge/operating income before impairment charge(1) (*per cent.*)	57.1	49.9	20.4				

Note:

(1) Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net, and other non-interest income, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves, net of deposit insurance fees.

The Bank's impairment charge increased by KZT 23,498 million, or 39.2 per cent., to KZT 83,513 million for 2009 from KZT 60,015 million for 2008, after having increased in 2008 by KZT 37,831 million, or 170.5 per cent., from KZT 22,184 million for 2007. These year-on-year increases, in each case, mainly reflected the deterioration in the quality of the Bank's loan portfolio, which, in turn, mainly reflected the impact of the global financial crisis, which led to a general slowdown in Kazakhstan's economy and, in particular, negatively affected certain of the Bank's borrowers. The contraction of Kazakhstan's domestic credit market as a result of the global financial crisis also triggered a decrease in economic activity in the country. The inability to obtain access to new financing, in turn, impaired the ability of certain of the Bank's borrowers, particularly those whose business activities were linked to construction services, from servicing their debts. In addition, as a result of the devaluation of the Tenge in February 2009, certain of the Bank's borrowers, with loans denominated in foreign currencies, faced difficulties in servicing their obligations, which also resulted in the increase in the Bank's impairment charge. See "*—Key Factors Affecting the Bank's Results of Operations*" and "*Asset, Liability and Risk Management—Lending Policies and Procedures*" and "*Asset, Liability and Risk Management—Loan Classification and Provisioning Policy*".

Net Fees and Commissions

Net fee and commission income increased by KZT 12,031 million, or 47.1 per cent., to KZT 37,558 million for 2009 from KZT 25,527 million for 2008, primarily as a result of increases in fee and commission income from the Bank's pension fund and asset management business, from maintenance of customer accounts and from plastic cards maintenance. Net fee and commission income increased in 2008 by KZT 1,354 million, or 5.6 per cent., from KZT 24,173 million for 2007, primarily as a result of increases in fee and commission income from maintenance of customer accounts and from plastic cards maintenance, partially offset by the decrease in fee and commission income from the Bank's pension fund and asset management business.

Fee and Commission Income

The following table sets out information on the Bank's fee and commission income for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Pension fund and asset management	16,103	4,642	6,497	11,461	246.9	(1,855)	(28.6)
Bank transfers	8,756	8,959	8,184	(203)	(2.3)	775	9.5
Maintenance of customer accounts	3,340	2,407	1,433	933	38.8	974	68.0
Plastic cards maintenance	3,172	2,386	1,575	786	32.9	811	51.5
Cash operations	3,046	3,598	3,747	(552)	(15.3)	(149)	(4.0)
Customers' pension payments	2,093	1,710	1,292	383	22.4	418	32.4
Letters of credit and guarantees issued	1,904	1,887	1,424	17	0.9	463	32.5
Utilities payments	335	308	239	27	8.8	69	28.9
Other	965	1,311	1,037	(346)	(26.4)	274	26.4
Fee and commission income, total	**39,714**	**27,208**	**25,428**	**12,506**	**46.0**	**1,780**	**7.0**

Fee and commission income increased by KZT 12,506 million, or 46.0 per cent., to KZT 39,714 million for 2009 from KZT 27,208 million for 2008, after having increased, in 2008, by KZT 1,780 million, or 7.0 per cent., from KZT 25,428 million for 2007.

Fees from pension fund and asset management increased by KZT 11,461 million, or 246.9 per cent., to KZT 16,103 million for 2009 from KZT 4,642 million for 2008, after having decreased, in 2008, by KZT 1,855 million, or 28.6 per cent., from KZT 6,497 million for 2007. The year-on-year increase in 2009 was mainly attributable to the "one-off" increase in performance-linked asset management fees, due to the devaluation of the Tenge in February 2009, which resulted in higher valuations of foreign currency-denominated assets under management in Tenge terms, while the year-on-year decrease in 2008 primarily reflected the decline in the domestic and international securities markets.

Fees from maintenance of customer accounts increased by KZT 933 million, or 38.8 per cent., to KZT 3,340 million for 2009 from KZT 2,407 million for 2008, primarily due to the "one off" recognition of income in 2009 in respect of customer accounts, the balances of which had not been claimed since 1 April 2004 such that the accounts were classified as inactive in connection with the optimisation of the customer database in the Bank's transactional systems (although, in the event that any customer proves a claim in respect of monies previously held in a closed inactive account, the Bank will satisfy such claim). Fees from maintenance of customer accounts increased, in 2008, by KZT 974 million, or 68.0 per cent., from KZT 1,433 million for 2007, primarily due to the overall growth in the Bank's transactional business, as well as the introduction of annual fees on inactive customer accounts.

Fees from plastic cards maintenance increased by KZT 786 million, or 32.9 per cent., to KZT 3,172 million for 2009, from KZT 2,386 million for 2008, after having increased in 2008 by KZT 811 million, or 51.5 per cent., from KZT 1,575 million for 2007. These year-on-year increases were, in each case, primarily a result of the continuing growth in the number of plastic cards issued by the Bank.

Fee and Commission Expense

The following table sets out information on the Bank's fee and commission expense for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Plastic cards	769	731	682	38	5.2	49	7.2
Commission paid to collectors	591	223	—	368	165.0	223	—
Bank transfers	170	126	182	44	34.9	(56)	(30.8)
Foreign currency operations	127	140	141	(13)	(9.3)	(1)	(0.7)
Other	499	461	250	38	8.2	211	84.4
Fee and commission expense, total	**2,156**	**1,681**	**1,255**	**475**	**28.3**	**426**	**33.9**

Fee and commission expense increased by KZT 475 million, or 28.3 per cent., to KZT 2,156 million for 2009 from KZT 1,681 million for 2008, after having increased in 2008 by KZT 426 million, or 33.9 per cent., from KZT 1,255 million for 2007. These year-on-year increases were, in each case, mainly attributable to the commissions paid to bad debt collection agencies as the Bank increased its co-operation with collection agencies to improve its bad debt recoveries.

Other Non-Interest Income

The following table sets out certain information on the Bank's other non-interest income for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	1,392	(9,650)	3,365	11,042	114.4	(13,015)	—
Net realised gain from available-for-sale investment securities	109	223	623	(114)	(51.1)	(400)	(64.2)
Net gain from redemption of debt securities issued	1,120	2,439	—	(1,319)	(54.1)	2,439	100.0
Dealing, net[(1)]	10,971	7,262	6,861	3,709	51.1	401	5.8
Translation differences, net[(1)]	469	4,491	(1,414)	(4,022)	(89.6)	5,905	—
Insurance underwriting income	8,803	9,198	5,920	(395)	(4.3)	3,278	55.4
Share in net loss of associates	(27)	(35)	(31)	8	(22.9)	(4)	12.9
Other income	1,331	2,303	1,817	(972)	(42.2)	486	26.7
Other non-interest income, total	**24,168**	**16,231**	**17,141**	**7,937**	**48.9**	**(910)**	**(5.3)**

Note:
(1) Comprises net gain on foreign exchange operations.

Total other non-interest income increased by KZT 7,937 million, or 48.9 per cent., to KZT 24,168 million for 2009 from KZT 16,231 million for 2008, after having decreased in 2008 by KZT 910 million, or 5.3 per cent., from KZT

17,141 million for 2007. The year-on-year increase for 2009, compared to 2008, was primarily due to the increases in the net gain from financial assets and liabilities at fair value through profit or loss and in the net gain from dealing in foreign currencies, partially offset by decreases in the net gain from translation differences and the net gain from redemption of debt securities issued, while the year-on-year decrease for 2008, compared to 2007, primarily reflected the net loss from financial assets and liabilities at fair value through profit or loss realised in 2008, compared to the net gain from financial assets and liabilities at fair value through profit or loss realised in 2007, partially offset by the net gain from redemption of debt securities issues realised in 2008, the net gain from translation differences realised in 2008, compared to the net loss from translation differences incurred in 2007, and the year-on-year increase in insurance underwriting income.

Net gain/(loss) from financial assets and liabilities at fair value through profit or loss increased by KZT 11,042 million to a net gain of KZT 1,392 million for 2009 from a net loss of KZT 9,650 million for 2008, primarily due to the improving conditions in the global financial markets, while net gain/(loss) from financial assets and liabilities at fair value through profit or loss decreased by KZT 13,015 million in 2008 from a net gain of KZT 3,365 million for 2007, mainly due to the "one-off" losses on foreign exchange derivative positions incurred in 2008, as well as losses on the securities portfolio as a result of an upwards shift in the Tenge yield curve and losses from the revaluation of foreign exchange swap transactions.

Net gain from the redemption of debt securities issued decreased by KZT 1,319 million, or 54.1 per cent., to KZT 1,120 million for 2009 from KZT 2,439 million for 2008, primarily reflecting the lower amounts of debt securities repurchased by the Bank in 2009. The net gain of KZT 2,439 million in 2008 was attributable to a series of repurchases of domestic and international debt securities issued.

Net gains from dealing in foreign currencies increased by KZT 3,709 million, or 51.1 per cent., to KZT 10,971 million for 2009 from KZT 7,262 million for 2008, after having increased in 2008 by KZT 401 million, or 5.8 per cent., from KZT 6,861 million for 2007. These year-on-year increases, in each case, mainly reflected the increases in the volume of foreign exchange transactions conducted for customers, particularly, in 2009, when both volumes and spreads on such transactions increased following the devaluation of the Tenge.

Net gain from translation differences decreased by KZT 4,022 million, or 89.6 per cent., to KZT 469 million for 2009 from KZT 4,491 million for 2008, after having increased in 2008 by KZT 5,905 million from a net loss of KZT 1,414 million for 2007, in each case, reflecting corresponding changes in the structure of the Bank's balance sheet, as well as in prevailing exchange rates.

Insurance underwriting income decreased by KZT 395 million, or 4.3 per cent., to KZT 8,803 million for 2009 from KZT 9,198 million for 2008, after having increased in 2008 by KZT 3,278 million, or 55.4 per cent., from KZT 5,920 million for 2007. These year-on-year variations primarily reflected fluctuations in the volume of the Bank's insurance business conducted through its subsidiaries, Kazakhinstrakh and Halyk Life, in line with market conditions. See "*Business of the Bank—Other Banking Activities—Insurance - Kazakhinstrakh and Halyk Life*".

Other income decreased by KZT 972 million, or 42.2 per cent., to KZT 1,331 million for 2009 from KZT 2,303 million for 2008, after having increased in 2008 by KZT 486 million, or 26.7 per cent., from KZT 1,817 million for 2007.

Non-Interest Expenses

The following table sets out the composition of the Bank's non-interest expenses for the periods indicated:

	For the years ended 31 December			**Variations**			
	2009	**2008**	**2007**	**2009/2008**		**2008/2007**	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Operating expenses	(44,509)	(44,325)	(37,842)	(184)	0.4	(6,483)	17.1
(Provisions)/recoveries of provisions(1)	(1,221)	(987)	997	(234)	23.7	(1,984)	(199.0)
Losses incurred from management of pension assets	—	(7,209)	—	7,209	(100.0)	(7,209)	100.0
Insurance claims incurred, net of reinsurance	(4,082)	(4,951)	(2,152)	869	(17.6)	(2,799)	130.1
Non-interest expenses, total	**(49,812)**	**(57,472)**	**(38,997)**	**7,660**	**(13.3)**	**(18,475)**	**47.4**

Note:
(1) Provisions represent provisions against letters of credit and guarantees issued.

Non-interest expenses decreased by KZT 7,660 million, or 13.3 per cent., to KZT 49,812 million for 2009 from KZT 57,472 million for 2008, after having increased in 2008 by KZT 18,475 million, or 47.4 per cent., from KZT 38,997 million for 2007. The year-on-year decrease in 2009, compared to 2008, was mainly attributable to the improved performance of Halyk Pension Fund in 2009 as a result of the overall improvement in prevailing market conditions, as well as the year-on-year decrease in insurance claims incurred, net of reinsurance, while the increase in 2008, compared to 2007, was attributable to the non-recurring losses incurred from the management of pension fund assets, the net additional provisions recognised in 2008 (as compared to the net recovery of provisions in 2007) and the increases in operating expenses (as more fully described below) and in insurance claims incurred, net of reinsurance.

Operating Expenses

The following table sets out information on the Bank's operating expenses for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Salaries and other employee benefits	18,684	20,484	19,681	(1,800)	(8.8)	803	4.1
Depreciation and amortisation expenses	5,979	5,040	3,366	939	18.6	1,674	49.7
Impairment of property and equipment	3,189	485	—	2,704	557.5	485	100.0
Deposit insurance	2,781	1,567	1,814	1,214	77.5	(247)	(13.6)
Repair and maintenance	1,917	2,780	1,238	(863)	(31.0)	1,542	124.6
Taxes other than income tax	1,831	2,254	1,949	(423)	(18.8)	305	15.6
Rent	1,508	1,772	1,342	(264)	(14.9)	430	32.0
Security	1,334	1,079	803	255	23.6	276	34.4
Communication	1,220	1,328	1,118	(108)	(8.1)	210	18.8
Insurance agency fees	1,217	1,190	950	27	2.3	240	25.3
Information services	954	591	493	363	61.4	98	19.9
Stationery and office supplies	617	397	483	220	55.4	(86)	(17.8)
Advertisement	548	1,500	1,012	(952)	(63.5)	488	48.2
Business trip expenses	421	657	676	(236)	(35.9)	(19)	(2.8)
Transportation	377	455	416	(78)	(17.1)	39	9.4
Professional services	310	815	779	(505)	(62.0)	36	4.6
Charity	56	100	65	(44)	(44.0)	35	53.8
Hospitality expenses	48	66	—	(18)	(27.3)	66	100.0
Social events	25	123	174	(98)	(79.7)	(51)	(29.3)
Other	1,493	1,642	1,483	(149)	(9.1)	159	10.7
Operating expenses, total	**44,509**	**44,325**	**37,842**	**184**	**0.4**	**6,483**	**17.1**

Operating expenses increased by KZT 184 million, or 0.4 per cent., to KZT 44,509 million for 2009, from KZT 44,325 million for 2008, after having increased in 2008 by KZT 6,483 million, or 17.1 per cent., from KZT 37,842 million for 2007.

The increase in operating expenses for 2009, compared to 2008, primarily reflected increases in impairment of property and equipment, deposit insurance and depreciation and amortisation expenses, partially offset by the decrease in salaries and other employee benefits. Depreciation and amortisation expenses increased by KZT 939 million, or 18.6 per cent., to KZT 5,979 million for 2009 from KZT 5,040 million for 2008, mainly due to an increase in depreciation and amortisation expense in buildings, computer equipment and other fixed assets in line with the increase in the Bank's fixed assets. The increase in impairment of property and equipment for 2009, compared to 2008, was due to a "one-off" negative revaluation of the Bank's property and equipment. Deposit insurance expenses increased by KZT 1,214 million, or 77.5 per cent., to KZT 2,781 million for 2009 from KZT 1,567 million for 2008, mainly due to the growing volume of retail deposits. Salaries and other employee benefits decreased by KZT 1,800 million, or 8.8 per cent., to KZT 18,684 million for 2009 from KZT 20,484 million for 2008, mainly due to a decrease in the number of employees and other personnel cost-cutting measures.

The increase in operating expenses for 2008, compared to 2007, was due to increases in most expenses, particularly depreciation and amortisation expenses, repair and maintenance and salaries and other employee benefits. Salaries and other employee benefits increased in 2008 by KZT 803 million, or 4.1 per cent., to KZT 20,484 million for 2008 from KZT 19,681 million for 2007, mainly due to an increase in the number of employees, as well as in salary levels driven by inflation over the period. Depreciation and amortisation expenses increased in 2008 by KZT 1,674 million, or 49.7 per cent., to KZT 5,040 million for 2008 from KZT 3,366 million for 2007, mainly due to an increase in depreciation and amortisation expenses on computer equipment, intangible assets and other fixed assets in line with the increase in the Bank's fixed assets. Repair and maintenance expenses increased in 2008 by KZT 1,542 million, or 124.6 per cent., to KZT 2,780 million for 2008 from KZT 1,238 million for 2007, primarily reflecting increased expenses for maintenance of the Bank's branches, ATMs and office equipment, as well as increased repair and maintenance expenses at the Bank's subsidiaries.

Taxation

The Bank reported income tax expenses of KZT 3,253 million for 2009, KZT 1,624 million for 2008 and KZT 10,642 million for 2007.

The Bank's effective tax rate was 17.0 per cent., 10.0 per cent. and 20.8 per cent. for 2009, 2008 and 2007, respectively. The Bank's effective tax rate was higher for 2009, compared to 2008, primarily due to a decrease in tax-exempt income from the Government and other qualifying securities, while the Bank's effective tax rate was lower for 2008, compared to 2007, due to an increase of the share of tax-exempt income in the Bank's income before income tax expense. The Bank's effective tax rate is lower than the statutory tax rate as certain interest income, principally interest on the Government and other qualifying securities, is not taxable. Furthermore, before 1 January 2008, interest income on mortgage loans was also not taxable. In addition, income received by insurance companies is subject to income tax at a relatively low rate of 4.0 per cent. See "*—Key Factors Affecting the Bank's Results of Operations*".

The following table sets out certain information on the Bank's income tax expense for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Current tax charge	5,007	812	9,495	4,195	516.6	(8,683)	(91.4)
Deferred tax expense/(benefit) resulting from changes in tax rates	295	(1,226)	—	1,521	—	(1,226)	(100.0)
Deferred tax (benefit)/expense	(2,049)	2,038	1,147	(4,087)	—	891	77.7
Income tax expense	**3,253**	**1,624**	**10,642**	**1,629**	**100.3**	**(9,018)**	**(84.7)**

The Bank had a net deferred tax benefit of KZT 2,049 million for 2009, primarily due to the tax effect of deductible temporary differences arising from the fair value of derivatives, losses carried forward and accruals for vacation leave, as well as the tax effect of taxable temporary differences arising from allowance for impairment losses on loans to customers and depreciation accrued on property and equipment.

The Bank had a net deferred tax expense of KZT 2,038 million for 2008, primarily due to the tax effect of deductible temporary differences arising from the fair value of derivatives, as well as the tax effect of taxable temporary differences arising from depreciation accrued on property and equipment and allowance for impairment losses on loans to customers.

The Bank had a net deferred tax expense of KZT 1,147 million for 2007, primarily due to the tax effect of deductible temporary differences arising from accrued bonuses, as well as the tax effect of taxable temporary differences arising from allowance for impairment losses on loans to customers and depreciation accrued on property and equipment.

For further information on the Bank's deferred tax assets and liabilities, see Note 23 to the Audited Financial Statements.

Capital Expenditures

The following table sets out information on the Bank's capital expenditures for the periods indicated:

	For the years ended 31 December			Variations			
	2009	2008	2007	2009/2008		2008/2007	
		(KZT millions)		*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Buildings and constructions	15,228	2,510	1,654	12,718	506.7	856	51.8
Vehicles	148	231	314	(83)	(35.9)	(83)	(26.4)
Computer and banking equipment	1,496	5,314	4,185	(3,818)	(71.8)	1,129	27.0
Other fixed assets	5,663	5,883	3,627	(220)	(3.7)	2,256	62.2
Intangible assets	2,730	4,649	2,821	(1,919)	(41.3)	1,828	64.8
Capital expenditures[(1)],total	**25,265**	**18,587**	**12,601**	**6,678**	**35.9**	**5,986**	**47.5**

Note:

(1) Additions to the Bank's property and equipment and intangible assets.

Capital expenditures increased by KZT 6,678 million, or 35.9 per cent., to KZT 25,265 million for 2009 from KZT 18,587 million for 2008, primarily due to an increase in expenditures on buildings and constructions by KZT 12,718 million, or 506.7 per cent., to KZT 15,228 million for 2009 from KZT 2,510 million for 2008. The high level of investment in buildings and constructions in 2009 resulted from the construction of the Bank's new headquarters building, which was completed at the end of 2009. This increase was partially offset by reduced expenditures on computer and banking equipment, intangible assets, other fixed assets and vehicles.

Capital expenditures increased in 2008 by KZT 5,986 million, or 47.5 per cent., for 2008 from KZT 12,601 million for 2007, primarily due to an increase in expenditures on intangible assets by KZT 1,828 million, or 64.8 per cent., to KZT 4,649 million for 2008 from KZT 2,821 million for 2007, primarily to finance improvements in the Bank's software and information technology infrastructure. Expenditures on computer and banking equipment increased by KZT 1,129 million, or 27.0 per cent., to KZT 5,314 million for 2008 from KZT 4,185 million for 2007, as the Bank continued to upgrade its computer and server systems. Expenditures on buildings and constructions also increased by KZT 856 million, or 51.8 per cent., to KZT 2,510 million for 2008 from KZT 1,654 million for 2007, primarily as a result of the Bank's branch network expansion.

SELECTED STATISTICAL AND OTHER INFORMATION

The following discussion sets out information with respect to the assets, liabilities and equity of the Bank, together with certain selected statistical information, ratios and other data that have been extracted, subject to rounding, without material adjustment from the Audited Financial Statements and the Unaudited Interim Financial Statements, in each case, including the notes thereto, which are included elsewhere in this Prospectus, and from management reports and accounting records. The discussions and selected statistical information and other data set forth below should be read in conjunction with, and are qualified in their entirety by reference to, the Audited Financial Statements and the Unaudited Interim Financial Statements, in each case, including the notes thereto, as well as the information set forth under the caption "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"*, all included elsewhere in this Prospectus. Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge.*

Total Assets

The Bank's total assets increased by KZT 40,881 million, or 2.0 per cent., to KZT 2,063,890 million as at 30 September 2010 from KZT 2,023,009 million as at 31 December 2009, after having increased, in 2009, by KZT 371,660 million, or 22.5 per cent., from KZT 1,651,349 million as at 31 December 2008 and, in 2008, by KZT 56,274 million, or 3.4 per cent., from KZT 1,595,075 million as at 31 December 2007. The increase as at 30 September 2010, compared to 31 December 2009, was mainly attributable to increases in available-for-sale investment securities and in investments held-to-maturity, partially offset by decreases in cash and cash equivalents, in amounts due from credit institutions and in loans to customers. The increase as at 31 December 2009, compared to 31 December 2008, was mainly attributable to increases in cash and cash equivalents, in amounts due from credit institutions and in available-for-sale investment securities, partially offset by the decrease in loans to customers. The increase as at 31 December 2008, compared to 31 December 2007, was mainly attributable to increases in loans to customers, in property and equipment and in available-for-sale investment securities, partially offset by decreases in cash and cash equivalents, in obligatory reserves and in financial assets at fair value through profit or loss. See "*—Loan Portfolio*", "*—Amounts due from Credit Institutions*" and "*—Securities Portfolio*".

Cash and cash equivalents decreased by KZT 235,972 million, or 49.1 per cent., to KZT 244,650 million as at 30 September 2010 from KZT 480,622 million as at 31 December 2009, primarily due to the decrease in balances of short-term deposits with NBK, as well as in balances of correspondent accounts, short-term and overnight deposits with OECD-based banks. Cash and cash equivalents increased by KZT 319,534 million, or 198.4 per cent., in 2009, from KZT 161,088 million as at 31 December 2008, primarily due to the higher level of deposits held for both existing clients and new depositors that moved to the Bank during 2009, as well as increases in balances of the Bank's overnight deposits with OECD-based banks and short-term deposits with NBK. Cash and cash equivalents decreased by KZT 94,157 million, or 36.9 per cent., in 2008 from KZT 255,245 million as at 31 December 2007, mainly due to the decrease in balances of the Bank's overnight and short-term deposits with OECD-based banks. See "*—Funding Sources*".

Total Liabilities

The Bank's total liabilities increased by KZT 12,604 million, or 0.7 per cent., to KZT 1,754,661 million as at 30 September 2010 from KZT 1,742,057 million as at 31 December 2009, after having increased, in 2009, by KZT 281,763 million, or 19.3 per cent., from KZT 1,460,294 million as at 31 December 2008 and, in 2008, by KZT 26,244 million, or 1.8 per cent., from KZT 1,434,050 million as at 31 December 2007. The increase as at 30 September 2010, compared to 31 December 2009, was mainly attributable to the increase in amounts due to customers, which reflected the increase in both the corporate and retail deposit base, partially offset by the decrease in bank borrowings from credit institutions. The decrease in bank borrowings from credit institutions was largely due to decreases in the volume of Treasury Bills of the Ministry of Finance of Kazakhstan and in the level of repo transactions conducted through the KASE, as well as the decrease in loans and deposits from Kazakhstan and OECD-based banks, which, in turn, resulted largely from the repayment by the Bank of trade finance and commercial loans in accordance with their repayment schedules. The increase as at 31 December 2009, compared to 31 December 2008, was primarily attributable to the increase in amounts due to customers, which mainly reflected increases in the corporate deposit base and, to a lesser extent, in the retail deposit base, partially offset by the decrease in amounts due to credit institutions, primarily as a result of the repayment of a U.S.$300 million syndicated loan on 2 September 2009 and the prepayment of two syndicated loans for U.S.$300 million and U.S.$400 million on 1 October 2009 and 27 October 2009, respectively. See "*—Funding Sources—Other Sources of Funding*". The increase as at 31 December 2008, compared to 31 December 2007, was primarily attributable to increases in amounts due to credit institutions, which primarily reflected borrowings under a U.S.$300 million syndicated loan in August 2008, as well as higher balances deposited by Kazakhstan banks, and in debt securities issued, which included, in particular, U.S.$500 million in senior notes placed with international institutional investors in April 2008, partially offset by the decrease in amounts due to customers. See "*—Funding Sources*".

Average Balances and Rates

The average balances included in this Prospectus are calculated as the average of the relevant monthly balances as at each month-end during the nine months ended 30 September 2010 and 2009 and as at each month-end during the years ended 31 December 2009, 2008 and 2007. Balances as at 30 September 2010 and 2009 have been derived from the Unaudited Interim Financial Statements, while balances as at 31 December 2009, 2008 and 2007 have been derived from the Audited Financial Statements. Balances as at the other month-ends, in each case, have been derived from the Bank's unaudited and consolidated management accounts prepared from the Bank's accounting records and used by the Bank's management for monitoring and control purposes. Calculation of average balances on a "weighted average" or "daily" basis could result in material differences from the figures set forth below and elsewhere in this Prospectus.

The following table sets out the average balances of the Bank's assets, as well as the rates and amounts of interest earned on interest-earning assets, for the periods indicated:

	For the nine months ended 30 September						For the years ended 31 December								
	2010			2009			2009			2008			2007		
	Average balance	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]
								(KZT millions)							
Interest-earning assets															
Loans to customers	1,101,783	120,128	14.8	1,205,616	137,231	15.5	1,189,981	178,521	15.0	1,121,680	173,402	15.5	788,383	116,147	14.7
KZT	519,282	61,487	16.1	573,196	71,965	17.1	563,761	92,638	16.4	671,049	114,170	17.0	428,702	71,614	16.7
Foreign currency	582,501	58,641	13.6	632,419	65,266	14.0	626,220	85,883	13.7	450,631	59,232	13.1	359,681	44,533	12.4
Amounts due from credit institutions[(2)]	374,665	2,323	0.8	377,022	3,368	1.2	393,942	4,514	1.1	283,056	8,865	3.1	108,975	6,093	5.6
KZT	126,965	1,387	1.5	48,325	2,055	5.7	85,295	3,853	4.5	16,280	1,796	11.0	21,349	1,168	5.5
Foreign currency	247,700	936	0.5	328,697	1,313	0.5	308,647	661	0.2	266,776	7,069	2.6	87,626	4,925	5.6
Debt securities	448,769	11,787	3.5	127,648	8,623	9.1	134,552	10,967	8.2	138,069	10,393	7.5	177,728	10,326	5.8
KZT	397,011	11,667	3.9	112,092	8,457	10.2	119,872	10,758	9.0	127,929	10,188	8.0	164,120	10,254	6.2
Foreign currency	51,758	120	0.3	15,556	166	1.4	14,680	209.3	1.4	10,140	205	2.0	13,608	72	0.5
Total interest-earning assets	1,925,217	134,238	9.4	1,710,285	149,222	11.8	1,718,475	194,001	11.3	1,542,805	192,660	12.5	1,075,086	132,566	12.3
KZT	1,043,258	74,541	9.6	733,613	82,477	15.3	768,928	107,249	13.9	815,258	126,154	15.5	614,171	83,036	13.5
Foreign currency	881,959	59,697	9.1	976,672	66,745	9.2	949,547	86,753	9.1	727,547	66,506	9.1	460,914	49,530	10.7
Non-interest- earning assets															
Cash and non-interest deposits	56,252			117,482			121,256			20,822			22,228		
Obligatory reserves	27,529			31,105			30,117			76,166			67,137		
Property and equipment	61,989			58,813			59,388			38,083			22,018		
Other non-interest- earning assets	53,229			55,829			55,280			43,998			23,466		
Total non-interest- earning assets	**198,999**			**263,229**			**266,041**			**179,069**			**134,849**		
Total assets	**2,124,216**			**1,973,514**			**1,984,516**			**1,721,874**			**1,209,935**		

Notes:

(1) Average rates on foreign currency assets are based on U.S. Dollar rates. Foreign currency assets are principally comprised of U.S. Dollars, but the Bank also has foreign currency assets denominated in other currencies of both OECD and non-OECD countries.

(2) Including overnight deposits and correspondent accounts.

The following table sets out the average balances of the Bank's liabilities, as well as the rates and amounts of interest paid on interest-bearing liabilities, for the periods indicated:

	For the nine months ended 30 September						For the years ended 31 December								
	2010			2009			2009			2008			2007		
	Average balance	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]	*Average balance*	*Interest*	*Average rate (%)*[(1)]
								(KZT millions)							
Interest-bearing liabilities															
Amounts due to credit institutions[(2)]	127,086	3,255	3.4	252,057	7,924	4.2	220,780	9,171	4.2	235,868	12,597	5.3	183,321	10,789	5.9
KZT	97,776	2,725	3.7	48,494	2,754	7.6	55,273	5,834	10.6	49,918	3,763	7.5	67,180	3,894	5.8
Foreign currency	29,310	530	2.4	203,563	5,170	3.4	165,507	3,337	2.0	185,950	8,834	4.8	116,141	6,895	5.9
Amounts due to customers	1,403,489	46,861	4.5	1,140,485	49,351	5.8	1,180,827	66,869	5.7	1,007,513	66,878	6.6	658,152	35,348	5.4
KZT	689,094	17,651	3.4	503,308	20,712	5.5	522,014	26,896	5.2	571,663	39,188	6.9	409,914	21,771	5.3
Foreign currency	714,395	29,210	5.5	637,177	28,639	6.0	658,813	39,973	6.1	435,850	27,690	6.4	248,238	13,577	5.5
Debt securities issued	261,170	16,662	8.6	301,798	21,500	9.6	294,298	27,237	9.3	264,210	21,278	8.1	201,190	15,395	7.7
KZT	52,649	4,019	10.3	60,435	4,836	10.8	59,376	6,245	10.5	77,034	8,315	10.8	84,283	6,538	7.8
Foreign currency	208,521	12,643	8.2	241,363	16,664	9.3	234,922	20,992	8.9	187,176	12,963	6.9	116,907	8,857	7.6
Total interest- bearing liabilities	1,791,745	66,778	5.0	1,694,340	78,775	6.2	1,695,905	103,277	6.1	1,507,591	100,753	6.7	1,042,663	61,532	5.9
KZT	839,519	24,395	3.9	612,237	28,302	6.2	636,663	38,975	6.1	698,615	51,266	7.3	561,377	32,203	5.7
Foreign currency	952,226	42,383	6.0	1,082,103	50,473	6.3	1,059,242	64,302	6.1	808,975	49,487	6.1	481,286	29,329	6.1
Non interest- bearing liabilities															
Tax liabilities	6,194			8,851			8,498			8,075			2,439		
Provisions	3,435			3,291			3,403			4,812			1,856		
Other non-interest bearing liabilities	28,819			27,866			26,542			23,170			19,901		
Total non-interest bearing liabilities	**38,448**			**40,008**			**38,443**			**36,057**			**24,196**		
Total liabilities	**1,830,193**			**1,734,348**			**1,734,348**			**1,543,648**			**1,066,859**		

Notes:

(1) Average rates on foreign currency liabilities are based on U.S. Dollar rates. Foreign currency liabilities are principally comprised of U.S. Dollars, but the Bank also has foreign currency liabilities denominated in other currencies of both OECD and non-OECD countries.

(2) Including amounts due to the Government.

Interest-Earning Assets, Yields, Margins and Spreads

The following table sets out the net interest income, yields, margins and spreads for the Bank for the periods indicated:

	For the nine months ended 30 September		For the years ended 31 December		
	2010	2009	2009	2008	2007
			(unaudited) *(KZT millions)*		
Net interest income before impairment charge					
KZT	50,146	63,323	79,396	74,888	50,833
Foreign currency	17,314	7,123	11,332	17,019	20,201
Total	**67,460**	**70,446**	**90,728**	**91,907**	**71,034**
			(%)		
Yield(1) (2) ***(per cent.)***					
KZT	9.6	15.3	13.9	15.5	13.5
Foreign currency	9.1	9.2	9.1	9.1	10.7
Average	9.4	11.8	11.3	12.5	12.3
Margin(2)(3) ***(per cent.)***					
KZT	6.5	10.0	8.9	9.2	8.3
Foreign currency	2.6	2.2	2.4	2.3	4.4
Average	4.7	5.5	5.3	6.0	6.6
Spread(4) ***(per cent.)***					
KZT	5.7	9.1	7.8	8.2	7.8
Foreign currency	3.1	2.9	3.0	3.0	4.6
Average	4.4	5.6	5.2	5.8	6.4

Notes:

(1) "Yield" is interest income as a percentage of average interest-earning assets, calculated from monthly averages for the nine months ended 30 September 2010 and 30 September 2009 and for the years ended 31 December 2009, 2008 and 2007.

(2) Annualised for the nine months ended 30 September 2010 and 2009.

(3) "Margin" is net interest income as a percentage of average interest-earning assets.

(4) "Spread" is the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.

Volume and Rate Analysis

The following table sets out certain information regarding changes in the Bank's interest income and interest expense due to changes in volumes of and rates on various components of the Bank's interest-earning assets and interest-bearing liabilities during the periods indicated:

	For the nine months ended 30 September			For the years ended 31 December					
	2010/2009 Increase/(Decrease) due to changes in			2009/2008 Increase/(Decrease) due to changes in			2008/2007 Increase/(Decrease) due to changes in		
	Volume[1]	Rate[2]	Total[3]	Volume[1]	Rate[2]	Total[3]	Volume[1]	Rate[2]	Total[3]
					(unaudited)				
Interest income									
Attributable to:					*(KZT millions)*				
Loans to customers									
KZT	(6,769)	(3,709)	(10,478)	(18,254)	(3,278)	(21,532)	40,484	2,072	42,556
Foreign currency	(5,152)	(1,473)	(6,625)	23,080	3,571	26,651	11,261	3,438	14,699
Amounts due from credit institutions									
KZT	3,344	(4,012)	(668)	7,614	(5,557)	2,057	(277)	905	628
Foreign currency	(324)	(53)	(377)	1,109	(7,517)	(6,408)	10,069	(7,925)	2,144
Debt securities									
KZT	21,496	(18,286)	3,210	(642)	1,212	570	(2,261)	2,195	(66)
Foreign currency	386	(432)	(46)	92	(88)	4	(18)	151	133
Total interest income	**12,981**	**(27,965)**	**(14,984)**	**12,999**	**(11,657)**	**1,342**	**59,258**	**836**	**60,094**
Interest expenses									
Attributable to:									
Amounts due to credit institutions									
KZT	2,799	(2,828)	(29)	404	1,667	2,071	(1,001)	870	(131)
Foreign currency	(4,426)	(214)	(4,640)	(971)	(4,526)	(5,497)	4,144	(2,205)	1,939
Amounts due to customers									
KZT	7,645	(10,706)	(3,061)	(3,403)	(8,889)	(12,292)	8,591	8,826	17,417
Foreign currency	3,471	(2,900)	571	14,165	(1,882)	12,283	10,261	3,852	14,113
Debt securities issued									
KZT	(623)	(194)	(817)	(1,906)	(164)	(2,070)	(562)	(2,339)	(1,777)
Foreign currency	(2,267)	(1,754)	(4,021)	3,307	4,722	8,029	5,324	(1,218)	4,106
Total interest expenses	**6,599**	**(18,596)**	**(11,997)**	**11,596**	**(9,072)**	**2,524**	**26,757**	**12,464**	**39,221**
Net changes in net interest income	**6,384**	**(9,369)**	**(2,987)**	**1,403**	**(2,585)**	**(1,182)**	**32,501**	**(11,628)**	**20,873**

Notes:
(1) Changes in volume are changes in average outstanding balances multiplied by the prior period's average interest rate.
(2) Changes in rate are changes in average interest rate multiplied by the average outstanding balances at the end of the period.
(3) Net changes attributable to changes in both volume and interest rate have been allocated proportionately to the changes in volume and the changes in interest rate.

Net interest income before impairment charge decreased by KZT 2,987 million for the nine months ended 30 September 2010, compared to the nine months ended 30 September 2009. This decrease was primarily due to the decreases in the average balances of loans to customers and in amounts due from credit institutions, as well as the lower interest rate environment. See "—*Loan Portfolio*". Net interest income before impairment charge decreased by KZT 1,182 million for the year ended 31 December 2009, compared to the same period in 2008, mainly due to increased average balances of interest-bearing liabilities, resulting in higher interest paid on them. Net interest income before impairment charge increased by KZT 20,873 million for the year ended 31 December 2008, compared to the same period in 2007, primarily due to the increase in the average balances of the Bank's interest-earning assets, as well as the higher interest rate environment.

Loan Portfolio

Loans to customers represent the largest part of the Bank's assets. Total loans to customers, net of allowance for loan impairment, represented 53.0 per cent. of total assets as at 30 September 2010, as compared to 56.0 per cent. as at 31 December 2009, 72.0 per cent. as at 31 December 2008 and 65.2 per cent. as at 31 December 2007. Total loans to customers, net of allowance for loan impairment, decreased by KZT 38,997 million, or 3.4 per cent., to KZT 1,094,238 million as at 30 September 2010 from KZT 1,133,235 million as at 31 December 2009, after having decreased, in 2009, by KZT 55,045 million, or 4.6 per cent., from KZT 1,188,280 million as at 31 December 2008 and having increased, in 2008, by KZT 148,007 million, or 14.2 per cent., from KZT 1,040,273 million as at 31 December 2007.

Loans to the Bank's ten largest borrowers represented 20 per cent. of total loans to customers, before allowance for loan impairment, as at 30 September 2010, as compared to 19 per cent. as at 31 December 2009, 16 per cent. as at 31 December 2008 and 15 per cent. as at 31 December 2007. As at 30 September 2010, the Bank's exposure to its single largest borrower was KZT 37,697 million, which represented 2.8 per cent. of total loans to customers, before allowance for loan impairment, compared to 3.6 per cent. as at 31 December 2009, 3.3 per cent. as at 31 December 2008 and 2.3 per cent. as at 31 December 2007.

For a discussion of the average interest rates on the Bank's loan portfolio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Loans by Sector

The following table sets out an analysis of the Bank's gross loan portfolio, by economic sector, as at the dates indicated:

	As at 30 September 2010		**As at 31 December**					
			2009		**2008**		**2007**	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Retail loans								
Mortgage loans	137,582	10.3	149,442	11.1	158,078	12.1	160,663	14.6
Consumer loans	134,614	10.1	149,073	11.1	188,542	14.5	161,611	14.7
Wholesale trade[(1)]	313,724	23.5	271,719	20.3	251,654	19.3	223,549	20.4
Construction	182,804	13.7	190,819	14.2	166,788	12.8	147,908	13.5
Services	100,380	7.5	94,606	7.1	134,499	10.3	59,921	5.5
Real estate	99,857	7.4	94,513	7.1	65,793	5.1	40,141	3.7
Retail trade	94,662	7.1	100,359	7.5	106,063	8.1	87,650	8.0
Agriculture	79,195	5.9	105,034	7.8	73,538	5.6	67,112	6.1
Metallurgy	45,656	3.4	40,768	3.0	36,009	2.8	29,913	2.7
Food industry	28,515	2.1	31,435	2.4	25,285	1.9	16,439	1.5
Transportation	25,026	1.9	22,398	1.7	21,560	1.7	9,679	0.9
Hotel industry	21,260	1.6	22,082	1.7	14,279	1.1	10,122	0.9
Oil and gas	19,543	1.4	22,601	1.7	23,297	1.8	30,289	2.8
Energy	18,583	1.4	11,180	0.8	11,072	0.9	6,236	0.6
Machinery	7,807	0.6	7,305	0.5	4,396	0.3	7,296	0.7
Mining	5,916	0.4	4,474	0.3	5,043	0.4	9,343	0.8
Communication	112	0.0	702	0.1	1,785	0.1	1,323	0.1
Consumer goods and automobile trading	—	—	—	—	91	0.0	9,683	0.9
Research and development	—	—	—	—	—	—	505	0.0
Other	22,291	1.7	21,826	1.6	15,560	1.2	17,587	1.6
Loans to customers before allowance for loan impairment	**1,337,527**	**100.0**	**1,340,336**	**100.0**	**1,303,332**	**100.0**	**1,096,970**	**100.0**

Note:

(1) "Wholesale trade" includes trade with fast moving consumer goods (various household chemical goods), food and beverages, wheat and corn, gasoline and other fuel, pharmaceutical products, automobile spare parts, clothes and other items.

Loans to customers in the wholesale trade sector, which have historically accounted for the largest portion of loans to customers, accounted for 23.5 per cent. of the total gross loan portfolio as at 30 September 2010, compared to 20.3 per cent., 19.3 per cent. and 20.4 per cent. as at 31 December 2009, 2008 and 2007, respectively. In absolute terms, loans to wholesale trade customers have increased steadily in recent years to KZT 313,724 million as at 30 September 2010, from KZT 271,719 million as at 31 December 2009, KZT 251,654 million as at 31 December 2008 and KZT 223,549 million as at 31 December 2007, in part reflecting the Bank's strategy to expand its trade finance business. Management expects that this sector will continue to be the primary driver of growth in the Bank's loan portfolio in the near future.

Other economic sectors comprising significant components of the loan portfolio include construction (13.7 per cent. of the gross loan portfolio as at 30 September 2010), retail mortgage loans (10.3 per cent.), consumer loans (10.1 per cent.), services (7.5 per cent.), real estate (7.4 per cent.) and retail trade (7.1 per cent.).

Loans by Borrower

The Bank serves a large number of SMEs and large corporations, as well as individuals, mainly in Kazakhstan.

The following table sets out an analysis of the Bank's gross loan portfolio by type of borrower, as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited) *(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Large corporations[(1) (3)]	868,822	65.0	836,216	62.4	747,370	57.3	566,255	51.6
Small-and medium-sized businesses[(2)(3)]	196,509	14.7	205,605	15.3	209,342	16.1	208,441	19.0
Individuals	272,196	20.3	298,515	22.3	346,620	26.6	322,274	29.4
Loans to customers before allowance for loan impairment	**1,337,527**	**100.0**	**1,340,336**	**100.0**	**1,303,332**	**100.0**	**1,096,970**	**100.0**

Notes:
(1) See "*Business—Principal Business Activities—Corporate Banking—Customer Segmentation*".
(2) See "*Business—Principal Business Activities—SME Banking—Customer Segmentation*".
(3) Unaudited.

Loans to large corporations have historically accounted for the largest portion of total loans to customers, representing 65.0 per cent. of the total loan portfolio as at 30 September 2010, compared to 62.4 per cent. as at 31 December 2009, 57.3 per cent. as at 31 December 2008 and 51.6 per cent. as at 31 December 2007. The loans to large corporations have also increased in absolute terms, increasing by KZT 32,606 million, or 3.9 per cent., to KZT 868,822 million as at 30 September 2010 from KZT 836,216 million as at 31 December 2009, after having increased by KZT 88,846 million, or 11.9 per cent., in 2009 from KZT 747,370 million as at 31 December 2008 and by KZT 181,115 million, or 32.0 per cent., in 2008 from KZT 566,255 million as at 31 December 2007. These increases in loans to large corporations, both as a percentage of the loan portfolio and in absolute terms, were mainly due to the fact that large corporations were less affected by the financial crisis and tend to recover sooner than small and medium-sized businesses and individuals.

Loans to small- and medium-sized businesses decreased by KZT 9,096 million, or 4.4 per cent., to KZT 196,509 million as at 30 September 2010 from KZT 205,605 million as at 31 December 2009, after having decreased by KZT 3,737 million, or 1.8 per cent., in 2009 from KZT 209,342 million as at 31 December 2008. In 2008, loans to small- and medium-sized businesses increased by KZT 901 million, or 0.4 per cent., from KZT 208,441 million as at 31 December 2007.

Loans to individuals decreased by KZT 26,319 million, or 8.8 per cent., to KZT 272,196 million as at 30 September 2010 from KZT 298,515 million as at 31 December 2009, after having decreased by KZT 48,105 million, or 13.9 per cent., in 2009 from KZT 346,620 million as at 31 December 2008. In 2008, loans to individuals increased by KZT 24,346 million, or 7.6 per cent., from KZT 322,274 million as at 31 December 2007.

Loans by Maturity

The following table sets out an analysis of the Bank's net loan portfolio by maturity as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited) *(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
On demand	35,095	3.2	35,843	3.2	8,620	0.7	9,384	0.9
Less than one month	111,421	10.2	54,867	4.8	46,261	3.9	6,024	0.6
Between one and three months	80,686	7.4	128,819	11.4	112,823	9.5	78,632	7.5
Between three months and one year	591,553	54.0	572,453	50.5	518,568	43.6	485,795	46.7
Between one and three years	142,342	13.0	153,680	13.6	238,355	20.1	201,576	19.4
Over three years	133,141	12.2	187,573	16.5	263,653	22.2	258,862	24.9
Loans to customers	**1,094,238**	**100.0**	**1,133,235**	**100.0**	**1,188,280**	**100.0**	**1,040,273**	**100.0**

Most of the loans that the Bank makes are short-term loans, which are loans maturing in one year or less. Short-term loans accounted for 74.8 per cent. of total loans as at 30 September 2010, as compared to 69.9 per cent. as at 31

December 2009, 57.7 per cent. as at 31 December 2008 and 55.7 per cent. as at 31 December 2007. The increasing percentage of short-term loans was as a result of the Bank's customers focusing more on working capital and less on longer-term investment projects in the context of the riskier economic conditions prevailing during the global financial crisis. See "*Asset, Liability and Risk Management—Maturity Analysis*".

Loans by Currency

The following table sets out an analysis of the Bank's net loan portfolio, by currency, as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	561,001	51.3	544,296	48.0	643,078	54.1	621,285	59.7
Foreign currencies[(1)]	533,237	48.7	588,939	52.0	545,202	45.9	418,988	40.3
Loans to customers	**1,094,238**	**100.0**	**1,133,235**	**100.0**	**1,188,280**	**100.0**	**1,040,273**	**100.0**

Note:

(1) The U.S. Dollar accounted for 95.2 per cent. of "foreign currencies" as at 30 September 2010, 93.8 per cent. as at 31 December 2009, 94.3 per cent. as at 31 December 2008 and 92.8 per cent. as at 31 December 2007.

The composition of the Bank's loan portfolio by currency has fluctuated in recent periods. As at 30 September 2010, Tenge-denominated loans comprised 51.3 per cent. of the Bank's loan portfolio, compared to 48.0 per cent. as at 31 December 2009, 54.1 per cent. as at 31 December 2008 and 59.7 per cent. as at 31 December 2007. Foreign currency-denominated loans are principally comprised of loans denominated in U.S. Dollars. Fluctuations in the Bank's loan portfolio by currency generally reflect the Bank's policy to match the currencies of its assets and liabilities.

In addition to reflecting the Bank's policy decision to increase its lending in Tenge in order to better match the level of its Tenge-denominated assets with its increasing Tenge-denominated liabilities, the increase in Tenge-denominated loans as at 30 September 2010, compared to 31 December 2009, principally reflected increased demand for Tenge-denominated loans as the Bank's borrowers shifted to shorter term working capital funding, which is typically denominated in Tenge as this is the operational currency of most of the Bank's borrowers. In addition, the Bank reduced the level of its foreign currency-denominated loans as at 30 September 2010, compared to 31 December 2009, in light of the FMSA's new requirement for banks to provision at increased levels in respect of foreign currency-denominated loans to customers that do not have sufficient levels of foreign currency income or hedging instruments in place to mitigate foreign exchange risk. See "*Asset, Liability and Risk Management—Interest Rate Risk*".

Increases in foreign currency-denominated loans as at 31 December 2009, compared to 31 December 2008, and as at 31 December 2008, compared to 31 December 2007, were primarily attributable to the Bank's policy decision to use its excess liquidity in foreign currencies to make foreign currency-denominated loans in order to match foreign currency-denominated assets with its foreign currency-denominated liabilities and thereby mitigate foreign exchange risk. In addition, the increase in foreign currency-denominated loans, in Tenge terms, as at 31 December 2009, compared to 31 December 2008, reflected the devaluation of the Tenge in February 2009.

Loans by Geographic Location

As at 30 September 2010, 93.3 per cent. of total loans to customers before allowance for loan impairment were to residents of Kazakhstan, compared to 92.7 per cent. as at 31 December 2009, 91.0 per cent. as at 31 December 2008 and 93.2 per cent. as at 31 December 2007.

Amounts Due from Credit Institutions

Amounts due from credit institutions generally represent a small percentage of the Bank's total assets (1.0 per cent. as at 30 September 2010, 2.8 per cent. as at 31 December 2009, 0.6 per cent. as at 31 December 2008 and 0.2 per cent. as at 31 December 2007), as deposits with other financial institutions are typically made for liquidity management purposes. In particular, term deposits with other credit institutions reflect the Bank's use of the interbank market to place excess liquidity for a relatively short period of time.

The following table sets out a breakdown of amounts due from credit institutions as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
	(unaudited)			
		(KZT millions)		
Deposits pledged as collateral for derivative instruments and other transactions	7,823	6,545	4,228	—
Term deposits	10,419	49,380	5,764	2,626
Loans to Kazakhstan credit institutions	2,246	185	382	790
	20,488	56,110	10,374	3,416
Less allowance for loan impairment	(6)	(9)	(17)	(18)
Amounts due from credit institutions	**20,482**	**56,101**	**10,357**	**3,398**

Amounts due from credit institutions decreased by KZT 35,619 million, or 63.5 per cent., to KZT 20,482 million as at 30 September 2010 from KZT 56,101 million as at 31 December 2009. This decrease was mainly attributable to the decreased balances of term deposits, which, in turn, was attributable to the expiry of several large term deposits that had been placed by the Bank with certain credit institutions.

Securities Portfolio

The Bank's securities portfolio consists of financial assets at fair value through profit or loss, including the fair value of derivatives, available-for-sale investment securities and held-to-maturity investment securities. The Bank classifies its investment securities depending upon the intent of the Bank at the time of purchase in line with its internal investment strategy and policy.

Effective 31 December 2008, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the Bank reclassified certain debt and equity securities with a total fair value of KZT 6,837 million from financial assets at fair value through profit or loss to available-for-sale investment securities (KZT 4,925 million) and to investments held-to-maturity (KZT 1,912 million). These reclassifications were made only for those securities, which suffered a significant loss of market liquidity as a result of the global financial crisis and which the Bank, accordingly, determined to hold for the foreseeable future or to maturity. The reclassified securities included bonds issued by the Development Bank of Kazakhstan, debt securities of foreign countries and organisations, mutual investment fund shares and equity securities of Kazakhstan corporations.

The following table sets out a breakdown of the Bank's securities portfolio, including the fair value of derivatives held as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
	(unaudited)			
		(KZT millions)		
Financial assets at fair value through profit or loss	6,412	8,528	14,987	48,073
Available-for-sale investment securities	398,036	200,221	135,801	107,839
Investments held-to-maturity	165,535	17,186	8,689	—
Total	**569,983**	**225,935**	**159,477**	**155,912**

As at 30 September 2010, the Bank's total securities portfolio increased by KZT 344,048 million, or 152.3 per cent., to KZT 569,983 million from KZT 225,935 million as at 31 December 2009, after having increased, in 2009, by KZT 66,458 million, or 41.7 per cent., from KZT 159,477 million as at 31 December 2008 and, in 2008, by KZT 3,565 million, or 2.3 per cent., from KZT 155,912 million as at 31 December 2007. These increases were, in each case, due to increases in the amounts of available-for-sale and held-to-maturity securities held by the Bank, partially offset by decreases in financial assets at fair value through profit or loss.

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or designated on initial recognition as those to be measured at fair value through profit or loss. After initial recognition, those assets are measured at fair value with gains or losses on re-measurement recognised at fair value in net profit or loss. Changes in the estimated fair value are included in the accompanying consolidated statements of income within gains less losses from securities. In determining fair value, financial assets at fair value through profit or loss are valued at the last trade price, if quoted on an exchange, or the last bid price, if traded over the counter. When market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or objective and reliable management estimates of the amounts that can be realised. See Note 3 to the Audited Financial Statements.

The following table sets out a breakdown of the Bank's portfolio of financial assets at fair value through profit or loss as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	**2009**	**2008**	**2007**
	(unaudited)			
		(KZT millions)		
Derivative financial instruments	5,088	5,179	6,441	3,477
Equity securities of Kazakhstan banks	826	1,012	665	1,682
Mutual investment fund shares	222	202	—	1,245
Corporate bonds	154	25	222	287
Bonds of Kazakhstan banks	103	—	615	942
Securities of foreign countries and organisations	19	602	—	6,225
Treasury Bills of the Ministry of Finance of Kazakhstan	—	—	5,514	32,161
Bonds of the Development Bank of Kazakhstan	—	—	—	1,964
Equity securities of Kazakhstan corporations	—	1,508	1,530	90
Financial assets at fair value through profit or loss	6,412	8,528	14,987	48,073
Subject to repurchase agreements	—	—	3,508	2,976

As at 30 September 2010, the Bank's financial assets at fair value through profit or loss decreased by KZT 2,116 million, or 24.8 per cent., to KZT 6,412 million from KZT 8,528 million as at 31 December 2009, primarily due to the disposal of equity securities of Kazakhstan corporations. In 2009, the Bank's financial assets at fair value through profit or loss decreased by KZT 6,459 million, or 43.1 per cent., from KZT 14,987 million as at 31 December 2008, mainly due to the repayment of maturing, and the disposal of outstanding, Treasury Bills of the Ministry of Finance of Kazakhstan. In 2008, the Bank's financial assets at fair value through profit or loss decreased by KZT 33,086 million, or 68.8 per cent., from KZT 48,073 million as at 31 December 2007, primarily as a result of repayment and disposal of Treasury Bills of the Ministry of Finance of Kazakhstan and securities of foreign countries and organisations, as well as the reclassification of commercial papers and bonds of the Development Bank of Kazakhstan as available-for-sale and held-to-maturity investments.

Available-for-Sale Investment Securities

Available-for-sale investment securities are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, as investments held-to-maturity, or are not held for trading and are not designated at fair value through profit or loss on initial recognition. Available-for-sale investment securities are initially recorded at fair value. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income. Interest calculated using the effective interest method and foreign exchange movements from debt securities are recognised in the consolidated statements of income. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, referenced to the current market value of another instrument which is substantially the same, and discounted cash flow analysis. See Note 3 to the Audited Financial Statements.

The following table sets out a breakdown of the Bank's portfolio of available-for-sale investment securities, by type of security, as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
	(unaudited)			
		(KZT millions)		
Treasury Bills of the Ministry of Finance of Kazakhstan	181,033	95,956	64,273	6,459
NBK notes	123,899	84,622	56,375	82,318
Corporate bonds	77,920	6,142	10,659	14,387
Securities of foreign countries and organisations	6,334	7,363	—	—
Bonds of Kazakhstan banks	3,364	1,168	763	3,047
Bonds of the Development Bank of Kazakhstan	2,636	2,514	2,213	—
Mutual investment funds shares	1,592	1,307	651	—
Equity securities of Kazakhstan corporations	1,568	1,446	670	1,381
Equity securities of Kazakhstan banks	427	57	—	—
Equity securities of foreign corporations	207	176	—	66
Treasury Bills of Kyrgyz Republic	193	200	197	101
Local municipal bonds	—	—	—	80
Available-for-sale investment securities	**399,173**	**200,951**	**135,801**	**107,839**
Less - Allowance for impairment	(1,137)	(730)	—	—
Available-for-sale investment securities	**398,036**	**200,221**	**135,801**	**107,839**
Subject to repurchase agreements	14,566	87,856	78,077	51,669

The Bank's available-for-sale investment securities increased by KZT 197,815 million, or 98.8 per cent., to KZT 398,036 million as at 30 September 2010, from KZT 200,221 million as at 31 December 2009, after having increased in 2009 by KZT 64,420 million, or 47.4 per cent., from KZT 135,801 million as at 31 December 2008 and, in 2008, by KZT 27,962 million, or 25.9 per cent., from KZT 107,839 million as at 31 December 2007. These increases as at 30 September 2010, compared to 31 December 2009, and as at 31 December 2009, compared to 31 December 2008, primarily reflected the Bank's continuing placement of its excess liquidity in Treasury Bills of the Ministry of Finance of Kazakhstan and NBK notes, as well as, in 2010, corporate bonds. The increase in available-for-sale investment securities as at 31 December 2008, compared to 31 December 2007, mainly reflected the reclassification of Treasury Bills of the Ministry of Finance of Kazakhstan from financial assets at fair value through profit or loss as available-for-sale investment securities, partially offset by the disposal of NBK notes.

Held-to-Maturity Investment Securities

Securities with fixed maturities and fixed or determinable payments that the Bank's management has both the positive intent and the ability to hold to maturity are classified as held-to-maturity. Held-to-maturity securities are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. See Note 3 to the Audited Financial Statements.

As at 30 September 2010, the Bank had investments held-to-maturity totalling KZT 165,535 million, as compared to KZT 17,186 million as at 31 December 2009 and KZT 8,689 million as at 31 December 2008. The Bank did not have any investments held-to-maturity as at 31 December 2007. The increase in investments held-to-maturity as at 30 September 2010, as compared to 31 December 2009, was mainly due to the Bank's reclassification of NBK notes with a total fair value of KZT 126,913 million as held-to-maturity securities (rather than available-for-sale investment securities) as the Bank revised its intention, and has the ability, to hold such notes until maturity.

Funding Sources

Amounts due to customers represent the largest part of the Bank's funding sources and historically the Bank has had a stable customer base, with a large number of corporate clients, including many of the country's leading industrial and natural resource sector companies and trading corporations, as well as small and medium-sized businesses and individual customers. As at 30 September 2010, amounts due to customers totalled KZT 1,370,150 million and, according to statistics published by the FMSA, (on an unconsolidated basis) represented 19.9 per cent. of total amounts due to customers in the Kazakhstan banking sector.

The availability of amounts due to customers is influenced by factors such as prevailing interest rates, market conditions and levels of competition, although the Bank believes that its customer base is relatively insensitive to short-term fluctuations in interest rates and more dependent on the Bank's ability to provide a good level of customer service and a range of banking products and services. Other sources of funding include foreign and local interbank borrowings and debt securities placed domestically and on the international markets.

The following table sets out information relating to the Bank's liabilities at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Amounts due to customers .	1,370,150	78.1	1,274,069	73.2	867,392	59.4	935,429	65.2
Term deposits	817,647	46.6	873,814	50.2	643,331	44.1	663,659	46.3
Current accounts............	552,503	31.5	400,255	23.0	224,061	15.3	271,770	18.9
Amounts due to credit institutions......................	83,236	4.7	172,706	9.9	289,608	19.8	247,452	17.3
Debt securities issued	261,885	14.9	263,893	15.1	262,991	18.0	224,886	15.7
Other[1]................................	39,390	2.3	31,389	1.8	40,303	2.8	26,283	1.8
Total liabilities	**1,754,661**	**100.0**	**1,742,057**	**100.0**	**1,460,294**	**100.0**	**1,434,050**	**100.0**

Note:
(1) Comprising financial liabilities at fair value through profit or loss, provisions, deferred tax liability, insurance liabilities and other liabilities.

Customer Accounts

Customer current accounts and term deposits represented 78.1 per cent. of the Bank's total liabilities as at 30 September 2010, as compared to 73.2 per cent. as at 31 December 2009, 59.4 per cent. as at 31 December 2008 and 65.2 per cent. as at 31 December 2007. Customer current accounts generally bear no interest and can be withdrawn on demand. Term deposits have maturities ranging from one day to in excess of five years and bear interest at different rates depending on the type of deposit. See "*Business of the Bank—Principal Business Activities—Retail Banking—Products and Services—Retail Current Accounts and Term Deposits*". As at 30 September 2010, according to statistics published by the FMSA, the Bank had the largest market share, representing 20.8 per cent., in the Kazakhstan retail deposit market.

Deposits by Account and Customer Type

The following table sets out a breakdown of the Bank's current and term deposits as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Term deposits								
Legal entities	468,241	34.2	556,287	43.7	384,832	44.4	381,139	40.8
Individuals.........................	349,406	25.5	317,527	24.9	258,499	29.8	282,520	30.2
	817,647	59.7	873,814	68.6	643,331	74.2	663,659	71.0
Current accounts								
Legal entities	452,600	33.0	317,702	24.9	151,713	17.5	196,618	21.0
Individuals.........................	99,903	7.3	82,553	6.5	72,348	8.3	75,152	8.0
	552,503	40.3	400,255	31.4	224,061	25.8	271,770	29.0
Amounts due to customers.....................	**1,370,150**	**100.0**	**1,274,069**	**100.0**	**867,392**	**100.0**	**935,429**	**100.0**

As at 30 September 2010, amounts due to customers increased by KZT 96,081 million, or 7.5 per cent., to KZT 1,370,150 million from KZT 1,274,069 million as at 31 December 2009, after having increased, in 2009, by KZT 406,667 million, or 46.9 per cent., from KZT 867,392 million as at 31 December 2008. In 2008, amounts due to customers decreased by KZT 68,037 million, or 7.3 per cent., from KZT 935,429 million as at 31 December 2007.

The increases in amounts due to customers as at 30 September 2010, compared to 31 December 2009, and as at 31 December 2009, compared to 31 December 2008, were primarily due to depositors moving their funds from other financial institutions to the Bank, reflecting the Bank's reputation in the market as a more stable and liquid financial institution, as well as organic growth in customer deposits from existing clients. As at 30 September 2010, the Bank also experienced a change in the mix of amounts due to customers as a result of both organic growth in current accounts, from both existing and new customers, the withdrawal of several term deposits by a large corporate client and the repayment of a large term deposit to Samruk-Kazyna, as well as the transfer by some customers of the Bank of term deposits into on demand current accounts as a result of the Bank's temporary decision to stop paying interest on term deposits of up to two months. See "*—Deposits by Maturity*".

Deposits by Currency

The following table sets out certain information relating to amounts due to customers in Tenge and foreign currencies as at the dates indicated:

	As at 30 September		**As at 31 December**					
	2010		**2009**		**2008**		**2007**	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Amounts due to customers in Tenge	737,783	53.8	569,663	44.7	465,863	53.7	548,136	58.6
Amounts due to customers in foreign currencies	632,367	46.2	704,406	55.3	401,529	46.3	387,293	41.4
Amounts due to customers	**1,370,150**	**100.0**	**1,274,069**	**100.0**	**867,392**	**100.0**	**935,429**	**100.0**

U.S. Dollar-denominated accounts represented 90.1 per cent. of amounts due to customers in foreign currencies as at 30 September 2010, as compared to 74.1 per cent. as at 31 December 2009, 90.3 per cent. as at 31 December 2008 and 90.3 per cent. as at 31 December 2007.

Tenge-denominated amounts due to customers (both current accounts and term deposits) increased as a percentage of total amounts due to customers to 53.8 per cent. as at 30 September 2010 from 44.7 per cent. as at 31 December 2009, as the economy began to recover and the Tenge stabilised following the global financial crisis. Conversely, amounts due to customers in foreign currencies increased to 55.3 per cent. as at 31 December 2009 from 46.3 per cent. as at 31 December 2008 and 41.4 per cent. as at 31 December 2007, primarily due to customers moving funds away from Tenge-denominated accounts in light of the global financial crisis.

Deposits by Maturity

The following table sets out information on the maturity profile of the Bank's amounts due to customers as at the dates indicated:

	As at 30 September		**As at 31 December**					
	2010		**2009**		**2008**		**2007**	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
On demand	553,588	40.4	392,946	30.9	225,889	26.0	258,322	27.6
Less than 1 month	107,653	7.8	80,803	6.4	208,134	24.0	164,571	17.6
1 to 3 months	256,976	18.8	122,606	9.6	52,001	6.0	112,974	12.1
3 months to 1 year	340,392	24.8	448,813	35.2	255,837	29.5	275,565	29.4
1 to 3 years	79,006	5.8	195,376	15.3	84,884	9.8	80,078	8.6
Over 3 years	32,535	2.4	33,525	2.6	40,647	4.7	43,919	4.7
Amounts due to customers	**1,370,150**	**100.0**	**1,274,069**	**100.0**	**867,392**	**100.0**	**935,429**	**100.0**

On demand (current) accounts increased by KZT 160,642 million, or 40.9 per cent., to KZT 553,588 million as at 30 September 2010 from KZT 392,946 million as at 31 December 2009, mainly due to the replenishment of current accounts by the Bank's corporate clients and the partial transfer of term deposits with maturities of up to three months into on demand accounts due to the Bank's temporary decision to stop paying interest on deposits, with maturities up to two months, from June through October 2010.

On 30 January 2009, the Bank received two term deposits for a total amount of KZT 120 billion from Samruk-Kazyna within the framework of the Government's programme aimed at stabilising the national economy and the financial system of Kazakhstan. One of the deposits in the amount of KZT 60 billion was placed with the Bank for three years and was intended for the financing and refinancing of projects in the real sector of the economy. The funds allocated by Samruk-Kazyna were used for financing of working capital and refinancing of indebtedness within strategically important industries of the Kazakhstan economy, such as food production, metallurgy, machine manufacturing, power industry, agriculture and trade. This deposit was fully pre-paid by the Bank on 18 June 2010. The pre-payment resulted in a decrease of one to three years deposits as at 30 September 2010, compared to 31 December 2009.

In February 2009, the Bank received a KZT 20.5 billion deposit for a 20-year term from Samruk-Kazyna, the proceeds of which were designated for the refinancing of mortgage loans to individuals at preferential rates. The Bank used this deposit to refinance 4,895 mortgage loans. See "*Business of the Bank—Principal Business Activities—Retail Banking—Products and Services—Retail Lending*".

Deposits by Sector

The following table sets out the composition of the Bank's customer accounts, by reference to the economic sector of the customer, as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Individuals and entrepreneurs	449,310	32.8	400,080	31.4	330,847	38.1	357,672	38.2
Oil and gas	322,753	23.5	369,987	29.1	279,458	32.2	206,185	22.0
Wholesale trade	117,099	8.5	80,858	6.4	50,832	5.9	57,105	6.1
Transportation	105,024	7.7	72,754	5.7	45,024	5.2	55,690	5.9
Construction	74,844	5.5	65,418	5.1	42,575	4.9	41,781	4.5
Other consumer services	66,308	4.8	85,684	6.7	14,044	1.6	55,889	6.0
Metallurgy	33,329	2.4	25,853	2.0	2,183	0.2	2,724	0.3
Government	22,053	1.6	85,245	6.7	1,350	0.2	47,130	5.0
Financial sector	21,596	1.6	47,342	3.7	51,035	5.9	57,573	6.2
Energy	21,268	1.6	20,573	1.6	28,440	3.3	32,552	3.5
Other	136,566	10.0	20,275	1.6	21,604	2.5	21,128	2.3
Total	**1,370,150**	**100.0**	**1,274,069**	**100.0**	**867,392**	**100.0**	**935,429**	**100.0**

The Bank's two largest sources of customer deposits are individuals and entrepreneurs, who accounted for 32.8 per cent. of total customer deposits as at 30 September 2010, as compared to 31.4 per cent., as at 31 December 2009, and the oil and gas sector, which accounted for 23.5 per cent. of total customer deposits as at 30 September 2010, as compared to 29.1 per cent. as at 31 December 2009. As at 30 September 2010, other significant sources of customer deposits included the wholesale trade sector (8.5 per cent.), the transportation sector (7.7 per cent.) and the construction sector (5.5 per cent.).

As at 30 September 2010, the Bank's ten largest customers accounted for 47 per cent. of total amounts due to customers, compared to 52 per cent. as at 31 December 2009, 50 per cent. as at 31 December 2008 and 45 per cent. as at 31 December 2007. The Bank believes that, in the event of withdrawal of funds, the Bank would be given sufficient notice so as to arrange for the necessary funds to enable repayment.

Other Sources of Funding

The Bank's international debt capital market financing is aimed at gradually reducing the Bank's most expensive liabilities and further diversifying and lengthening the maturity of the Bank's funding base.

Amounts due to Credit Institutions by Type of Account

The following table sets out certain information relating to amounts due to credit institutions, by type of account, as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	**2009**	**2008**	**2007**
	(unaudited)			
		(KZT millions)		
Correspondent accounts	33,021	40,082	1,367	1,286
Loans and deposits from OECD-based banks	18,534	27,292	191,337	176,480
Loans and deposits from Kazakhstan banks	16,728	90,134	96,391	66,889
Loans from the Joint Stock Company "Entrepreneurship Development Fund "Damu"	10,097	11,925	—	—
Overnight deposits	3,000	1,000	—	—
Loans from other financial institutions	1,633	1,933	184	—
Loans and deposits from non-OECD based banks	223	340	329	2,797
Amounts due to credit institutions	**83,236**	**172,706**	**289,608**	**247,452**

Amounts due to credit institutions represented 4.7 per cent. of the Bank's total liabilities as at 30 September 2010, compared to 9.9 per cent. as at 31 December 2009, 19.8 per cent. as at 31 December 2008 and 17.3 per cent. as at 31 December 2007. In absolute terms, amounts due to credit institutions decreased by KZT 89,470 million, or 51.8 per cent., to KZT 83,236 million as at 30 September 2010 from KZT 172,706 million as at 31 December 2009, after having decreased, in 2009, by KZT 116,902 million, or 40.4 per cent., from KZT 289,608 million as at 31 December 2008. In 2008, amounts due to credit institutions increased by KZT 42,156 million, or 17.0 per cent., from KZT 247,452 million as at 31 December 2007. The decreases as at 31 September 2010, compared to 31 December 2009, and as at 31 December 2009, compared to 31 December 2008, were primarily due to decreases in loans and deposits from OECD-based banks and from Kazakhstan banks, partially offset, in 2009, by the increase in correspondent accounts and the borrowing of a loan from Joint Stock Company "Entrepreneurship Development Fund "Damu" ("**Damu Fund**"). The increase in amounts due to credit institutions as at 31 December 2008, compared to 31 December 2007, primarily reflected increases in loans and deposits from OECD-based banks and from Kazakhstan banks.

Syndicated and Bilateral Loans. Amounts due to credit institutions include, from time to time, syndicated and bilateral loans. During the period under discussion, the Bank had the following loans of which, as at the date of this Prospectus, only the two loans from Citibank N.A. remain outstanding:

- In October 2006, the Bank entered into a two-tranche loan facility arranged and funded by Citibank N.A. in the amount of U.S.$30 million. The facility was used to provide further financing to the Bank's SME customers. The first tranche of U.S.$22.5 million has a duration of five years, and the Bank's payment obligations thereunder are guaranteed by the Overseas Private Investment Corporation. The second tranche of U.S.$7.5 million has a duration of five years and is not guaranteed.

- In April 2007, HSBK (Europe) B.V., a wholly-owned subsidiary of the Bank, entered into a U.S.$400 million three-year loan agreement with a syndicate of banks, which was guaranteed by the Bank. The loan proceeds were deposited with the Bank and pledged to the Bank as collateral for the guarantee issued by the Bank. In October 2009, this loan was prepaid in full.

- In September 2007, HSBK (Europe) B.V. entered into a U.S.$300 million three-year loan agreement with a syndicate of banks, which was guaranteed by the Bank. The loan proceeds were deposited with the Bank and pledged to the Bank as collateral for the guarantee issued by the Bank. In October 2009, this loan was prepaid by the Bank in full.

- In August 2008, HSBK (Europe) B.V. entered into a U.S.$300 million one-year loan agreement with a syndicate of banks, which was guaranteed by the Bank. The loan proceeds were deposited with the Bank and pledged to the Bank as collateral for the guarantee issued by the Bank. In September 2009, this syndicated loan was repaid by the Bank in full.

- In December 2008, the Bank entered into a two-tranche loan facility arranged and funded by Citibank N.A. in the amount of U.S.$40 million. The facility was used for the development of the Bank's mortgage portfolio. The first tranche of U.S.$30 million has a duration of 15 years, and the Bank's payment obligations thereunder are guaranteed by the Overseas Private Investment Corporation. The second tranche of U.S.$10 million has a duration of five years and is not guaranteed.

- In March 2009, the Bank received a KZT 11.7 billion 7-year loan from Damu Fund to finance and refinance projects of SME customers within the Government's programme to stabilise Kazakhstan's economy and the financial system. On 15 October 2010, the Bank prepaid this loan to Damu Fund in full.

In accordance with the terms of loans from certain OECD-based banks, the Bank is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Bank's outstanding financing agreements include covenants restricting the Bank's ability to create security interests over its assets. As at the date of this Prospectus, the Bank is in compliance with these covenants.

Trade Finance Facilities. The Bank's trade finance facilities include (i) letters of credit and guarantees, (ii) short-term trade finance borrowings, (iii) medium and long-term facilities and (iv) financing provided to small and medium-sized business customers under credit lines of Islamic banks. Medium and long-term facilities for financing the import of capital goods are usually covered by Export Credit Agencies (including Euler Hermes Kreditversicherungs AG of Germany, COFACE of France, U.S. Exim Bank, SACE S.p.a. of Italy, Office National du Ducroire, Atradius, ExIm Korea, OEKB and others).

As at 30 September 2010, the aggregate amount drawn by the Bank and outstanding under its on-lending trade finance facilities was KZT 14,281 million, compared to KZT 19,361 million as at 31 December 2009, KZT 53,198 million as at 31 December 2008 and KZT 79,670 million as at 31 December 2007.

Amounts due to Credit Institutions by Currency

The following table sets out the composition of the Bank's amounts due to credit institutions, by currency, as at the dates indicated:

	As at 30 September		**As at 31 December**					
	2010		**2009**		**2008**		**2007**	
	(unaudited)							
			(KZT millions)					
Tenge	59,672	71.7	141,108	81.7	91,522	31.6	79,989	32.3
Foreign currencies	23,564	28.3	31,598	18.3	198,086	68.4	167,463	67.7
Amounts due to credit institutions	**83,236**	**100.0**	**172,706**	**100.0**	**289,608**	**100.0**	**247,452**	**100.0**

Amounts due to credit institutions were comprised 71.7 per cent. and 81.7 per cent. in Tenge and 28.3 per cent. and 18.3 per cent. in foreign currencies as at 30 September 2010 and 31 December 2009, respectively. In contrast, amounts due to credit institutions were comprised 31.6 per cent. and 32.3 per cent. in Tenge and 68.4 per cent. and 67.7 per cent. in foreign currencies as at 31 December 2008 and 31 December 2007, respectively. This change in the composition of amounts due to credit institutions by currencies in 2009, compared to 2008 and 2007, primarily reflected the impact of the global financial crisis as a result of which loans and deposits from OECD-based banks, which are denominated in foreign currencies, decreased, as at 31 December 2009, compared to 31 December 2008 and 2007. See "*—Amounts due to Credit Institutions by Type of Account*".

U.S. Dollar-denominated accounts accounted for 71.0 per cent. of amounts due to credit institutions in foreign currencies as at 30 September 2010, compared to 66.6 per cent. as at 31 December 2009, 89.7 per cent. as at 31 December 2008 and 38.3 per cent. as at 31 December 2007.

Senior Debt Securities

The following table sets out a breakdown of the Bank's senior debt securities, by currency, as at the dates indicated:

	As at 30 September	**As at 31 December**		
	2010	**2009**	**2008**	**2007**
	(unaudited)			
		(KZT millions)		
U.S. Dollar-denominated bonds	211,875	208,627	200,118	145,017
Tenge-denominated bonds	10,386	11,203	19,265	41,038
Total senior debt securities outstanding	**222,261**	**219,830**	**219,383**	**186,055**

In May 2004, the Bank registered its first domestic bond programme with the FMSA ("**First Bond Programme**") in the aggregate principal amount of KZT 35 billion; the Bank issued senior notes under this programme in the aggregate principal amount of KZT 12,150 million comprising three separate issues, all of which have been repaid in full. In March 2006, the Bank registered its second domestic bond programme with the FMSA ("**Second Bond Programme**") in the aggregate principal amount of KZT 70 billion; the Bank issued senior notes under this programme in the aggregate amount of KZT 51.9 billion comprising four separate issues, all of which have been repaid in full.

In June 2007, the Bank registered its third domestic bond programme with the FMSA (“**Third Bond Programme**”) in the aggregate principal amount of KZT 200 billion. In February 2009, the Bank registered Euro-indexed and U.S. Dollar-indexed senior notes under this programme in an aggregate principal amount of KZT 17,775 million, of which KZT 9,436 million were placed in March 2009, with a maturity in March 2012. The Bank has the right to place the remaining balance of the registered issue if management determines that the resulting liquidity is desirable.

In September 2004, the Bank issued Eurobonds in an aggregate principal amount of U.S.$200 million with a coupon rate of 8.125 per cent. per annum. These Eurobonds were listed on the Luxembourg Stock Exchange and the KASE and were repaid in full in October 2009. In May 2006, HSBK (Europe) B.V., a wholly-owned subsidiary of the Bank, issued notes for a principal amount of U.S.$300 million, unconditionally and irrevocably guaranteed by the Bank. These notes are listed on the Luxembourg Stock Exchange and the KASE, are redeemable in May 2013 and have a coupon rate of 7.75 per cent. per annum. In May 2007, HSBK (Europe) B.V. issued notes for a principal amount of U.S.$700 million, unconditionally and irrevocably guaranteed by the Bank. These notes are traded on the London Stock Exchange and the KASE, are redeemable in May 2017 and have a coupon rate of 7.25 per cent. per annum. In April 2008, HSBK (Europe) B.V. issued notes for a principal amount of U.S.$500 million, unconditionally and irrevocably guaranteed by the Bank. These notes are listed on the London Stock Exchange and the KASE, are redeemable in October 2013 and have a coupon rate of 9.25 per cent. per annum. On 24 April 2009, the Bank itself was substituted for HSBK (Europe) B.V. as the principal debtor under the three outstanding Eurobonds.

Subordinated Debt Securities

Subordinated bonds are unsecured obligations of the Bank, subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Bank.

The following table sets out a breakdown of the Bank’s subordinated debt securities, by type, as at the dates indicated:

	As at 30 September	**As at 31 December**		
	2010	**2009**	**2008**	**2007**
	(unaudited)			
		(KZT millions)		
Fixed-rate Tenge-denominated bonds[1]	16,902	15,996	16,021	11,229
Inflation-indexed Tenge-denominated bonds[2]	14,448	19,120	19,228	19,221
Reverse inflation-indexed Tenge-denominated bonds[3]	8,274	8,947	8,359	8,381
Total subordinated debt securities outstanding	**39,624**	**44,063**	**43,608**	**38,831**

Notes:

(1) Fixed rate bonds bear interest at a rate of 7.5-14 per cent.

(2) “Inflation-indexed” bonds bear interest at 1.0-2.0 per cent. plus the rate of inflation in Kazakhstan.

(3) “Reverse inflation-indexed” bonds bear interest at a rate of 15.0 per cent. minus the rate of inflation in Kazakhstan.

In March 2007, the Bank prepaid in full its Tenge-denominated subordinated U.S. Dollar-indexed bonds for an aggregate indexed principal amount of KZT 1,802 million (as of the date of such prepayment, the Bank held an aggregate indexed principal amount of KZT 1,037 million of such bonds that it had previously repurchased). In June 2007, the Bank repaid its U.S. Dollar-denominated subordinated bonds for an aggregate principal amount of U.S.$16 million (of which, as at the date of repayment, the Bank held U.S.$6.2 million). In June 2009, the Bank repaid its Tenge-denominated bonds for an aggregate principal amount of KZT 4,500 million.

In 2004 and 2005, the Bank issued subordinated bonds denominated in Tenge under its First Bond Programme in the aggregate principal amount of KZT 21 billion comprising five separate issues. In June 2010, the Bank repaid the second issue under this programme for an aggregate principal amount of KZT 5,000 million. The other issues remain outstanding.

In April 2006, the Bank issued subordinated bonds under its Second Bond Programme in the aggregate principal amount of KZT 4 billion.

In October 2007, the Bank completed the first issuance under its Third Bond Programme comprising subordinated domestic bonds in the aggregate principal amount of KZT 10 billion. In November 2008, the Bank completed its second and third issuances under its Third Bond Programme, comprising subordinated domestic bonds in the aggregate principle amount of KZT 5 billion each. The subordinated bonds in each of these issuances have a maturity of ten years and bear a fixed coupon of 13 per cent. per annum. In November 2010, the Bank prepaid in full the third issuance of subordinated bonds for an aggregate principal amount of KZT 5 billion. In May 2009, the Bank registered its sixth issuance under its Third Bond Programme comprising subordinated domestic bonds in the aggregate amount of KZT 15 billion.

Contingent Liabilities and Other Off-Balance Sheet Arrangements

The Bank enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the business needs of its customers. These instruments, which include guarantees and letters of credit, expose the Bank to credit risk and are not reflected in the Bank's consolidated balance sheet. The Bank's maximum exposure to credit losses for guarantees and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn, the total amount may not necessarily represent future cash requirements of the Bank.

The table below provides details on the Bank's consolidated credit commitments, guarantees and commercial letters of credit as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	**2009**	**2008**	**2007**
	(unaudited)			
		(KZT millions)		
Guarantees issued	62,897	64,845	32,337	34,888
Commercial letters of credit	21,941	20,356	18,760	18,825
Commitments to extend credit	16,647	16,723	23,489	37,746
Financial commitments and contingencies	101,485	101,924	74,586	91,459
Less: cash collateral against letters of credit	(818)	(3,518)	(1,197)	(443)
Less: provisions	(3,050)	(4,433)	(2,889)	(1,885)
Financial commitments and contingencies, net	**97,617**	**93,973**	**70,500**	**89,131**

Financial commitments and contingencies decreased by KZT 439 million, or 0.4 per cent., to KZT 101,485 million as at 30 September 2010 from KZT 101,924 million as at 31 December 2009, primarily due to the decrease in guarantees issued of KZT 1,948 million, partially offset by the increase in commercial letters of credit of KZT 1,585 million. In 2009, financial commitments and contingencies increased by KZT 27,338 million, or 36.7 per cent., to KZT 101,924 million from KZT 74,586 million as at 31 December 2008, primarily due to the increase in guarantees issued of KZT 32,508 million and, to a lesser extent, the increase in commercial letters of credit of KZT 1,596 million, partially offset by the decrease in commitments to extend credit of KZT 6,766 million. In 2008, financial commitments and contingencies decreased by KZT 16,873 million, or 18.4 per cent., from KZT 91,459 million as at 31 December 2007, due to decreases in guarantees issued of KZT 2,551 million, in commitments to extend credit of KZT 14,257 million and, to a lesser extent, in commercial letters of credit of KZT 65 million.

As at 30 September 2010, the top ten largest guarantees amounted to 73 per cent. of the Bank's total guarantees issued and represented 15 per cent. of the Bank's total equity, compared to 78 per cent. and 18 per cent., respectively, as at 31 December 2009, 72 per cent. and 12 per cent., respectively, as at 31 December 2008 and 54 per cent. and 13 per cent., respectively, as at 31 December 2007.

The decrease from 78 per cent. to 73 per cent. in the concentration in the guarantees portfolio during the nine months ended 30 September 2010 was due to the decrease in total guarantees issued by the Bank in the wholesale trade sector. The higher concentration in the guarantees portfolio as at 31 December 2009 and 2008, compared to 31 December 2007, was due to a large guarantee issued and outstanding in the oil and gas sector.

As at 30 September 2010, the top ten largest letters of credit represented 93 per cent. of the Bank's total commercial letters of credit and 7 per cent. of the Bank's total equity, compared to 76 per cent. and 5 per cent., respectively, as at 31 December 2009, 83 per cent. and 8 per cent., respectively, as at 31 December 2008 and 31 per cent. and 7 per cent., respectively, as at 31 December 2007. The increase in the concentration in letters of credit during the nine months ended 30 September 2010 was primarily due to the increase in letters of credit issued by the Bank for clients representing the top ten largest letters of credit.

The Bank's commitments to extend credit decreased by KZT 76 million, or 0.5 per cent., to KZT 16,647 million as at 30 September 2010 from KZT 16,723 million as at 31 December 2009, after having decreased by KZT 6,766 million, or 28.8 per cent., in 2009 from KZT 23,489 million as at 31 December 2008, and by KZT 14,257 million, or 37.8 per cent. in 2008 from KZT 37,746 million as at 31 December 2007. These decreases were, in each case, primarily attributable to the overall decrease in demand for loans in the economy.

The following table sets out the residual maturity of the Bank's consolidated guarantees, commercial letters of credit and commitments to extend credit as at the dates indicated:

	As at 30 September 2010						
	Residual maturity of contingent liabilities						
	Total balance	Up to 30 days	One to three months	Three to six months	Six months to one year	Over one year	Overdue contingent liabilities
				(unaudited) *(KZT millions)*			
Guarantees issued	62,897	7,181	8,346	11,265	13,645	22,460	—
Commercial letters of credit	21,941	2,068	6,084	8,248	4,668	873	—
Commitments to extend credit	16,647	2,402	152	122	356	13,615	—
Total guarantees issued, commercial letters of credit and commitments to extend credit	**101,485**	**11,651**	**14,582**	**19,635**	**18,669**	**36,948**	**—**

Provisions for Contingent Liabilities

The Bank uses the same credit control and management policies in respect of off-balance sheet commitments as it does for its on-balance sheet operations.

The following table sets out the Bank's provisions for issued guarantees and letters of credit as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
	(unaudited)			
		(KZT millions)		
Provision for issued guarantees	1,885	2,706	1,973	1,227
Provision for letter of credits	1,165	1,727	916	658
Total	**3,050**	**4,433**	**2,889**	**1,885**

Provisions for contingent liabilities decreased by KZT 1,383 million, or 31.2 per cent., to KZT 3,050 million as at 30 September 2010 from KZT 4,433 million as at 31 December 2009, primarily due to the decrease in the size of the portfolio of guarantees. In contrast, provisions for contingent liabilities increased, in 2009, by KZT 1,544 million, or 53.4 per cent., from KZT 2,889 million as at 31 December 2008, after having increased by KZT 1,004 million, or 53.3 per cent., in 2008 from KZT 1,885 million as at 31 December 2007. The increase in 2009, compared to 2008, resulted primarily from the increase in the volume of guarantees issued as at 31 December 2009, compared to 31 December 2008, while the increase in 2008, compared to 2007, largely reflected the deterioration of the financial position of certain borrowers as a result of the global financial crisis.

Capital and Capital Adequacy

The Bank's total equity increased by KZT 28,277 million, or 10.1 per cent., to KZT 309,229 million (comprising 15.0 per cent. of total assets) as at 30 September 2010, from KZT 280,952 million (13.9 per cent. of total assets) as at 31 December 2009. This increase was largely a result of the increase in retained earnings and other reserves as at 30 September 2010, compared to 31 December 2009, which was, in turn, mainly attributable to the increase in net income for the nine months ended 30 September 2010. In April 2010, the Bank announced the payment of dividends on its preferred shares in the amount of KZT 4,494 million, as approved at the Annual General Shareholders' Meeting for the year ended 31 December 2009. The Bank expects that the decision on the payment of dividends on common and preferred shares for the year ended 31 December 2010 will be taken at the Annual General Shareholders' Meeting to be held in April 2011.

In 2009, the Bank's total equity increased by KZT 89,897 million, or 47.1 per cent., from KZT 191,055 million (11.6 per cent. of total assets) as at 31 December 2008, primarily as a result of capital injections by Samruk-Kazyna in the amount of KZT 26,951 million from the sale of the Bank's 259,064,909 common shares in March 2009 and in the amount of KZT 33,049 million from the sale of the Bank's 196,232,499 preferred shares in May 2009, as well as the increase in retained earnings and other reserves as at 31 December 2009, compared to 31 December 2008. In April 2009, the Bank announced the payment of dividends on its preferred shares in the amount of KZT 1,679 million, as approved at the Annual General Shareholders' Meeting for the year ended 31 December 2008.

In 2008, the Bank's total equity increased by KZT 30,030 million, or 18.6 per cent., from KZT 161,025 million (10.1 per cent. of total assets) as at 31 December 2007. This increase was largely as a result of the increase in retained earnings and other reserves to KZT 123,428 million as at 31 December 2008 from KZT 92,253 million as at 31 December 2007, which was, in turn, mainly attributable to the revaluation of the Bank's fixed assets in September 2008. In April 2008, the Bank announced the payment of dividends on its preferred shares in the amount of KZT 1,679 million and dividends on its common shares in the amount of KZT 2,695 million, as approved at the Annual General Shareholders' Meeting for the year ended 31 December 2007. In July 2008, Halyk Pension Fund effected a payment of dividends on its common shares in an aggregate amount of KZT 794 million, of which KZT 119 million was paid to minority shareholders. On 19 December 2008, the Bank's Extraordinary General Shareholders' Meeting approved the increase in the total number of the Bank's authorised common shares by 1,270,983,340, as well as the issuance of 575,258,000 preferred shares.

The capital adequacy requirements currently in effect in Kazakhstan exceed guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements (the "**BIS Guidelines**"). See "*The Banking Sector in Kazakhstan*". There are, however, two major differences between the FMSA capital adequacy methodology and the BIS Guidelines: (i) current period earnings are included in Tier II capital whereas BIS Guidelines include such earnings in Tier I capital; and (ii) under FMSA regulations, risk-weighted assets are calculated without credit risk mitigations for balance sheet assets and conversion factors for off-balance sheet items.

The FMSA sets three principal capital adequacy ratios: (i) k1-1 (Tier I capital to total assets (leverage ratio)); (ii) k1-2 (Tier I capital to risk-weighted assets); and (iii) k2 (Total capital to risk-weighted assets). For a bank with a regulated banking holding company (*i.e.,* an entity holding more than 25.0 per cent. of a bank's voting share capital, alone or together with affiliated companies) among its shareholders, such as the Bank, the FMSA requires a minimum leverage ratio (k1-1; Tier 1 capital to total assets) and a minimum Tier 1 capital adequacy ratio (k1-2; Tier I capital to risk-weighted assets), in each case, of 5 per cent., compared to the recommended minimum ratio of 4 per cent. for comparable Tier 1 capital adequacy ratio under BIS Guidelines, and a minimum total capital adequacy ratio (k2; total capital to risk-weighted assets) of 10 per cent., compared to the recommended minimum of 8 per cent. under BIS Guidelines. The FMSA has introduced changes to its regulations on capital adequacy, which will result in (among other things) an increase in the minimum Tier 1 capital adequacy ratio (k1-2) ratio from 5 per cent. to 8 per cent. with effect from 1 July 2011 and in the minimum leverage ratio (k1-1) from 5 per cent. to 7 per cent. with effect from 1 July 2012 and further to 8 per cent. with effect from 1 July 2013. The FMSA has indicated, however, that it may postpone the effectiveness of these changes until 2013 and that it may lower the proposed new ratios. See "*Risk Factors—Risk Factors relating to the Bank—Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank's business, financial condition, results of operations or prospects*" and "*The Banking Sector in Kazakhstan*".

The following table sets out the Bank's capital adequacy and liquidity ratios calculated in accordance with the requirements of the FMSA as at the dates indicated:

		The FMSA's minimum requirements	As at 30 September 2010	As at 31 December 2009	2008	2007
			(%, unless otherwise indicated) (unaudited, except share capital)			
Share capital		Not less than KZT 5 billion	KZT 147.3 billion	KZT 147.3 billion	KZT 65.5 billion	KZT 65.5 billion
kl-1 –	Tier I capital to total assets	5 per cent. (1)	11.0	11.1	8.6	7.0
k1-2 –	Tier I capital to risk-weighted assets	5 per cent. (1)	14.5	14.3	—	—
k2 –	Total capital to risk-weighted assets	10 per cent. (1)	19.8	18.0	12.3	12.0
k4 –	Current liquidity ratio(2)	Greater than 30 per cent.	103.6	84.2	—	119.2
k4-1 –	Term liquidity ratio(2)	Greater than 100 per cent.	866.1	375.3	197.2	—
k4-2 –	Term liquidity ratio(2)	Greater than 90 per cent.	563.8	277.3	119.4	—
k4-3 –	Term liquidity ratio(2)	Greater than 80 per cent.	293.2	235.2	118.3	—
k4-4 –	Term foreign currency liquidity ratio(2)	Greater than 100 per cent.	902.4	343.9	311.6	—
k4-5 –	Term foreign currency liquidity ratio(2)	Greater than 90 per cent.	619.7	208.5	136.0	—
k4-6 –	Term foreign currency liquidity ratio(2)	Greater than 80 per cent.	233.5	182.4	139.3	—
k6 –	Investments into fixed assets and non-financial assets to equity	Not more than 50 per cent. of bank's regulatory capital(3)	23.0	22.4	35.7	20.3
k7 –	short-term liabilities to non-residents excluding debt securities	Not more than 100 per cent. of bank's regulatory capital(3)	6.8	6.9	32.4	36.3
k8 –	Liabilities to non-residents excluding debt securities	Not more than 200 per cent. of bank's regulatory capital(3)	12.1	16.9	37.8	69.8
k9 –	Liabilities to non-residents including debt securities	Not more than 300 per cent. of bank's regulatory capital(3)	86.7	96.7	196.7	247.3
Maximum aggregate net long/ (short) open foreign currency position(4)		25 per cent. of bank's regulatory capital(4)	(4.2)	(8.7)	8.0	8.7
Maximum net long/(short) open position in U.S. Dollars(5)		12.5 per cent. of bank's regulatory capital	(3.8)	(9.2)	8.4	7.3
Maximum net long/(short) open position in Russian Roubles(6)		5 per cent. of bank's regulatory capital	0.0	0.1	(0.2)	0.1
Maximum aggregate on-balance sheet and off-balance sheet exposure to related parties		Must not exceed regulatory capital	8.1	14.9	13.3	9.6
Maximum exposure to any single:						
	– unrelated party	Not more than 25 per cent. of bank's regulatory capital	11.8	14.1	13.4	15.8
	– related party	Not more than 10 per cent. of bank's regulatory capital	3.5	7.7	4.8	3.9
	– on unsecured loans	Not more than 10 per cent. of bank's regulatory capital	1.7	0.1	0.5	0.1
Funds placement into internal assets ratio		Not less than 100 per cent.	103.7	101.1	125.0	118.4

Notes:

(1) Under applicable FMSA regulations, for commercial banks without a banking holding company as shareholder, the minimum required kl-1, kl-2 and k2 capital adequacy ratios are 6 per cent., 6 per cent. and 12 per cent., respectively.

(2) Under applicable FMSA rules, the k4-1 ratio is calculated as the ratio of average monthly balances of highly liquid assets to average monthly balances of term liabilities with a maturity of no more than seven days; the k4-2 ratio is calculated as the ratio of average monthly balances of liquid assets with a maturity of no more than one month, including highly liquid assets, to average monthly balances of term liabilities with a maturity of no more than one month.; the k4-3 ratio is calculated as the ratio of average monthly balances of liquid assets with a maturity of no more than three months, including highly liquid assets, to average monthly balances of term liabilities with a maturity of no more than three months; the k4-4 ratio is calculated as the ratio of average monthly balances of highly liquid assets in foreign currency to average monthly balances of term liabilities in the same foreign currency with a maturity of no more than seven days; the k4-5 ratio is calculated as the ratio of average monthly balances of liquid assets in foreign currency with a maturity of no more than one month, including highly liquid assets, to average monthly balances of term liabilities in the same foreign currency with a maturity of no more than one month; and the k4-6 ratio is calculated as the ratio of average monthly balances of liquid assets in foreign currency with a maturity no more than three months, including highly liquid assets, to average monthly balances of term liabilities in the same foreign currency with a maturity of no more than three months. In addition, the k4-4, k4-5, k4-6 ratios are calculated for currencies of countries rated "A" or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency, as well as for the Euro.

(3) Under applicable FMSA rules, "regulatory capital" is defined as the sum of Tier I capital, Tier II capital (to the extent Tier II capital does not exceed Tier 1 capital) and Tier III capital (to the extent that Tier III capital does not exceed 250 per cent. of Tier I capital calculated to cover market risk) less equity investments. Tier I capital is the sum of share capital plus additional capital plus retained earnings plus perpetual financial instruments (to the extent that these do not exceed 15 per cent. of Tier I capital) less intangible assets, negative income for the past years and negative income for the current year; Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that these do not exceed 1.25 per cent. of risk-weighted assets), subordinated debt (to the extent this does not exceed 50 per cent. of Tier I capital) plus paid-in perpetual financial instruments not included in Tier I capital; and Tier III capital is the sum of Tier III subordinated debt plus Tier II subordinated debt not included in the calculation of Tier II capital.

(4) Effective September 2006, the FMSA tightened currency position regulations for a bank's aggregate foreign currency position from 30 per cent. of regulatory capital down to 25 per cent. of regulatory capital and for a bank's aggregate hard currency (rated "A" or higher) position from 15 per cent. down to 12.5 per cent. of regulatory capital. For currencies rated below "A" by Standard & Poor's or an equivalent rating agency, the aggregate permitted currency position is 5 per cent. of regulatory capital.

(5) Open currency position (short or long) in currencies of countries rated "A" or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency.
(6) Currency position in currencies of countries rated above "B" but lower than "A" by Standard & Poor's or an equivalent rating from another recognised international rating agency.

For the purposes of the above ratios:

- "Highly liquid assets" include cash, refined precious metals, certain securities issued by the Government, the NBK or certain other Kazakhstan entities, call deposits with the NBK and with banks rated 'BBB-' or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency, overnight loans to such banks and securities issued by foreign governments rated 'BBB-' or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency, overnight loans to Kazakhstan's banks and non-resident banks rated "BBB-" or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency, overnight deposits with Kazakhstan's banks and non-resident banks rated "BBB-" or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency, debt securities issued by foreign issuers, excluding debt securities pledged or sold under reverse repurchase transactions, and other qualifying liquid assets.
- For the purposes of calculating liquidity ratios, applicable FMSA regulations provide that certain assets should not be included in the computation, including claims on non-residents established in jurisdictions that have not assumed information exchange obligations and, if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios shall be deemed to be not satisfied, irrespective of the actual position.
- The sum of exposures to one borrower where each exposure exceeds 10 per cent. of regulatory capital should not exceed five times a bank's regulatory capital.

The following table sets out certain information regarding the Bank's Tier I and Tier II capital and its risk-weighted capital adequacy ratio as at the dates indicated based on BIS Guidelines and the consolidated financial statements of the Bank:

	As at 30 September 2010	**As at 31 December 2009**	**2008**	**2007**
	(unaudited)			
		(KZT millions)		
Tier I capital	282,135	259,053	167,108	157,841
Tier II capital	62,118	58,417	57,581	33,869
Gross Tier I and Tier II available capital	344,253	317,470	224,689	191,710
Less investments	(218)	(228)	(272)	(262)
Tier I and Tier II capital	344,035	317,242	224,417	191,448
Total risk-weighted assets	1,531,926	1,537,737	1,673,780	1,484,559
Tier I capital adequacy ratio (*per cent.*)	18.4	16.9	9.9	10.6
Total risk-weighted capital adequacy ratio(1) (*per cent.*)	**22.5**	**20.6**	**13.4**	**12.9**

Note:
(1) Total risk-weighted capital adequacy ratio is (a) Tier I and Tier II capital, divided by (b) total risk-weighted assets.

Return on Assets and Equity

The following table sets out certain selected financial ratios of the Bank for the periods indicated:

	For the nine months ended 30 September 2010	**2009**	**For the years ended 31 December 2009**	**2008**	**2007**
			(unaudited)		
			(KZT millions)		
Net income	26,001	9,274	15,876	14,554	40,525
Average total assets(1)	2,124,217	1,973,515	1,984,516	1,721,874	1,209,935
Average common shareholders' equity(1)(2)	232,117	197,864	203,903	160,120	124,896
Average common shareholders' equity/average total assets (1)(2) (*per cent.*)	10.9	10.0	10.3	9.3	10.3
Return on average total assets (3) (*per cent.*)	1.6(5)	0.6(5)	0.8	0.8	3.3
Return on average common shareholders' equity (1)(2) (*per cent.*)	11.8(5)	5.1(5)	6.3	8.2	29.0
Net income attributable to common shareholders	20,181	7,555	12,806	13,189	36,214

Notes:
(1) Average amounts and ratios are based on monthly averages for the nine months ended 30 September 2010 and 2009 and for the years ended 31 December 2009, 2008 and 2007. See "*—Average Balances and Rates*".
(2) Common shareholders' equity is total equity less non-controlling interest and preferred shares in share capital and share premium reserves.
(3) Return on average total assets comprises (x) net income divided by (y) average total assets.
(4) Return on average common shareholders' equity comprises (x) net income attributable to common shareholders, divided by (y) average common shareholders' equity.
(5) Annualised. The calculation reflects monthly compounding. See "*Selected Statistical and Other Information—Average Balances and Rates*".

Average total assets increased by KZT 150,702 million, or 7.6 per cent., to KZT 2,124,217 million for the nine months ended 30 September 2010 from KZT 1,973,515 million for the corresponding period in 2009, mainly due to the increase in the average balances of debt securities in the available-for-sale investment securities and held-to-maturity investment securities portfolios. Average total assets increased by KZT 262,642 million, or 15.3 per cent., to KZT 1,984,516 million for 2009 from KZT 1,721,874 million for 2008, after having increased, in 2008, by KZT 511,939 million, or 42.3 per cent. from KZT 1,209,935 million for 2007. These year-on-year increases were, in each case, primarily due to increases in the average balances of loans to customers and amounts due from credit institutions, as well as in cash and non-interest deposits in 2009, compared to 2008.

Return on average total assets increased to 1.6 per cent. for the nine months ended 30 September 2010 from 0.6 per cent. for the corresponding period in 2009, mainly due to the increase in net income earned during the nine months of 2010, compared to the same period of 2009. The return on average total assets decreased to 0.8 per cent. for 2008 and 2009 from 3.3 per cent. for 2007, primarily reflecting the lower levels of net income earned in 2009 and 2008, compared to 2007.

The Bank's average common shareholders' equity increased by KZT 34,253 million, or 17.3 per cent., to KZT 232,117 million for the nine months ended 30 September 2010 from KZT 197,864 million for the corresponding period in 2009, primarily due to the increase in retained earnings and other reserves as at 30 September 2010, compared to 30 September 2009, which, in turn, was attributable to the increase in net income for the nine months ended 30 September 2010. The Bank's average common shareholders' equity increased by KZT 43,783 million, or 27.3 per cent., to KZT 203,903 million for 2009 from KZT 160,120 million for 2008, after having increased by KZT 35,224 million, or 28.2 per cent., in 2008, from KZT 124,896 million for 2007. This increase primarily reflected a capital injection by Samruk-Kazyna in the amount of KZT 26,951 million for the purchase of 259,064,909 common shares of the Bank in March 2009, as well as the increase in retained earnings and other reserves as at 31 December 2009, compared to 31 December 2008. The increase as at 31 December 2008, compared to 31 December 2007, was due to the corresponding increase in retained earnings and other reserves. The return on average common shareholders' equity increased to 11.8 per cent. for the nine months ended 30 September 2010 from 5.1 per cent. for the corresponding period in 2009, largely due to the increase in net income earned during the nine months of 2010, compared to the same period of 2009. The Bank's return on average common shareholders' equity decreased in 2008, compared to 2007, as a result of the combined effects of the year-on-year decrease in net income and the simultaneous increase in average equity.

ASSET, LIABILITY AND RISK MANAGEMENT

General

The principal risks inherent in the Bank's business are liquidity risk, interest rate risk, foreign currency exchange rate risk, credit risk and operational risk. The Bank monitors and manages the mismatch of its maturities, the size and degree of its interest rate and foreign currency exchange rate exposure and its credit quality in order to minimise the effect of these risks on profitability, while seeking to ensure sufficient liquidity and capital adequacy. Through its asset and liability management, the Bank aims to structure its balance sheet to account for the principal risks it faces, as well as existing asset and liability positions and general market conditions.

The Bank's asset, liability and risk management functions are divided among the Management Board, the Assets and Liabilities Management Committee (the "**ALCO**"), credit committees located in branches and in the Head Office, the Credit Risks Department, the Financial Risks and Portfolio Analysis Department, and the Treasury Department. The Bank's asset and liability management policy is formulated by the Management Board and approved by the Board of Directors. The ALCO establishes major balance sheet guidelines for asset and liability management and, with the assistance of the Financial Risks and Portfolio Analysis Department and the Treasury Department, monitors compliance with such guidelines. The Financial Risks and Portfolio Analysis Department is also responsible for co-ordinating the establishment and development of the Bank's risk management systems in various departments, assessing and analysing associated risks, supervising the Bank's compliance with the prudential standards established by the FMSA and analysing the activities of other market participants.

The Bank's risk management function consists of two departments, the Credit Risks Department and the Financial Risks and Portfolio Analysis Department, both of which report directly to the Chief Risk Officer and to the Chairman of the Management Board in order to promote independence from business units. Units of these departments supervise different activities. The Financial Risks Unit is involved in the management of market, interest rate, liquidity and counterparty credit risks (e.g. country and financial institutions); the Operational Risks Unit develops the framework for operational risk management in the Bank; the Unit for Portfolio Analysis is responsible for detailed credit portfolio analysis and reporting, as well as the establishment and monitoring of certain portfolio limits and provisioning procedures; the Credit Risks of Corporate Business Unit, the Credit Risks of SME Business Unit and the Credit Risks of Retail Business Unit are engaged in the credit risk management process for large corporates, the SME sector and the retail loan portfolio, respectively, and, apart from reviewing credit applications made to the Head Office and applications which exceed the approval limit of branch credit committees, are also closely involved in portfolio monitoring, policy-making activities and advising on product development.

Credit committees at the branch and Head Office levels are responsible for managing credit risk. Two credit committees are located in each of the Bank's 22 regional branches: a retail credit committee and a credit committee for small and medium-sized entities. The authority of branch credit committees is limited to certain amounts and conditions as approved by the Management Board. Four main credit committees exist within the Bank's Head Office: the Retail Credit Committee, two Branch Network Credit Committees covering small and medium-sized entities, respectively, and the Head Office Credit Committee. The responsibilities of the Head Office Credit Committee include decision-making on credit applications of large corporates, while the responsibilities of the three other main credit committees within the Head Office include processing loan applications exceeding the approval limits of the respective branch credit committees. See "*—Lending Policies and Procedures*".

The Bank's Head Office and branch credit committees also monitor the loan portfolios, which they initially approve and have the authority to designate problem loans when credit quality has deteriorated. All issues on problem loans are considered by the Problem Loans Committee of the Head Office and the branches, as applicable. The Problem Loans Committees of the branches operate within the limits and authorities established by the Problem Loans Committee of the Head Office. The Problem Loans Committees and Problem Loans Departments are responsible for the recovery of problem loans, including through restructuring of problem loans, collateral recovery, sales and other transfers of problem loans to third parties and write-offs of indebtedness.

The Bank's subsidiary banks in Kyrgyzstan, Georgia and Russia have credit procedures and a committee structure similar to those of the Bank with various authority levels delegated to each committee. The respective Board of Directors (or Supervisory Board, as the case may be) of each subsidiary bank sets its own lending limits, including country limits, currency limits, maturity limits and industry and economic sector limits, based on guidelines established by the Bank's Management Board for each subsidiary. The guidelines for lending limits of each subsidiary bank are reviewed and revised by the Bank's Management Board at least once a year.

Asset and Liability Management Committee (ALCO)

The ALCO has nine members and is chaired by the Chairman of the Management Board. The ALCO reports directly to the Board of Directors. The ALCO is responsible for formulating and overseeing the implementation of the asset and liability management strategy of the Bank. The functions of the ALCO include regular monitoring of the Bank's balance sheet structure, capital adequacy, interest-sensitive assets and liabilities, maturity gaps, liquidity positions and certain characteristics of the loan portfolio, including loan interest rates, maturities, currencies and fee and commission structure related to interest income, as well as interest income and expense on various assets and liabilities and the prevailing conditions in foreign currency and financial markets. The ALCO is also responsible for determining base interest rates on consumer and corporate loans and, together with the Head Office Credit Committee, sets overall interest rate levels and terms for both interest-earning assets and interest-bearing liabilities and makes decisions regarding maturities and pricing of assets and liabilities.

Funding and Liquidity

The Bank's funding and liquidity management policy is approved by the Management Board based on information provided by the various divisions of the Bank, including as to their projected funding and liquidity needs. In addition, the ALCO considers and approves various issues on funding and liquidity presented to it by the Treasury Department and other operating divisions, including the Bank's lending and deposit rates. The Bank's funding and liquidity policies are designed to deal with both ordinary course of business activities and contingency scenarios. In the ordinary course of its business, the Bank seeks to ensure that funding sources are well diversified and within internal funding targets. Under contingency scenarios, the Bank's policy seeks to ensure that the Bank has sufficient resources of liquidity (both existing liquid assets and access to sources of liquidity) to withstand a range of potential liquidity crises, without impairing its solvency and while maintaining normal levels of business, acceptable funding costs and sufficient access to customer and professional market funding, all in compliance with FMSA regulations. Customer accounts and deposits are the key sources of the Bank's funding. See "*Selected Statistical and Other Information—Funding Sources*".

The following table sets out certain information as to the Bank's liquidity as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
		(unaudited)		
		(%)		
Loans to customers before allowance for loan impairment (excluding accrued income on loans)/total assets	59.1	61.2	75.1	66.7
Loans to customers before allowance for loan impairment (excluding accrued income on loans)/amounts due to customers	89.0	97.2	143.0	113.8
Loans to customers before allowance for loan impairment (excluding accrued income on loans)/total equity	394.3	440.8	649.1	661.1
Liquid assets(1)/total assets	34.5	33.1	17.6	23.7
Liquid assets(1)/total amounts due to customers	52.0	52.6	33.5	40.4

Note:

(1) Liquid assets comprise cash and cash equivalents, NBK notes, Treasury Bills of the Ministry of Finance of Kazakhstan, Treasury Bills of the governments of other countries, notes of national banks of other countries and bonds of quasi-sovereign banks such as the Development Bank of Kazakhstan.

Maturity Analysis

The following tables set out the Bank's financial assets and financial liabilities, by remaining maturity, as at the dates indicated and contain certain information regarding the liquidity risk facing the Bank:

	As at 30 September 2010						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
				(unaudited) *(KZT millions)*			
Financial assets							
Cash and cash equivalents	51,630	173,836	19,184	—	—	—	244,650
Obligatory reserves	10,723	2,179	4,960	6,748	1,561	638	26,809
Financial assets at fair value through profits or loss	6,412	—	—	—	—	—	6,412
Amounts due from credit institutions	7	—	2,271	3,774	14,413	17	20,482
Available-for-sale investment securities	149	12,504	120,507	92,452	66,871	105,553	398,036
Investments held-to-maturity	8	85,129	67,833	622	2,170	9,773	165,535
Loans to customers	35,095	111,421	80,686	591,553	142,342	133,141	1,094,238
Other financial assets	353	1,875	204	828	188	89	3,537
Total financial assets	**104,377**	**386,944**	**295,645**	**695,977**	**227,545**	**249,211**	**1,959,699**
Financial liabilities							
Amounts due to customers	553,588	107,653	256,976	340,392	79,006	32,535	1,370,150
Amounts due to credit institutions	34,681	17,702	638	2,607	6,925	20,683	83,236
Financial liabilities at fair value through profit or loss	3,467	—	—	—	—	—	3,467
Debt securities issued	—	3,766	4,711	757	49,495	203,156	261,885
Other financial liabilities	105	440	149	175	129	—	998
Total financial liabilities	**591,841**	**129,561**	**262,474**	**343,931**	**135,555**	**256,374**	**1,719,736**
Net position	(487,464)	257,383	33,171	352,046	91,990	(7,163)	
Accumulated gap	(487,464)	(230,081)	(196,910)	155,136	247,126	239,963	

	As at 31 December 2009						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
				(KZT millions)			
Financial assets							
Cash and cash equivalents	63,330	318,563	98,729	—	—	—	480,622
Obligatory reserves	6,532	1,566	2,123	7,622	3,445	4,661	25,949
Financial assets at fair value through profits or loss	8,528	—	—	—	—	—	8,528
Amounts due from credit institutions	—	2	1	47,355	6,952	2,151	56,101
Available-for-sale investment securities	2,988	14,432	89,021	45,210	25,090	23,480	200,221
Investments held-to-maturity	—	72	6,698	1,723	1,936	6,757	17,186
Loans to customers	35,843	54,867	128,819	572,453	153,680	187,573	1,133,235
Other financial assets	633	1,128	642	50	133	143	2,729
Total financial assets	**117,854**	**390,630**	**326,033**	**674,413**	**190,876**	**224,765**	**1,924,571**
Financial liabilities							
Amounts due to customers	392,946	80,803	122,606	448,813	195,376	33,525	1,274,069
Amounts due to credit institutions	42,821	89,452	524	2,471	12,196	25,242	172,706
Financial liabilities at fair value through profit or loss	3,201	—	—	—	10,318	—	3,201
Debt securities issued	—	107	1,065	8,476	—	244,107	263,893
Other financial liabilities	317	1,379	36	87	—	53	1,872
Total financial liabilities	**439,285**	**171,741**	**124,231**	**459,847**	**217,710**	**302,927**	**1,715,741**
Net position	(321,431)	218,889	201,802	214,566	(26,834)	(78,162)	
Accumulated gap	(321,431)	(102,542)	99,260	313,826	286,992	208,830	

	As at 31 December 2008						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
				(KZT millions)			
Financial assets							
Cash and cash equivalents	32,338	128,750	—	—	—	—	161,088
Obligatory reserves	7,900	7,464	1,861	9,166	3,037	1,397	30,825
Financial assets at fair value through profits or loss	14,987	—	—	—	—	—	14,987
Amounts due from credit institutions	—	1,428	778	3,676	235	4,240	10,357
Available-for-sale investment securities	725	8,825	33,355	47,027	24,293	21,576	135,801
Investments held-to-maturity	—	868	421	4,645	—	2,755	8,689
Loans to customers	8,620	46,261	112,823	518,568	238,355	263,653	1,188,280
Other financial assets	67	1,520	156	558	84	512	2,897
Total financial assets	**64,637**	**195,116**	**149,394**	**583,640**	**266,004**	**294,133**	**1,552,924**
Financial liabilities							
Amounts due to customers	225,889	208,134	52,001	255,837	84,884	40,647	867,392
Amounts due to credit institutions	2,824	93,609	28,286	56,481	96,311	12,097	289,608
Financial liabilities at fair value through profit or loss	6,048	—	—	—	—	—	6,048
Debt securities issued	3	107	16,141	32,586	5,016	209,138	262,991
Other financial liabilities	8,401	237	235	24	—	61	8,958
Total financial liabilities	**243,165**	**302,087**	**96,663**	**344,928**	**186,211**	**261,943**	**1,434,997**
Net position	(178,528)	(106,971)	52,731	238,712	79,793	32,190	
Accumulated gap	(178,528)	(285,499)	(232,768)	5,944	85,737	117,927	

	As at 31 December 2007						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
				(KZT millions)			
Financial assets							
Cash and cash equivalents	8,501	246,464	280	—	—	—	255,245
Obligatory reserves	24,099	15,353	10,540	25,708	7,471	4,097	87,268
Financial assets at fair value through profits or loss	48,073	—	—	—	—	—	48,073
Amounts due from credit institutions	—	193	127	2,460	590	28	3,398
Available-for-sale investment securities	2,045	35,350	332	56,493	4,694	8,925	107,839
Loans to customers	9,384	6,024	78,632	485,795	201,576	258,862	1,040,273
Other financial assets	833	1,675	132	1,578	184	265	4,667
Total financial assets	**92,935**	**305,059**	**90,043**	**572,034**	**214,515**	**272,177**	**1,546,763**
Financial liabilities							
Amounts due to customers	258,322	164,571	112,974	275,565	80,078	43,919	935,429
Amounts due to credit institutions	1,836	71,323	11,656	28,393	113,640	20,604	247,452
Financial liabilities at fair value through profit or loss	2,851	—	—	—	—	—	2,851
Debt securities issued	126	—	2,418	913	72,076	149,353	224,886
Other financial liabilities	85	654	724	15	48	—	1,526
Total financial liabilities	**263,220**	**236,548**	**127,772**	**304,886**	**265,842**	**213,876**	**1,412,144**
Net position	(170,285)	68,511	(37,729)	267,148	51,237	58,301	
Accumulated gap	(170,285)	(101,774)	(139,503)	127,645	76,318	134,619	

The Bank did not have any accumulated negative liquidity gap up to one year as at 30 September 2010, 31 December 2009, 2008 or 2007 in view of the excess liquidity placed by the Bank in highly-liquid short-term assets.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments and financial results of the Bank. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the repricing characteristics of assets and liabilities. The principal objective of the Bank's interest rate risk management activities is to enhance profitability by limiting the effect of adverse interest rate movements and increasing interest income by managing interest rate exposure. The Bank monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments, including any trading and investment securities, as well as commercial banking assets and liabilities.

Management believes that the structure of its statement of financial position, including the short-term structure of its principal assets and liabilities, reduces the Bank's exposure to interest rate risk. Although the relative maturities of the Bank's assets and liabilities give some indication as to the Bank's sensitivity to interest rate movements, it is an imprecise measure as it does not take account of the ability of the Bank to reprice its assets and liabilities. While the majority of its loans are at fixed interest rates, the Bank believes that its sensitivity to interest rate changes is largely reduced by the relatively short-term maturity (up to one year) of 74.8 per cent. of its loans to customers as at 30 September 2010 (69.9 per cent. as at 31 December 2009) and its ability under the majority of its loan agreements to change the applicable rate of interest under certain circumstances. Furthermore, the Bank's standard form of loan agreement contains a condition allowing the Bank to call for early loan repayment in certain circumstances, subject to advance notice. Accordingly, although Kazakhstan laws and regulations governing fixed-rate retail loans do not permit banks, including the Bank, to adjust the interest rate during the first three years of the term of the loan, a substantial portion of the Bank's assets is repriceable prior to maturity, which mitigates interest rate risk. In addition, the Bank has an interest rate gap limit, which is monitored by the risk management function and reported to the ALCO at least weekly and more frequently if there is cause for concern. Currently, the Bank does not use derivative instruments to reduce its interest rate risk exposure.

Foreign Currency Risk Management

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 as its operations are conducted in both Tenge and foreign currencies, mainly U.S. Dollars and Euro. The foreign currency risk arises from the open currency positions, which are created due to the mismatch of foreign currency assets and liabilities.

The FMSA regulates and closely monitors the net open foreign currency position of banks. According to FMSA requirements, effective 1 September 2006, a bank's aggregate net open foreign currency position may not exceed 25 per cent. of its regulatory capital, while the open foreign currency position for any single currency of a country with a sovereign rating of "A" or better assigned by Standard & Poor's may not exceed 12.5 per cent. of a bank's regulatory capital and the open short and long positions for any currency of a country with a sovereign rating lower than "A" by Standard & Poor's may not exceed 5 per cent. of a bank's regulatory capital.

The FMSA defines an open currency position as an excess of a bank's liabilities over its assets in the same currency. When liabilities in one currency are larger than assets, the bank runs a short position and *vice versa*. While a bank's position in each currency is calculated and monitored separately, the bank's net position is taken as the difference between the sum of all long positions and the sum of all short positions. In accordance with FMSA requirements, the Bank furnishes a weekly report on the maintenance of positions in each currency and net currency positions to the FMSA.

The ALCO controls the Bank's currency risk by setting guidelines for the Bank's open currency positions on the basis of estimated changes in the value of the Tenge against relevant foreign currencies and other macroeconomic indicators. To manage currency risks, the risk management function sets daily stop loss limits, by currency, for the Bank's open currency positions. The Financial Control Department performs daily monitoring of the Bank's open currency positions; if the limits are violated, the Financial Control Department immediately notifies both the risk management function and the Treasury Department. The risk management function uses the value-at-risk ("**VaR**") and expected shortfall ("**ES**") methodologies to calculate and manage its foreign currency exposure and provides daily reports of VaR and ES estimates to the Chief Risk Officer and, if the limits are violated, to the ALCO.

Foreign Currency Position

The following table sets out the Tenge-equivalent amount of financial assets and liabilities denominated in different currencies as at the dates indicated:

	As at 30 September 2010 (unaudited)			As at 31 December 2009			As at 31 December 2008			As at 31 December 2007		
	KZT	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**
		(unaudited)										
						(KZT millions)						
Financial assets												
Cash and cash equivalents	74,282	170,368	244,650	242,624	237,998	480,622	4,282	156,806	161,088	9,831	245,414	255,245
Obligatory reserves	11,282	15,527	26,809	7,991	17,958	25,949	20,165	10,660	30,825	30,122	57,146	87,268
Financial assets at fair value through profit or loss	1,253	5,159	6,412	2,750	5,778	8,528	8,090	6,897	14,987	37,248	10,825	48,073
Amounts due from credit institutions	7,878	12,604	20,482	2,864	53,237	56,101	5,777	4,580	10,357	3,084	314	3,398
Available-for-sale investment securities	328,932	69,104	398,036	193,889	6,332	200,221	132,879	2,922	135,801	106,886	953	107,839
Investments held-to-maturity	160,168	5,367	165,535	9,005	8,181	17,186	—	8,689	8,689	—	—	—
Loans to customers	561,001	533,237	1,094,238	544,296	588,939	1,133,235	643,078	545,202	1,188,280	621,285	418,998	1,040,273
Other financial assets	3,084	453	3,537	2,516	213	2,729	2,579	318	2,897	3,208	1,459	4,667
Total financial assets	**1,147,880**	**811,819**	**1,959,699**	**1,005,935**	**918 ,636**	**1,924,571**	**816,850**	**736,074**	**1,552,924**	**811,664**	**735,099**	**1,546,763**
Financial liabilities												
Amounts due to customers	737,783	632,367	1,370,150	569,663	704,406	1,274,069	465,863	401,529	867,392	548,136	387,293	935,429
Amounts due to credit institutions	59,672	23,564	83,236	141,108	31,598	172,706	91,522	198,086	289,608	79,989	167,463	247,452
Financial liabilities at fair value through profit or loss	—	3,467	3,467	—	3,201	3,201	—	6,048	6,048	—	2,851	2,851
Debt securities issued	50,009	211,876	261,885	55,266	208,627	263,893	62,873	200,118	262,991	79,869	145,017	224,886
Other financial liabilities	890	108	998	1,594	278	1,872	8,862	96	8,958	267	1,259	1,526
Total financial liabilities	**848,354**	**871,382**	**1,719,736**	**767,631**	**948,110**	**1,715,741**	**629,120**	**805,877**	**1,434,997**	**708,261**	**703,883**	**1,412,144**
Net financial position	**299,526**	**(59,563)**	**239,963**	**238,304**	**(29,474)**	**208,830**	**187,730**	**(69,803)**	**117,927**	**103,403**	**31,216**	**134,619**
Net financial position for off-balance sheet items	492,482	679,913	1,172,395	334,264	557,424	891,688	382,708	562,546	945,254	245,894	318,468	584,362
Total open position	**792,008**	**620,350**	**1,412,358**	**572,568**	**527,940**	**1,100,518**	**570,438**	**492,743**	**1,063,181**	**349,297**	**349,684**	**698,981**

Foreign currency-denominated assets and liabilities are mainly in U.S. Dollars, but also include currencies from other OECD countries. The Bank's principal cash flows (revenues and operating expenses) are largely generated in Tenge and U.S. Dollars. As a result, future movements in the exchange rate between the Tenge and the U.S. Dollar, as occurred in the case of the devaluation of the Tenge in February 2009, will affect the carrying value of the Bank's U.S. Dollar-denominated financial assets and liabilities.

The following table sets out certain information with respect to the total net open foreign currency position of the Bank as at the dates indicated:

	As at 30 September 2010	**As at 31 December**		
		2009	**2008**	**2007**
	(unaudited)			
Net financial position in foreign currencies[(1)] (*U.S.$ millions*)	(403.9)	(198.5)	(577.9)	259.5
Net financial position in foreign currencies[(1)] (*KZT millions*)	(59,563)	(29,474)	(69,803)	31,216
As a percentage of total capital[(2)]	(17.3)	(9.3)	(31.1)	16.3
As a percentage of total liabilities	(3.4)	(1.7)	(4.8)	2.2
As a percentage of total financial liabilities denominated in foreign currencies	(6.8)	(3.1)	(8.7)	4.4
Net long/(short) position (*U.S.$ millions*)	(84.7)	(161.2)	136.4	126.7
Net long/(short) position (*KZT millions*)	(12,490)	(23,920)	16,467	15,274
As a percentage of regulatory capital[(3)]	(4.2)	(8.7)	8.0	8.7

Notes:

(1) Represents the Bank's exposure in foreign currencies to foreign currency exchange rate risk as shown in the Unaudited Interim Financial Statements and the Audited Financial Statements (as the case may be).

(2) Consolidated total capital (Tier I and Tier II, less investments) is calculated in accordance with Bank for International Settlements ("**BIS**") Guidelines. See "*Selected Statistical and Other Information—Capital and Capital Adequacy*".

(3) Unconsolidated regulatory capital (Tier I and Tier II, less investments) is calculated in accordance with FMSA prudential requirements, not BIS Guidelines. As calculated under FMSA requirements, regulatory capital was KZT 297,849 million as at 30 September 2010, KZT 275,781 million as at 31 December 2009, KZT 206,622 million as at 31 December 2008 and KZT 174,949 million as at 31 December 2007.

As at the date of this Prospectus, the Bank's open currency positions comply with the limits set by the FMSA.

Treasury Operations

To control the risks related to treasury operations, the risk management function has developed and documented internal policies, procedures and limits approved by either the ALCO or the Management Board.

The ALCO has delegated to the Treasury Department daily management of the Bank's liquidity, interest rate and foreign currency risks. There are three units within the Treasury Department: the Trading Desk, which is responsible for the investment and trading securities portfolios of the Bank, daily management of liquidity in all currencies, monitoring of open currency positions and sales of cash in foreign currencies; the Sales Desk, which advises the Bank's corporate clients on foreign exchange and interest rate hedging issues; and the Cash Management Desk, which is responsible for advising clients on issues relating to cash management and for managing the Bank's policy on fees for cash management services and related profit.

In order to manage the Bank's positions and portfolios and help the Bank's clients with their cash and risk management requirements, the Treasury Department deals with various types of money market and cash management instruments, ranging from plain-vanilla instruments to complex derivatives.

Credit Risk Management

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank limits the levels of credit risk it undertakes by placing the following limits:

(1) credit limits on a single borrower (or a group of related borrowers), which are established for particular borrowers according to the regulatory requirements of the FMSA and following expert estimates of the relevant borrower's financial condition and credit-worthiness, collateral, legal capacity, industry and market position, reputation, reason for borrowing and management experience;

(2) credit limits on certain types of lending programmes, which are based on market analysis by reference to the target segment of borrowers, the programme's requirements as to the credit-worthiness of borrowers and the asset quality criteria of the lending programme;

(3) industry credit limits, which are based on market analysis and the quality of the Bank's loan portfolio; and

(4) country credit limits, which are based on the credit rating of a certain country and analysis of its macroeconomic indicators.

The exposure to any one borrower is restricted by sub-limits covering on and off-balance sheet exposures, which are recommended by the risk management function and set by the relevant credit committee depending on the type of borrower.

To minimise the Bank's credit risks, regular analysis of loan portfolio concentration by types and groups of borrowers, lending industries and lending programmes is performed. The Bank has a credit risk monitoring system, which it applies to individual borrowers, as well as on an overall loan portfolio level. On the individual borrower (or group of borrowers) level, monitoring is effected by the regular analysis of a borrower's financial condition, timely debt repayments, collateral sufficiency and target use of funds. On the loan portfolio level, monitoring is effected by the analysis of various portfolio stress scenarios, as well as quality and structure of the loan portfolio. See "*—Lending Policies and Procedures*", "*—Loan Classification and Provisioning Policy*" and "*—Portfolio Supervision*".

Operational Risk Management

The Bank is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events, including risks relating to the Bank's information technology systems, fraud by employees or outsiders, unauthorised transactions by employees and operational errors, such as clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems.

In particular, information technology and the impact of potential systems failures have become increasingly significant with the growth in the volume of transactions involving computers, servers and telecommunications networks. The Bank relies heavily on information systems to conduct its business and, accordingly, devotes substantial resources to ensure the development and reliability of its computer and related systems. The Bank is currently upgrading its information technology systems, including to achieve greater automation of reporting systems and database integration and centralisation.

The Bank maintains a system of controls designed to monitor and control operational risk. The Bank's information technology-related activity is regulated by internal rules and procedures approved by the Management Board of the Bank. The Bank's information technology systems administration is controlled by the Security Division, which is independent from information technology management. Moreover, the Bank has back-up systems in place, including two fully-equipped disaster recovery centres in Almaty, as well as a third centre, which is being developed in Astana. The Bank's management believes that its existing systems allow the Bank to adequately measure and monitor its exposure to liquidity, interest rate, foreign exchange and other market risks. See "*Business of the Bank—Information Systems*".

Money Laundering Risk Management

To address the existence of "black" and "grey" market economies in Kazakhstan, less developed legislation (including, but not limited to, tax legislation) and insufficient administrative guidance on the interpretation of such legislation and the use of Kazakhstan's financial institutions as vehicles for money laundering, the AML Law was adopted by the Parliament on 28 August 2009 and came into effect in March 2010. See "*Risk Factors–Risk Factors relating to the Bank–The Bank's measures to prevent money laundering may not be completely effective*" and "*The Banking Sector in Kazakhstan*".

To comply with the requirements of the AML Law, the Bank developed new anti-money laundering rules (the "**AML Rules**") approved by the Bank's Management Board on 16 April 2010, which replace previously implemented internal rules and standards and apply across all of the Bank's branches and operations. The AML Rules are intended to prevent possible use of financial and other resources of the Bank for money laundering, as well as financing of terrorism. The AML Rules describe methods for the detection of suspicious transactions and client identification, including customary "know your customer" procedures, and require the Bank to report to the authorised state body on suspicious transactions and transactions subject to financial monitoring. Additionally, the AML Rules prescribe the AML training policy.

Most notably, the AML Rules prohibit the Bank from:

- establishing correspondent or other business relations with financial institutions that have not themselves implemented measures on AML and prevention of terrorism financing;
- establishing correspondent or other business relations with shell banks or non-resident banks, which the Bank is aware provide services to shell banks;
- opening bank accounts (deposits) for unidentified customers; and
- opening bank accounts for, or accepting deposits from, a customer, unless the customer (or its authorised representative) is present in person.

Lending Policies and Procedures

General

The Bank performs its activities in accordance with its lending policy and the strict regulatory requirements set by the FMSA. FMSA regulations limit a bank's exposure to any single borrower or group of borrowers to 10 per cent. of the bank's own capital for related parties, to 25 per cent. of the bank's own capital for non-related parties and to 10 per cent. of a bank's own capital for unsecured loans irrespective of whether the borrower is a related or non-related party. The Bank's lending policy, including rules and procedures governing the credit approval process, the credit process control (which includes, among other things, checks on a borrower's compliance with FMSA prudential ratios and its inclusion in any terrorist database) and methods and requirements for the ongoing appraisal of a borrower's credit-worthiness, are based on NBK and FMSA regulations, as well as internal rules and procedures established by the Management Board and approved by the Board of Directors.

Corporate and SME Loans

Decisions on granting a loan to a borrower in a regional branch are made by the relevant branch credit committee or the Branch Network Credit Committee of the Head Office within the authorities and credit limits determined by the Management Board. Decisions on granting loans to borrowers in the Head Office are made by the Credit Committee of the Head Office within the authorities and credit limits determined by the Board of Directors. In the event the authorities and credit limits of the relevant credit committees are exceeded, the decision on granting the relevant loan is taken by the Management Board or the Board of Directors. In the event a loan application exceeds KZT 100-500 million (maximum limits vary in different branches), the Credit Analysis Department of the Head Office prepares credit opinions with regard to such loan applications.

The following table shows the respective authorities and credit limits for each of the Bank's credit committees:

Type of credit committee	Established limits	Comments
Head Office Credit Committee...........	Up to 5 per cent. of the Bank's total share capital	Loan applications exceeding the established limit are considered by the Bank's Board of Directors
Branch Network Credit Committee within the Head Office	From KZT 75 million to KZT 1,350 million (different limits established for different branches by the Management Board)	If any loan application exceeds the established limit, special approval of such loan application by the Management Board is required
Branch credit committee.....................	From KZT 50 million to KZT 200 million (different limits established for different branches by the Management Board)	Loan applications exceeding the established limit are considered by the Branch Network Credit Committee within the Head Office

The risk management function, with staff located in both the Head Office and each branch, undertakes a thorough analysis of each credit application, including carrying out feasibility studies, financial analysis and an assessment of the financial standing and reputation and experience of the potential borrower, and prepares its recommendations on each application in terms of overall risks related to the project, the borrower and the related industry sector in which the borrower operates. The credit analysis takes a number of factors into consideration, including (i) the ability to repay, (ii) the financial statements, cash flows and financial condition of the borrower, (iii) the value of any collateral (including the appraisal made by an independent appraisal company), (iv) the management of the borrower, (v) the purpose of the loan, (vi) the loan documents (from a legal perspective), (vii) the borrower's business reputation and (viii) the current state of the industry in which the borrower operates. Information on a borrower is obtained from various external sources, as well as the Bank's own database. The Legal Department makes a legal assessment of the collateral being offered, including valuation, legality and enforceability. The Bank also employs independent legal advisers and appraisers, from time to time, to review the loan agreements and other legal documentation involved in the lending process and to make an independent assessment of the value of any collateral.

In order to further enhance its credit decision making and credit risk management procedures, in November 2007, the Bank signed a contract with KMV Moody's relating to the purchase of a rating model to rank the Bank's corporate clients and SME customers in accordance with their financial credit-worthiness. This model is already in use in respect of corporate clients and it is expected to be implemented in 2011-2012 for SME customers.

Since 2007, the Bank has adopted certain changes to its lending policies in relation to corporate clients and SME customers, which (among others) (i) reduce lending limits set for the branches by 25 per cent. on average, terminate higher-risk lending programmes and generally impose stricter lending criteria, including requirements for borrowers to utilise more of their own funds in construction and investment projects; (ii) increase the frequency at which the Bank undertakes monitoring of loans and collateral values; (iii) shorten maturities on certain types of loans; and (iv) give the Bank greater oversight over the borrower's activities and flexibility to work with borrowers to maintain and improve the overall asset quality of the Bank's loan portfolio.

Retail Loans

Collateral-based lending: Loan applications from individuals for collaterised loans (including mortgages, auto loans and consumer loans secured by real estate), which require information on income, collateral, purpose and terms of lending, as well as information on co-borrowers and guarantors (if applicable), are primarily initiated by retail managers. Retail managers perform a preliminary analysis of the borrower, co-borrowers and guarantors (if applicable), making special checks through the internal databases of the Bank (such as the database of unreliable and unfavourable borrowers and the database of the Bank's affiliated persons) with the aid of special software modules that allow the processing of a loan application in electronic format. A preliminary analysis is performed by reference to (among other things) the income, existing obligations and credit history of a borrower, a co-borrower or guarantor (if applicable), the borrower's participation in the Bank's payroll project and documentary confirmation of the borrower's income and collateral values.

Decisions on granting collateral-based loans are made by branch credit committees within their authorities and credit limits. If credit limits and authorities of the branch credit committee are exceeded or if the terms of a certain loan are not standard, decisions on granting a loan are made by the Retail Credit Committee of the Head Office that is entitled to make decisions on consumer loans up to KZT 100 million and on mortgage loans up to U.S.$ 5 million. See "*—Lending Policies and Procedures*".

Payroll-based lending: The Bank aims to increase the volume of its payroll-based lending. Payroll-based loans are unsecured micro-loans of up to KZT 1.5-2 million (depending on the lending programme and other criteria) made to individuals who have received their salaries through the Bank's accounts for at least six months and whose income level may be confirmed by the Government Pension Payment Centre, an independent State body. The terms of these loans provide that the Bank has a right to take amounts due from the borrower's salary.

Loan applications from individuals for payroll-based loans, which require information on income, terms of lending and a guarantor, if necessary, are also initiated by retail managers. Retail managers process loan applications electronically using a special software module designed to analyse information provided both in writing and orally by a borrower. Based on the Bank's internal information about a borrower, automatic checks in accordance with required criteria are performed and a decision, facilitated by a special software module, is taken. Electronic loan applications are then checked by the Credit Administration Service and (if approved) funds are transferred to a borrower's account.

If an application includes insufficient information on a borrower or has unusual terms, the application is submitted to a retail branch credit committee. Generally, a retail branch credit committee comprises five members, including the Deputy Retail Head of the relevant branch (who acts as head of the Committee), the branch retail credit risk manager and other branch officers responsible for sales, legal and collateral evaluation, respectively. Each retail branch credit committee makes decisions within its authority and credit limits. If credit limits and authorities of the retail branch credit committee are exceeded or if the terms of a certain loan are not standard, the decision on granting the loan is made by the Retail Credit Committee of the Head Office. See "*—Lending Policies and Procedures*".

The Bank constantly modifies and optimises the lending decision-making process in line with changes in the labour market situation and other social and economic factors.

As in respect of its lending policies for corporate clients and SME customers, since 2007, the Bank has adopted certain changes to its lending policies in relation to retail customers, which (among others) (i) reduce lending limits by an average of 40 per cent., (ii) terminate higher-risk lending programmes and generally initiate stricter criteria for borrowing, such as tighter loan-to-income ratios, higher collateral coverage ratios and restrictions by geographical factors; (iii) shorten maturities on certain types of loans; (iv) add insurance requirements; and (v) give the Bank increased control over loan monitoring, including through the introduction of centralised automated software program.

Collateral Policies

The Bank seeks to reduce its credit risk by requiring collateral from most of its borrowers. In particular, most corporate loans and all retail loans, excluding consumer loans made under the salary programme, are collateralised. Collateral on loans extended by the Bank includes, but is not limited to, real estate, machinery and motor vehicles, ships, industrial equipment, industrial goods, food stock and other commercial goods, receivables and individual property rights, as well as cash deposits, securities and individual third party and corporate guarantees. The Bank estimates the net realisable value of the collateral provided and regularly monitors the quality and safekeeping of the collateral taken as security. In certain cases, additional collateral may be sought from the borrower. The value of collateral accepted against a loan depends on the type of collateral, as set forth in the following table, which sets out the accepted value levels as a percentage of the market value of collateral:

Collateral categories	Loan/collateral value
Cash	100%
Guarantees from financial institutions	100%
Government debt securities	100%
Real estate	50-80%
Commodities	50-70%
Fixed assets	50-70%, less amortisation
Equity securities	70-85%
Receivables	10-50%
Third party and corporate guarantees	on a case-by-case basis

The Bank believes that it has a satisfactory record in realising upon collateral against defaulted loans. The Bank generally attempts to enforce its rights to security through out-of-court procedures where possible. In particular, the Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any pledged collateral either in reliance on its legal rights or with the co-operation of the borrower. If necessary, the Bank will seek to obtain repayment by sequestration of a debtor's property or funds held in accounts with other banks in a court of law.

The following table sets out certain information relating to the collateralisation of the Bank's gross loan portfolio as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Loans collateralised by pledge of real estate or rights thereon	687,790	51.4	841,051	62.7	772,415	59.3	623,396	56.9
Loans collateralised by cash	36,554	2.7	69,035	5.2	62,823	4.8	16,811	1.5
Loans collateralised by pledge of agricultural products	33,556	2.5	39,012	2.9	20,482	1.6	28,953	2.6
Loans collateralised by pledge of vehicles	31,375	2.4	28,221	2.1	16,106	1.2	20,526	1.9
Loans collateralised by pledge of inventories	27,991	2.1	29,880	2.2	17,178	1.3	3,648	0.3
Loans collateralised by pledge of equipment	16,622	1.2	8,091	0.6	4,127	0.3	71,749	6.5
Loans collateralised by pledge of corporate shares	15,585	1.2	6,158	0.5	5,443	0.4	16,711	1.5
Other collateral	235,252	17.6	252,258	18.8	243,639	18.7	206,543	18.9
Unsecured loans	252,802	18.9	66,630	5.0	161,119	12.4	108,633	9.9
Total loans to customers	**1,337,527**	**100.0**	**1,340,336**	**100.0**	**1,303,332**	**100.0**	**1,096,970**	**100.0**

Loan Classification and Provisioning Policy

General

The Head Office Credit Committee is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto based on reports provided by the risk management function. In order to establish adequate allowances, loans are classified by their perceived risk criteria in accordance with the Bank's policy and the requirements of IFRS. The risk management function also conducts evaluations of other assets and off-balance sheet contingent liabilities.

Classification and Provisioning Guidelines

Before 2009, the Bank's IFRS provisioning process was closely related to the methodology recommended by the FMSA, with certain adjustments on discounted collateral value, which was deducted from the outstanding amount of the loan. The "matrix"-based approach set by the FMSA was, however, still generally applied. Beginning in 2009, in order to bring its provisioning policies more in line with IFRS, the Bank replaced its "matrix"-based approach to provisioning with the "expected loss" methodology for borrowers individually assessed for impairment under IFRS requirements. To implement the new methodology, the Bank launched an internal rating model purchased from Moody's Analytics, Inc. The model was tailored to the Bank's clients in cooperation with Moody's Analytics experts.

In accordance with IFRS standards, the Bank divides borrowers into those assessed individually and those assessed on a collective basis based on the principle of materiality. Borrowers whose indebtedness is higher than a materially significant amount are assessed individually based on "expected loss" estimates using the results of the rating model. As at the date of this Prospectus, loans exceeding KZT 60 million are deemed to be individually significant and assessed separately. Collective assessment is performed on loans that are determined not to be individually significant. Such loans are included in groups of homogeneous loans with similar credit risk characteristics (including characteristics such as the industry or economic sector in which the borrower operates, the borrower's activities, the type of loan programme under which the loan was made and other factors), with impairment determined based on evidence of general deterioration across a certain group of homogeneous loans and allowance for impairment created accordingly.

In accordance with the new internal rating model, individually-assessed loans are assigned different rating scores, as follows:

- Rating score 1 - superior loan rating, minimal credit risk
- Rating score 2 - very high quality of loan, very low credit risk
- Rating score 3 - high quality of loan, low credit risk

- Rating score 4 - satisfactory quality of loan, insignificant credit risk
- Rating score 5 - credit risk can increase at economic variation
- Rating score 6 - high credit risk at economic variation
- Rating score 7 - high risk of default, paying capacity of the borrower depends on favourable economic circumstances
- Rating score 8 - very high risk of default
- Rating score 9 - bankruptcy procedure is initiated but repayments are still being made by the borrower
- Rating score 10 – default

Each rating score is based on information provided by credit officers regarding a borrower's financial performance, liquidity and credit history, the quality of accounts receivable, market risks, the industry in which the borrower operates and other factors. Both the information and the level of the allowance are verified by the risk management function.

Prior to 2009, the Bank used loan classifications that are broadly as follows:

Pools of homogeneous loans – Loans to customers are included in groups of loans with similar credit risk characteristics (*i.e.,* the characteristics include the industry or economic sector in which the borrower operates, the borrower's activities, the type of loan programme under which the loan was made and other factors). Collective assessment is performed on loans that are determined not to be individually significant based on the limits set by the Board of Directors and loans that are individually assessed for impairment, but for which an impairment loss is not recognised.

Doubtful 1st category – There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower repays the loan principal and the interest without delay and in full. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 2nd category – There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. However, due to temporary difficulties, the borrower repays the loan with delays or not in full. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 3rd category – There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to improve its current financial performance, thus casting doubt on the borrower's ability to repay the loan with interest in full. However, despite severe deterioration of in its financial condition the borrower manages to repay the loan with interest in full and without delay. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 4th category – There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to stabilise and improve its current financial performance and impairs the borrower's ability to repay the loan with interest in full. The borrower repays the loan late or not in full. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 5th category – The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position or negative equity and it is probable that the borrower will be unable to repay the loan with interest in full. The quality of collateral can be classified as satisfactory (normally not highly liquid but covering not less than 100 per cent. of the borrower's outstanding debt) or unsatisfactory (the value of which covers nearly but not less than 50 per cent. of the borrower's outstanding debt).

Loss – In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the loan is uncollateralised or the value of the collateral is negligible and covers less than 50 per cent. of the borrowers' outstanding debt.

Pursuant to the Bank's internal procedures, the Head Office Credit Committee, in monitoring the Bank's loans and off-balance sheet exposures, performs detailed credit reviews and assesses the borrower's financial condition and operating results, to determine (among other things) whether these have deteriorated since the origination of the loan; the current performance of the borrower with regard to the timely repayment of principal and interest, including whether there have been any extensions of interest or principal payments granted or whether other modifications have been made to the original loan agreement; the quality and quantity of any collateral provided; and the purpose of the loan and whether there has been any unauthorised use of the loan proceeds.

Based on these assessments and, to the extent available to the Bank, an analysis of external information on the borrower, the Corporate Lending Departments (No. 1 and No. 2), through their back-office functions, together with the Credit Analysis Department (for loans to large corporates) or the Administration of Banking Operations Department (for loans to SMEs) prepare an initial report classifying loans according to their risk and the exposure that they potentially present to the Bank; the classifications are then verified by the Financial Risks and Portfolio Analysis Department.

Analysis of Loan Portfolio

The following tables set out information on the credit quality of the Bank's gross loan portfolio according to the Bank's internal ratings, which have been applied since 2009, with loans assessed on a collective basis shown separately, and related allowances for impairment, as at the dates indicated:

	As at 30 September 2010			As at 31 December 2009		
	Total exposure	**Allowance for loan impairment**	**Allowance for loan impairment /total exposure**	**Total exposure**	**Allowance for loan impairment**	**Allowance for loan impairment /total exposure**
		(unaudited)				
	(KZT millions)		*(%)*	*(KZT millions)*		(%)
1.....................................	—	—		—	—	—
2.....................................	—	—	—	—	—	—
3.....................................	151	1	0.7	47	—	—
4.....................................	54,616	592	1.1	29,789	670	2.2
5.....................................	166,612	6,211	3.7	149,513	5,508	3.7
6.....................................	262,511	18,380	7.0	343,355	45,838	13.4
7.....................................	224,431	34,844	15.5	337,047	62,481	18.5
8.....................................	52,102	18,748	36.0	105,943	61,926	58.5
9.....................................	11,580	6,320	54.6	—	—	—
10...................................	207,457	118,951	57.3	990	990	100.0
Loans to customers that are individually assessed for impairment.............	979,460	204,047	20.8	966,684	177,413	18.4
Loans to customers that are collectively assessed for impairment.............	358,067	39,242	11.0	373,652	29,688	7.9
Total..............................	**1,337,527**	**243,289**	**18.2**	**1,340,336**	**207,101**	**15.5**

Note:

(1) Due to the change in methodology discussed above, comparative figures for the years ended 31 December 2008 and 2007 are not available.

The allowance for loan impairment losses increased by KZT 36,188 million, or 17.5 per cent., to KZT 243,289 million as at 30 September 2010, from KZT 207,101 million as at 31 December 2009, primarily as a result of the aging of the Bank's non-performing loans, as certain non-performing loans previously overdue by more than 30 days became overdue by more than 90 days. Within the context of the Bank's internal rating model, the effect of the aging of non-performing loans resulted in the increase in the amount of loans rated "9" and "10", as certain loans previously rated "6", "7" and "8" were downgraded. The ratio of allowance for loan impairment and total gross loans increased to 18.2 per cent. of total loans as at 30 September 2010 from 15.5 per cent. as at 31 December 2009, primarily as a result of the higher level of allowances taken.

The following table sets out information on the credit quality of the Bank's gross loan portfolio according to the loan classifications applied prior to 2009 (see "—*Classification and Provisioning Guidelines*"), and related allowances for impairment, as at the dates indicated:

	As at 31 December					
	2008			**2007**		
	Total exposure	**Allowance for loan impairment**	**Allowance for loan impairment /total exposure**	**Total exposure**	**Allowance for loan impairment**	**Allowance for loan impairment /total exposure**
	(KZT millions)		*(%)*	*(KZT millions)*		*(%)*
Homogeneous loans	737,434	27,428	3.7	835,901	18,607	2.2
Doubtful 1st category	369,689	18,370	5.0	180,643	8,874	4.9
Doubtful 2nd category	7,922	755	9.5	7,817	786	10.1
Doubtful 3rd category	97,430	19,561	20.1	46,456	9,339	20.1
Doubtful 4th category	16,307	4,133	25.3	4,172	1,048	25.1
Doubtful 5th category	20,447	5,983	29.3	2,763	849	30.7
Loss loans	54,103	38,822	71.8	19,218	17,194	89.5
Loans to customers	**1,303,332**	**115,052**	**8.8**	**1,096,970**	**56,697**	**5.2**

The allowance for loan impairment losses increased by KZT 58,355 million, or 102.9 per cent., to KZT 115,052 million, or 8.8 per cent. of total loans, as at 31 December 2008, from KZT 56,697 million, or 5.2 per cent. of total loans, as at 31 December 2007, primarily reflecting the deteriorating quality of the Bank's loan portfolio largely as a result of the global financial crisis.

Portfolio Supervision

The risk management function provides monthly reports to the Management Board detailing all aspects of the Bank's lending activities. These reports contain details on the volume of non-performing loans, including loans on which certain payment amounts are overdue and loans on which the full principal amount is overdue.

Non-Performing Loans

The following table sets out information as to the Bank's non-performing loans, including as a percentage of the Bank's total unconsolidated gross loan portfolio, as at the dates indicated:

	As at 30 September		**As at 31 December**					
	2010		**2009**		**2008**		***2007***	
	(unaudited)							
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Non-performing loans 30+ (1)	224,534	18.5	233,891	19.0	124,472	10.1	23,521	2.2
Non-performing loans 90+ (2)	214,008	17.5	206,285	16.7	78,398	6.4	N/A	N/A

Notes:

(1) Total principal amount of loans (on an unconsolidated basis in accordance with Kazakhstan accounting standards) in respect of which principal or interest is overdue by more than 30 days.

(2) Total principal amount of loans (on an unconsolidated basis in accordance with Kazakhstan accounting standards) in respect of which principal or interest is overdue by more than 90 days.

Non-performing loans comprising loans in respect of which principal or interest is overdue by more than 30 days decreased to 18.5 per cent. of unconsolidated gross loan portfolio as at 30 September 2010 from 19.0 per cent. of unconsolidated gross loan portfolio as at 31 December 2009, primarily as a result of the stabilisation of loan portfolio as the Kazakhstan economy began to recover. Despite the improvements in the economy, non-performing loans in respect of which principal or interest is overdue by more than 90 days increased to 17.5 per cent. of unconsolidated gross loan portfolio as at 30 September 2010 from 16.7 per cent. of unconsolidated gross loan portfolio as at 31 December 2009 as certain non-performing loans previously overdue by more than 30 days became overdue by more than 90 days. The share of non-performing loans in the Bank's unconsolidated gross loan portfolio increased in 2009 and in 2008 due to the overall deterioration in the asset quality of the loan portfolio, largely as a result of the global financial crisis.

Allowance for Loan Impairment by Type of Borrower

The following table sets out the allocation of the allowance for loan impairment between legal entities and individuals, both in nominal terms and as a percentage of the Bank's allowance for loan impairment to customers, as at the dates indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	(unaudited)							
	(KZT millions)	*%*	*(KZT millions)*	*%*	*(KZT millions)*	*%*	*(KZT millions)*	*%*
Legal entities	244,146	100.4	212,261	102.5	109,093	94.8	49,537	87.4
Individuals	26,194	10.8	20,817	10.0	25,735	22.4	18,585	32.8
IFRS adjustments[1]	(27,051)	(11.2)	(25,977)	(12.5)	(19,776)	(17.2)	(11,425)	(20.2)
Allowance for loan impairment	**243,289**	**100.0**	**207,101**[2]	**100.0**	**115,052**[2]	**100.0**	**56,697**[2]	**100.0**

Notes:

(1) IFRS adjustment represents the difference between allowance for loan impairment created in accordance with FMSA regulations and allowance for loan impairment created in accordance with IFRS.

(2) Audited.

Restructured Loans

The Bank attempts to restructure loans when customers are experiencing financial difficulties and when the loan would become overdue if not restructured. For such customers, the Bank generally extends the initial maturity of the facility in order to reduce the debt burden and to match the debt servicing capacity of the customer with its cash flows.

Restructured loans are not included in non-performing loans. Restructured loans are considered performing, unless a customer fails to perform according to the restructured terms and the loan becomes overdue. Upon such an event, the restructured loan would become overdue and would be included in the figures for non-performing loans and would be removed from the figures relating to restructured loans.

Write-Off Policy

The Bank writes off loans, net of the realisable value of any collateral, when it is evident that a loss has been sustained and no amounts will be collected. Historically, the Bank's write-offs have been immaterial.

MANAGEMENT AND EMPLOYEES

General

The laws of Kazakhstan and the Bank's Charter adopted by the General Shareholders' Meeting on 20 December 2006 and approved by the FMSA on 26 January 2007 (as amended, the "**Charter**") provide for the following governance bodies of the Bank: the general meeting of shareholders, the Board of Directors and the Management Board. The shareholders have the exclusive authority to adopt decisions on certain material issues, including the election of the members of the Board of Directors. The shareholders participate in the control and management of the Bank by adopting decisions at general meetings of shareholders. The Board of Directors supervises the Management Board. The Management Board is headed by a Chairman who is responsible for the day-to-day management of the Bank. In addition, the Bank has various collegial decision making bodies, including a number of credit committees in the Head Office and branches, a Problem Loan Recovery Committee and the ALCO.

On 22 January 2009, Ms. Umut Shayakhmetova, who was previously the Deputy Chairperson of the Management Board of the Bank, was appointed Chairperson of the Management Board of the Bank replacing Mr. Grigoriy Marchenko, who held the position of Chairman of the Management Board of the Bank from 2005 and was appointed Governor of the NBK on 21 January 2009.

The Bank's registered office is located at 109 "V", Abay Avenue, Almaty 050008, Kazakhstan, and its telephone number is +7 727 259 00 00. The Bank is registered with the Ministry of Justice of Kazakhstan and its registration number is 3898-1900-AO.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Board of Directors of the Bank. the members of the Management Board of the Bank or the members of any of the principal committees of the Bank, on the one hand, and the private interests or other duties of such members, on the other hand.

No member of the Board of Directors, the Management Board or any of the principal committees of the Bank has:

(a) been convicted in relation to fraudulent offences;

(b) been associated with any bankruptcy, receivership or liquidation in the capacity of a member of any administrative, management or supervisory body; or

(c) been subject to public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company,

in each case in the five years preceding the date of this Prospectus.

Board of Directors

In accordance with the Charter and the laws of Kazakhstan, the members of the Bank's Board of Directors are elected at the general meeting of shareholders and such election must be approved by the FMSA. Members of the Board of Directors may not be members of the Management Board, except for the Chairman of the Management Board.

The Board of Directors is responsible for the approval of the development strategy, the election of the members of the Management Board, determining the remuneration of the members of the Management Board and the adoption of a decision on the convocation of the annual and extraordinary general meetings of shareholders. The Directors are elected by the general shareholders' meeting and the powers of the directors are terminated by the resolution of the general shareholders' meeting. As at the date of this Prospectus, the Board of Directors consists of the following members:

Name	Position(s)	Year of Birth	Year of Appointment
Alexander Pavlov	Chairman of the Board, Independent Director	1953	2004
Kadyrzhan Damitov	Independent Director	1959	2010
Franciscus Cornelis Wilhelmus (Frank) Kuijlaars	Independent Director	1958	2009
Christof Ruehl	Independent Director	1958	2007
Kairat Satylganov	Member of the Board of Directors	1965	2004
Umut Shayakhmetova	Member of the Board of Directors, Chairperson of the Management Board of the Bank	1969	2009
Askar Yelemessov	Member of the Board of Directors	1968	2007

Alexander Pavlov, Chairman of the Board of Directors, Independent Director. Mr. Pavlov graduated from the Belarusian State Institute of People's Economy in 1974. Between 1994 and 2004 he worked as a government official for the Republic of Kazakhstan. He started as Minister of Finance and later became Deputy Prime Minister, progressing to First Deputy Prime Minister. From 2000 to 2002, he served as Vice President and Vice Chairman of the Board of Directors of Kazakhmys plc. In 2004, Mr. Pavlov became an external consultant to the Bank and from March 2004 has acted as Chairman of the Board of Directors of the Bank.

Kadyrzhan Damitov, Independent Director. Mr. Damitov holds a PhD from the Moscow Finance Institute. In 1998, Mr. Damitov was appointed as Governor of the NBK. From 1999 to 2000, he was adviser to the President of Kazakhstan. From 2000 to 2004, he was the Deputy Chairman of the management board of ABN AMRO Bank Kazakhstan. Since 2004, he has been a member of the Board of Directors and adviser to the CEO of Ust-Kamenogorsk Titanium-Magnesium Mining Company. From 2005 to 2007, Mr. Damitov was a member (Independent Director) of the Board of Directors of the Bank. He was member of the Board of Directors of Sustainable Development Fund "Kazyna" from 2006 to 2007. Mr. Damitov was Chairman of the Management Board of JSC "National company "Social-entrepreneurial Corporation "Yertys" from 2007 to 2009. Since May 2009, Mr. Damitov has been the President of the Kazakhstan Stock Exchange. He was appointed to the Board of Directors of the Bank in April 2010.

Franciscus Cornelis Wilhelmus (Frank) Kuijlaars, Independent Director. Mr. Kuijlaars received a Master's Degree in Law from the University of Erasmus, Rotterdam, The Netherlands in 1982. He holds a Certificate in Banking and Insurance from the Dutch Institute for Banks and Insurance Companies, The Netherlands. From 1990 to 2007 Mr. Kuijlaars served as Head of Corporate and Investment Banking, Belgium, Regional Manager Brazil, Country Manager, Russia and Argentina, Head Integrated Energy, Member of the Supervisory Board in Russia, Kazakhstan and Uzbekistan, Global Head Oil & Gas, EVP Investment Banking, Global Head Oil & Gas/Chemicals, EVP Global Head Energy and Resources at ABN AMRO Bank. In 2006 Mr. Kuijlaars was appointed as Independent Director of JSC National Company KazMunayGas. In 2008, he was Head of Energy and Resources CEEMEA, Western Europe, Global Head Energy and Resources, Member of EXCO Corporate & Investment Banking and CEO of non-presence countries at RBS. Mr. Kuijlaars is a member of the Foreign Investment Council to the President of Kazakhstan. He was appointed to the Board of Directors of the Bank in April 2009.

Christof Ruehl, Independent Director. Since 2008 Mr. Ruehl has been Chairman of the British Institute of Energy Economics in London. In 2007 he became Group Chief Economist and Vice President of BP plc. Since 2005 he has been the Deputy Chief Economist of BP plc and, before that, worked for the World Bank Group where he was Senior Economist in Washington from 1998 to 2001, Chief Economist in Moscow from 2001 to 2004, and Lead Economist and Sector Leader in Brazil from 2004 to 2005. He previously worked in academia, most recently at the University of California, Los Angeles, where he was Professor of Economics. Mr. Ruehl holds an MA in economics from the University of Bremen, Germany. He was appointed to the Board of Directors of the Bank in June 2007.

Kairat Satylganov, Member of the Board of Directors. Mr. Satylganov studied at the Kazakhstan State Academy of Management where he earned a degree in Economics. Between 1992 and 1993 he worked as Chief Accountant at the Embassy of Kazakhstan in the United States. From 1993 to 1997 he was the Chief Economist at Bank TuranAlem, before becoming Deputy Chairman of the Management Board of Bank TuranAlem in 1997. Between 1997 and 2002 he acted as Deputy Chairman and then Chairman of the Management Board of ATF Bank. In 2002 Mr. Satylganov became Chairman of the Management Board of the Bank. In 2004 he took up the role of General Director of Almex and became a member of the Board of Directors of the Bank, representing Almex.

Umut Shayakhmetova, Member of the Board of Directors, Chairperson of the Management Board. Ms. Shayakhmetova graduated in 1993 from the University of People's Friendship in Moscow. In 1996, she received an

MBA from Rutgers University, New Jersey. In 1997, she joined ABN AMRO Bank Kazakhstan and held various positions in project finance teams and later became Chairperson of the Management Board of ABN AMRO Asset Management. From March 2000 to November 2004, Ms. Shayakhmetova worked as Deputy Chairperson of the Management Board of ABN AMRO Bank. She has been a Deputy Chairperson of the Bank since November 2004. In January 2009, Ms. Shayakhmetova was appointed as Chairperson of the Management Board of the Bank. She was appointed to the Board of Directors of the Bank in April 2009.

Askar Yelemessov, Member of the Board of Directors. He has been Chairman of the Board of Directors of JSC Troika Dialog Kazakhstan (formerly JSC Almex Asset Management) since 2007. In 2006, he was Kazakhstan's Vice Minister of Finance. He was a Deputy Governor of the Management Board of the NBK from 2004 to 2006, before which he was Vice President, then President, of JSC DB Securities Kazakhstan. Before that, Mr. Yelemessov held a number of roles in Kazakhstan banks. He was a member of the Kazakhstan Stock Exchange Board of Directors between 2001 and 2003, and was Co-Chairman of one of the working groups of the Foreign Investor Council in 2003. Mr. Yelemessov holds an economics degree from Moscow State University, and an MBA from the University of Washington, USA. Mr. Yelemessov was appointed to the Board of Directors of the Bank, representing Almex, in June 2007.

The business address of each of the members of the Board of Directors in respect of business conducted for the Bank is the registered office of the Bank.

Management Board

The Management Board, which meets weekly, is responsible for the day-to-day management of the Bank and implements the decisions of the general meetings of shareholders and the Board of Directors. The Management Board consists of eight members, who are elected and whose powers are terminated by a resolution of the Board of Directors. As at the date of this Prospectus, the Management Board consists of the following members:

Name	Position(s)	Year of Birth	Year of Appointment
Umut Shayakhmetova	Chairperson of the Management Board	1969	2009
Nailiya Abdulina	Deputy Chairperson, Finance and Accounting	1946	2006
Marat Almenov	Deputy Chairman, Retail Banking	1976	2010
Dauren Karabayev	Deputy Chairman, International Activities, Treasury and Subsidiaries	1978	2007
Saule Kishkimbayeva	Deputy Chairperson, Corporate Banking	1968	2009
Stanislav Kosobokov	Deputy Chairman, SME Banking	1978	2010
Askar Smagulov	Deputy Chairman, Operations and Information Technologies	1975	2007
Kozhamurat Uskimbayev	Deputy Chairman, Security and Bad Loans Recovery	1954	2007

Umut Shayakhmetova, Chairperson of the Management Board. For summary biographical information, see "—*Board of Directors*".

Nailiya Abdulina, Deputy Chairperson, Finance and Accounting. Ms. Abdulina graduated from the Almaty Institute of People's Economy in 1981 with a degree in accounting. Between 1998 and 2005 she served as the Deputy Chairperson of the Management Board of the NBK. She joined the Bank in 2005 as an adviser to the Chairman of the Management Board. In March 2006, she was appointed as Deputy Chairperson of the Management Board.

Marat Almenov, Deputy Chairman, Retail Banking. Mr. Almenov is an economics graduate of the Kazakh State Academy of Management. He started his career in 1997 at Halyk Bank. From 1997 to 2003, he held various positions in the Corporate Lending, Credit Risks and SME departments. In 2003, he served as Deputy Director responsible for retail banking in the Astana regional branch of the Bank. Between 2004 and 2009, he was Deputy Director of the Retail Sales Department, Director of the Retail Sales Support Department and Director of the Banking Products and Agency Services Department. In April 2009, he was appointed as Director of the Almaty regional branch of the Bank. In June 2010, Mr. Almenov was appointed Deputy Chairman of the Management Board.

Dauren Karabayev, CFA, Deputy Chairman, International Activities, Treasury and Subsidiaries. Mr. Karabayev graduated from the Kazakh State Academy of Management in 1999 with a degree in international economics relations. In 2001, he received a Master's degree in finance from the University of Texas, USA. In 2001 he joined ABN AMRO Bank Kazakhstan and held various positions in credit analysis and project finance. From November 2004 to February 2007 Mr. Karabayev worked as Managing Director of the Bank's Investment Banking Department and subsequently the International Department. He was appointed as a Deputy Chairman of the Bank with effect from 1 March 2007.

Saule Kishkimbayeva, Deputy Chairperson, Corporate Banking. Ms. Kishkimbayeva graduated from Almaty Pedagogical Institute of Foreign Languages in 1991. She has worked in the Kazakhstan banking industry since 1994. Ms. Kishkimbayeva held various positions in Credit risk management and later became Head of credit risk management, deputy head and head of the customer services division at ABN AMRO Bank Kazakhstan. She joined the

Bank in February 2005 as Director of the Corporate Lending Department No.2. In February 2009, she was appointed as Deputy Chairperson of the Management Board.

Stanislav Kosobokov, Deputy Chairman, SME Banking. Mr. Kosobokov is an economics graduate of the Kazakh State Academy of Management. He started his career in 2000 in the Operational Division of the Almaty branch of Kazkommertsbank. In 2002, he joined the Bank and worked as a manager and then senior manager of the Retail Sales Department and as Head of Coordination of sales channels division of the Retail Sales Department. In 2006, he was appointed as Director of the Retail Sales Department. He was appointed as a Deputy Chairman of the Bank in June 2010.

Askar Smagulov, Deputy Chairman, Operations and Information Technologies. Mr. Smagulov graduated from Kazakh State University with a degree in economics. In 1998, he received an MBA from the University of Rochester, USA. In 1999, Mr. Smagulov joined ABN AMRO Bank Kazakhstan and served as a dealer of the treasury, head dealer of the treasury, head of the trade division of the treasury and as treasurer of the treasury. From 2005 to 2007 Mr. Smagulov worked at the Bank as a Head of Treasury and since September 2007 he has acted as Deputy Chairman of the Management Board.

Kozhamurat Uskimbayev, Deputy Chairman, Security and Bad Loans Recovery. Major-General Uskimbayev graduated from the Almaty School of Militia of the Ministry of Internal Affairs of USSR ("**MIA**") in 1980, from Karaganda High School of MIA USSR in 1986 and from the Academy of MIA USSR in 1991. He has held the rank of Major-General since 2003. In 1994, he was appointed deputy head of the Internal Affairs Department of Almaty city. From 1995 to 2002 Major-General Uskimbayev served in various positions in the MIA of the Republic of Kazakhstan. In 2002, he was appointed as a Head of the Internal Affairs Department of the Aktobe region and from 2003 he has acted as Vice-Minister of Internal Affairs of the Republic of Kazakhstan. He has been a Deputy Chairman of the Bank since September 2007.

The business address of each of the members of the Management Board is the registered office of the Bank.

Principal Committees

Asset and Liability Management Committee (ALCO)

As at the date of this Prospectus, the ALCO members were as follows:

Name	Position
Umut Shayakhmetova..........................	Chairperson of the Management Board
Nailiya Abdulina.................................	Deputy Chairperson
Aliya Karpykova.................................	Finance Director
Askar Smagulov	Deputy Chairman
Dauren Karabayev	Deputy Chairman
Saule Kishkimbayeva	Deputy Chairperson
Murat Koshenov	Chief Risk Officer and Compliance Controller
Yertay Salimov...................................	Head of the Treasury
Serik Zhukenov	Deputy Head of the Treasury

For a description of the duties of the ALCO, see "*Asset, Liability and Risk Management—Asset and Liability Management Committee (ALCO)*". For summary biographical information for each member of the ALCO that is also a member of the Board of Directors or Management Board of the Bank, see *"—Board of Directors"* or *"—Management Board"*, as the case may be. All other members of the ALCO are full-time employees of the Bank in the respective capacities indicated.

Credit Committees

The following committees located at the Head Office of the Bank are responsible for administering the Bank's internal credit policy:

- Head Office Credit Committee—responsible for credit decisions with respect to risk exposure to corporate clients.

- Branch Network Credit Committee—responsible for credit decisions with respect to risk exposure to SME customers in excess of the established limits of each branch.

- Retail Credit Committee—responsible for credit decisions with respect to risk exposure to retail customers.

In addition, each district and regional branch has its own retail lending credit committees. Such committees are permanent committees of the Bank, which are responsible for the implementation of the internal credit policy of the Bank on retail lending through branches. These regional credit committees report to the Branch Network Credit Committee. See also "*Asset, Liability and Risk Management—Lending Policies and Procedures—Corporate and SME Loans*".

Audit Committee

The Audit Committee regulates the Bank's and its subsidiaries' internal control systems and risk management. The Audit Committee considers and implements projects relating to internal regulatory acts, which, in turn, define the Bank's and its subsidiaries' policies relating to internal control and risk management. The Audit Committee defines and aims to minimise risks arising in the Bank's activity; it reports to the Board of Directors. As at the date of this Prospectus, the Audit Committee consists of the following members:

Name	Position
Christof Ruehl	Chairman of the Committee, Independent Director
Alexander Pavlov	Member of the Committee, Chairman of the Board of Directors, Independent Director
Kadyrzhan Damitov	Member of the Committee, Independent Director

For summary biographical information for each member of the Audit Committee, see "*—Board of Directors*".

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an advisory body of the Board of Directors, which makes recommendations on the appointments of the members of the Board of Directors (except for the Chairman of the Board of Directors and the Chairman of the Management Board) and the maintenance of a transparent and effective remuneration system for the members of the Board of Directors and the Management Board based on their performance results, as well as the determination of the range of remuneration for the members of the Board of Directors and the Management Board. The Committee consists of three members of which at least two members should be independent directors. As at the date of this Prospectus, the Nomination and Remuneration Committee consists of the following members:

Name	Position
Franciscus Cornelis Wilhelmus (Frank) Kuijlaars	Chairman of the Committee, Independent Director
Alexander Pavlov	Member of the Committee, Chairman of the Board of Directors, Independent Director
Umut Shayakhmetova	Member of the Committee, Chairperson of the Management Board

For summary biographical information for each member of the Nomination and Remuneration Committee, see "*—Board of Directors*" or "*—Management Board*", as the case may be.

Service Contracts

All members of the Management Board have entered into service agreements with the Bank, which, among other things, provide standard employment terms. Under the service agreements, employment can typically be terminated upon a 30-day notice period.

Management Compensation

In accordance with the Charter, the amount of remuneration to be paid to members of the Board of Directors is subject to approval by the general shareholders' meeting, and the amount of remuneration to be paid to members of the Management Board and its Chairman is subject to determination and approval by the Board of Directors. For the nine months ended 30 September 2010, the Bank paid remuneration to the members of its Board of Directors and Management Board in the amount of KZT 177 million.

Management Loans

The following table sets out the principal amounts of outstanding loans and guarantees extended to members of the Management Board, the Board of Directors and employees of the Bank's principal shareholder as at 30 September 2010.

	As at 30 September 2010
	(unaudited)
	(KZT millions)
Payable on demand	—
One to three years	—
Over three years	112
Total	**112**

As at 30 September 2010, the total amount of outstanding loans extended to members of the Management Board, the Board of Directors and employees of the Bank's principal shareholder comprised 0.04 per cent. of the Bank's total equity. There are no outstanding loans, guarantees (or other contingent liabilities) extended by the Bank to any member of the Management Board, the Board of Directors and employees of the Bank's principal shareholder other than those discussed above.

Share Ownership by Management

As at 30 September 2010 (being the latest practicable date before the date of this Prospectus), none of the members of the Board of Directors or of the Management Board owned shares of the Bank nor have any options to acquire the shares of the Bank been granted to any such person.

Corporate Governance

Management believes that, as at the date of this Prospectus, the Bank uses reasonable efforts to comply with the corporate governance requirements of Kazakhstan law. The Bank also complies in all material respects with the Corporate Governance Code approved by the Council of Issuers and the Council of Financial Institutions Association of Kazakhstan (the "**Kazakhstan Corporate Governance Code**"), which is based on the international corporate governance practice and recommendations of the Securities Market Expert Council of the NBK. As an overseas company with GDRs admitted to the Official List, Standard Category, of the London Stock Exchange, the Bank is not required to comply with the provisions of the UK Corporate Governance Code.

The Bank is required to include a corporate governance statement in its annual report, which must contain a description of the main features of the Bank's internal control and risk management systems in relation to the financial reporting process, the description of the composition and operation of the Bank's administrative, management and supervisory bodies and their committees and a reference to the corporate governance code to which the Bank is subject.

The Corporate Governance Code of the Bank was initially approved at the extraordinary general meeting of shareholders held on 20 December 2006 and thereafter amended, as further approved by the extraordinary meeting, on 23 April 2007 and 21 February 2008 (the "**Code**"). The Code, which was developed on the basis of Kazakhstan law and the Kazakhstan Corporate Governance Code, also implements certain provisions of the UK Corporate Governance Code, such as those related to remuneration, performance evaluation, information and professional development of the directors, dialogue with shareholders, establishment of audit, nomination and remuneration committees of the Board of Directors. The Bank believes that these additional provisions will strengthen its corporate governance regime. See "*Risk Factors—Risk Factors relating to Operating within the Kazakhstan Banking Sector—The corporate governance and disclosure laws and practices in Kazakhstan that apply to the Bank are less developed than corresponding requirements applicable to corporations organised in the United States, United Kingdom and other Western European countries*".

Pursuant to the JSC Law and the Bank's Charter, the Board of Directors carries out general supervision of the Bank's operations, except for the matters which are in the competence of the general meeting of shareholders. Day-to-day management of the Bank is performed by the Management Board (executive body). Under the JSC Law, members of the Management Board, other than its chairperson, cannot be elected to the Board of Directors. Independent directors should make up at least a third of the Board of Directors.

Assessment of the adequacy and effectiveness of the Bank's system of internal controls is conducted by the Bank's Internal Audit Service, which reports directly to the Board of Directors, and by an independent auditor of the Bank.

The Bank has also established an Audit Committee and a Nomination and Remuneration Committee. See "*—Principal Committees—Audit Committee*" and "*—Principal Committees—Nomination and Remuneration Committee.*"

Employees

As at 30 September 2010, the Bank had 9,371 employees, of whom 85 per cent. were employed in the branches and retail outlets in Kazakhstan. As at 30 September 2010, the Bank employed 8,496 full time employees and 875 part time employees. As at the same date, the average age of the Bank's employees was approximately 34. Salaries and other employee benefits increased by KZT 2,345 million, or 18.4 per cent., to KZT 15,064 million for the nine months ended 30 September 2010 from KZT 12,719 million for the same period in 2009. This increase in salaries and other employee benefits in 2010 was primarily attributable to the partial accrual of employee bonuses for 2010.

The following table sets out the number of employees of the Bank as at the dates indicated:

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
Head office	1,376	1,451	1,528	1,418
Branches and retail outlets	7,995	8,040	8,454	8,425
Total	**9,371**	**9,491**	**9,982**	**9,843**

Although there are currently no labour unions in the Bank or its subsidiaries, some employees of the Bank are members of some local labour unions. The Bank has never experienced any industrial action or other work stoppages resulting from labour disputes.

Apart from the governmental pension plan, the Bank does not provide separate pension and retirement plans or similar benefits to its employees, although it provides its employees with life insurance, partial payment for medical insurance and other benefits, such as one-off retirement allowance and personal event benefits.

Training Programmes

The Bank traditionally uses internal and external training programmes to improve the skills of its personnel and to incorporate modern management approaches and technology into its day to day operations. During the nine months ended 30 September 2010, 2,946 employees participated in internal corporate training sessions, external trainings and conferences in Kazakhstan, CIS and Europe, including:

- 2,478 employees participated in internal training;
- 268 employees participated in in-house training carried out by external trainers; and
- 200 employees participated in external training.

In 2009, 2008 and 2007, 3,775, 7,057 and 3,208 employees participated in internal training, respectively. The significant number of employees trained in 2008 was due to general training on the system of employee performance evaluation, which the Bank started implementing in 2006.

The Bank intends to continue to offer employees training on client relations and customer service issues, risk management, information technology and banking products. Employees of regional branches remain an important target group for training activities. Training of employees of regional branches is carried out by business trainers of the Bank's "Halyk Training Centre".

The Bank's "Halyk Training Centre" was opened in Almaty in March 2006 to provide training to all of the Bank's employees.

SHARE CAPITAL, PRINCIPAL SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Share Capital

As at 30 September 2010, the Bank's issued and fully paid share capital consisted of 1,308,415,960 common shares, 309,859,430 non-convertible preferred shares and 80,225,222 convertible (at the option of the Bank) preferred shares. As at 30 September 2010, the Bank and its consolidated subsidiaries held 7,249,050 of the Bank's common shares as treasury shares.

Principal Shareholders

The following table sets out certain unaudited and unconsolidated information with respect to the ownership of the Bank's outstanding common shares and outstanding common and preferred shares as at the date of this Prospectus:

Shareholder	Number of common shares	Percentage of common shares	Number of common and preferred shares	Percentage of common and preferred shares
		(%)		*(%)*
Holding Group Almex JSC	709,932,473	54.26	709,932,473	41.80
Samruk-Kazyna	259,064,909	19.80	455,297,408	26.81
Others, including Central Depositary	339,418,578	25.94	533,270,731	31.39
Outstanding shares, total	**1,308,415,960**	**100.0**	**1,698,500,612**	**100.0**

Almex

Based on information available to the Bank, as at the date of this Prospectus, Mr. Timur A. Kulibayev, together with his family, beneficially owns 100 per cent. of Almex and, accordingly, Mr. and Mrs. Kulibayev indirectly hold the controlling stake in the Bank. Mr. Kulibayev is the son-in-law of the President of Kazakhstan. The controlling shareholder has the ability to influence significantly the Bank's business through its ability to control all actions that require shareholder approval, including any increase of share capital and appointment of members to the Board of Directors; however, the controlling shareholder is not entitled to interfere in the day-to-day management of the Bank and has the same voting rights per share as other shareholders.

Mr. Kulibayev worked for JSC National Company KazMunayGas from February 2002 to October 2005. From April 2006 to August 2007, Mr. Kulibayev served as a First Vice-President of JSC Kazakhstan Holding Company on Managing State Assets Samruk ("**Samruk**"). In October 2008, Mr. Kulibayev was appointed as Deputy Chairman of Samruk-Kazyna.

Almex is a holding company, which, in addition to its controlling interest in the Bank, has a 30 per cent. interest in AON Kazakhstan LLP, a company engaged in insurance brokerage activities. Almex's interest in the Bank accounts for 99.5 per cent. of Almex's total assets.

In December 2006, Almex sold 187,000,000 shares of the Bank's common stock in the form of Global Depositary Receipts ("**GDRs**") on the London Stock Exchange (the "**IPO**"). The GDRs were sold at a price of U.S.$16.00 per GDR, and each GDR represents four shares of common stock. The selling shareholder committed to use the proceeds from the IPO to subscribe for new shares of common stock offered domestically to the Bank's pre-IPO shareholders in the rights issue. In the Rights Issue, which comprised the second stage of the IPO, the Bank offered 55,000,000 shares of common stock to its pre-IPO shareholders (the "**Rights Issue**"). The Bank completed the Rights Issue in March 2007, and raised approximately KZT 28,156 million in new capital.

Almex's business address is at 58, Azerbayev Street, 050059 Almaty, Kazakhstan.

Samruk-Kazyna

Samruk-Kazyna is the Government's national welfare fund, created to facilitate competitiveness and stability in the Kazakhstan economy and to prevent negative developments in the international markets from impacting economic growth in Kazakhstan.

On 27 March 2009, Samruk-Kazyna purchased 259,064,909 common shares of the Bank for KZT 26,951 million and, on 29 May 2009, Samruk-Kazyna purchased 196,232,499 preferred shares of the Bank for KZT 33,049 million. This investment in the Bank was made as part of a plan initially announced by the Government of Kazakhstan in October 2008 to invest in the top four Kazakhstan banks by purchasing up to 25 per cent. of their common shares, with a view to supporting growth in the real sector and stabilising the banking sector in Kazakhstan.

Shareholders Agreement

Before Samruk-Kazyna became a shareholder of the Bank, Samruk-Kazyna, Almex and the Bank entered into a shareholders agreement dated 15 January 2009 (the "**Shareholders Agreement**") governing certain aspects of the relationship between the two major shareholders and the Bank.

Pursuant to the Shareholders Agreement, Samruk-Kazyna had agreed that it will not be involved in the day-to-day running of the Bank's business. The parties to the Shareholders Agreement had further agreed that, during the term of the Shareholders Agreement:

(a) Samruk-Kazyna's shareholding in the Bank (including that of its affiliates) shall not exceed 25 per cent. of the Bank's outstanding common shares; and

(b) Samruk-Kazyna may not sell any of its shares in the Bank to a third party without the consent of Almex.

Option Agreements

It is expected that Samruk-Kazyna will hold its equity stake in the Bank for a limited period of time and, to this end, Almex has entered into:

- an Option Agreement dated 15 January 2009 with Samruk-Kazyna (the "**Common Shares Option Agreement**"), pursuant to which Almex has the option, exercisable during a period of four years from the first anniversary of Samruk-Kazyna becoming a shareholder of the Bank, to purchase all, but not part, of the Bank's common shares held by Samruk-Kazyna at a price determined in accordance with the Common Shares Option Agreement; and

- an Option Agreement on the Bank's preferred shares dated 22 April 2009 with Samruk-Kazyna (the "**Option Agreement on the Bank's Preferred Shares**"), pursuant to which Almex has the option, exercisable during a period of five years from the date on which Samruk-Kazyna purchased preferred shares of the Bank, to purchase all or any part of the Bank's preferred shares held by Samruk-Kazyna at a price determined in accordance with the Option Agreement on the Bank's Preferred Shares.

Each of the Common Shares Option Agreement and the Option Agreement on the Bank's Preferred Shares provides that Almex has the right, but not the obligation, to transfer its rights and obligations thereunder to its controlling shareholders and/or the Bank without the consent of Samruk-Kazyna. Accordingly, although no decision in this respect has been made by Almex or the Bank, under certain circumstances, the Bank may buy-back its common and preferred shares held by Samruk-Kazyna. Management estimates that, in the event that the Bank elects itself to buy-back 100 per cent. of the common shares and preferred shares held by Samruk-Kazyna, the resulting impact on the Bank's capital adequacy will vary across the different ratios calculated by the Bank in accordance with applicable FSMA regulations, but that no single ratio will decrease by more than 4 percentage points (assuming all other factors remain unchanged).

Samruk-Kazyna's business address is 23, Kabanbay Batyr Avenue, 010000 Astana, Kazakhstan.

Other

The remaining common shares are owned by various minority shareholders in Kazakhstan and offshore. These shares, together with the GDRs, comprise the free float of the Bank.

Related Party Transactions

In the ordinary course of its business, the Bank may, from time to time, enter into transactions with related parties; however, under applicable laws and regulations, Kazakhstan banks, including the Bank, are prohibited from granting favourable terms to related parties.

For a description of the definition of related parties under IAS 24 "Related Party Disclosures", see Note 33 to the Unaudited Interim Financial Statements included elsewhere in this Prospectus.

The following table sets out information on the Bank's related party transactions as at the dates or for the periods indicated:

	As at 30 September		As at 31 December					
	2010		2009		2008		2007	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
				(KZT millions)				
Financial assets at fair value through profit or loss	101	6,412	1,508	8,528	—	14,987	—	48,073
Subsidiaries of Samruk-Kazyna	101	—	1,508	—	—	—	—	—
Available-for-sale investment securities before allowance for impairment	36,564	399,173	6,852	200,951	—	135,801	—	107,839
Subsidiaries of Samruk-Kazyna	36,564	—	6,852	—	—	—	—	—
Allowances for impairment losses on available-for-sale investment securities	(474)	(1,137)	(408)	(730)	—	—	—	—
Subsidiaries of Samruk-Kazyna	(474)	—	(408)	—	—	—	—	—
Investments held-to-maturity	3,943	165,535	4,096	17,186	—	8,689	—	—
Subsidiaries of Samruk-Kazyna	3,943	—	4,096	—	—	—	—	—
Loans to customers before allowance for loss impairment	11,430	1,337,527	31,908	1,340,336	13,992	1,303,332	133	1,096,970
Entities with joint control or significant influence over the entity	—	—	9,976	—	9,379	—	—	—
Key management personnel of the entity or its parent	112	—	210	—	49	—	43	—
Other related parties	11,318	—	21,722	—	4,564	—	90	—
Allowance for impairment losses or loans to customers	(1,848)	(243,289)	(4,249)	207,101	(667)	(115,052)	—	(56,697)
Entities with joint control or significant influence over the entity	—	—	(701)	—	(469)	—	—	—
Key management personnel of the entity or its parent	(13)	—	(10)	—	(1)	—	—	—
Other related parties	(1,835)	—	(3,538)	—	(207)	—	—	—
Amounts due to customers	194,917	1,370,150	506,874	1,274,069	207,574	867,392	3,735	935,429
The parent	12,433	—	7,901	—	85,956	—	2,673	—
Entities with joint control or significant influence over the entity	425	—	13,165	—	116,550	—	—	—
Associates	34	—	72	—	39	—	—	—
Key management personnel of the entity or its parent	1,229	—	1,678		2,514	—	406	—
Samruk-Kazyna and its subsidiaries	174,945	—	479,827		—	—	—	—
Other related parties	5,851	—	4,231		2,515	—	656	
Amounts due to credit institutions	42,219	83,236	51,786	172,706	—	289,608	—	247,452
Subsidiaries of Samruk-Kazyna	42,219	—	51,786	—	—	—	—	—

	Nine months ended 30 September				Year ended 31 December					
	2010		2009		2009		2008		2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statement s caption	Related party transactions	Total category as per financial statements caption
					(KZT millions)					
Key management personnel compensation......	177	15,064	184	12,719	233	18,684	1,523	20,484	909	19,681
Short-term employee benefits................	177	—	184	—	233	—	1,523	—	909	
Interest income.........	3,657	134,238	2,428	149,221	6,301	194,005	651	192,660	—	132,566
Entities with joint control or significant influence over the entity	797	—	918	—	1,987	—	219	—	—	—
Key management personnel of the entity or its parent..................	3	—	4	—	26	—	—	—	—	—
Subsidiaries of Samruk-Kazyna...	1,818	—	853	—	1,430	—	—	—	—	—
Other related parties.	1,039	—	653	—	2,858	—	432	—	—	—
Interest expense........	(6,322)	(66,778)	(20,013)	(78,775)	(29,876)	(103,277)	(4,458)	(100,753)	(59)	(61,532)
The parent................	(739)	—	(701)	—	(751)	—	(3,132)	—	(11)	—
Entities with joint control or significant influence over the entity.............	(293)	—	(274)	—	(239)	—	(1,187)	—	—	—
Key management personnel of the entity or its parent..................	(95)	—	(132)	—	(164)	—	(97)	—	(22)	—
Subsidiaries of Samruk-Kazyna...	(4,894)	—	(18,592)	—	(28,462)	—	—	—	—	—
Other related parties.	(301)	—	(314)	—	(260)	—	(42)	—	(26)	—

In the above table, "Entities with joint control or significant influence over the entity" transactions were mostly transactions with Samruk, including its subsidiaries, where Mr. Kulibayev, one of the controlling shareholders of Almex, had served as a First Vice President from April 2006 to August 2007, and then with Samruk-Kazyna, as a result of the merger of Kazakhstan Holding of State Asset Management Samruk with Sustained Development Fund Kazyna, in accordance with the order of the President of Kazakhstan and appointment of Mr. Kulibayev as Deputy Chairman of Samruk-Kazyna in October 2008, as well as with companies having influence on the Bank through its principal shareholder.

As a result of the establishment of Samruk in 2005, a group of entities, including JSC National Company KazMunayGas, JSC National Company Kazakhstan Temir Zholy, JSC National Company Kazakhtelecom and others, which use the cash management services of the Bank, was treated as "Entities with joint control or significant influence over the entity". The Bank did not rely upon such transactions from entities influenced by the controlling shareholder when considering its funding programme since, in effect, the Bank was only providing cash management services to such entities. When Mr. Kulibayev resigned from Samruk starting from August 2007, Samruk ceased to be treated as an entity with joint control or significant influence over the entity in accordance with IFRS requirements.

Since Samruk-Kazyna became a significant shareholder of the Bank in March 2009, subsidiaries of Samruk-Kazyna have been included in the list of the Bank's related parties and transactions with such subsidiaries are described as "Subsidiaries of Samruk-Kazyna", whereas transactions with Samruk-Kazyna are described as "Samruk-Kazyna and its subsidiaries".

"Management" transactions comprised loans to and deposits from members of the Management Board and the Board of Directors.

"The parent" transactions were mostly transactions with entities controlled by Almex's shareholders.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994, Kazakhstan has adhered to a strict macro-economic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which has sharply reduced inflation and lowered interest rates.

Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks comprising the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the FMSA or, prior to 2004, by the NBK.

The Government, the NBK and the FMSA have also undertaken significant structural reforms in the banking sector, aimed at promoting consolidation and improving the overall viability of the system.

Global financial instability and market dislocation have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks. Statistics published by the FMSA show the considerable asset quality deterioration in 2009, with non-performing loans (over-due by more than 90 days) in the banking sector increasing to 36.5 per cent. as at 1 January 2010 from 8.1 per cent. as at 1 January 2009. In 2009, the banking sector overall showed a net loss of KZT 2,834 billion (by way of comparison, the aggregate financial result for the banking sector in 2008 was a profit of KZT 10.7 billion) and assets of the banking sector also declined in that period. As at 30 June 2010 the share of bad loans in the Kazakhstan banking sector was 25.25 per cent., and the aggregate financial result for the banking sector for the first six months of 2010 was a loss of KZT 267.7 billion.

The Government has taken a number of steps to support the Kazakhstan banking sector including significant capital injections. The Government's capital injections into the Kazakhstan banking sector are estimated at 6.4 per cent. of Kazakhstan's GDP in 2009, compared, for example, to the United Kingdom and the United States where, according to the IMF, capital injections represented 3.9 per cent. and 2.2 per cent., respectively. The total amount of capital injected into the Kazakhstan banking sector was U.S.$ 6,777 million as at 1 September 2010. BTA Bank has been the principal beneficiary of the capital injections, with funds injected to into equity amounting to KZT 212.1 billion (or U.S.$ 1.4 billion).

On 30 January 2009, the Government, acting through Samruk-Kazyna, placed with the Bank a deposit in the amount of KZT 60 billion (or U.S.$ 493.6 million). The Bank repaid the deposit amount to the Government ahead of the schedule in June 2010. In March 2009, the Government, acting through Samruk-Kazyna, injected in the Bank's ordinary share capital the total amount of KZT 27 billion (or U.S.$ 178.4 million). Further, in May 2009, Samruk Kazyna injected in the Bank's preferred share capital the total amount of KZT 33 billion (or U.S.$ 219.4 million).

The table below shows the amount of funds of the National Fund of the Republic of Kazakhstan allocated to putting into effect the Plan of Joint Actions of the Government, the NBK and the FMSA for the Stabilisation of the Economy and the Financial System for 2009-2010, as at 1 June 2010:

Destination of state support	**Allocated**	**Utilised**	**% appropriated**
		(KZT billions)	
(1) Capitalisation of banks	332.1	332.1	100%
(2) Addressing the problems on the real estate market, including:	360.0	195.1	54.2%
Mortgage State Finance Programme	120.0	120.0	100.0%
Construction State Finance Programme	240.0	75.1	31.3%
(3) SME State Finance Programme, including:	120.0	120.0	100.0%
through second tier banks	117.0	117.0	100.0%
through Damu Fund	3.0	3.0	100.0%
(4) Lending to projects in the real sector of the economy	144.0	144.0	100.0%
(5) Industrial Innovation Programme	120.0	7.7	6.5%
(6) Agricultural State Finance Programme	120.0	120.0	100.0%
(7) Total funds of the National Fund of the Republic of Kazakhstan allocated to putting into effect the Plan of Joint Actions of the Government, the NBK and the FSMA for the Stabilisation of the Economy and the Financial System for 2009-2010 (1+2+3+4+5+6):	1,196.1	1,038.9	86.9%
(8) Financial support (exchange of bonds between Samruk-Kazyna and banks that were restructured) from Samruk-Kazyna which upon completion of the restructurings were converted into the shares of BTA Bank and of Alliance Bank, including:	750.0	100.0	100.0%
BTA Bank	645.0	100.0	100.0%
Alliance Bank	105.0	100.0	100.0%
Total state support (7+8), including:	1,946.1	1,038.9	56.5%
Financial sector (1+8)	1,082.1	332.1	30.7%
Total state support as a percentage of GDP for 2009, including:	11.4%	6.1%	
Financial sector	6.4%	2.0%	

For a discussion of various risks associated with the banking sector and banking regulation in Kazakhstan, see "*Risk Factors—Risk Factors relating to Operating within the Kazakhstan Banking Sector*".

The NBK and the FMSA

The NBK is the central bank of Kazakhstan and although it is an independent institution, it is subordinate to the President. The President has the power, among other things, to appoint (with the approval of Parliament) and remove the NBK's Chairman, to appoint and remove the NBK's Deputy Chairmen, to approve the annual report of the NBK, to approve the concept of the design of the national currency, and to request information from the NBK. Grigoriy Marchenko, former chairman of the Management Board of the Bank, was appointed Chairman of the NBK in January 2009. The principal governing bodies of the NBK are the Executive Board and the Board of Directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Chairman, four other representatives of the NBK, a representative of the President, two representatives of the Government and the Chairman of the FMSA.

Currently, the principal task of the NBK is to ensure price stability in Kazakhstan. The NBK is also empowered to develop and conduct monetary policy, ensure functioning of payment systems, conduct currency regulation and control, assist in ensuring stability of the financial system. Following legislative changes in 2003, the FMSA was formed and, on 1 January 2004, took responsibility for most of the supervisory and regulatory functions in the financial sector, which were previously performed by the NBK.

The FMSA is a State agency reporting directly to the President. The President appointed Mrs Yelena Bakhmutova, former deputy Chairman of the FMSA, as the Chairman of the FMSA in January 2008. The principal function of the FMSA is to regulate and supervise Kazakhstan's banking and insurance activity, activity of accumulated pension funds, investment funds, credit bureaus and the securities market. The FMSA is empowered, among other things, to licence financial institutions, to approve prudential standards for them, to approve, jointly with the NBK, the financial reporting requirements for financial institutions and to monitor the activities of, to apply sanctions where necessary, and to participate in the liquidation of, financial institutions.

The administration of anti-monopoly legislation in Kazakhstan with respect to the banking sector was transferred from the FMSA to the Competition Agency. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the FMSA. For example, certain transactions with a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the FMSA.

Banking Supervision

Banking Reform and Supervision

Reform of the banking sector started in 1995 with the introduction of international prudential standards, including capital adequacy requirements and liquidity ratios to regulate and protect the banking system, transparency requirements as to the auditing of banks by local and international auditors, harmonisation of local accounting practices to IFRS, and personnel training programmes.

In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, the NBK required commercial banks to adopt recapitalisation and corporate enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the NBK, now the FMSA. In 2003, all banks were requested to develop and install internal risk management systems.

The objective of these reforms was to bring supervisory practices closer to international standards to allow for a more transparent view of banks' levels of capitalisation and exposure to financial risks.

Capital Adequacy

The FMSA redefined its capital adequacy and credit exposure standards in September 2005, and set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions.

In November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel II accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives.

As at 1 July 2009, the FMSA required banks to maintain a K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio of 6.0 per cent. (with the K1-1 ratio increasing to 8.0 per cent. from 1 July 2012 and to 9.0 per cent. from 1 July 2013 and K1-2 ratio increasing to 9.0 per cent. from 1 July 2011), compared with the BIS Guidelines' recommendation of 4.0 per cent. The FMSA's K2 (own capital to total assets weighted for risk) capital adequacy ratio requirement is 12.0 per cent. compared with the BIS Guidelines' recommendation of 8.0 per cent. For banks with a bank holding company or a bank parent company among their shareholders and state-controlled banks, the FMSA's K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio requirement is reduced to 5.0 per cent. of total assets (with the K1-1 (Tier 1 capital to total assets) ratio increasing to 7.0 per cent. from 1 July 2012 and to 8.0 per cent. from 1 July 2013 and K1-2 (Tier 1 capital to total assets weighted for risk) ratio increasing to 8.0 per cent. from 1 July 2011) while the K2 (own capital to total assets weighted for risk ratio) is reduced to 10.0 per cent. of risk weighted assets.

Furthermore, the FMSA regulations require a bank which does not have amongst its shareholders a physical person holding at least 10.0 per cent. of such bank's shares to comply with higher capital adequacy ratios. Such ratios are 7.0 per cent. for the K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios (with K1-1 ratio increasing to 9.0 per cent. staring from 1 July 2012 and to 10.0 per cent. starting from 1 July 2013 and with K1-2 ratio increasing to 10 per cent. starting from 1 July 2011) and 14.0 per cent. for the K2 (own capital to total assets weighted for risk) ratio.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA introduced amendments to the capital adequacy regulations which imposed limits on foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital" as calculated both including and excluding debt securities issued.

These amendments mean that banks are not permitted to increase borrowings from non-domestic holders (subject to certain exceptions) to a level in excess of certain multiples of regulatory capital. If banks exceed the prescribed ratios they would have to either repay foreign sourced debt or increase their regulatory capital. The ratios that apply to the Bank currently are (i) two times own capital for external liabilities excluding debt securities issued by special purpose subsidiaries of the Bank guaranteed by the Bank (K8 ratio) and (ii) three times own capital for external liabilities including such debt securities issued (K9 ratio).

The FMSA monitors compliance with capital adequacy standards (in compliance with international standards set by the Basel Committee), current liquidity ratios, maximum credit exposures to single borrowers and related parties, maximum investments in fixed and other non-financial assets and limits on contingent obligations and foreign exchange positions. Additionally, the FMSA applies regulations on problem asset classification and contingent obligations (similar to the World Bank's Guidelines for Asset Classifications) and loan loss reserves.

Reserve Requirements

Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to banks. With effect from 3 March 2009, the minimum level at which second tier banks must maintain reserves has been decreased from 2.0 per cent. to 1.5 per cent. with respect to domestic liabilities and from 3.0 per cent. to 2.5 per cent. with respect to other liabilities.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 1 September 2010, 34 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal term deposits in any currency and current accounts up to a maximum amount per customer of KZT 5 million at any given bank. Starting from 1 January 2012, the maximum guaranteed amount is scheduled to be reduced from KZT 5 million to KZT 1 million. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Acquisition of Interests in Kazakhstan Banks

Current legislation requires the FMSA to approve any acquisition of a shareholding of 10.0 per cent or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity holding 10.0 per cent. or more of a Kazakhstan bank must have a minimum required credit rating from one of the rating agencies.

Other Regulations

In June 2006 the FMSA implemented measures to restrict Kazakhstan banks from having outstanding external short-term financings which exceed a bank's regulatory capital. These measures may limit a bank's ability to extend the maturity of certain short-term facilities causing it to look for longer term financings or customer deposits to replace such short-term facilities. A failure to replace these facilities could lead to an increase in a bank's funding costs, an increase in its liquidity and interest rate risk or both.

To address concerns about currency mismatches and more precisely, to manage banks' liquidity, the FMSA has also tightened requirements regarding open/net currency positions and introduced various limits on currency liquidity.

In December 2006, and with effect from 1 April 2007, the FMSA approved new rules on classification of assets and provisioning. While the principles of classification and provisioning remain largely unchanged, these rules, among others, introduced more stringent requirements regarding the monitoring of credit files, developed a definition of financial soundness with respect to borrowers, provided for a more differentiated approach to various types of borrowers, loans and security and stipulated the right of the FMSA to demand that a bank increases its provisioning ratios.

The Republic of Kazakhstan's and Certain Kazakhstan Banks' Credit Rating

On 8 October 2007, Standard & Poor's lowered Kazakhstan's long-term sovereign credit rating from BBB to BBB-. On the same date, outlook was changed by Fitch from "positive" to "stable". On 1 November 2007, Moody's downgraded the credit ratings of six of Kazakhstan's largest commercial banks. The downgrade was attributed by Moody's to concerns about borrowing levels and liquidity, particularly access by those banks to international capital markets to refinance maturing debt. On 5 April 2010, Moody's changed the outlook on the sovereign rating of Kazakhstan from negative to stable, based on its findings that the economic downturn was proving shallower than expected and that the Government will emerge relatively unscathed from Kazakhstan's serious banking crisis. On 23 December 2010, Standard & Poor's raised its long-term foreign and local currency sovereign credit ratings of Kazakhstan to 'BBB' and 'BBB+' from 'BBB-' and 'BBB', respectively, based on its belief that the Government has preserved its credit standing following several bank failures during the global financial crisis. The stable outlook on Kazakhstan reflects Standard & Poor's expectation that the Government will continue to manage its economic and related financial sector challenges without impairing its own fiscal or external positions. Any reduction in credit ratings may adversely affect the value and tradability of the Notes and the ability of banks and corporate clients in the region to raise funds thereby adversely affecting their profitability and that of the Bank.

Almaty Regional Financial Centre

The Almaty Regional Financial Centre ("**RFCA**") was established in June 2006 for the purpose of developing Kazakhstan's securities market, integrating it into the international capital markets and attracting investments into Kazakhstan's economy. The RFCA is governed by regulations regarding the relations between its participants and relations between foreign and local participants. The Agency for Regulation of the Operations (the "**ARO RFCA**") controls and supervises the activities of the RFCA, as well as registering its participants. The inaugural trade on the special trade platform (the "**Special Trade Platform**") of the KASE functioning at the RFCA occurred on 27 February 2007. As at 10 November 2009, the Special Trade Platform has been merged into the main trading platform of the KASE. As at the date of this Prospectus, 5 companies are registered as RFCA participants and 32 are accredited as RFCA participants.

Commercial Banks

According to the FMSA, as at 1 December 2010, there were 39 commercial banks in Kazakhstan, excluding the Development Bank of Kazakhstan and the NBK, compared to 38 as at the end of 2002 and 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

According to data published by the FMSA, as at 1 November 2010, 30 of the 38 second-tier banks (excluding Zhilstroysberbank) had capital of over KZT 5,000 million and eight banks had a capital of KZT 2,000 million to KZT 5,000 million. Since 1 October 2009, any bank whose own capital (*i.e.,* shareholders' equity) falls below KZT 5,000 million (or KZT 2,000 million for banks registered outside of Astana and Almaty and complying with certain other conditions) is required to apply to the FMSA for reorganisation into a credit partnership. Starting from 1 July 2011 the minimum requirements for size of own capital are established at KZT 10 billion for banks, including newly-created banks, KZT 5 billion for residential construction savings banks and KZT 4 billion for banks registered and carrying out a significant part of their operations outside Astana and Almaty.

In 2001, the Government established the Development Bank of Kazakhstan to provide medium-term and long-term financing and otherwise to facilitate industrial projects in Kazakhstan. The Development Bank of Kazakhstan was established with a charter fund of KZT 30 billion. Within the commercial banking sector, the Development Bank of Kazakhstan is not considered a competitor of the Bank as it is not licensed to accept commercial or retail deposits or to provide corporate cash management services. The Bank though expects that the Development Bank of Kazakhstan may become an important competitor in the corporate lending sector. The Development Bank of Kazakhstan is not treated as a commercial bank for the purposes of market share data and ranking in this Prospectus.

Whilst foreign-owned banks do not currently provide significant domestic competition and are not active in the retail banking sector, the Bank believes that such banks, some of which may have significantly greater resources and a cheaper funding base than the Bank, will, together with the larger local banks, become the Bank's primary long-term competitors in the corporate banking sector.

Foreign banks, which include Citibank, RBS, JSC ATF Bank and HSBC Bank Kazakhstan also bring international experience in customer service and target the best corporate clients of the Kazakhstan banks as well as foreign companies operating in Kazakhstan.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment and by otherwise participating in the banking and financial services sector. Foreign banks are prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to provide banking services in Kazakhstan.

As at 30 June 2010, there were 19 banks with foreign participation operating in Kazakhstan, including RBS Kazakhstan, JSC ATF Bank, Citibank Kazakhstan and HSBC Bank Kazakhstan. Under relevant legislation, a bank "with foreign participation" is defined as a bank with more than one-third foreign ownership. Banks with less than one-third foreign ownership are considered domestic banks.

A number of foreign banks have opened representative offices in Kazakhstan, including Bank of Tokyo-Mitsubishi UFJ Ltd, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A., Landesbank Berlin AG, Société Générale, Standard Chartered Bank and UBS AG.

Industry Trends

According to data published by the FMSA, the total capital of commercial banks decreased to negative capital KZT 514.5 billion as at 30 June 2010 compared to negative capital of KZT 978 billion as at 1 January 2010 and positive capital of KZT 1,453 billion as at 1 January 2009. During such period, the total assets of such banks increased to KZT 11,962 billion as at 30 June 2010 from KZT 11,557 billion as at 1 January 2010 (compared to approximately KZT 11,890 billion as at 1 January 2009). The aggregate liabilities increased to approximately KZT 12,476 billion as at 30 June 2010 from KZT 12,536 billion as at 1 January 2010 and KZT 10,437 billion as at 1 January 2009. The aggregate net loss amounted to KZT 267.7 million for the first six months of 2010 compared to a net increase of KZT 265,428 million for the same period in 2009.

As at 1 November 2010, following completion of restructuring of liabilities of BTA Bank, Alliance Bank and Temirbank, the total capital of commercial banks increased to KZT 1,215 trillion, the total assets of the banks increased to 12,134 billion and the aggregate liabilities of the banks decreased to KZT 10,918 billion.

Financial Stability and Restructuring Reforms

Financial Stability Laws

On 23 October 2008, new legislation relating to the stability of the Kazakhstan financial system was adopted.

Under the new law, in the event of (i) a breach by a bank of capital adequacy or liquidity ratios; or (ii) two or more breaches by a bank in any twelve-month period of any other prudential or other mandatory requirements, the Government may, with the agreement of the FMSA, acquire, either directly or through a national management holding company (which is currently Samruk-Kazyna and JSC National Management Holding KazAgro (the "**National Management Holding Company**")), the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10.0 per cent. of the total amount of placed shares of such bank, including those to be acquired by the Government or the National Management Holding Company) to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. The new law provides that the management and shareholders of an affected bank are not granted any right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or the national management holding company is authorised to appoint no more than 30.0 per cent. of the members of the board of directors and the management board of the affected bank.

The main objectives of the new financial system stability law are to improve early detection mechanisms for risks in the financial system, to provide powers to the Government to acquire shares in commercial banks that face financial problems and to improve the overall condition of financial institutions in Kazakhstan. The law also consolidates authority to oversee second-tier Kazakhstan banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

The Government or the National Management Holding Company must sell the acquired shares within one year of their acquisition to a third party investor or investors by way of direct sale or through the stock exchange. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

On 2 February 2009, the FMSA agreed with the Government on the acquisition of approximately 75.1 per cent. of BTA Bank's shares, by Samruk-Kazyna within the new financial stability measures. Also on 2 February 2009, Alliance Bank announced that its major shareholder had decided to sell 76.0 per cent. of the common shares of Alliance Bank to Samruk-Kazyna, and on the same date Samruk-Kazyna announced that it was considering such purchase. Separately from the acquisition of the common shares of Alliance Bank, Samruk-Kazyna and Alliance Bank signed a deposit agreement for the deposit of KZT 24,000 million with Alliance Bank to support its financial stabilisation and further capitalisation.

The NBK decreased its refinancing rate from 10.5 per cent. to 10.0 per cent. effective from 1 January 2009, and the current refinancing rate is 7.0 per cent. The stated reason for the rate cut was the shortage of liquidity in the market.

These measures proved to be insufficient and both BTA Bank and Alliance Bank defaulted on their debt in April 2009. Temirbank defaulted and announced a moratorium on the repayment of its debt in November 2009. JSC Astana Finance, a diversified financial services company, defaulted and announced a moratorium on the repayment of its debt in May 2009, and other banks faced increasing pressure due to the growing number of non-performing loans. In response to the pressure faced by major banks in Kazakhstan in 2008-2009, Kazakhstan's Parliament adopted the Law on amending certain legislative acts No.185-IV dated 11 July 2009 (the "**Restructuring Law**") with the twin aims of enabling consensual financial restructurings approved by a majority of creditors and of revising the existing framework for good bank/bad bank reorganisations. See "*—The Restructuring Law in Kazakhstan*". The completion of the restructuring of Alliance Bank was announced on 30 March 2010, restructuring and/or cancelling over U.S.$4.5 billion of Alliance Bank's financial indebtedness. The completion of the restructuring of Temirbank was announced on 30 June 2010, restructuring approximately U.S.$1.5 billion of Temirbank's financial indebtedness. The restructuring of BTA Bank was completed on 31 August 2010, cancelling approximately U.S.$16.7 billion of BTA Bank's financial indebtedness.

As at the date of this Prospectus, several banks in the top 10, in terms of total assets, within the Kazakhstan banking system remain under stress.

The Restructuring Law in Kazakhstan

Prior to July 2009 when the Restructuring Law was adopted, there was no law in Kazakhstan which would allow for creditor claims to be restructured on a basis involving less than 100 per cent. consent of the affected creditors. Creditors not wishing to participate in a restructuring had the ability to set off their claims against a bank's assets or bring litigation in any jurisdiction where any of these assets are located.

Financial Restructurings

The Restructuring Law introduced a procedure for restructuring the financial indebtedness of a bank in the following general format. The bank decides to restructure its debt and enters into an agreement with the FMSA with respect to such restructuring. The bank submits a restructuring plan to the FMSA for its consideration. The restructuring plan should describe the process for and period of the restructuring, list the bank's assets and liabilities to be restructured, actions and measures to be taken in the restructuring, expected financial results of restructuring, and describe limitations on any future activities of the bank. The bank applies to the Court to initiate the process described in the restructuring plan. If the Court approves the restructuring process then, with immediate effect, all relevant claims of the bank's creditors are stayed, the bank's property is protected from execution and attachment, and the bank's obligations and performance under agreements for the sale of assets and other agreements for the alienation of the bank's assets or signing of credit agreements and any other financing agreements relating to credit risk may be suspended in whole or in part.

The bank convenes a meeting of its relevant creditors to approve the restructuring plan. If creditors holding at least two-thirds in value of the bank's obligations subject to restructuring vote in favour of the restructuring plan, the restructuring plan is approved. The bank then submits the approved restructuring plan to the FMSA to establish its conformity with the restructuring plan originally submitted to the FMSA. The restructuring plan is then submitted to the Court for final approval. If the restructuring plan is approved by the Court, it becomes binding on all creditors with claims subject to the restructuring.

Completion of the bank's restructuring will be achieved when the restructuring plan has been carried out to the satisfaction of the Court and the FMSA. Upon completion of the restructuring, the relevant liabilities of the bank are cancelled and any claims in relation to them are discharged and replaced by appropriate restructured claims. Completion of the restructuring is confirmed by a decision of the Court upon the FMSA's application.

The restructuring process set out in the Restructuring Law is designed to be fair to the affected creditors and should ensure that a restructuring effected under it will be capable of international recognition in countries (such as the United Kingdom and the United States) which have adopted legislation based on the Model Insolvency Law. As at the date of this Prospectus, the application of the Restructuring Law has been tested in practice three times, in the restructurings of Alliance Bank, BTA Bank and Temirbank.

Good Bank/Bad Bank Reorganisations

The second principal feature of the Restructuring Law is the amendment of the existing legislative framework allowing the segregation of the "good" assets and liabilities of a distressed bank and the transfer of them to another bank (or several banks) or to a specialised stabilisation bank. The good bank/bad bank structure could be used in a number of different circumstances. For example:

- the process could be initiated by a bank itself if other efforts to restructure itself have failed or if it does not wish or cannot, for whatever reason, achieve a financial restructuring following the process described above;

- if a bank has already been placed in conservation, the reorganisation may be initiated by a temporary manager appointed by the FMSA; or

- if a bank's licence has been revoked, the reorganisation may be initiated by a temporary manager appointed by the FMSA to manage the bank's assets pending the court-ordered compulsory liquidation taking effect.

Any reorganisation under these new procedures requires the FMSA's consent and the consent of depositors and creditors. Depositors and creditors are notified of the proposed reorganisation by an announcement published in Kazakhstan's mass media and any depositor or creditor may object to it by the timely filing of a written objection.

Stabilisation Banks

The Restructuring Law also makes provision for the establishment of stabilisation banks. These could be used as the "good" bank in the reorganisation into a good bank and bad bank of a bank which is in conservation. A stabilisation bank would be a special purpose company established by the FMSA on an ad hoc basis and would have a special status under the Banking Law and a limited scope of business compared to ordinary commercial banks. Due to its special status and purpose, a stabilisation bank would not be subject to normal capital adequacy and other prudential requirements. Its main role would be to hold "good" assets while the segregation of the "good" and "bad" assets of the distressed bank was in progress. Upon completion of the segregation process, the stabilisation bank would transfer the "good" assets and liabilities to another bank designated by the FMSA, subject to the consent of the depositors and other creditors of the stabilisation bank. The procedures for obtaining this consent would be similar to the procedures for obtaining the depositors' and creditors' consent to the initial transfer of "good" assets from the distressed bank.

The Restructuring Law provides that once the stabilisation bank passes on the assets to an acquiring bank, it may either be liquidated or be sold to an investor, provided the investor can procure a recapitalisation of the stabilisation bank and bring it into compliance with the requirements applicable to ordinary commercial banks because following a sale, the stabilisation bank would lose its special status and become subject to the general banking legislation applicable to an ordinary bank.

As at the date of this Prospectus, it is unclear whether a stabilisation bank can be used as a holding vehicle for "good" assets of several distressed banks.

The FMSA's Powers Under the Banking Law

Under the Banking Law, the FMSA may apply a number of compulsory restrictive measures to banks in financial distress or in breach of prudential or other mandatory regulations. Articles 45, 46, 47 and 47-1 of the Banking Law allow the FMSA to apply, inter alia, the following compulsory measures to second tier banks (commercial banks) in Kazakhstan and their shareholders which are major participants or bank holding companies:

- issuing a warning and mandatory written instructions to a bank;
- entering into an agreement with a bank setting out measures to be taken by the bank to remedy any identified breaches;
- instituting the FMSA special regime in a bank and requiring the bank to develop an action plan to restore such bank's financial condition;
- suspending or revoking a bank's licence for all or certain banking operations;
- mandatory purchase of a bank's shares;
- removing the management of a bank;
- forcing a bank to reorganise into a credit partnership;
- forcing a bank into conservation;
- forcing a bank into mandatory liquidation; and
- forcing a bank into segregating such bank's "good" assets and liabilities and to mandatorily transfer such assets and liabilities to another bank or a specialised stabilisation bank, following the revocation of the bank's licence or the bank being put into conservation, pursuant to the Restructuring Law.

Where a bank's shareholders include a major participant or a bank holding company, the FMSA may require such shareholders to decrease their direct or indirect ownership of the relevant bank to less than 10.0 per cent. of the bank's voting shares in the case of a major participant and less than 25.0 per cent. of the bank's voting shares in the case of a bank holding company shareholder. Such measures can be applied to a bank's shareholder when, for example, the bank's shareholders which are major participants or bank holding companies are in an unstable financial condition which may negatively affect the bank concerned.

The FMSA Special Regime

Article 45.2 of the Banking Law provides for "measures of early response" which the FMSA may apply to a bank under certain circumstances. These are discretionary measures that the FMSA may take with respect to a bank that is in financial distress. For example, if a bank's liquidity ratio is lower than usual, the FMSA may require such bank to develop and deliver to the FMSA for approval a plan of action which the bank must undertake to improve its financial stability. If the FMSA does not approve the plan, it may apply certain early response measures including replacing the bank's management and restructuring the bank's assets.

Reorganisation into a Credit Partnership

Under Article 47 of the Banking Law, the FMSA may require a bank to reorganise into a credit partnership if the bank's capital adequacy ratios fall to a level below 50.0 per cent. of the minimum requirements. Shareholders of a bank being reorganised receive participation interests in a credit partnership in proportion to their shares in the reorganised bank. A credit partnership is not allowed to carry out normal banking activities and is allowed to carry out only certain limited banking operations and services for its participants.

Mandatory Purchase of Shares

The Banking Law provides that the FMSA may, with the Government's consent, effect a mandatory purchase of all of a bank's shares from such bank's shareholders at a price determined by the FMSA in the event the bank's own capital (*i.e.,* shareholders' equity) is negative. According to the Banking Law, after such purchase the FMSA must sell the shares to a new investor which can procure an increase of the bank's regulatory capital and restore the bank's normal operations.

Conservation

Conservation is a compulsory measure which may be applied by the FMSA to a Kazakhstan second tier bank (*i.e.,* not upon such bank's discretion) when, among other things, such bank is in breach of prudential norms. When a bank is put into conservation, the authority to manage the bank is transferred to a temporary manager appointed by the FMSA. The bank put into conservation may carry out its operations in its regular manner, but specific restrictions may be imposed by the FMSA (for example suspending contingent liabilities of the bank).

Enforcement procedures in respect of court orders or arbitral awards against a bank must be suspended if such bank is put into conservation. Accordingly, conservation protects the bank from the enforcement of any domestic or foreign court decisions as well as any arbitral awards in respect of its indebtedness that arose prior to or during the conservation period. There have not been many examples of banks being put into conservation in the Kazakhstan banking sector. Financial institutions that have gone through conservation include Nauryz Bank in 2004 (the successor to Kazagroprombank, which itself went through conservation in 2001) and JSC NP Valut Transit Fund. Both these institutions were unable to improve their financial condition during the conservation period. At present, these institutions are in the process of liquidation.

Bankruptcy Regime

Any creditor has the right to initiate insolvency proceedings against a Kazakhstan entity (including a bank) if the entity has failed to pay its debt within three months after the debt became due and payable, provided that the amount owed by the debtor is more than 150 times the monthly calculation index (approximately U.S.$1,432). The court will declare the entity bankrupt if the entity fails to prove its solvency.

However, in respect of banks, it is not the court but the FMSA which will determine whether the bank is insolvent. Thus, under the Banking Law, a court cannot declare a bank insolvent unless the FMSA consents. The FMSA will determine whether the bank is solvent on the basis of its own calculations, taking into account the applicable capital requirements and other factors.

If the FMSA advised that the bank was not insolvent, then the bankruptcy proceedings would be effectively terminated and the bank could be put into conservation. If the FMSA decided that the bank was indeed insolvent and this decision was confirmed by the court, then the court would have a liquidator appointed by the FMSA and there would be a liquidation of the bank's assets in accordance with the order of priority set out under the Banking Law. Article 74-2 of the Banking Law provides that administrative and legal expenses of bankruptcy are paid before any distributions to creditors of an insolvent bank. The proceeds of the bankruptcy estate of an insolvent bank should be distributed among its creditors in the following order:

- claims by individuals for compensation for wrongful death or damage to health;
- claims for payment under employment contracts and related social security and mandatory pension payments;
- claims by the organisations which conducted mandatory deposit insurance in the amount it compensated for the insured deposits according to calculations provided by the insolvent bank;
- claims by individual depositors with respect to their accounts held and money transfers made with the insolvent bank as well as claims under deposits made on account of pension assets of pension funds and claims on deposits of insurance companies that were made of assets acquired under "life insurance" policy;
- claims by charitable organisations with respect to their accounts held with the insolvent bank;
- claims of creditors secured by pledge over the assets of the insolvent bank;
- tax claims and payments under loans provided by the Government; and
- all other creditors' claims.

Accordingly, unless Kazakhstan bankruptcy laws are amended, in the event of the bankruptcy of the Bank, claims with respect to the repayment by the Bank of the amounts outstanding under the Notes (as defined in this Prospectus) shall be treated *pari passu* with claims of creditors identified in the last item above.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which contains summaries of certain provisions of the Trust Deed and which (subject to completion and amendment) will be attached to the Notes in definitive form, if any, and will be attached and (subject to the provisions thereof) apply to the Global Notes:

This Note is one of a duly authorised issue of U.S.$500,000,000 7.25 per cent. Notes due 2021 (the "**Notes**", which expression includes, unless the context requires otherwise, any further notes issued pursuant to Condition 17 (Further Notes) and forming a single series with the Notes) issued by JSC Halyk Bank (the "**Issuer**"). The issue of the Notes was approved by resolution of the Board of Directors of the Issuer passed on 2 December 2010. The Notes are constituted by a trust deed dated 28 January 2011 (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all Persons (as defined below) from time to time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions")** include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. Copies of the Trust Deed and of the paying agency agreement (the "**Paying Agency Agreement**") dated 28 January 2011 relating to the Notes between the Issuer, the Trustee, Deutsche Bank AG, London Branch (the "**Principal Paying and Transfer Agent**", which expression shall include any successor principal paying and transfer agent under the Paying Agency Agreement), Deutsche Bank Trust Company Americas (a "**Registrar"** and **"Paying and Transfer Agent**", which expression shall include any successor registrar and paying and transfer agent under the Paying Agency Agreement) and together with the Principal Paying and Transfer Agent being referred to below as the "Paying and Transfer Agents", which expression shall include their successors as Paying and Transfer Agents under the Paying Agency Agreement, and Deutsche Bank Luxembourg S.A. in its capacity as Registrar (a "**Registrar**", which expression shall include any successor registrar under the Paying Agency Agreement), are available for inspection during usual business hours at the principal office of the Trustee (presently at Winchester House, Great Winchester Street, London EC2N 2DB) and at the specified offices of the Principal Paying and Transfer Agent and the Paying and Transfer Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Paying Agency Agreement applicable to them. Any reference herein to a relevant registrar shall be to Deutsche Bank Trust Company Americas as Registrar in respect of any Notes issued pursuant to Rule 144A (as defined in the Trust Deed) and to Deutsche Bank Luxembourg S.A. as Registrar in respect of any Notes issued pursuant to Regulation S (as defined in the Trust Deed).

References to "Conditions" are, unless the context requires, to the numbered paragraphs of these Conditions.

Capitalised terms used but not defined in these Conditions shall have the meanings given to them in the Trust Deed.

1. Form and Denomination

The Notes are issued in registered form, without interest coupons attached, and shall be serially numbered. Notes, whether sold (i) in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or (ii) to QIBs (as defined in the Trust Deed) in reliance on Rule 144A under the Securities Act, will be issued in minimum denominations of U.S.$200,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000 (each denomination referred to in (i) and (ii), an "authorised denomination").

2. Title, Registration and Transfer

2.1 Title: Title to the Notes will pass by transfer and registration as described in this Condition 2. The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing thereon by any Person (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, "Person" means any individual, company (including a business trust), corporation, firm, partnership, joint venture, association, unincorporated organisation, trust (including any beneficiary thereof) or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality; "Noteholder" or "holder" means the Person in whose name a Note is registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "Noteholder" and "holders" shall be construed accordingly.

2.2 **Registration:** The Issuer will cause registers (each a "**Register**") to be kept at the specified office of the relevant Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

2.3 **Transfer**:

2.3.1 *Transfer:* Notes may, subject to the terms of the Paying Agency Agreement and to paragraphs 2.3.2, 2.3.3 and 2.3.4 below, be transferred in whole or in part in an authorised denomination upon surrender of the relevant Note Certificate (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the relevant Registrar or any Paying and Transfer Agent, together with such evidence as the relevant Registrar or the relevant Paying and Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named Person (or Persons).

The Issuer will cause the relevant Registrar, within five Business Days (as defined below) of any duly made application for the transfer of a Note, to deliver a new Note Certificate to the transferee (and, in the case of a transfer of part only of a Note Certificate, deliver a Note Certificate for the untransferred balance to the transferor), at the specified office of the relevant Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

2.3.2 *Formalities Free of Charge:* The transfer of a Note will be effected without charge subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the relevant Registrar being satisfied with the documents of title and identity of the Person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the relevant Registrar and the Trustee.

2.3.3 *Closed Periods:* Neither the Issuer nor the relevant Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.

2.3.4 *Regulations Concerning Transfer and Registration:* All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is in the opinion of the Trustee not prejudicial to the interests of Noteholders with the prior approval of the relevant Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge) by the relevant Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Status

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 4 (Negative Pledge)) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The obligations of the Issuer under the Notes and the Trust Deed shall (save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4 (Negative Pledge)) at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

4. Negative Pledge

For so long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall not permit any Material Subsidiary to, create, incur, assume or permit to arise any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Financial Indebtedness of the Issuer, any such Material Subsidiary or any other Person, unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed are secured equally and rateably therewith to the satisfaction of the Trustee or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.

5. Covenants

For so long as any Note remains outstanding:

5.1 **Limitations on Certain Transactions**: The Issuer shall not, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$5 million, unless such transaction or series of transactions is, or are, at a Fair Market Value;

5.2 **Limitation on Payment of Dividends:** The Issuer shall not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default (as defined in Condition 10 (Events of Default)) or a Potential Event of Default (as defined in the Trust Deed) or (ii) at any time when no such Event of Default or Potential Event of Default exists, (A) more frequently than once during any calendar year and (B) in an aggregate amount exceeding 50 per cent. of the Issuer's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with IFRS, for which purpose, the amount of the Issuer's net income shall be determined by reference to its audited financial statements in accordance with IFRS for the period in respect of which the dividend is being paid. The foregoing limitation shall not apply to the payment of any dividends in respect of any preferred shares of the Issuer, which may be issued by the Issuer from time to time, or to any dividends in respect of any common shares of the Issuer, which are paid by way of issuance of additional common or preferred shares;

5.3 **Provision of Financial Information:** For so long as the Notes are "restricted securities" within the meaning of Rule 144A(a)(3) under the Securities Act, the Issuer shall furnish upon the request of a holder of Notes or a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser of Notes designated by such holder or beneficial owner, the information with respect to the Issuer required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or exempt from reporting pursuant to Rule 12g3–2(b) thereunder;

5.4 **Maintenance of Capital Adequacy:** The Issuer shall not permit its total capital adequacy ratio calculated in accordance with applicable regulations of FMSA (including, without limitation, the Instructions on the Requirements and Calculation Methodology for Prudential Norms for Second Tier Banks, approved by Decree No. 358 of the Board of FMSA dated 30 September 2005 as amended from time to time) to fall below the minimum ratio required pursuant to such regulations, such calculation to be made by reference to the most recent audited or reviewed financial statements of the Issuer prepared in accordance with IFRS, as adjusted, as at the time of determination, for any changes in the Issuer's capital, indebtedness or risk-weighted assets; and

5.5 **Merger and Consolidation:** The Issuer shall not consolidate with, merge with or into, or liquidate into, or convey, transfer or lease all or substantially all of its assets to, any Person, unless: (i) the corporation (if other than the Issuer) formed by or resulting from any such consolidation or merger shall be a corporation duly incorporated, organised and existing under the laws of its jurisdiction of organisation and shall assume the performance and observance of all of the obligations and conditions of these Conditions and the Trust Deed to be performed or observed by the Issuer; (ii) the Issuer or such successor corporation, as the case may be, shall not immediately thereafter be in default in relation to its obligations under any indebtedness (as certified in writing to the Trustee by two Authorised Signatories of the Issuer); (iii) there has been delivered to the Trustee one or more legal opinion(s) in form and substance and from counsel, acceptable to the Trustee (x) to the effect that holders of Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such consolidation, merger, conveyance, transfer or lease and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such consolidation, merger, conveyance, transfer or lease had not occurred and (y) addressing such other matters as the Trustee may deem necessary; and (iv) such consolidation, merger, liquidation, conveyance, transfer or leasing shall not result in a Material Adverse Effect.

6. Redemption, Purchase and Cancellation

6.1 **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 28 January 2021. The Notes may not be optionally redeemed other than in accordance with Condition 6.2 (Redemption for Taxation Reasons) or 6.5 (Optional Exchange or Redemption).

6.2 **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Notes (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (Taxation) as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 28 January 2011 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts (as defined in Condition 9). Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts or has or will become obliged to make such additional withholding or deduction as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the holders of the Notes. Upon expiry of any such notice as referred to in this Condition 6.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.2.

6.3 **Notice of Redemption:** All Notes in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6.

6.4 **Purchase:** The Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase for its account Notes at any price in the open market or otherwise. Notes so purchased may be held, rescinded or resold (provided that such resale is outside the United States, as defined in Regulation S under the Securities Act) or surrendered by the Issuer for cancellation at the option of the Issuer.

Any Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meeting of the Noteholders or in respect of any Written Resolution and shall not be deemed to be outstanding for the purpose of calculating quorums at meetings of Noteholders and for other purposes, as set out in the Trust Deed.

6.5 **Optional Exchange or Redemption:** In the event of an exchange offer (the "**Exchange Offer**") for the Notes being accepted by holders of 90 per cent. in principal amount of Notes for the time being outstanding and becoming unconditional in all respects, the Issuer shall have the option to require, subject to the receipt of any required certification, the exchange of any remaining outstanding Notes for the securities offered by way of the Exchange Offer. The Issuer shall have the option to redeem Notes held by holders of Notes who are unable to or who do not provide such certification at their principal amount together with interest to the date specified for redemption.

6.6 **Cancellation:** All Notes which are redeemed pursuant to Condition 6.2 (Redemption for Taxation Reasons), purchased and submitted for cancellation pursuant to Condition 6.4 (Purchase) or redeemed pursuant to Condition 6.5 (Optional Exchange or Redemption) will be cancelled and may not be re-issued or resold.

7. Interest

The Notes bear interest from and including 28 January 2011 (the "**Issue Date**") at the rate of 7.25 per cent. per annum, payable semi-annually in arrear in equal instalments on 28 January and 28 July in each year (each an "**Interest Payment Date**"), beginning on 28 July 2011. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**". Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying and Transfer Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period other than an Interest Period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. The amount of interest payable for any period shall, save as provided above in relation to equal instalments, be equal to the product of 7.25 per cent., the principal amount to which such interest relates and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

8. Payments

8.1 **Principal:** Payment of the principal in respect of the Notes other than on an Interest Payment Date will be made to the Persons shown in the relevant Register at the close of business on the Record Date (as defined below) and subject to the surrender of the relevant Note Certificate at the specified office of the relevant Register or of the Paying and Transfer Agents.

8.2 **Interest and Other Amounts:** Payments of interest due on an Interest Payment Date will be made to the Persons shown in the relevant Register at close of business on the Record Date. Payments of all amounts other than as provided in Condition 8.1 (Principal) and this Condition 8.2 will be made as provided in these Conditions.

8.3 **Record Date:** Each payment in respect of a Note will be made to the Person shown as the holder in the relevant Register at the opening of business (in the place of the relevant Registrar's specified office) on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

8.4 **Payments:** Each payment in respect of the Notes pursuant to Condition 8.1 (Principal) and 8.2 (Interest and Other Amounts) will be made by U.S. Dollar cheque drawn on a branch of a bank in New York City mailed to the holder of the relevant Note at his address appearing in the Register; provided, however, that, upon application by the holder to the specified office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City for value on the due date (or if such due date is not a Business Day, for value the first following day which is a Business Day).

Where payment is to be made by cheque, the cheque will be mailed, on the due date for payment or, in the case of payments referred to in Condition 8.1 (Principal), if later, on the business day on which the relevant Note is surrendered as specified in Condition 8.1 (Principal) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

8.5 **Agents:** The names of the initial Paying Agents, Transfer Agents and Registrar and their specified offices are set out below. The Issuer reserves the right (with the prior written consent of the Trustee under the Paying Agency Agreement) at any time to remove or vary the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint other or further Paying Agents and Transfer Agents or another Registrar, provided that it will at all times maintain (i) a Principal Paying and Transfer

Agent; (ii) Paying Agents and Transfer Agents in at least two major European cities approved by the Trustee, including London for so long as the Notes are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market; (iii) a Paying Agent and Transfer Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 – 27 November 2000; and (iv) a Registrar. Notice of any such removal or appointment and of any change in the specified office of any Paying and Transfer Agent or Registrar will as soon as practicable be given to Noteholders in accordance with Condition 18 (Notices) and no such removal or appointment shall take effect prior to 30 days after such notice has been given.

In this Condition "*EEA Regulated Market*" means a market as defined by Article 1(13) of the Investment Services Directive 93/22/EEC.

8.6 **Payments Subject to Fiscal Laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

8.7 **Delay in Payment.** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) if the Noteholder is late in surrendering his Note Certificate (if required to do so) or (ii) if a cheque mailed in accordance with this Condition arrives after the date for payment.

8.8 **Non-Business Days:** If any date for payment in respect of any Note is not a Business Day, the Noteholder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

9. Taxation

All payments of principal and interest in respect of the Notes (including payments by the Issuer under the Trust Deed) shall be made free and clear of, and without deduction or withholding for or on account of, any taxes, duties, assessments or governmental charges (each a "**Tax**", collectively "**Taxes**") imposed, levied, collected, withheld or assessed by or in Kazakhstan or any other jurisdiction from or through which payment is made, or, in any case, any political subdivision or any authority thereof or therein having power to tax (each, a "**Taxing Jurisdiction**"), unless such deduction or withholding is required by law. In such event, the Issuer shall, subject to certain exceptions and limitations set out below, pay such additional amounts (the "**Additional Amounts**") to the holder of any Note as may be necessary in order that every net payment of the principal of and interest on such Note, after withholding for or on account of any such Tax imposed by any Taxing Jurisdiction upon or as a result of such payment, will not be less than the amount such holder would have received without such withholding or deduction.

Notwithstanding the foregoing, the Issuer will not be required to make any payment of Additional Amounts to any such holder for or on account of any such Taxes, which would not have been so imposed:

(i) but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than the mere holding of the Note;

(ii) but for the presentation by the holder of any such Note Certificate for payment on a date more than 30 days after the date (the "**Relevant Date**"), which is the later of the date on which such payment became due and payable and the date on which payment thereof is duly provided for, except to the extent that the holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days; or

(iii) where such Taxes are imposed on a payment to an individual and are required to be made pursuant to any law implementing Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; nor shall Additional Amounts be paid with respect to any payment on a Note to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In addition, the Issuer will indemnify and hold harmless each holder of a Note (subject to the exclusions set out in (i), (ii) and (iii) above) and will, upon written request of each holder (subject to the exclusions set out in (i), (ii) and (iii) above), and provided that reasonable supporting documentation is provided, reimburse or pay to each such holder for the amount of any Taxes levied or imposed by any Taxing Jurisdiction and paid by the holder as a result of payments made under or with respect to the Notes, so that the net amount received by such holder after such reimbursement would not be less than the net amount the holder would have received if such Taxes had not been imposed or levied. The Issuer will pay any stamp, administrative, court, documentary, excise or property Taxes arising in any Taxing Jurisdiction in connection with the Notes and will indemnify a holder for any such Taxes paid by the holder. Any payment made pursuant to this paragraph shall be considered an Additional Amount.

If, at any time, the Issuer is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Issuer shall promptly notify the Trustee in writing, and shall deliver to the Trustee, within 30 days after it has made such payment to the applicable authority, a written certificate signed by two of its Authorised Signatories to the effect that it has made such payment to such authority of all amounts so required to be deducted or withheld in respect of each Note.

If the Issuer becomes generally subject at any time to any Taxing Jurisdiction other than Kazakhstan, references in these Conditions to Kazakhstan shall be read and construed as a reference to such other jurisdiction.

Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

10.1 Non-payment: The Issuer is in default with respect to the payment of interest or Additional Amounts on any of the Notes and such default in respect of interest or Additional Amounts continues for a period of 10 Business Days; or

10.2 Breach of other Obligations: The Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 10, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine)) after notice thereof has been given to the Issuer by the Trustee; or

10.3 Cross-default:

10.3.1 Any Indebtedness for Borrowed Money of the Issuer or any Material Subsidiary becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof by reason of any default by the Issuer, or is not repaid at maturity as extended by the period of grace, if any, applicable thereto; provided that the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.$10 million (or its equivalent in other currencies (as determined by the Trustee)); or

10.3.2 any Indebtedness Guarantee given by the Issuer or any Material Subsidiary in respect of Financial Indebtedness of any other Person is not honoured when due and called; provided that the aggregate principal amount of such Indebtedness Guarantee exceeds U.S.$10 million (or its equivalent in other currencies (as determined by the Trustee)); or

10.4 Bankruptcy:

10.4.1 Any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, manager, administrator or liquidator or similar Person in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or substantially all of their respective property and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or

10.4.2 the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into rehabilitation or adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or any Material Subsidiary, as the case may be, or in respect of its respective property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due, or the Issuer or any Material Subsidiary commences proceedings with a view to the general adjustment of its Indebtedness which event is, in the case of the relevant Material Subsidiary, (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

10.5 Substantial Change in Business: The Issuer makes any substantial change in the principal nature of its business as presently conducted which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

10.6 Maintenance of Business: The Issuer fails to take any action as is required of it under applicable banking regulations in Kazakhstan or otherwise to maintain in effect its banking licence or corporate existence or fails to take any action to maintain any (in the opinion of the Trustee) material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which failure is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure (if capable of remedy) is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or

10.7 Material Compliance with Applicable Laws: The Issuer fails to comply in any material (in the opinion of the Trustee) respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Paying Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or

10.8 Invalidity or Unenforceability:

10.8.1 the validity of the Notes, the Trust Deed or the Paying Agency Agreement is contested by the Issuer, or the Issuer denies any of its obligations under the Notes, the Trust Deed or the Paying Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

10.8.2 it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Paying Agency Agreement; or

10.8.3 all or any of its obligations set out in the Notes, the Trust Deed or the Paying Agency Agreement shall be or become unenforceable or invalid,

and, following the occurrence of any of the events specified in this Condition 10.8 (other than the Issuer denying any of its obligations under the Notes, the Trust Deed or the Paying Agency Agreement), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

10.9 Government Intervention:

10.9.1 All, or (in the reasonable opinion of the Trustee) any substantial part, of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or

10.9.2 the Issuer or any Material Subsidiary is prevented by any such Person from exercising normal control over all or (in the reasonable opinion of the Trustee) any substantial part of its undertaking, assets, revenues,

and, following the occurrence of any of the events specified in this Condition 10.9, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders.

11. Meetings of Noteholders, Modification and Waiver

11.1 Meetings of Noteholders: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by one or more Noteholders holding in aggregate not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Persons present being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or the rate of interest on, or to vary the method of calculating interest on, the Notes, (iii) to change the currency of payment of the Notes or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case, the necessary quorum for passing an Extraordinary Resolution will be one or more Persons present holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of Noteholders shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

A resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes then outstanding who for the time being are entitled to receive notice of a meeting shall for all purposes be as valid as an Extraordinary Resolution passed at a meeting of Noteholders convened and held in accordance with the provisions of the Trust Deed. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Noteholders.

11.2 Modification and Waiver: The Trustee may, without the consent of the Noteholders, agree to any modification of the Notes, the Trust Deed or the Paying Agency Agreement, which (except as mentioned in the Trust Deed) in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Noteholders provided however, that no such modification shall be permitted unless an opinion of counsel in form and substance and from counsel acceptable to the Trustee is delivered to the Trustee to the effect that the Noteholders will not recognise income, gain or loss for U.S. federal income tax purposes or Kazakhstan tax purposes as a result of such modification and such Noteholders will be subject to U.S. federal income tax and Kazakhstan tax on the same amount and in the same manner and at the same times as would have been the case if such modification had not occurred. In addition, the Trustee may, without the consent of the Noteholders, also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions, the Trust Deed or the Paying Agency Agreement, which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 18 (Notices).

11.3 Entitlement of the Trustee: In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in this Condition), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Issuer or (in the case of a Noteholder) the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11.4 Substitution: The Trust Deed contains provisions to the effect that the Trustee may, without the consent of the Noteholders, subject to such amendment of the Trust Deed and such other conditions and requirements as the Trustee may direct in the interests of the Noteholders, agree with the Issuer to substitute (once or more than once) any entity (the "**Substituted Obligor**") in place of the Issuer as principal debtor in respect of the Notes and under the Trust Deed, subject to all relevant conditions of the Trust Deed having been complied with. In the case of such a substitution the Trustee may agree without the consent of the Noteholders to a change of law governing the Notes provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 18 (Notices), failing which, the Issuer shall use its best endeavours to ensure that the Substituted Obligor does so.

12. Trustee and Agents; Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking any action, step or proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

The Trustee shall be entitled to rely on reports and certificates of Auditors and other Persons notwithstanding any limit on liability therein by reference to monetary cap or otherwise. The Trust Deed provides that the Issuer shall, at the same time as sending audited and consolidated financial statements to the Trustee, certify to the Trustee those Subsidiaries that were Material Subsidiaries as shown by such financial statements and the Trustee shall be entitled to rely thereon without further investigation or liability to Noteholders.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed, as applicable.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

13. Warranties

The Issuer hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of each Note and to constitute the same legal, valid and binding obligations of the Issuer enforceable in accordance with their terms, if any, have been done and performed and have happened in due compliance with all applicable laws.

14. Enforcement

The Trust Deed provides that only the Trustee may pursue remedies under general law, the Trust Deed or the Notes to enforce the rights of the Noteholders against the Issuer and, at any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the

Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder will be entitled to pursue such remedies, or otherwise proceed directly against the Issuer, unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

15. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 (Payments) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

16. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and/or the Registrar may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes Certificates must be surrendered before replacements will be issued.

17. Further Notes

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions of the Notes in all respects (or in all respects except for the issue price, issue date and/or first payment of interest on such further securities) and so that such further issue is consolidated and forms a single series with the Notes or upon such other terms as the Issuer may determine at the time of their issue.. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the Notes constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

18. Notices

18.1 To the Noteholders: Notices to Noteholders will be mailed to them at their respective address on the relevant Register and will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*), provided that, so long as the Notes are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchanges EEA Regulated Market, such notice may instead be published on the Regulatory News Service of the London Stock Exchange and in accordance with any rules from time to time of such exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

18.2 To the Issuer: Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at 109 "V", Abay Avenue, Almaty 050008, Kazakhstan and clearly marked on their exterior "Urgent – Attention: International Department" (or at such other address and for such other attention as may have been notified to the Noteholders in accordance with Condition 18.1 (To the Noteholders)) and will, be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

18.3 To the Trustee and Registrar: Notices to the Trustee or the Registrar will be deemed to have been validly given if delivered to the specified office, for the time being, of the Trustee or the Registrar, as the case may be, and will be validly given on the next day on which such office is open for business.

19. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect the right or remedy of any Person which exists or is available apart from such Act.

20. Governing Law and Jurisdiction

20.1 Governing Law: The Notes, the Trust Deed and the Paying Agency Agreement, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

20.2 Arbitration and jurisdiction: The Issuer has agreed, and hereby agrees, that (with respect to any claim, dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including a claim, dispute or difference as to the breach, existence or validity of the Notes) or the Trust Deed (each a "**Dispute**")), such Dispute may be finally settled:

(i) subject to (ii) below, by arbitration in accordance with the UNCITRAL Arbitration Rules (the "**Rules**") as at present in force (which are deemed incorporated into this Condition 20.2) by a panel of three arbitrators appointed in accordance with the Rules. Any provision of such rules relating to the nationality of an arbitrator shall not apply. The seat of arbitration shall be in London, England. The procedural law of any reference shall be English law. The Issuer shall appoint one arbitrator and the Trustee shall appoint one arbitrator and the two arbitrators thus appointed shall appoint the third arbitrator who shall be chairman of the arbitral tribunal. The language of any arbitral proceedings shall be English. The appointing authority for the purposes of the Rules shall be the London Court of International Arbitration. Sections 45 and 69 of the Arbitration Act 1996 shall not apply to any arbitration proceedings pursuant to this Condition 20.2; or

(ii) at the sole option of the Trustee, by proceedings brought in the courts of England, which shall have, subject as follows in this Condition 20.2, jurisdiction to hear and determine any suit, action or proceedings, which may arise out of or in connection with the Notes or the Trust Deed ("**Proceedings**") and, for such purposes, the Issuer irrevocably submits to the jurisdiction of such courts. Nothing in this Condition 20.2 shall limit the right of the Trustee to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings by the Trustee in any one or more jurisdictions preclude the taking of Proceedings by the Trustee in any other jurisdiction (whether concurrent or not) if and to the extent permitted by law. If the Trustee is in the position of the respondent and wishes to exercise this option, it must do so by notice to the other parties to the Dispute within 30 days of service on it of the request for arbitration.

(iii) For the purposes of proceedings brought pursuant to the exercise of the option under (ii) above, the Issuer has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim in any Proceedings that any such court is not a convenient or appropriate forum.

20.3 Agent for Service of Process: The Issuer has agreed that the process by which any Proceedings in England are begun or notice of any Dispute to be resolved in accordance with Condition 20.2 may be served on it by being delivered to the Issuer's representative office at 68 Lombard Street, London EC3V 9LJ or any other place of business of the Issuer in England for the time being. If for any reason the Issuer has neither a representative office nor a place of business nor a process agent in England, it will promptly appoint a process agent and notify the Trustee in writing of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

20.4 Consent to Enforcement, etc.: The Issuer has consented generally in respect of any Proceedings or arbitration to the giving of any relief or the issue of any process in connection with such Proceedings or arbitration, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any award, order or judgment which may be given in such Proceedings or arbitration.

20.5 **Waiver of Immunity:** To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from arbitral process, suit, execution, attachment (whether in aid of execution, before judgment or award or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer has agreed, in connection with any Proceedings or arbitration, not to claim and have irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

21. Definitions

For the purposes of these Conditions the following defined terms shall have the following meanings:

"**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, London and Almaty and, in the case of presentation or surrender of a Note Certificate, in the place of the specified office of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Note is presented or surrendered.

"**Development Organisation**" means any of JSC Development Bank of Kazakhstan, Eurasian Development Bank, Asian Development Bank, Islamic Development Bank, European Bank for Reconstruction and Development, International Bank for Reconstruction and Development, International Finance Corporation, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. or Deutsche Investitions und Entwicklungsgesellschaft mbH or any other development finance institution established or controlled by one or more states and any other Person which is a, or controlled by any, Kazakhstan governmental body acting on behalf of or funded in relation to the relevant Financial Indebtedness by one or more of the foregoing development finance institutions.

"**Fair Market Value**" means, with respect to a transaction, the value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. If requested by the Trustee (which shall be under no duty to make such a request), a report of the Auditors (as defined in the Trust Deed) of the Issuer or of any other independent appraiser of international repute appointed by the Issuer with the approval of the Trustee (such approval not to be unreasonably withheld) determining such Fair Market Value may be relied upon by the Trustee without further enquiry or evidence and without liability to Noteholders for so doing, and, if so relied upon, shall be conclusive and binding on all parties.

"**Financial Indebtedness**" means any Indebtedness of any Person for or in respect of (i) Indebtedness for Borrowed Money; or (ii) Indebtedness Guarantees in respect of any Indebtedness for Borrowed Money.

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Committee, consistently applied by a company or as between companies, as in effect from time to time.

"**Indebtedness**" means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent.

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (i) moneys borrowed; (ii) amounts raised by acceptance under any acceptance credit facility; (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments; (iv) the amount of any liability in respect of leases or hire purchase contracts, which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases; (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service; and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables on a "with recourse" basis) having the commercial effect of a borrowing.

"**Indebtedness Guarantee**" means, in relation to any Indebtedness for Borrowed Money of any Person, any obligation of another Person to pay such Indebtedness for Borrowed Money including (without limitation) (i) any obligation to purchase such Indebtedness for Borrowed Money; (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness for Borrowed Money; (iii) any indemnity against the consequences of a default in the payment of such Indebtedness for Borrowed Money; and (iv) any other agreement to be responsible for such Indebtedness for Borrowed Money.

"**Material Adverse Effect**" means a material adverse effect on the business, operations, assets, condition (financial or otherwise) of the Issuer and its Material Subsidiaries taken as a whole or on its ability to perform or comply with its obligations under the Notes or the Trust Deed or on the validity or enforceability of the Notes or the Trust Deed or on the rights and remedies of any person thereunder.

"**Material Subsidiary**" means, at any given time, any Subsidiary of the Issuer whose gross assets or gross revenues or whose pre-taxation profits attributable to the Issuer (having regard to its direct and/or indirect beneficial interest in the shares, or the like, of that Subsidiary) represent at least 10 per cent. of the consolidated gross assets or consolidated gross revenues or, as the case may be, consolidated pre-taxation profits of the Issuer and its consolidated Subsidiaries and, for these purposes:

(i) the gross assets, gross revenues and pre-taxation profits of such Subsidiary shall be determined by reference to its then most recent audited financial statements in accordance with IFRS (or, if none, its then most recent management accounts); and

(ii) the consolidated gross assets, consolidated gross revenues and pre-taxation profits of the Issuer and its consolidated Subsidiaries shall be determined by reference to the then most recent audited consolidated financial statements of the Issuer.

"**Permitted Security Interest**" means any Security Interest (i) granted in favour of the Issuer by any Subsidiary of the Issuer to secure Financial Indebtedness owed by such Subsidiary to the Issuer; (ii) arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court or arbitration proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings; (iii) being liens or rights of set-off or netting arrangements arising by operation of law and in the ordinary course of business, including without limitation, any rights of set off with respect to demand or term deposits maintained with financial institutions and bankers' liens with respect to property of the Issuer held by financial institutions; (iv) arising in the ordinary course of the Issuer's or any of its Subsidiaries' business and (a) which are necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Issuer's or such Subsidiary's business or (b) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer's or such Subsidiary's customers; (v) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease; (vi) arising pursuant to any agreement (or other applicable terms and conditions), which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Subsidiary of the Issuer other than on a short-term basis as part of the Issuer's or such Subsidiary's liquidity management activities), in connection with (a) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (b) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (c) the Issuer's and its Subsidiary's foreign exchange dealings or other proprietary trading activities, including, without limitation (in each case), Repos; (vii) granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary of the Issuer to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Financial Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property; (viii) created or outstanding upon any property or assets of the Issuer or any Subsidiary of the Issuer, including, without limitation, any Security Interest on or in respect of any present or future credit card, debit card, cheque, cash remittance, worker's remittances, trade payments rights, mortgage receivables, receivables, payment rights, instruments or other assets arising out of any securitisation of such property or assets or other similar structured finance transaction in relation to such property or assets where the recourse in relation to the Financial Indebtedness secured by such property or assets is limited to such property or assets, provided that the amount of Financial Indebtedness so secured pursuant to this clause (viii) at any one time shall not exceed an amount in any currency or currencies equivalent (as determined by reference to the middle spot exchange rate for the relevant currency against Tenge appearing on the Bloomberg page WCR as of 10:00 a.m., London time on the date of determination or, if such source is unavailable or contains manifestly erroneous information, a successor or similar source of information selected by the Trustee in its sole discretion) to 18 per cent. of the Issuer's loans and advances to customers before provisions for loan losses (calculated by reference to the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS); (ix) granted by the Issuer or any Subsidiary of the Issuer in favour of a Development Organisation to secure Financial Indebtedness owed by the Issuer or such Subsidiary to such a Development Organisation pursuant to any loan agreement or other credit facility entered into between the Issuer or any Subsidiary of the Issuer and such Development Organisation, provided, however, that the amount of Financial Indebtedness so secured pursuant to this clause (ix) shall not exceed in aggregate an amount in any currency or currencies equivalent (as determined by reference to the middle spot exchange rate for the relevant currency against Tenge appearing on the Bloomberg page WCR as of 10:00 a.m., London time on the date of determination or, if such source is unavailable or contains manifestly erroneous information, a successor or similar source of information selected by the Trustee in its sole discretion) to 10 per cent. of the Issuer's loans and advances to customers before provisions for loan losses (calculated by reference to the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS); (x) granted in favour of any noteholders or any trustee acting for them by a Subsidiary over any proceeds of any Indebtedness incurred by such Subsidiary and on-lent by it to the Issuer, to secure any indebtedness owed by such Subsidiary to such noteholders or such trustee; (xi) in addition to any of the above exceptions, in aggregate securing Financial Indebtedness with an aggregate principal amount at any time not exceeding the greater of U.S.$100 million (or its equivalent in other currencies) and 5 per cent. of the Issuer's equity (calculated by reference to the most recent audited financial statements of the Issuer prepared in accordance with IFRS) at that time; and (xii) arising out of the refinancing, extension, renewal or refunding of any Financial Indebtedness secured by a Security Interest either existing on or before the issue date of the Notes or permitted by any of the above exceptions, provided that the Financial Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Financial Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest.

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or other derivative, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral or organisation.

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person.

"**Subsidiary**" means, in relation to any Person (the "first Person") at a given time, any other Person (the "second Person") (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting stock or other right of ownership. "control", as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise.

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Note Certificate and the Global Note the names and Specified Offices of the Registrar, the Paying Agents and the Transfer Agents as set out at the end of this Prospectus.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Notes contain provisions which apply to the Notes in respect of which the Global Notes are issued, some of which modify the effect of the Conditions set out in this Prospectus. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder of each Global Note will be treated as being two persons for the purpose of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 principal amount of Notes for which the Global Notes are issued. The Trustee may allow a person with an interest in Notes in respect of which a Global Note has been issued to attend and speak at a meeting of Noteholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Notes in the register of Noteholders.

Payment

Payments of principal and interest in respect of Notes represented by a Global Note will be made without presentation or, if no further payment is to be made in respect of the Notes, against presentation and surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose.

Notices

So long as the Notes are represented by a Global Note, and such Global Note is held on behalf of DTC, Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to Noteholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg, or such other clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Exchange of Interests

Certificates in definitive form for individual holders of Notes will not be issued in exchange for interests in the Notes in respect of which Global Notes are issued, except in the following circumstances:

- in the case of the Restricted Global Note, DTC or any successor depositary on behalf of which the Notes evidenced by the Restricted Global Note may be held notifies the Issuer that it is no longer willing or able to discharge its responsibilities as depositary with respect to the Notes, ceases to be a clearing agency registered under the Exchange Act or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or such successor depositary; or

- in the case of the Unrestricted Global Note, either Euroclear or Clearstream, Luxembourg or any successor depositary on behalf of which the Notes evidenced by the Unrestricted Global Note may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or other) or announces an intention permanently to cease business or does in fact do so; or

- in either case, upon the occurrence of an Event of Default as set out in Condition 10 (Events of Default); or

- if instructions have been given for the transfer of an interest in the Notes evidenced by a Global Note to a person who would otherwise take delivery thereof in the form of an interest in the Notes evidenced by the other Global Note where such other Global Note has been exchanged for Note Certificates.

Transfers

Transfers of interests in the Notes will be effected through the records of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

Record Date

Payment in respect of a Note will be made to the Person(s) shown in the Register at the opening of business in the place of the relevant Registrar's specified office on the Clearing System Business Date before the relevant due date for payment, where "**Clearing System Business Day**" means (i) in respect of a Global Note held on behalf of Euroclear or Clearstream, Luxembourg, a day when Euroclear and Clearstreram, Luxembourg is open for business, and (ii) in respect of a Global Note held on behalf of DTC, a day when DTC is open for business.

FORM OF NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of the Notes.

Form of Notes

All Notes will be in fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Deutsche Bank AG, London Branch, as common depository for Euroclear and Clearstream, Luxembourg, and registered in the name of BT Globenet Nominees Limited, as nominee for such common depository in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in the Restricted Global Note, in fully registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Closing Date with Deutsche Bank Trust Company Americas, as custodian (the "**Custodian**") for, DTC. The Restricted Global Note (and any Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set out under item (iii) below.

For the purposes of the Restricted Global Note and the Unrestricted Global Note, any reference in the Conditions to "Note Certificates" or "Note Certificates" shall, except where the context otherwise requires, be construed so as to include the Restricted Global Note or, as the case may be, the Unrestricted Global Note and interests therein.

Transfer Restrictions

On or prior to the 40th day after the Closing Date, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Paying Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction it being understood, however, that the Issuer has been advised that neither Euroclear nor Clearstream, Luxembourg will monitor compliance with these transfer restrictions nor provide certification of non-U.S. beneficial ownership. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein);

(i) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring Notes for its own account or for the account of such a qualified institutional buyer and (C) is aware that the sale of the Notes to it is being made in reliance on Rule 144A.

(ii) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below.

(iii) The Restricted Global Note and any Restricted Note Certificates (as defined below) issued in exchange for an interest in the Restricted Global Note will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN OR WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED OR MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE (AND ANY INTERESTS HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR ITS SUBSIDIARY, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

(iv) If the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgment, representations and agreements on behalf of each such account.

(v) The Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the 40th day after the Closing Date (the "**distribution compliance period**"), by accepting delivery of this Prospectus and the Notes, will be deemed to have represented and agreed as follows:

(i) It is, or will be at the time Notes are purchased, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case, in accordance with any applicable securities laws of any state of the United States.

(iii) The Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Exchange of Interests in Global Notes for Note Certificates

The Restricted Global Note will become exchangeable for Note Certificates in definitive form ("**Restricted Note Certificates**") if DTC or any successor depository on behalf of which the Notes evidenced by the Restricted Global Note may be held (a) notifies the Issuer that it is no longer willing or able to discharge its responsibilities as depository with respect to the Notes, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or such successor depository, (b) an Event of Default (as defined and set out in Condition 10 of the Terms and Conditions of the Notes) occurs or (c) if instructions have been given for the transfer of an interest in the Notes evidenced by a Global Note to a person who would otherwise take delivery thereof in the form of an interest in the Notes evidenced by the other Global Note where such other Global Note has been exchanged for Note Certificates. In such circumstances, such Restricted Note Certificates shall be registered in such names as DTC shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of any event specified in (a), (b), or (c).

The Unrestricted Global Note will become exchangeable for Note Certificates in definitive form ("**Unrestricted Note Certificates**") if (a) either Euroclear or Clearstream, Luxembourg or any successor depository on behalf of which the Notes evidenced by the Unrestricted Global Note may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or other) or announces an intention permanently to cease business or does in fact do so, (b) an Event of Default (as defined and set out in Condition 10 of the Terms and Conditions of the Notes) occurs or (c) instructions have been given for the transfer of an interest in the Notes evidenced by a Global Note to a person who would otherwise take delivery thereof in the form of an interest in the Notes evidenced by the other Global Note where such other Global Note has been exchanged for Note Certificates. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a), (b) or (c).

In the event that the Restricted Global Note is to be exchanged for Restricted Note Certificates or the Unrestricted Global Note is to be exchanged for Unrestricted Note Certificates (together "**Note Certificates**") the relevant Global Note shall be exchanged in full for the relevant Note Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) a fully completed, signed certification substantially in the form contained in the Paying Agency Agreement to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A or Regulation S, a certification that the transfer is being made in compliance with the provisions of Rule 144A or, as the case may be, Regulation S. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions". Restricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Unrestricted Global Note and Unrestricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Note.

In addition to the requirements described under "*Transfer Restrictions*", the holder of a Note may transfer such Note only in accordance with the provisions of Condition 2 of the Terms and Conditions of the Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under "Transfer Restrictions", or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act.

Notwithstanding Condition 2.3.3 of the Terms and Conditions of the Notes, as long as any Note is held in global form, the Registrar will not register the transfer of the Notes or exchange of interests in a Global Note for Note Certificates for a period of one Clearing System Business Day (as defined in "*Summary of Provisions relating to the Notes while in Global Form*") ending on the due date of any payment of principal or interest in respect of such Notes.

Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository is the registered holder of a Global Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Paying Agency Agreement, the Trust Deed and the Notes.

Payments of principal, interest and Additional Amounts, if any, in respect of Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, any Agent or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg or their common depository or its nominee from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC or its nominee from the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on the Notes (other than interest on redemption) will be paid to the holder shown on the Register on the relevant Record Date. Trading between the Restricted Global Note and the Unrestricted Global Note will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) BT Globenet Nominees Limited and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in the Unrestricted Global Note and the Restricted Global Note will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Account Holders

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note (subject to such certification procedures as are provided in the Paying Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date. See above concerning the Record Date for payment of interest.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Note (subject to such certification procedures as are provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 5 p.m. Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg account holder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (i) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note and (b) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note. See above concerning the Record Date for payment of interest.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, any Agent or any of the Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and JSC Halyk Finance (together, the "**Managers**") have, pursuant to a subscription agreement dated 26 January 2011 (the "**Subscription Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 98.263 per cent. of their principal amount. The Issuer has agreed to pay certain costs and expenses in connection with the issue of the Notes.

The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

Some of the Managers and their respective affiliates have, from time to time, engaged in, and may in the future engage in, various commercial dealings in the ordinary course of business with the Issuer and its affiliates. The Managers have received customary fees and commissions for these transactions and services. JSC Halyk Finance is a wholly-owned subsidiary of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. The Subscription Agreement provides that each Manager may through its agents or affiliates arrange for the resale of Notes in the United States solely to qualified institutional buyers pursuant to Rule 144A.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer, whether or not it is participating in the offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Manager has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Italy

Each Manager has represented and agreed that the Notes may not be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in Italy.

Kazakhstan

Each Manager has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan, except in compliance with the applicable securities laws of Kazakhstan.

Russia

Each Manager has agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian Law.

General

No action has been, or will be, taken by the Issuer or the Managers that would permit a public offering of the Notes in any country or jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other material, may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result to the best of the Managers' knowledge and belief in compliance with any applicable securities laws or regulations.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries.

Except as otherwise indicated, this description only addresses tax legislation, as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

United States Federal Income Taxation

The following is a description of the material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of the Notes by a U.S. Holder (as defined below) thereof. This description only applies to the Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, holders that have a functional currency other than the U.S. Dollar, tax exempt organisations, U.S. Holders residing in Kazakhstan, certain former citizens and long-term residents of the United States, holders that will hold the Notes through a partnership or other pass through entity, dealers or traders in securities or foreign currencies, or holders that will hold a Note as part of a straddle, a hedging, conversion or other integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the Notes and only addresses the U.S. federal income tax treatment of holders that acquire the Notes as part of the initial distribution at their initial issue price (which will equal the first price paid by the public, not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers, at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes that, for U.S. federal income tax purposes, is: (i) a citizen or resident of the United States (including "green card" holders); (ii) a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any State or political subdivision thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to its consequences of acquiring, owning or disposing of the Notes.

U.S. Internal Revenue Service Circular 230 Disclosure

This description is limited to the U.S. federal income tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of the Notes and this description does not consider or provide any conclusions with respect to any such additional issues. Prospective investors are advised to consult their own tax advisers concerning the application of the U.S. federal income tax laws to their particular situations as well as any tax considerations arising under the laws of any state, local or foreign taxing jurisdiction or any applicable tax treaties, and the possible effect of changes in applicable tax law.

Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes.

Interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes, including for U.S. foreign tax credit limitation purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, interest on the Notes should generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income". Prospective investors should consult their own tax advisers as to foreign tax credit implications of interest paid or accrued in respect of a Note.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Sale, Exchange, Retirement or other Disposition

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference, if any, between the amount realised on the sale, exchange, retirement or other disposition (other than accrued but unpaid interest which will be taxable as such) and the U.S. Holder's adjusted tax basis in the Note. The U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, and any such gain or loss will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if the U.S. Holder's holding period for the Notes exceeds one year (*i.e.,* such gain is long-term capital gain). Any gain or loss realised on the sale, exchange, retirement or other disposition of a Note by a U.S. Holder generally would be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of the Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middle man, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. The backup withholding rate is 28 per cent. for taxable years through 2012. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Backup withholding is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

New Legislation

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds $50,000. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are regularly traded on an established securities market and held in an account at a domestic financial institution. U.S. Holders should consult their tax advisers regarding the application of this legislation.

Kazakhstan Taxation

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments of interest made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Interest

Payments of interest on the Notes to an individual who is not a resident of Kazakhstan for tax purposes or a legal entity that is neither established under Kazakhstan law, nor has its actual governing body (place of actual management), nor maintains a permanent establishment in Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "**Non-Kazakhstan Holders**"), will be subject to withholding tax at a rate of 15 per cent., unless reduced by an applicable double taxation treaty.

Payments of interest on the Notes to Non-Kazakhstan Holders registered in countries with a favourable tax regime and which appear in a list published from time to time by the Government (these countries currently include, among others, Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Aruba and Singapore) will be subject to withholding of Kazakhstan tax at a rate of 20 per cent. unless reduced by an applicable double taxation treaty.

The withholding tax on interest would not apply if the Notes are, as at the date of accrual of interest, listed on the official list of a stock exchange in Kazakhstan (such as the KASE).

In general, interest payable to residents of Kazakhstan or to non-residents who maintain a permanent establishment in Kazakhstan (together, "**Kazakhstan Holders**") will be subject to Kazakhstan withholding tax at a rate of 15 per cent. unless the Notes are, as at the date of accrual of interest, listed on the official list of a stock exchange operating in Kazakhstan.

The Terms and Conditions of the Notes state that all payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes.

Gains

Gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will be subject to withholding tax at a rate of 15 per cent. If the disposal of the Notes is made to a Kazakhstan Holder and the transferor is registered in a country with a favourable tax regime, as referred to above, gains derived from such a disposal are subject to withholding tax in Kazakhstan at the rate of 20 per cent.

Any gains realised by Kazakhstan Holders and Non-Kazakhstan Holders in relation to Notes which are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan (applies to Kazakhstan Holders and Non-Kazakhstan Holders) or a foreign stock exchange (applies to Non-Kazakhstan Holders only) and sold through open trades on such stock exchanges are not subject to withholding tax in Kazakhstan. However, gains made by a holder on the sale of a Note otherwise than through open trades on a stock exchange may be subject to Kazakhstan tax or withholding tax and a purchaser may be treated as a withholding agent for such purposes and be liable to account for Kazakhstan withholding tax on the portion of the purchase price representing the gain by the seller of such Note. The withholding tax on the gains may be reduced or eliminated under an applicable double taxation treaty. However, Kazakhstan's tax legislation does not specify a mechanism for the collection of any such tax or specify whether the purchaser of Notes in such a situation is treated as a withholding agent.

European Union Directive on Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, member states of the European Union are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or to certain other persons in that other member state. However, for a transitional period, Luxembourg and Austria are instead required (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The withholding tax rate is 20 per cent. increasing to 35 per cent. as from 1 July 2011. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date as the EU Savings Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. See "*Terms and Conditions of the Notes—Condition 8*". For so long as any Note is outstanding, the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that does not impose an obligation to withhold or deduct tax pursuant to this Directive. See "*Terms and Conditions of the Notes—Condition 7*".

GENERAL INFORMATION

1. The Issuer's registered office is located at 109 "V" Abay Avenue, Almaty 050008, Kazakhstan (which is also the business address for members of the Board of Directors of the Issuer), and its telephone number is +7 727 259 00 00. The Issuer is registered with the Registration Services Committee of the Ministry of Justice of the Republic of Kazakhstan and its registration number is 3898-1900-AO.

2. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 058379697 and ISIN XS0583796973. The Restricted Global Note has been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP number for the Restricted Global Note is 46627JAB0, the ISIN is US46627JAB08 and the Common Code is 058444251. The address of Euroclear is 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, 1855 Luxembourg; and the address of DTC is 55 Water Street, 49th Floor, New York, New York 10041, United States of America.

3. The Issuer has obtained all necessary consents, approvals and authorisations in Kazakhstan in connection with the issue, offer and sale of, and the performance of the Notes. The issue of the Notes was approved by resolution of the Board of Directors of the Issuer passed on 2 December 2010.

4. Neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of the Issuer and its subsidiaries. The Issuer is not or has not been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of the Issuer.

5. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries taken as a whole since 30 September 2010 and no material adverse change in the prospects of the Issuer and its subsidiaries taken as a whole since 31 December 2009.

6. The Issuer has not entered into any material contracts outside the ordinary course of its businesses which could result in it being under an obligation or entitlement that is material to its ability to make payments under the Notes.

7. Application has been made for the Notes to be listed on the Official List and traded on the Regulated Market and for the Notes to be listed on the Kazakhstan Stock Exchange.

8. Copies of the following documents (and English translations thereof where the documents in question are not in English) may be inspected at, are available from and may be obtained free of charge upon request from, the specified offices of the Paying and Transfer Agents during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) so long as any of the Notes are outstanding:

   - this Prospectus, together with any supplement to this Prospectus;
   - the Trust Deed, which includes the forms of the Global Notes and the Note Certificates;
   - the Paying Agency Agreement;
   - the Issuer's Charter;
   - the Audited Financial Statements of the Issuer as at and for the years ended 31 December 2009, 2008 and 2007, together with the Independent Auditors' Report thereon; and
   - the Unaudited Interim Financial Statements of the Issuer as at and for the nine months ended 30 September 2010 and 2009, together with the report on review of the Bank's independent auditors thereon.

9. The Issuer's independent auditors are Deloitte, LLP, acting as auditors under the licence No. 0000015 dated 13 September 2006 issued by the Ministry of Finance of the Republic of Kazakhstan. Deloitte, LLP has audited the consolidated financial statements of the Bank as at and for the years ended 31 December 2009, 2008 and 2007 in respect of which it has delivered an unqualified audit opinion. Deloitte, LLP has also reviewed the condensed interim consolidated financial statements of the Bank as at and for the nine months ended 30 September 2010 and 2009 in respect of which it has delivered a report on review thereof. The Issuer does not publish non-consolidated financial statements. The Audited Financial Statements, together with Deloitte, LLP's audit report with respect thereto, and the Unaudited Interim Financial Statements, together with Deloitte, LLP's report on review with respect thereto, are included in this Prospectus.

10. The yield of the notes is 7.5 per cent. per annum. Yield is calculated at the issue date of the Notes on the basis of the issue price therefor and is not an indication of future yield.

11. The total fees and expenses in connection with the admission of the Notes to trading on the Regulated Market of the London Stock Exchange are expected to be approximately U.S.$11,000.

12. The credit ratings included or referred to in this Prospectus have been issued by Fitch, Moody's or Standard & Poor's, respectively, as indicated in the table above; each of these credit rating agencies is established in the European Union and is registered under Regulation No 1060/2009.

    The European Securities and Market Association is obliged to maintain on its website a list of credit rating agencies registered in accordance with Regulation No 1060/2009. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under Regulation No 1060/2009.

INDEX TO FINANCIAL STATEMENTS

JSC HALYK BANK

Condensed Interim Consolidated
Financial Information (unaudited)
For the nine months ended 30 September 2010

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in the report on the review of the condensed interim consolidated financial information, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the condensed interim consolidated financial information of JSC Halyk Bank and its subsidiaries (collectively, "the Group").

Management is responsible for the preparation of the condensed interim consolidated financial information that present fairly the financial position of the Group as at 30 September 2010, the results of its operations, cash flows and changes in equity for the nine months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed; and
- Preparing the condensed interim consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The condensed interim consolidated financial information of the Group for the nine months ended 30 September 2010 was authorized for issue by the Management Board of the Bank on 15 November 2010.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairman of the Board	**Chief Accountant**
15 November 2010	15 November 2010
Almaty, Kazakhstan	Almaty, Kazakhstan

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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank:
Introduction

We have reviewed the accompanying condensed interim consolidated financial information of JSC "Halyk Bank" and its subsidiaries (collectively, "the Group") which comprises the condensed interim consolidated statement of financial position as at 30 September 2010 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three and the nine months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the nine months ended 30 September 2010, and a summary of significant accounting policies and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte, LLP

15 November 2010
Almaty, Kazakhstan

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	30 September 2010 (unaudited)	31 December 2009
ASSETS			
Cash and cash equivalents	6	244,650	480,622
Obligatory reserves	7	26,809	25,949
Financial assets at fair value through profit or loss	8, 33	6,412	8,528
Amounts due from credit institutions	9	20,482	56,101
Available-for-sale investment securities	10, 33	398,036	200,221
Investments held to maturity	11, 33	165,535	17,186
Precious metals		1,562	1,445
Loans to customers	12, 33	1,094,238	1,133,235
Property and equipment		62,229	63,158
Assets held-for-sale		9,527	8,447
Goodwill		3,085	3,190
Intangible assets		6,052	7,475
Insurance assets	13	12,893	4,945
Other assets	14	12,380	12,507
TOTAL ASSETS		2,063,890	2,023,009
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	15, 33	1,370,150	1,274,069
Amounts due to credit institutions	16, 33	83,236	172,706
Financial liabilities at fair value through profit or loss	8	3,467	3,201
Debt securities issued	17	261,885	263,893
Provisions	18	3,050	4,433
Deferred tax liability	19	5,973	6,194
Insurance liabilities	13	19,037	9,586
Other liabilities	20	7,863	7,975
Total liabilities		1,754,661	1,742,057
EQUITY			
Share capital*	21	143,695	143,695
Share premium reserve		1,351	1,317
Treasury shares		(96)	(103)
Retained earnings and other reserves		163,223	135,693
		308,173	280,602
Non-controlling interest		1,056	350
Total equity		309,229	280,952
TOTAL LIABILITIES AND EQUITY		2,063,890	2,023,009

* In accordance with the regulatory requirements of Kazakhstan the book value per share is presented in Note 29

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

15 November 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2010
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)
(Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Interest income	23, 33	43,377	46,949	134,238	149,221
Interest expense	23, 33	(20,834)	(24,642)	(66,778)	(78,775)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	23	22,543	22,307	67,460	70,446
Impairment charge on interest earning and other assets	18	(12,260)	(19,809)	(38,083)	(73,408)
NET INTEREST INCOME		10,283	2,498	29,377	(2,962)
Fee and commission income	24	8,773	9,935	24,380	30,075
Fee and commission expense		(1,393)	(1,300)	(4,049)	(3,400)
Fees and commissions, net		7,380	8,635	20,331	26,675
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	25, 33	205	(159)	979	991
Net realized gain/(loss) from available-for-sale investment securities		237	841	208	(297)
Net gain from redemption of debt securities issued		-	-	-	439
Net gain on foreign exchange operations	26	1,463	1,782	5,418	8,573
Insurance underwriting income	27	3,373	1,949	8,975	5,954
Share of loss of associates		(2)	-	(13)	(21)
Other income		446	181	1,259	881
OTHER NON-INTEREST INCOME		5,722	4,594	16,826	16,520
Operating expenses	28	(11,495)	(8,673)	(31,708)	(26,586)
Recoveries of provisions/(provisions)	18	1,392	(568)	1,422	(761)
Insurance claims incurred, net of reinsurance		(2,159)	(1,034)	(5,394)	(2,806)
NON-INTEREST EXPENSES		(12,262)	(10,275)	(35,680)	(30,153)
NET INCOME BEFORE INCOME TAX EXPENSE		11,123	5,452	30,854	10,080
Income tax expense	19	(1,751)	(496)	(4,853)	(806)
NET INCOME		9,372	4,956	26,001	9,274
Attributable to:					
Non-controlling interest		114	31	145	171
Preferred shareholders		2,032	1,182	5,675	1,548
Common shareholders		7,226	3,743	20,181	7,555
		9,372	4,956	26,001	9,274
Basic earnings per share (in Kazakhstani Tenge)	29	5.55	3.03	15.51	6.43
Diluted earnings per share (in Kazakhstani Tenge)	29	5.55	3.03	15.51	6.43

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

15 November 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2010
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Net income		9,372	4,956	26,001	9,274
Other comprehensive income					
Gain/(loss) on revaluation of available-for-sale investment securities		6,229	1,902	5,864	(28)
(Gain)/loss transferred to income statement on sale of available-for-sale investment securities		(237)	(841)	(208)	297
Loss transferred to income statement on impairment of available-for-sale investment securities		-	595	735	595
(Loss)/gain on revaluation of property and equipment, net of tax		(22)	-	52	-
Exchange differences on translation of foreign operations into the reporting currency		137	333	(285)	2,027
Other comprehensive income for the period		6,107	1,989	6,158	2,891
Total comprehensive income for the period		15,479	6,945	32,159	12,165
Attributable to:					
Non-controlling interest		108	(59)	135	81
Preferred shareholders		3,373	1,679	7,029	2,039
Common shareholders		11,998	5,325	24,995	10,045
		15,479	6,945	32,159	12,165

On behalf of the Management Board:

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Chairman of the Board

15 November 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2010
Almaty, Kazakhstan

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Share capital Common shares	Share capital Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for -sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2009		83,571	46,891	13,233	1,317	(103)	1,667	(976)	18,121	116,881	280,602	350	280,952
Net income		-	-	-	-	-	-	-	-	25,856	25,856	145	26,001
Other comprehensive (loss)/income		-	-	-	-	-	(285)	6,401	52	-	6,168	(10)	6,158
Total comprehensive (loss)/income		-	-	-	-	-	(285)	6,401	52	25,856	32,024	135	32,159
Treasury shares purchased	21	-	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Treasury shares sold	21	-	-	-	34	13	-	-	-	-	47	-	47
Dividends – preferred shares		-	-	-	-	-	-	-	-	(4,494)	(4,494)	-	(4,494)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	-	(69)	(69)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(969)	969	-	-	-
Change in non-controlling interest share of net assets		-	-	-	-	-	-	-	-	-	-	640	640
30 September 2010 (unaudited)		83,571	46,891	13,233	1,351	(96)	1,382	5,425	17,204	139,212	308,173	1,056	309,229

* These amounts are included within Retained earnings and other reserves in the condensed interim consolidated statement of financial position.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Share capital											
		Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2008		49,824	2,474	13,233	1,908	(69)	121	(1,797)	22,502	102,602	190,798	257	191,055
Net income		-	-	-	-	-	-	-	-	9,103	9,103	171	9,274
Other comprehensive income/(loss)		-	-	-	-	-	2,027	954	-	-	2,981	(90)	2,891
Total comprehensive income		-	-	-	-	-	2,027	954	-	9,103	12,084	81	12,165
Issue of common share capital	21	26,958	-	-	-	-	-	-	-	-	26,958	-	26,958
Issue of preferred share capital		-	48,020	-	-	-	-	-	-	-	48,020	-	48,020
Treasury shares purchased	21	-	-	-	(279)	(44)	-	-	-	-	(323)	-	(323)
Treasury shares sold	21	-	-	-	10	12	-	-	-	-	22	-	22
Dividends – preferred shares		-	-	-	-	-	-	-	-	(1,680)	(1,680)	-	(1,680)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(164)	164	-	-	-
30 September 2009 (unaudited)		76,782	50,494	13,233	1,639	(101)	2,148	(843)	22,338	110,189	275,879	338	276,217

* These amounts are included within Retained earnings and other reserves in the condensed interim consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

15 November 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2010
Almaty, Kazakhstan

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		36	203
Interest received from cash equivalents and amounts due from credit institutions		1,900	2,452
Interest received on available-for-sale investment securities		5,630	3,679
Interest received on investments held-to-maturity		654	562
Interest received from loans to customers		99,665	97,732
Interest paid on due to customers		(48,290)	(40,127)
Interest paid on due to credit institutions		(3,438)	(9,189)
Interest paid on debt securities issued		(11,780)	(12,913)
Fee and commission received		24,061	29,403
Fee and commission paid		(4,049)	(3,400)
Other income received		13,467	10,813
Operating expenses paid		(24,770)	(23,920)
Cash flows from operating activities before changes in net operating assets		53,086	55,295
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(860)	1,156
Financial assets at fair value through profit or loss		1,887	6,707
Amounts due from credit institutions		35,016	(36)
Precious metals		167	-
Loans to customers		12,473	140,266
Insurance assets		(13,338)	(5,922)
Other assets		(323)	(11,027)
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		266	(972)
Amounts due to customers		104,804	299,204
Amounts due to credit institutions		(88,186)	(127,401)
Insurance liabilities		18,427	9,241
Other liabilities		(1,501)	(761)
Net cash inflow from operating activities before income tax		121,918	365,750
(Income tax paid)/income tax prepayments returned		(2,332)	327
Net cash inflow from operating activities		119,586	366,077
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(7,029)	(7,364)
Proceeds on sale of property and equipment		87	94
Purchase of available-for-sale investment securities		(642,303)	(129,011)
Proceeds on sale of available-for-sale investment securities		327,562	184,246
Purchase of investments held to maturity		(30,784)	(20,039)
Proceeds from redemption of investments held to maturity		9,616	11,758
Net cash (outflow)/inflow from investing activities		(342,851)	39,684

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED) (CONTINUED)

(Millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issue of common share capital	21	-	26,958
Proceeds from the issue of preferred share capital		-	48,020
Proceeds from sale of treasury shares	21	47	22
Purchase of treasury shares		(6)	(323)
Dividends paid		(4,563)	(1,680)
Proceeds on debt securities issued		-	14,161
Redemption and repayment of debt securities issued		(5,000)	(31,292)
Net cash (outflow)/inflow from financing activities		(9,522)	55,866
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(3,185)	84,377
Net change in cash and cash equivalents		(235,972)	546,004
CASH AND CASH EQUIVALENTS, beginning of the period		480,622	161,088
CASH AND CASH EQUIVALENTS, end of the period	6	244,650	707,092

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

15 November 2010
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Pavel A. Cheussov
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(Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively "the Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, and pension asset management and insurance services in Kazakhstan. The Bank was incorporated in 1995 and is domiciled in Kazakhstan. The Bank operates under a general license for banking operations, operations with securities and custody services renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan ("FMSA") on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by the Kazakhstan Fund for Deposits Guarantee.

The Bank's primary business includes originating loans and guarantees, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and credit card operations and rendering other banking services to its customers. In addition, the Bank acts as the government's agent in channelling various budgetary payments and pensions through its nationwide network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE"). In addition, the Bank's international debt securities issued are primarily listed on the Luxembourg and London Stock Exchanges. The Bank has also sold Global Depository Receipts ("GDRs") through a listing on the London Stock Exchange.

On 15 January 2009, the Group and JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), an entity controlled by the Kazakhstan Government, have signed a series of agreements related to the realization of joint measures towards the support of the economy of the Republic of Kazakhstan within the terms of the stabilization program of the Kazakhstan Government. In accordance with the agreements signed, Samruk-Kazyna will not intervene in the operating policies of the Group and its stake in the share capital of the Group will not exceed 25% of the issued common share capital of the Group.

On 27 March 2009, Samruk-Kazyna acquired 259,064,909 common shares of the Group for a total amount of KZT 26,951 million. On 29 May 2009, Samruk-Kazyna acquired 196,232,499 non-convertible preferred shares of the Group for a total amount of KZT 33,049 million. As at 30 September 2010, Samruk-Kazyna owned a 24.60 % stake of voting shares in the Group's share capital.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 30 September 2010 and 31 December 2009, the Group was owned by the following shareholders, which own more than 5% of the issued shares of the Group:

	30 September 2010 (unaudited)		31 December 2009	
	Stake in total shares issued *	Stake in total voting shares **	Stake in total shares issued *	Stake in total voting shares **
Timur Kulibayev and Dinara Kulibayeva	41.80%	67.42%	41.80%	67.33%
Samruk-Kazyna	26.81%	24.60%	26.81%	24.57%
Others	31.39%	7.98%	31.39%	8.10%
	100.00%	100.00%	100.00%	100.00%

* Total shares issued include common and preferred shares

** GDRs are not included in the calculation of stake in total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as non-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

As at 30 September 2010, the Bank operated through its head office in Almaty and its 22 regional branches, 124 sub-regional offices and 483 cash settlement units (as at 31 December 2009 - 22, 125 and 475, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109V Abai Avenue, Almaty, 050008, Kazakhstan.

The condensed interim consolidated financial information of the Group for the nine months ended 30 September 2010 was authorized for issue by the Management Board of the Bank on 15 November 2010.

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" ("IAS 34"). The condensed interim consolidated statement of financial position as at 31 December 2009 was derived from the audited consolidated financial statements but does not include all of the disclosures required by IFRS. However, the Group believes that the disclosures are adequate to make the condensed interim consolidated financial information presentation not misleading.

Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with IFRS have been omitted or condensed as set out by IAS 34. However, such information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of results to be expected for the full year.

The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with the notes to the consolidated financial statements of the Group for the year ended 31 December 2009.

This condensed interim consolidated financial information is presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated. The condensed interim consolidated financial information has been prepared on the accrual basis of accounting under the historical cost convention, except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation.

Consolidated subsidiaries

This condensed interim consolidated financial information includes the following subsidiaries:

Subsidiary	Holding, %		Country	Industry
	30 September 2010 (unaudited)	31 December 2009		
JSC Halyk Leasing	100.00	100.00	Kazakhstan	Leasing
JSC Kazteleport	100.00	100.00	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100.00	100.00	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100.00	100.00	Kyrgyzstan	Banking
JSC Halyk Finance	100.00	100.00	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100.00	100.00	Kazakhstan	Cash collection services
JSC Halyk Life	100.00	100.00	Kazakhstan	Life insurance
JSC Halyk Capital	100.00	100.00	Kazakhstan	Broker and dealer activities
LLP NBK-Finance	100.00	100.00	Russia	Broker and dealer activities
JSC NBK Bank	100.00	100.00	Russia	Banking
JSC Halyk Bank Georgia	100.00	100.00	Georgia	Banking
JSC Kazakhinstrakh	100.00	100.00	Kazakhstan	Insurance
JSC Accumulated Pension fund of Halyk Bank	95.60	98.64	Kazakhstan	Pension assets accumulation and management

Associates

The following associate is classified within other assets and accounted for under the equity method:

Associate	Holding, %	Country	Activity	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 30 September 2010 and for the nine-month period then ended (unaudited)								
JSC Processing Center	25.14	Kazakhstan	Processing	(13)	84	-	84	1
As at 31 December 2009 and for the year then ended								
JSC Processing Center	25.14	Kazakhstan	Processing	(27)	208	1	207	49

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the consolidated financial statements of the Group for the year ended 31 December 2009. There were no changes in accounting policies during the nine months ended 30 September 2010.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's condensed interim consolidated financial information requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans and receivables – The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables as a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future consolidated income statement and its consolidated statement of financial position.

The Group uses management's judgement to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgement to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the condensed interim consolidated financial information have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment of loans to customers as at 30 September 2010 is KZT 243,289 million (as at 31 December 2009: KZT 207,101 million).

Taxation – Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar periods proceeding the period of review.

As at 30 September 2010, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

Claims liability and reserves arising from insurance contracts – For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of incurred but not reported reserves ("IBNR") claims at the reporting date. For certain lines of business, IBNR claims form the majority of the statement of financial position claims provision. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group actuarially determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by FMSA, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the condensed interim consolidated financial information in the period in which the necessary adjustments become known and estimable.

Goodwill – Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management's judgement; for example those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. Difference in fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable and willing parties.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

5. RECLASSIFICATIONS

As at 30 September 2010, certain balances within the condensed interim consolidated financial information for the nine months ended 30 September 2009 have been reclassified to conform to the current period presentation. Management of the Group have reclassified deposit insurance expenses from operating expenses to commission expenses, as they believe this classification better reflects the nature and purpose of these expenses with regard to the Group's operations.

The table below presents the effect of these reclassifications on the previously issued condensed interim consolidated financial information for the nine months ended 30 September 2009.

	As previously reported nine months ended 30 September 2009	**Reclassification**	**As reclassified nine months ended 30 September 2009**
CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT			
Fee and commission expense	(1,553)	(1,847)	(3,400)
Fees and commissions, net	28,522	(1,847)	26,675
Operating expenses	(28,433)	1,847	(26,586)
NON-INTEREST EXPENSES	(32,000)	1,847	(30,153)

	As previously reported nine months ended 30 September 2009	**Reclassification**	**As reclassified nine months ended 30 September 2009**
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS			
Fee and commission paid	(1,553)	(1,847)	(3,400)
Operating expenses paid	(25,767)	1,847	(23,920)

6. CASH AND CASH EQUIVALENTS

	30 September 2010 (unaudited)	**30 September 2009 (unaudited)**	**31 December 2009**
Cash on hand	38,042	34,169	42,437
Recorded as loans and receivables in accordance with IAS 39:			
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	5,696	59,089	17,238
Correspondent accounts with non-OECD based banks	4,643	5,173	5,678
Correspondent accounts with the National Bank of Kazakhstan («NBK»)	3,249	243,922	-
Overnight deposits with OECD based banks	71,105	126,353	102,847
Overnight deposits with non-OECD based banks	704	-	-
Short-term deposits with OECD based banks	73,666	156,988	94,540
Short-term deposits with NBK	42,029	72,076	207,058
Short-term deposits with non-OECD based banks	3,839	3,942	5,459
Short-term deposits with Kazakhstan banks	1,677	5,380	5,365
	244,650	707,092	480,622

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.1%-2.8%	-	0.1%-0.2%
Overnight deposits with non-OECD based banks	-	1.5%-5.0%	-	-
Short-term deposits with OECD based banks	-	0.2%-0.5%	2.0%	0.2%-0.4%
Short-term deposits with NBK	1.0%	-	1.0%	-
Short-term deposits with non-OECD based banks	-	5.5%	-	5.0%
Short-term deposits with Kazakhstan banks	0.3%-4.0%	-	1.5%-1.6%	-

The fair value of assets pledged and carrying value of short-term deposits, included in short-term deposits with Kazakhstan banks under reverse repurchase agreements classified as cash and cash equivalents as at 30 September 2010 and 31 December 2009 are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Carrying value of deposits	Fair value of collateral	Carrying value of deposits	Fair value of collateral
NBK notes	1,615	1,700	2,352	2,475
Treasury bills of the Ministry of Finance of Kazakhstan	62	62	3,010	3,367
	1,677	1,762	5,362	5,842

7. OBLIGATORY RESERVES

	30 September 2010 (unaudited)	31 December 2009
Recorded as loans and receivables in accordance with IAS 39:		
Due from the NBK allocated to obligatory reserves	26,809	25,949

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the NBK and used for calculation of the minimum reserve requirement.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2010 (unaudited)	31 December 2009
Financial assets held for trading:		
Derivative financial instruments	5,088	5,179
Equity securities of Kazakhstan commercial banks	826	1,012
Mutual investment funds shares	222	202
Corporate bonds	154	25
Bonds of Kazakhstan commercial banks	103	-
Securities of foreign countries and organizations	19	602
Equity securities of Kazakhstan corporations	-	1,508
	6,412	8,528

	30 September 2010 (unaudited)	31 December 2009
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	3,467	3,201

Interest rates and maturities of financial assets at fair value through profit or loss are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Corporate bonds	7.0%-18.0%	2013-2020	8.0%	2010-2015
Bonds of Kazakhstan commercial banks	15.0%	2014	-	-
Securities of foreign countries and organizations	9.0%	2016	0.7%	2011

Derivative financial instruments comprise:

	30 September 2010 (unaudited)			31 December 2009		
	Nominal amount	**Net fair value**		**Nominal amount**	**Net fair value**	
		Asset	**Liability**		**Asset**	**Liability**
Foreign currency contracts:						
Forwards	139,711	4,582	3,153	46,104	3,782	3,019
Options	8,379	443	-	6,913	1,322	-
Swaps	25,119	63	314	6,784	75	182
		5,088	3,467		5,179	3,201

As at 30 September 2010 and 31 December 2009, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data.

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

	30 September 2010 (unaudited)	31 December 2009
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	10,419	49,380
Deposit pledged as collateral for derivative financial instruments and other transactions	7,823	6,545
Loans to Kazakhstan credit institutions	2,246	185
	20,488	56,110
Less - Allowance for loan impairment (Note 18)	(6)	(9)
	20,482	56,101

Interest rates and maturity of amounts due from credit institutions are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Term deposits	0.2%-10.0%	2010-2011	5.5%-8.5%	2010
Deposit pledged as collateral for derivative financial instruments and other transactions	0.2%-1.8%	2012	0.1%	2012
Loans to Kazakhstan credit institutions	12.0%-17.0%	2015	11.1%	2015

10. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

	30 September 2010 (unaudited)	31 December 2009
Treasury bills of the Ministry of Finance of Kazakhstan	181,033	95,956
NBK notes	123,899	84,622
Corporate bonds	77,920	6,142
Securities of foreign countries and organizations	6,334	7,363
Bonds of Kazakhstan commercial banks	3,364	1,168
Bonds of the Development Bank of Kazakhstan	2,636	2,514
Mutual investment funds shares	1,592	1,307
Equity securities of Kazakhstan corporations	1,568	1,446
Equity securities of Kazakhstan commercial banks	427	57
Equity securities of foreign corporations	207	176
Treasury bills of the Kyrgyz Republic	193	200
	399,173	200,951
Less – Allowance for impairment (Note 18)	(1,137)	(730)
	398,036	200,221
Subject to repurchase agreements	14,566	87,856

Interest rates and maturities of available-for-sale investment securities are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	0.1%-18.7%	2010-2024	2.0%-18.7%	2010-2019
NBK notes	1.0%-1.5%	2010-2011	2.0%-3.1%	2010
Corporate bonds	2.1%-27.8%	2010-2021	0.2%-19.2%	2010-2021
Securities of foreign countries and organizations	5.2%-16.2%	2014-2016	7.4%-15.0%	2011-2014
Bonds of Kazakhstan commercial banks	4.2%-21.0%	2010-2022	6.1%-15.0%	2010-2016
Bonds of the Development Bank of Kazakhstan	7.0%	2026	7.0%	2026
Treasury bills of the Kyrgyz Republic	8.2%	2011	3.0%-19.0%	2010

As at 30 September 2010 and 31 December 2009, the Group used quoted market prices from independent informational sources to determine the fair value for all of its available-for-sale investment securities.

In October 2008 the International Accounting Standards Board has issued amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, which allow the reclassification of financial assets out of the financial assets at fair value through profit or loss category in rare circumstances if certain other requirements are met. In accordance with these amendments the Group has reclassified certain debt and equity securities with total fair value of KZT 4,925 million as at 31 December 2008 out of financial assets at fair value through profit or loss category into the available-for-sale investment securities.

The reclassification was made only for those securities which have had a significant decline in volume of transactions in the financial markets as a result of the current financial crisis. The Group has revised its investment policy in relation to these securities and has the intention and ability to hold these securities for the foreseeable future.

The fair value of debt and equity securities which were previously reclassified as at 31 December 2008 out of financial assets at fair value through profit or loss category into the available-for-sale investment securities is presented in the tables below:

Debt securities:	Effective interest rate, %	As at reporting date 30 September 2010 (unaudited) Fair value	As at reclassification date 31 December 2008 Fair value
Bonds of the Development Bank of Kazakhstan	7.0%	2,636	2,213
Securities of foreign countries and organizations	9.7%-28.0%	48	1,987
		2,684	4,200

Equity securities:	As at reporting date 30 September 2010 (unaudited) Fair value	As at reclassification date 31 December 2008 Fair value
Mutual investment funds shares	419	651
Equity securities of Kazakhstan corporations	51	74
	470	725

Estimated future cash flows from debt securities which were previously reclassified are presented in the table below:

Debt securities:	As at reclassification date 31 December 2008
Bonds of the Development Bank of Kazakhstan	4,711
Securities of foreign countries and organizations	2,939
	7,650

The net gain/(loss) that would be recognized in the condensed interim consolidated income statement for the nine months ended 30 September 2010 and 2009 from the debt and equity securities which were reclassified is presented in the tables below:

Debt securities:	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Bonds of the Development Bank of Kazakhstan	181	(1)
Securities of foreign countries and organizations	12	(413)
	193	(414)

Equity securities:	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Mutual investment funds shares	(30)	158
Equity securities of Kazakhstan corporations	(6)	2
	(36)	160

11. INVESTMENTS HELD TO MATURITY

	30 September 2010 (unaudited)	31 December 2009
NBK notes	151,863	-
Treasury bills of the Ministry of Finance of Kazakhstan	7,465	4,471
Securities of foreign countries and organizations	4,632	10,893
Corporate bonds	840	449
Notes of National Bank of Georgia	735	1,373
	165,535	17,186

Interest rates and maturities of investments held to maturity are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
NBK notes	1.0%-1.1%	2010	-	-
Treasury bills of the Ministry of Finance of Kazakhstan	7.1%-7.8%	2013-2015	5.1%-6.1%	2010
Securities of foreign countries and organizations	3.7%-20.0%	2010-2016	3.0%-19.0%	2010
Corporate bonds	6.3%-10.0%	2011-2017	6.3%-14.0%	2011-2017
Notes of National Bank of Georgia	8.0%-10.0%	2010	3.0%-8.1%	2010

On 29 September 2010, the Group has reclassified NBK notes with a maturity in 2010 of total fair value of KZT 126,913 million as out of available-for-sale investment securities into the investments held to maturity. The notes were purchased in the beginning of the reporting period. The Group has revised its investment policy in relation to these securities and has the intention and ability to hold these securities until maturity.

12. LOANS TO CUSTOMERS

	30 September 2010 (unaudited)	31 December 2009
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,336,941	1,339,191
Overdrafts	397	1,145
Promissory notes	189	-
	1,337,527	1,340,336
Less – Allowance for loan impairment (Note 18)	(243,289)	(207,101)
	1,094,238	1,133,235

As at 30 September 2010, the annual interest rates charged by the Group ranged from 9% to 24% per annum for KZT-denominated loans (as at 31 December 2009 – from 9% to 24%) and from 7% to 17% per annum for US Dollar-denominated loans (as at 31 December 2009 – from 7% to 17%).

As at 30 September 2010, the Group had a concentration of loans of KZT 263,090 million from the ten largest borrowers that comprised 20% of the Group's total gross loan portfolio (as at 31 December 2009 – KZT 259,063 million; 19%) and 85% of the Group's equity (as at 31 December 2009 – 92%). As at 30 September 2010 an allowance for loan impairment amounting to KZT 47,959 million was made against these loans (as at 31 December 2009 – KZT 25,294 million).

Loans are made to the following sectors:

	30 September 2010 (unaudited)	%	31 December 2009	%
Retail loans:				
- mortgage loans	137,582	10%	149,442	11%
- consumer loans	134,614	10%	149,073	11%
	272,196		298,515	
Wholesale trade	313,724	24%	271,719	20%
Construction	182,804	14%	190,819	14%
Services	100,380	8%	94,606	7%
Real estate	99,857	7%	94,513	7%
Retail trade	94,662	7%	100,359	7%
Agriculture	79,195	6%	105,034	8%
Metallurgy	45,656	3%	40,768	3%
Food industry	28,515	2%	31,435	2%
Transportation	25,026	2%	22,398	2%
Hotel industry	21,260	2%	22,082	2%
Oil and gas	19,543	1%	22,601	2%
Energy	18,583	1%	11,180	1%
Machinery	7,807	1%	7,305	1%
Mining	5,916	0%	4,474	0%
Communication	112	0%	702	0%
Other	22,291	2%	21,826	2%
	1,337,527	100%	1,340,336	100%

As at 30 September 2010, the amount of accrued interest on impaired loans comprised KZT 118,194 million (as at 31 December 2009 – KZT 101,860 million).

13. INSURANCE ASSETS AND LIABILITIES

	30 September 2010 (unaudited)	31 December 2009
Reinsurance amounts recoverable	5,221	1,147
Reinsurance premium unearned	4,242	2,163
	9,463	3,310
Premiums receivable	3,430	1,635
Insurance assets	12,893	4,945

	30 September 2010 (unaudited)	31 December 2009
Gross unearned insurance premium reserve	8,248	5,394
Reserves for insurance claims	8,748	3,008
	16,996	8,402
Payables to reinsurers and agents	2,041	1,184
Insurance liabilities	19,037	9,586

14. OTHER ASSETS

	30 September 2010 (unaudited)	31 December 2009
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on non-banking activities	1,547	1,319
Debtors on banking activities	1,359	1,305
Accrued other commission income	721	448
Accrued commission for managing pension assets	462	416
Other	292	171
	4,381	3,659
Less – Allowance for impairment (Note 18)	(844)	(930)
	3,537	2,729
Other non financial assets:		
Income tax prepaid	4,690	7,426
Prepayments for property and equipment	2,463	516
Inventory	1,108	1,042
Advances for taxes other than income tax	657	543
Deferred tax assets (Note 19)	300	247
Investments in associates	218	228
Other	597	318
	10,033	10,320
Less – Allowance for impairment (Note 18)	(1,190)	(542)
	8,843	9,778
	12,380	12,507

15. AMOUNTS DUE TO CUSTOMERS

	30 September 2010 (unaudited)	31 December 2009
Recorded at amortized cost:		
Term deposits:		
Legal entities	468,241	556,287
Individuals	349,406	317,527
	817,647	873,814
Current accounts:		
Legal entities	452,600	317,702
Individuals	99,903	82,553
	552,503	400,255
	1,370,150	1,274,069

As at 30 September 2010, the Group's ten largest customers accounted for approximately 47% of the total amounts due to customers (31 December 2009 – 52%).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sector follows:

	30 September 2010 (unaudited)	%	31 December 2009	%
Individuals and entrepreneurs	449,310	33%	400,080	31%
Oil and gas	322,753	24%	369,987	29%
Wholesale trade	117,099	9%	80,858	6%
Transportation	105,024	8%	72,754	6%
Construction	74,844	5%	65,418	5%
Other consumer services	66,308	5%	85,684	7%
Metallurgy	33,329	2%	25,853	2%
Insurance	32,795	2%	11,580	1%
Government	22,053	2%	83,822	7%
Financial sector	21,596	2%	30,365	2%
Energy	21,268	1%	20,573	2%
Education	18,331	1%	10,281	1%
Communication	15,479	1%	12,737	1%
Healthcare and social services	9,712	1%	3,137	0%
Other	60,249	4%	940	0%
	1,370,150	100%	1,274,069	100%

16. AMOUNTS DUE TO CREDIT INSTITUTIONS

	30 September 2010 (unaudited)	31 December 2009
Recorded at amortized cost:		
Correspondent accounts	33,021	40,082
Loans and deposits from OECD based banks	18,534	27,292
Loans and deposits from Kazakhstan banks	16,728	90,134
Loans from the Fund for Small Entrepreneurship Development “DAMU”	10,097	11,925
Overnight deposits	3,000	1,000
Loans from other financial institutions	1,633	1,933
Loans and deposits from non-OECD based banks	223	340
	83,236	172,706

Interest rates and maturities of amounts due to credit institutions are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans and deposits from OECD based banks	1.1%-7.7%	2010-2023	1.1%-7.7%	2010-2023
Loans and deposits from Kazakhstan banks	0.2%-4.6%	2010	0.5%-8.5%	2010
Loans from the Fund for Entrepreneurship Development “DAMU”	7.7%	2016	7.7%	2016
Overnight deposits	0.6%	2010	0.5%-1.2%	2010
Loans from other financial institutions	3.0%-3.1%	2012-2014	2.7%-3.2%	2011-2014
Loans and deposits from non-OECD based banks	2.5%-2.9%	2012	2.7%	2012

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 September 2010 and 31 December 2009 are presented as follows:

	30 September 2010 (unaudited)		31 December 2009	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
NBK notes	14,566	13,839	58,870	55,935
Treasury bills of the Ministry of Finance of Kazakhstan	-	-	28,986	26,160
	14,566	13,839	87,856	82,095

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

As at 30 September 2010 and 31 December 2009, the Group was in compliance with the covenants of the various debt agreements the Group has with other banks and financial institutions.

17. DEBT SECURITIES ISSUED

	30 September 2010 (unaudited)	31 December 2009
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	16,902	15,996
Inflation indexed KZT denominated bonds	14,448	19,120
Reverse inflation indexed KZT denominated bonds	8,274	8,947
Total subordinated debt securities outstanding	39,624	44,063
Unsubordinated debt securities issued:		
USD denominated bonds	211,875	208,627
KZT denominated bonds	10,386	11,203
Total unsubordinated debt securities outstanding	222,261	219,830
Total debt securities outstanding	261,885	263,893

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

	30 September 2010 (unaudited)		31 December 2009	
	Coupon rate, %	**Maturity, year**	**Coupon rate, %**	**Maturity, year**
Subordinated debt securities issued:				
Fixed rate KZT denominated bonds	7.5%-14.0%	2014-2019	7.5%-14.0%	2014-2019
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2010-2015
	inflation rate plus 2%	2010-2017	inflation rate plus 2%	2010-2017
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%-9.3%	2013-2017	7.3%-9.3%	2013-2017
KZT denominated bonds	12.7%	2012	12.7%	2012

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Interest on debt securities issued is payable on a semi-annual and annual basis.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. As at 30 September 2010 and 31 December 2009 the Group was in compliance with the covenants of the agreements the Group has with the notes' trustee and holders.

18. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

The movements in the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers	Amounts due from credit institutions	Available-for-sale investment securities	Other Assets	Total
30 June 2009 (unaudited)	(179,759)	(33)	(465)	(2,201)	(182,458)
(Additional provisions recognized)/recovery of provision	(19,871)	11	(130)	181	(19,809)
Foreign exchange differences	(595)	4	-	(1)	(592)
Write-offs	10	-	-	74	84
30 September 2009 (unaudited)	(200,215)	(18)	(595)	(1,947)	(202,775)
30 June 2010 (unaudited)	(230,734)	(8)	(1,137)	(1,548)	(233,427)
(Additional provisions recognized)/recovery of provision	(11,740)	2	-	(522)	(12,260)
Foreign exchange differences	(830)	-	-	29	(801)
Write-offs	15	-	-	7	22
30 September 2010 (unaudited)	(243,289)	(6)	(1,137)	(2,034)	(246,466)
31 December 2008	(115,052)	(17)	-	(1,074)	(116,143)
Additional provisions recognized	(71,808)	(1)	(595)	(1,004)	(73,408)
Foreign exchange differences	(13,404)	-	-	(9)	(13,413)
Write-offs	49	-	-	140	189
30 September 2009 (unaudited)	(200,215)	(18)	(595)	(1,947)	(202,775)
31 December 2009	(207,101)	(9)	(730)	(1,472)	(209,312)
(Additional provisions recognized)/recovery of provision	(36,938)	4	(406)	(743)	(38,083)
Foreign exchange differences	687	(1)	(1)	44	729
Write-offs	63	-	-	137	200
30 September 2010 (unaudited)	(243,289)	(6)	(1,137)	(2,034)	(246,466)

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

The movements in provisions were as follows:

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
At the beginning of the period	(4,302)	(3,416)	(4,433)	(2,889)
Recovery of provisions	3,165	3,233	6,652	7,553
Additional provisions recognized	(1,773)	(3,801)	(5,230)	(8,314)
Foreign exchange differences	(140)	(32)	(39)	(366)
At the end of the period	(3,050)	(4,016)	(3,050)	(4,016)

Provisions represent provisions against letters of credit and guarantees issued.

19. TAXATION

The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC NBK Bank, OJSC Halyk Bank Kyrgyzstan, LLP NBK-Finance and JSC Halyk Bank Georgia are subject to taxation in Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. JSC NBK Bank and LLP NBK-Finance are subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Three months ended 30 September 2010 (unaudited)	**Three months ended 30 September 2009 (unaudited)**	**Nine months ended 30 September 2010 (unaudited)**	**Nine months ended 30 September 2009 (unaudited)**
Current tax charge	1,931	298	5,127	776
Deferred tax (benefit)/expense	(180)	198	(274)	30
Income tax expense	1,751	496	4,853	806

Kazakhstan legal entities must file individual tax declarations. Tax rates for banks for the income other than on state and other qualifying securities were 20% during the nine months ended 30 September 2010 and 2009. The tax rate for companies other than banks was also 20% during nine months ended 30 September 2010 and 2009, except for insurance companies which were taxed at 4%. Income on state and other qualifying securities is tax exempt.

Deferred tax assets and liabilities comprise:

	30 September 2010 (unaudited)	**31 December 2009**
Tax effect of deductible temporary differences:		
Fair value of derivatives	638	585
Bonuses accrued	363	6
Provisions, different rates	347	76
Insurance premium reserves	227	162
Vacation pay accrual	178	198
Losses carried forward	-	333
Deferred tax asset	1,753	1,360
Tax effect of taxable temporary differences:		
Loans to customers, allowance for impairment losses	(3,439)	(3,304)
Property and equipment, accrued depreciation	(2,980)	(3,530)
Fair value of derivatives	(1,007)	(473)
Deferred tax liability	(7,426)	(7,307)
Net deferred tax asset (Note 14)	300	247
Net deferred tax liability	(5,973)	(6,194)

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

20. OTHER LIABILITIES

	30 September 2010 (unaudited)	31 December 2009
Other financial liabilities:		
Payable for general and administrative expenses	486	437
Creditors on non-banking activities	194	997
Creditors on bank activities	176	351
Other	142	87
	998	1,872
Other non financial liabilities:		
Salary payable	2,865	1,149
Taxes payable other than income tax	2,740	3,789
Other prepayments received	1,194	1,158
Current income tax payable	66	7
	7,863	7,975

21. EQUITY

On 27 March 2009, Samruk-Kazyna acquired 259,064,909 common shares of the Group for a total amount of KZT 26,951 million. On 29 May 2009, Samruk-Kazyna acquired 196,232,499 non-convertible preferred shares of the Group for a total amount of KZT 33,049 million.

Authorized, issued and fully paid number of shares as at 30 September 2010 and 2009 were as follows:

30 September 2010 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	2,400,000,000	(1,091,584,040)	1,308,415,960	(7,249,050)	1,301,166,910
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(23,972,034)	285,887,396
Convertible preferred shares	80,225,222	-	80,225,222	(295,021)	79,930,201

30 September 2009 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	2,400,000,000	(1,156,843,885)	1,243,156,115	(7,843,371)	1,235,312,744
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(520,223)	309,339,207
Convertible preferred shares	80,225,222	-	80,225,222	(209,721)	80,015,501

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2008	979,431,057	24,542,679	80,111,545	49,755	2,474	13,233
Capital contributions	259,139,455	285,117,430	-	26,958	48,020	-
Purchase of treasury shares	(4,434,778)	(523,569)	(96,044)	(44)	-	-
Sale of treasury shares	1,177,010	202,667	-	12	-	-
30 September 2009 (unaudited)	1,235,312,744	309,339,207	80,015,501	76,681	50,494	13,233
31 December 2009	1,300,516,169	285,889,251	79,930,401	83,468	46,891	13,233
Purchase of treasury shares	(629,745)	(32,964)	(200)	(6)	-	-
Sale of treasury shares	1,280,486	31,109	-	13	-	-
30 September 2010 (unaudited)	1,301,166,910	285,887,396	79,930,201	83,475	46,891	13,233

At 30 September 2010, the Group held 7,249,050 of the Group's common shares as treasury shares at KZT 96 million (30 September 2009 – 7,843,371 at KZT 101 million).

Common Shares

Each common share is entitled to one vote and dividends.

Preferred shares

In accordance with IAS 32 "Financial Instruments: Presentation", both the non-convertible and convertible preferred shares (together, the "Preferred Shares") are classified as compound instruments. On a return of capital on liquidation, the assets of the Group available for distribution are applied in priority to any payment to the holders of common shares in paying to the holders of the Preferred Shares an amount equal to the nominal capital paid up or credited as paid up.

The terms of the Preferred Shares require that the Bank pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on preferred shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the preference shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on preference shares are fully paid.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the preference share agreement and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBK plus one percent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBK plus one percent. Inflation in either calculation will range between three and nine percent. Dividends on the Preferred Shares are only paid if declared and approved by the Board of Directors at the Annual General Meeting of the Shareholders.

The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became overdue.

Share premium reserve – Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

Convertible preferred shares – Each convertible preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group will pay a compensation amount to each convertible preferred shareholder on conversion based on a formula specified in the preference share agreement. This payment is calculated such that, at the date of conversion, if the value of the common shares received by the preferred shareholder is less than KZT 160 per share, the Group will reimburse the preferred shareholders for the difference in cash at the time of conversion.

22. COMMITMENTS AND CONTINGENCIES

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

	30 September 2010 (unaudited)	31 December 2009
Guarantees issued	62,897	64,845
Commercial letters of credit	21,941	20,356
Commitments to extend credit	16,647	16,723
Financial commitments and contingencies	101,485	101,924
Less: cash collateral against letters of credit	(818)	(3,518)
Less: provisions (Note 18)	(3,050)	(4,433)
Total financial commitments and contingencies, net	97,617	93,973

The majority of the guarantees issued represents financial guarantees where payment is not probable as at the reporting date, and therefore have not been recorded in the condensed interim consolidated statement of financial position. The provisions amount represents the liability recorded in the statement of financial position where payment of the financial guarantee is probable as at the reporting date. As at 30 September 2010, the ten largest guarantees accounted for 73% of the Group's total financial guarantees (as at 31 December 2009 – 78%) and represented 15% of the Group's equity (as at 31 December 2009 – 18%).

As at 30 September 2010, the ten largest commercial letters of credit accounted for 93% of the Group's total commercial letters of credit (as at 31 December 2009 – 76%) and represented 7% of the Group's equity (as at 31 December 2009 – 5%).

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

Trust activities – In the normal course of its business, the Group enters into agreements with clients to manage the clients' assets with limited decision making rights and in accordance with specific criteria established by the clients. The Group may only be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group on any date is equal to the volume of the clients' funds, net of any unrealized income/loss on the client's position. The balance of the clients' funds under the management of the Group, as at 30 September 2010 is KZT 665 billion (31 December 2009 – KZT 560 billion).

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

Taxation – Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the condensed interim consolidated financial information.

Tax periods in Kazakhstan remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

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

Although in recent years there has been a general improvement in economic conditions in Kazakhstan, the country continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Ongoing global liquidity crisis – The financial markets, both globally and in the Republic of Kazakhstan, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and have worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets and the strength of counterparties. As such, many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

Although many countries, including Kazakhstan, have recently reported an improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from a decline in the oil and gas prices could slow or disrupt the Kazakhstan economy, adversely affect the Group's access to capital and cost of capital for the Group and its business, results of operations, financial condition and prospects.

While the Kazakhstan government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

23. NET INTEREST INCOME

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on impaired assets	38,379	44,199	120,146	139,830
- interest income on unimpaired assets	909	1,195	3,422	3,368
Interest income on available-for-sale investment securities	4,076	1,547	10,639	5,906
Interest income on financial assets at fair value through profit or loss	13	8	31	117
Total interest income	43,377	46,949	134,238	149,221
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	38,349	43,271	120,128	137,230
Interest income on investments held to maturity	254	842	1,117	2,600
Interest income on amounts due from credit institutions and cash and cash equivalents	685	1,281	2,323	3,368
Total interest income on financial assets recorded at amortized cost	39,288	45,394	123,568	143,198
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	13	8	31	117
Total interest income on financial assets at fair value through profit or loss	13	8	31	117
Interest income on available-for-sale investment securities	4,076	1,547	10,639	5,906
Total interest income	43,377	46,949	134,238	149,221
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(20,834)	(24,642)	(66,778)	(78,775)
Total interest expense	(20,834)	(24,642)	(66,778)	(78,775)
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on amounts due to customers	(14,258)	(16,422)	(46,861)	(49,351)
Interest expense on debt securities issued	(5,470)	(6,617)	(16,662)	(21,500)
Interest expense on amounts due to credit institutions	(1,106)	(1,603)	(3,255)	(7,924)
Total interest expense on financial liabilities recorded at amortized cost	(20,834)	(24,642)	(66,778)	(78,775)
Net interest income before impairment charge	22,543	22,307	67,460	70,446

24. FEES AND COMMISSION INCOME

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Bank transfers	2,621	2,247	7,348	6,317
Pension fund and asset management	2,357	3,607	5,808	12,981
Plastic cards maintenance	862	442	2,434	1,944
Cash operations	820	937	2,292	2,328
Customers' pension payments	638	565	1,891	1,551
Letters of credit and guarantees issued	616	572	1,612	1,393
Maintenance of customer accounts	482	1,258	1,715	2,630
Utilities payments	95	84	282	233
Foreign currency operations	1	2	3	15
Other	281	221	995	683
	8,773	9,935	24,380	30,075

25. NET GAIN/(LOSS) FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
Gain/(loss) on trading operations	561	(477)	1,169	347
Net fair value adjustment	(356)	318	(190)	644
	205	(159)	979	991

26. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Dealing, net	1,983	1,947	5,279	8,533
Translation differences, net	(520)	(165)	139	40
	1,463	1,782	5,418	8,573

27. INSURANCE UNDERWRITING INCOME

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Insurance premiums written, gross	3,568	2,888	15,614	12,118
Change in unearned insurance premiums, net	960	136	(792)	(854)
Ceded reinsurance share	(1,155)	(1,075)	(5,847)	(5,310)
	3,373	1,949	8,975	5,954

28. OPERATING EXPENSES

	Three months ended 30 September 2010 (unaudited)	Three months ended 30 September 2009 (unaudited)	Nine months ended 30 September 2010 (unaudited)	Nine months ended 30 September 2009 (unaudited)
Salaries and other employee benefits	6,289	4,429	15,064	12,719
Depreciation and amortization expenses	1,679	1,209	4,987	4,462
Taxes other than income tax	456	435	1,403	1,324
Repairs and maintenance	375	261	974	1,165
Security expenses	354	339	1,055	991
Communication expenses	288	144	870	733
Rent expenses	240	278	766	1,084
Stationery and office supplies	192	236	516	462
Insurance agents' fees	171	291	615	916
Information services	160	153	438	440
Business trip expenses	131	107	374	307
Advertisement	123	67	368	225
Transportation	100	82	286	271
Professional services	91	176	368	563
Hospitality expenses	19	10	49	28
Charity	4	12	53	45
Social events	3	10	12	14
Write-off of intangible assets	-	-	1,093	-
Other	820	434	2,417	837
	11,495	8,673	31,708	26,586

During the reporting period the Group has written-off software development expenditures, which were abandoned prior to completion for amount of KZT 1,093 million.

29. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the period.

According to Kazakhstan legislation on Joint Stock Companies, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Three months ended 30 September 2010 (unaudited)	**Three months ended 30 September 2009 (unaudited)**	**Nine months ended 30 September 2010 (unaudited)**	**Nine months ended 30 September 2009 (unaudited)**
Basic earnings per share				
Net income for the period attributable to shareholders	9,258	4,925	25,856	9,103
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	(2,032)	(1,182)	(1,181)	-
Less: Dividends paid on preference shares	-	-	(4,494)	(1,680)
Earnings attributable to common shareholders	7,226	3,743	20,181	7,423
Weighted average number of common shares for the purposes of basic earnings per share	1,301,176,616	1,235,249,994	1,300,947,038	1,154,854,416
Basic earnings per share (in Kazakhstani Tenge)	5.55	3.03	15.51	6.43
Diluted earnings per share				
Net income for the period attributable to common shareholders	7,226	3,743	20,181	7,423
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	N/A	246	N/A	N/A
Add: Dividends paid on convertible preferred shares	N/A	-	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	N/A	-	N/A	N/A
Earnings used in the calculation of total diluted earnings per share	7,226	3,989	20,181	7,423
Weighted average number of common shares for the purposes of basic earnings per share	1,301,176,616	1,235,249,994	1,300,947,038	1,154,854,416
Shares deemed to be issued:				
Weighted average number of common shares that would be issued for the convertible preferred shares	N/A	80,032,656	N/A	N/A
Weighted average number of common shares for the purposes of diluted earnings per share	1,301,176,616	1,315,282,650	1,300,947,038	1,154,854,416
Diluted earnings per share (in Kazakhstani Tenge)*	5.55	3.03	15.51	6.43

*For the three and the nine months ended 30 September 2010 and for the nine months ended 30 September 2009 the convertible preferred shares were not included in the computation of diluted earnings per share as their effect was anti-dilutive.

The book value of one share per each class of shares as at 30 September 2010 and 31 December 2009 is as follows.

	30 September 2010 (unaudited)			31 December 2009		
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, KZT**	**Outstanding shares**	**Equity**	**Book value of one share, KZT**
Common	1,301,166,910	241,816	185.85	1,300,516,169	212,116	163.10
Non-convertible preferred	285,887,396	48,128	168.35	285,889,251	48,128	168.34
Convertible preferred	79,930,201	13,233	165.56	79,930,401	13,233	165.56
		303,177			273,477	

The amount of equity attributable to non-convertible preferred shares is calculated as the sum of non-convertible shares carrying amount and the share premium reserve attributable to non-convertible preferred shares. The amount of equity attributable to convertible preferred shares is calculated as carrying amount of convertible shares. The amount of equity attributable to common shares is calculated as the difference between the total equity, total net book value of intangible assets, and the amounts attributable to preferred shares.

The management of the Group believes that it fully complies with the requirement of KASE as of the reporting date.

30. FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Currency risk
- Credit risk
- Liquidity risk
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. There have been no significant changes in the risk management framework from the information presented in consolidated financial statements for the year ended 31 December 2009.

Through the risk management framework, the Group manages the following risks:

Currency risk – The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position and cash flows, which are monitored daily. The Assets and Liabilities Management Committee sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the FMSA.

The Group's exposure to foreign currency exchange rate risk follows:

	30 September 2010 (unaudited)			31 December 2009		
	KZT	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	74,282	170,368	244,650	242,624	237,998	480,622
Obligatory reserves	11,282	15,527	26,809	7,991	17,958	25,949
Financial assets at fair value through profit or loss	1,253	5,159	6,412	2,750	5,778	8,528
Amounts due from credit institutions	7,878	12,604	20,482	2,864	53,237	56,101
Available-for-sale investment securities	328,932	69,104	398,036	193,889	6,332	200,221
Investments held to maturity	160,168	5,367	165,535	9,005	8,181	17,186
Loans to customers	561,001	533,237	1,094,238	544,296	588,939	1,133,235
Other financial assets	3,084	453	3,537	2,516	213	2,729
	1,147,880	811,819	1,959,699	1,005,935	918,636	1,924,571
FINANCIAL LIABILITIES:						
Amounts due to customers	737,783	632,367	1,370,150	569,663	704,406	1,274,069
Amounts due to credit institutions	59,672	23,564	83,236	141,108	31,598	172,706
Financial liabilities at fair value through profit or loss	-	3,467	3,467	-	3,201	3,201
Debt securities issued	50,009	211,876	261,885	55,266	208,627	263,893
Other financial liabilities	890	108	998	1,594	278	1,872
	848,354	871,382	1,719,736	767,631	948,110	1,715,741
Net financial position	299,526	(59,563)	239,963	238,304	(29,474)	208,830

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

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. Short-term liquidity needs are managed by the Bank's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by the Assets and Liabilities Management Committee by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. The Assets and Liabilities Management Committee within the authority approved by the Board of Directors 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 financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date, except for financial assets at fair value through profit or loss which are included in the column "On demand" as they are available to meet the Group's short-term liquidity needs.

The presentation below is based upon the information provided internally to key management personnel of the Group.

	30 September 2010 (unaudited)								
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:									
Cash and cash equivalents	51,630	173,836	19,184	-	-	-	-	-	244,650
Obligatory reserves	10,723	2,179	4,960	6,748	1,183	378	105	533	26,809
Financial assets at fair value through profit or loss	6,412	-	-	-	-	-	-	-	6,412
Amounts due from credit institutions	7	-	2,271	3,774	11,263	3,150	11	6	20,482
Available-for-sale investment securities	149	12,504	120,507	92,452	38,998	27,873	71,617	33,936	398,036
Investments held to maturity	8	85,129	67,833	622	564	1,606	5,860	3,913	165,535
Loans to customers	35,095	111,421	80,686	591,553	96,063	46,279	45,980	87,161	1,094,238
Other financial assets	353	1,875	204	828	101	87	17	72	3,537
	104,377	386,944	295,645	695,977	148,172	79,373	123,590	125,621	1,959,699
FINANCIAL LIABILITIES:									
Amounts due to customers	553,588	107,653	256,976	340,392	59,813	19,193	5,322	27,213	1,370,150
Amounts due to credit institutions	34,681	17,702	638	2,607	3,076	3,849	4,230	16,453	83,236
Financial liabilities at fair value through profit or loss	3,467	-	-	-	-	-	-	-	3,467
Debt securities issued	-	3,766	4,711	757	9,682	39,813	82,282	120,874	261,885
Other financial liabilities	105	440	149	175	2	127	-	-	998
	591,841	129,561	262,474	343,931	72,573	62,982	91,834	164,540	1,719,736
Net position	(487,464)	257,383	33,171	352,046	75,599	16,391	31,756	(38,919)	
Accumulated gap	(487,464)	(230,081)	(196,910)	155,136	230,735	247,126	278,882	239,963	

	31 December 2009								
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:									
Cash and cash equivalents	63,330	318,563	98,729	-	-	-	-	-	480,622
Obligatory reserves	6,532	1,566	2,123	7,622	1,827	1,618	1,998	2,663	25,949
Financial assets at fair value through profit or loss	8,528	-	-	-	-	-	-	-	8,528
Amounts due from credit institutions	-	2	1	47,355	55	6,537	2,140	11	56,101
Available-for-sale investment securities	2,988	14,432	89,021	45,210	15,445	9,645	17,467	6,013	200,221
Investments held to maturity	-	72	6,698	1,723	293	1,643	2,827	3,930	17,186
Loans to customers	35,843	54,867	128,819	572,453	97,099	56,581	66,369	121,204	1,133,235
Other financial assets	633	1,128	642	50	3	130	10	133	2,729
	117,854	390,630	326,033	674,413	114,722	76,154	90,811	133,954	1,924,571
FINANCIAL LIABILITIES:									
Amounts due to customers	392,946	80,803	122,606	448,813	108,868	86,508	3,455	30,070	1,274,069
Amounts due to credit institutions	42,821	89,452	524	2,471	5,363	6,833	6,359	18,883	172,706
Financial liabilities at fair value through profit or loss	3,201	-	-	-	-	-	-	-	3,201
Debt securities issued	-	107	1,065	8,476	-	10,138	111,977	132,130	263,893
Other financial liabilities	317	1,379	36	87	-	-	53	-	1,872
	439,285	171,741	124,231	459,847	114,231	103,479	121,844	181,083	1,715,741
Net position	(321,431)	218,889	201,802	214,566	491	(27,325)	(31,033)	(47,129)	
Accumulated gap	(321,431)	(102,542)	99,260	313,826	314,317	286,992	255,959	208,830	

The tables include the maturity dates for financial assets and liabilities, as they fall due. Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over. The Group is aware of the importance of maintaining the stability of these deposits. In order to achieve this it is essential that the Group ensures depositor confidence in the Group's liquidity, by continuing to position itself as the depositor of choice in local markets and a one of the leading financial institutions in the Republic of Kazakhstan.

31. SEGMENT ANALYSIS

The Group is managed and reported on the basis of two main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and medium sized companies and commercial loans to larger corporate and commercial customers.

The products and services offered by each segment are:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals and cash and foreign currency related services.

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products to legal entities.

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Management Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and amounts due to credit institutions and operating expenses other than salaries and other employee benefits.

There were no transactions between business segments during the nine months ended 30 September 2010 and 2009. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group as at 30 September 2010 and for the three and nine months then ended and as at 31 December 2009 and for the three and nine months ended 30 September 2009 is set out below:

	Retail banking	**Corporate banking**	**Other**	**Total**
For the three months ended 30 September 2010 (unaudited)				
External revenues	11,821	41,790	4,261	57,872
Total revenues	11,821	41,790	4,261	57,872
Total revenues comprise:				
- Interest income	10,014	33,363	-	43,377
- Fee and commission income	1,433	7,340	-	8,773
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	205	205
- Net realized gain from available-for-sale investment securities	-	-	237	237
- Net gain on foreign exchange operations	374	1,089	-	1,463
- Insurance underwriting income and other income	-	-	3,819	3,819
- Share of loss of associates	-	(2)	-	(2)
Total revenues	11,821	41,790	4,261	57,872
- Interest expense on amounts due to customers	(7,398)	(6,860)	-	(14,258)
- Impairment charge	(1,218)	(11,042)	-	(12,260)
- Fee and commission expense	(1,033)	(360)	-	(1,393)
- Salaries and other employee benefits	(868)	(5,421)	-	(6,289)
- Advertisement expenses	(123)	-	-	(123)
- Recoveries of provisions	-	1,392	-	1,392
Segment result	1,181	19,499	4,261	24,941
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(6,576)
- Insurance claims incurred, net of reinsurance				(2,159)
- Unallocated operating expenses				(5,083)
Income before income tax expense				11,123
Income tax expense				(1,751)
Net income				9,372
Other segment items:				
Capital expenditure (unallocated)				(3,503)
Depreciation and amortization expense (unallocated)				(1,679)

For the nine months ended 30 September 2010 (unaudited)	Retail banking	Corporate banking	Other	Total
External revenues	36,406	127,617	11,421	175,444
Total revenues	36,406	127,617	11,421	175,444
Total revenues comprise:				
- Interest income	30,929	103,309	-	134,238
- Fee and commission income	4,396	19,984	-	24,380
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	979	979
- Net realized gain from available-for-sale investment securities	-	-	208	208
- Net gain on foreign exchange operations	1,081	4,337	-	5,418
- Insurance underwriting income and other income	-	-	10,234	10,234
- Share of loss of associates	-	(13)	-	(13)
Total revenues	36,406	127,617	11,421	175,444
- Interest expense on amounts due to customers	(21,353)	(25,508)	-	(46,861)
- Impairment charge	(5,207)	(32,876)	-	(38,083)
- Fee and commission expense	(2,973)	(1,076)	-	(4,049)
- Salaries and other employee benefits	(2,490)	(12,574)	-	(15,064)
- Advertisement expenses	(368)	-	-	(368)
- Recoveries of provisions	-	1,422	-	1,422
Segment result	4,015	57,005	11,421	72,441
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(19,917)
- Insurance claims incurred, net of reinsurance				(5,394)
- Unallocated operating expenses				(16,276)
Income before income tax expense				30,854
Income tax expense				(4,853)
Net income				26,001
Other segment items:				
Capital expenditure (unallocated)				(7,029)
Depreciation and amortization expense (unallocated)				(4,987)

As at 30 September 2010 and for the nine months then ended (unaudited)	Retail banking	Corporate banking	Other	Total
Total segment assets	260,727	1,098,643	570,201	1,929,571
Unallocated assets				134,319
Total assets				2,063,890
Total segment liabilities	(449,309)	(920,841)	(3,050)	(1,373,200)
Unallocated liabilities				(381,461)
Total liabilities				(1,754,661)

For the three months ended 30 September 2009 (unaudited)	Retail banking	Corporate banking	Other	Total
External revenues	29,593	29,073	2,812	61,478
Total revenues	29,593	29,073	2,812	61,478
Total revenues comprise:				
- Interest income	21,781	25,168	-	46,949
- Fee and commission income	7,508	2,427	-	9,935
- Net loss from financial assets and liabilities at fair value through profit or loss	-	-	(159)	(159)
- Net realized gain from available-for-sale investment securities	-	-	841	841
- Net gain from repurchase of debt securities issued	-	-	-	-
- Net gain on foreign exchange operations	304	1,478	-	1,782
- Insurance underwriting income and other income	-	-	2,130	2,130
- Share of loss of associates	-	-	-	-
Total revenues	29,593	29,073	2,812	61,478
- Interest expense on amounts due to customers	(6,499)	(9,923)	-	(16,422)
- Impairment charge	(3,990)	(15,819)	-	(19,809)
- Fee and commission expense	(889)	(411)	-	(1,300)
- Salaries and other employee benefits	(1,495)	(2,934)	-	(4,429)
- Advertisement expenses	(67)	-	-	(67)
- Recoveries of provisions/(other provisions)	639	(1,207)	-	(568)
Segment result	17,292	(1,221)	2,812	18,883
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(8,220)
- Insurance claims incurred, net of reinsurance				(1,034)
- Unallocated operating expenses				(4,177)
Income before income tax expense				5,452
Income tax expense				(496)
Net income				4,956
Other segment items:				
Capital expenditure (unallocated)				(1,916)
Depreciation and amortization expense (unallocated)				(1,209)

For the nine months ended 30 September 2009 (unaudited)	Retail banking	Corporate banking	Other	Total
External revenues	77,750	110,098	7,968	195,816
Total revenues	77,750	110,098	7,968	195,816
Total revenues comprise:				
- Interest income	51,005	98,216	-	149,221
- Fee and commission income	23,839	6,236	-	30,075
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	991	991
- Net realized loss from available-for-sale investment securities	-	-	(297)	(297)
- Net gain from repurchase of debt securities issued		-	439	439
- Net gain on foreign exchange operations	2,906	5,667	-	8,573
- Insurance underwriting income and other income	-	-	6,835	6,835
- Share of loss of associates	-	(21)	-	(21)
Total revenues	77,750	110,098	7,968	195,816
- Interest expense on amounts due to customers	(18,700)	(30,651)	-	(49,351)
- Impairment charge	(16,457)	(56,951)	-	(73,408)
- Fee and commission expense	(2,267)	(1,133)	-	(3,400)
- Salaries and other employee benefits	(3,816)	(8,903)	-	(12,719)
- Advertisement expenses	(225)	-	-	(225)
- Recoveries of provisions/(other provisions)	670	(1,431)	-	(761)
Segment result	36,955	11,029	7,968	55,952
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(29,424)
- Insurance claims incurred, net of reinsurance				(2,806)
- Unallocated operating expenses				(13,642)
Income before income tax expense				10,080
Income tax expense				(806)
Net income				9,274
Other segment items:				
Capital expenditure (unallocated)				(7,364)
Depreciation and amortization expense (unallocated)				(4,462)

As at 31 December 2009 (unaudited)	Retail banking	Corporate banking	Other	Total
Total segment assets	294,828	1,375,130	226,163	1,896,121
Unallocated assets				126,888
Total assets				2,023,009
Total segment liabilities	(400,080)	(873,989)	(4,433)	(1,278,502)
Unallocated liabilities				(463,555)
Total liabilities				(1,742,057)

Geographical information – Segment information for the main geographical segments of the Group is set out below as at 30 September 2010 and for the three and nine months then ended and as at 31 December 2009 and for the three and nine months ended 30 September 2009:

	Kazakhstan	OECD	Non-OECD	Total
30 September 2010 (unaudited)				
Total assets	1,816,920	210,531	36,439	2,063,890
31 December 2009				
Total assets	1,724,165	271,720	27,124	2,023,009
Three months ended 30 September 2010 (unaudited)				
External revenues	55,778	1,255	839	57,872
Capital expenditure	(3,503)	-	-	(3,503)
Nine months ended 30 September 2010 (unaudited)				
External revenues	172,058	1,961	1,425	175,444
Capital expenditure	(7,029)	-	-	(7,029)
Three months ended 30 September 2009 (unaudited)				
External revenues	61,039	420	19	61,478
Capital expenditure	(1,916)	-	-	(1,916)
Nine months ended 30 September 2009 (unaudited)				
External revenues	190,528	5,136	152	195,816
Capital expenditure	(7,364)	-	-	(7,364)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

32. SUBSEQUENT EVENTS

On 8 November 2010, KASE has enacted new rules for listed companies that require presentation of book value of one share in the financial statements of the listed companies. The management of the Group has assessed this requirement and elected to present the book value of shares in this condensed interim consolidated financial information which were disclosed in Note 29. The management of the Group believes that it is in full compliance with the listing requirements of KASE.

On 9 November 2010, the Group repurchased its debt securities with an original maturity of 2018 and a nominal amount of KZT 5,000 million. The carrying value of these debt securities was KZT 4,764 million, resulting in a loss of KZT 236 million.

33. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Samruk-Kazyna is a shareholder of the Group since 27 March 2009 (Note 1). The ultimate shareholder of the Group Timur Kulibayev holds the position of deputy chairman in Samruk-Kazyna since October 2008. The functional responsibilities of Timur Kulibayev do not allow him to exercise significant control over the operations and policies of Samruk-Kazyna or otherwise influence its governance.

The Group had the following transactions outstanding as at 30 September 2010 and 31 December 2009 with related parties:

	30 September 2010 (unaudited)		31 December 2009	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	101	6,412	1,508	8,528
- Subsidiaries of Samruk-Kazyna	101	-	1,508	-
Available-for-sale investment securities before allowance for impairment	36,564	399,173	6,852	200,951
- Subsidiaries of Samruk-Kazyna	36,564	-	6,852	-
Allowance for impairment losses on available-for-sale investment securities	(474)	(1,137)	(408)	(730)
- Subsidiaries of Samruk-Kazyna	(474)	-	(408)	-
Investments held to maturity	3,943	165,535	4,096	17,186
- Subsidiaries of Samruk-Kazyna	3,943	-	4,096	-
Loans to customers before allowance for loan impairment	11,430	1,337,527	31,908	1,340,336
- entities with joint control or significant influence over the entity	-	-	9,976	-
- key management personnel of the entity or its parent	112	-	210	-
- other related parties	11,318	-	21,722	-
Allowance for impairment losses on loans to customers	(1,848)	(243,289)	(4,249)	(207,101)
- entities with joint control or significant influence over the entity	-	-	(701)	-
- key management personnel of the entity or its parent	(13)	-	(10)	-
- other related parties	(1,835)	-	(3,538)	-
Amounts due to customers	194,917	1,370,150	506,874	1,274,069
- the parent	12,433	-	7,901	-
- entities with joint control or significant influence over the entity	425	-	13,165	-
- associates	34	-	72	-
- key management personnel of the entity or its parent	1,229	-	1,678	-
- Samruk-Kazyna and its subsidiaries	174,945	-	479,827	-
- other related parties	5,851	-	4,231	
Amounts due to credit institutions	42,219	83,236	51,786	172,706
- Subsidiaries of Samruk-Kazyna	42,219	-	51,786	-

Included in the condensed interim consolidated income statement and in the condensed interim consolidated statement of comprehensive income for the three and nine months ended 30 September 2010 and 2009 are the following amounts which arose due to transactions with related parties:

	Three months ended 30 September 2010 (unaudited)		**Three months ended 30 September 2009 (unaudited)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	1,474	43,377	962	46,949
- entities with joint control or significant influence over the entity	201	-	446	-
- key management personnel of the entity or its parent	2	-	2	-
- subsidiaries of Samruk-Kazyna	309	-	429	-
- other related parties	962	-	85	-
Interest expense	(1,682)	(20,834)	(8,462)	(24,642)
- the parent	(255)	-	(359)	-
- entities with joint control or significant influence over the entity	(89)	-	(94)	-
- key management personnel of the entity or its parent	(32)	-	(36)	-
- Samruk-Kazyna and its subsidiaries	(1,135)	-	(7,848)	-
- other related parties	(171)	-	(125)	-
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	(1)	205	1,451	(159)
- Subsidiaries of Samruk-Kazyna	(1)	-	1,451	-

	Nine months ended 30 September 2010 (unaudited)		**Nine months ended 30 September 2009 (unaudited)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	3,657	134,238	2,428	149,221
- entities with joint control or significant influence over the entity	797	-	918	-
- key management personnel of the entity or its parent	3	-	4	-
- Subsidiaries of Samruk-Kazyna	1,818	-	853	-
- other related parties	1,039	-	653	-
Interest expense	(6,322)	(66,778)	(20,013)	(78,775)
- the parent	(739)	-	(701)	-
- entities with joint control or significant influence over the entity	(293)	-	(274)	-
- key management personnel of the entity or its parent	(95)	-	(132)	-
- Samruk-Kazyna and its subsidiaries	(4,894)	-	(18,592)	-
- other related parties	(301)	-	(314)	-
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	2	979	(56)	991
- Subsidiaries of Samruk-Kazyna	2	-	(56)	-

	Three months ended 30 September 2010 (unaudited)		Three months ended 30 September 2009 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	68	6,289	55	4,429
- *short-term employee benefits*	68	-	55	-

	Nine months ended 30 September 2010 (unaudited)		Nine months ended 30 September 2009 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	177	15,064	184	12,719
- *short-term employee benefits*	177	-	184	-

JSC HALYK BANK

Consolidated Financial Statements
For the Years Ended 31 December 2009, 2008 and 2007

and Independent Auditors' Report

JSC HALYK BANK

TABLE OF CONTENTS

JSC HALYK BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of JSC Halyk Bank and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2009, 2008 and 2007, the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the 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; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

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

The consolidated financial statements for the years ended 31 December 2009, 2008 and 2007 were authorized for issue on
10 March 2010 by the Management Board of the Group.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairman of the Board	**Chief Accountant**
10 March 2010	10 March 2010
Almaty, Kazakhstan	Almaty, Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC Halyk Bank:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of JSC Halyk Bank and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2009, 2008 and 2007, the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2009, 2008 and 2007, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte, LLP

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

Nurlan Bekenov
Engagement Partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate №0082
General Director
Deloitte, LLP

10 March 2010
Almaty, Kazakhstan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009, 2008 AND 2007
(Millions of Kazakhstani Tenge)

	Notes	31 December 2009	31 December 2008	31 December 2007
ASSETS				
Cash and cash equivalents	5	480,622	161,088	255,245
Obligatory reserves	6	25,949	30,825	87,268
Financial assets at fair value through profit or loss	7, 38	8,528	14,987	48,073
Amounts due from credit institutions	8	56,101	10,357	3,398
Available-for-sale investment securities	9, 38	200,221	135,801	107,839
Investments held to maturity	10, 38	17,186	8,689	-
Precious metals	11	1,445	34	3
Loans to customers	12, 38	1,133,235	1,188,280	1,040,273
Property and equipment	13	63,158	58,023	22,766
Assets held-for-sale	14	8,447	-	-
Goodwill	15	3,190	3,190	3,265
Intangible assets	16	7,475	6,436	3,841
Insurance assets	17	4,945	4,417	3,886
Other assets	18	12,507	29,222	19,218
TOTAL ASSETS		2,023,009	1,651,349	1,595,075
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	19, 38	1,274,069	867,392	935,429
Amounts due to credit institutions	20, 38	172,706	289,608	247,452
Financial liabilities at fair value through profit or loss	7	3,201	6,048	2,851
Debt securities issued	21	263,893	262,991	224,886
Provisions	22	4,433	2,889	1,885
Deferred tax liability	23	6,194	8,854	3,897
Insurance liabilities	17	9,586	8,618	7,389
Other liabilities	24	7,975	13,894	10,261
Total liabilities		1,742,057	1,460,294	1,434,050
EQUITY				
Share capital	25	143,695	65,531	65,531
Share premium reserve		1,317	1,908	1,952
Treasury shares		(103)	(69)	(66)
Retained earnings and other reserves		135,693	123,428	92,253
		280,602	190,798	159,670
Non-controlling interest		350	257	1,355
Total equity		280,952	191,055	161,025
TOTAL LIABILITIES AND EQUITY		2,023,009	1,651,349	1,595,075

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

10 March 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2010
Almaty, Kazakhstan

The notes on pages 12 to 80 form an integral part of these consolidated financial statements.

JSC HALYK BANK

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	27, 38	194,005	192,660	132,566
Interest expense	27, 38	(103,277)	(100,753)	(61,532)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	27	90,728	91,907	71,034
Impairment charge	22	(83,513)	(60,015)	(22,184)
NET INTEREST INCOME		7,215	31,892	48,850
Fee and commission income	28	39,714	27,208	25,428
Fee and commission expense	28	(2,156)	(1,681)	(1,255)
Fees and commissions, net		37,558	25,527	24,173
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	29, 38	1,392	(9,650)	3,365
Net realized gain from available-for-sale investment securities		109	223	623
Net gain from repurchase of debt securities issued		1,120	2,439	-
Net gain on foreign exchange operations	30	11,440	11,753	5,447
Insurance underwriting income	31	8,803	9,198	5,920
Share in net loss of associates	2	(27)	(35)	(31)
Other income		1,331	2,303	1,817
OTHER NON-INTEREST INCOME		24,168	16,231	17,141
Operating expenses	32	(44,509)	(44,325)	(37,842)
(Provisions)/recoveries of provisions	22	(1,221)	(987)	997
Losses incurred from management of pension assets	24	-	(7,209)	-
Insurance claims incurred, net of reinsurance	17	(4,082)	(4,951)	(2,152)
NON-INTEREST EXPENSES		(49,812)	(57,472)	(38,997)
INCOME BEFORE INCOME TAX EXPENSE		19,129	16,178	51,167
Income tax expense	23	(3,253)	(1,624)	(10,642)
NET INCOME		15,876	14,554	40,525
Attributable to:				
Non-controlling interest		166	(46)	428
Preferred shareholders		2,904	1,411	3,883
Common shareholders		12,806	13,189	36,214
		15,876	14,554	40,525
Basic earnings per share (in Kazakhstani Tenge)	33	10.78	13.19	37.01
Diluted earnings per share (in Kazakhstani Tenge)	33	10.78	12.32	35.93

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

10 March 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2010
Almaty, Kazakhstan

The notes on pages 12 to 89 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECMBER 2009, 2008 AND 2007

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Net income	15,876	14,554	40,525
Other comprehensive (loss)/income			
Gain/(loss) on revaluation of available-for-sale investment securities	174	(1,713)	10
Gain transferred to income statement on sale of available-for-sale investment securities	(109)	(223)	(624)
Loss transferred to income statement on impairment of available-for-sale investment securities	743	-	-
(Loss)/gain on revaluation of property and equipment, net of tax	(4,133)	22,332	-
Exchange differences on translation of foreign operations	1,546	43	78
Other comprehensive (loss)/income for the year	(1,779)	20,439	(536)
Total comprehensive income for the year	14,097	34,993	39,989
Attributable to:			
Non-controlling interest	153	(556)	443
Preferred shareholders	2,578	3,435	3,830
Common shareholders	11,366	32,114	35,716
	14,097	34,993	39,989

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

10 March 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2010
Almaty, Kazakhstan

The notes on pages 12 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
(Millions of Kazakhstani Tenge)

	Notes	Common shares	Share capital Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2008		49,824	2,474	13,233	1,908	(69)	121	(1,797)	22,502	102,602	190,798	257	191,055
Net income		-	-	-	-	-	-	-	-	15,710	15,710	166	15,876
Other comprehensive income/(loss)		-	-	-	-	-	1,546	821	(4,133)	-	(1,766)	(13)	(1,779)
Total comprehensive income/(loss)		-	-	-	-	-	1,546	821	(4,133)	15,710	13,944	153	14,097
Common shares issued	25	33,747	-	-	-	-	-	-	-	-	33,747	-	33,747
Preferred shares issued	25	-	48,019	-	-	-	-	-	-	-	48,019	-	48,019
Treasury shares purchased	25	-	(3,602)	-	(601)	(47)	-	-	-	-	(4,250)	-	(4,250)
Treasury shares sold	25	-	-	-	10	13	-	-	-	-	23	-	23
Dividends – preferred shares		-	-	-	-	-	-	-	-	(1,679)	(1,679)	-	(1,679)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(248)	248	-	-	-
Changes in minority interest share of net assets		-	-	-	-	-	-	-	-	-	-	(60)	(60)
31 December 2009		83,571	46,891	13,233	1,317	(103)	1,667	(976)	18,121	116,881	280,602	350	280,952

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
(Millions of Kazakhstani Tenge)

	Notes	Share capital Common shares	Share capital Non-convertible preferred shares	Share capital Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2007		49,824	2,474	13,233	1,952	(66)	78	(371)	278	92,268	159,670	1,355	161,025
Net income		-	-	-	-	-	-	-	-	14,600	14,600	(46)	14,554
Other comprehensive income		-	-	-	-	-	43	(1,426)	22,332	-	20,949	(510)	20,439
Total comprehensive income/(loss)		-	-	-	-	-	43	(1,426)	22,332	14,600	35,549	(556)	34,993
Treasury shares purchased	25	-	-	-	(44)	(3)	-	-	-	-	(47)	-	(47)
Dividends – common shares		-	-	-	-	-	-	-	-	(2,695)	(2,695)	-	(2,695)
Dividends - preferred shares		-	-	-	-	-	-	-	-	(1,679)	(1,679)	-	(1,679)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	-	(119)	(119)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(108)	108	-	-	-
Changes in minority interest share of net assets		-	-	-	-	-	-	-	-	-	-	(423)	(423)
31 December 2008		49,824	2,474	13,233	1,908	(69)	121	(1,797)	22,502	102,602	190,798	257	191,055

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(Millions of Kazakhstani Tenge)

	Notes	Share capital Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2006		44,977	2,474	13,233	2,183	(38)	-	258	285	56,193	119,565	1,062	120,627
Net income		-	-	-	-	-	-	-	-	40,097	40,097	428	40,525
Other comprehensive income		-	-	-	-	-	78	(629)	-	-	(551)	15	(536)
Total comprehensive income/(loss)		-	-	-	-	-	78	(629)	-	40,097	39,546	443	39,989
Common shares issued	25	4,847	-	-	-	-	-	-	-	-	4,847	-	4,847
Treasury shares purchased	25	-	-	-	(231)	(28)	-	-	-	-	(259)	-	(259)
Dividends – common shares		-	-	-	-	-	-	-	-	(2,450)	(2,450)	-	(2,450)
Dividends – preferred shares		-	-	-	-	-	-	-	-	(1,579)	(1,579)	-	(1,579)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	-	(150)	(150)
Release of property and equipment revaluation reserve on disposal of previously revalued assets		-	-	-	-	-	-	-	(7)	7	-	-	-
31 December 2007		49,824	2,474	13,233	1,952	(66)	78	(371)	278	92,268	159,670	1,355	161,025

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

10 March 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2010
Almaty, Kazakhstan

The notes on pages 12 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
(Millions of Kazakhstani Tenge)

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss	216	1,978	2,779
Interest received from cash equivalents and amounts due from credit institutions	3,472	8,645	5,937
Interest received on available-for-sale investment securities	4,297	1,960	9
Interest received on investments held to maturity	1,049	-	-
Interest received from loans to customers	134,746	138,726	92,046
Interest paid on amounts due to customers	(59,060)	(72,854)	(29,878)
Interest paid on amounts due to credit institutions	(11,513)	(12,464)	(9,431)
Interest paid on debt securities issued	(25,013)	(20,547)	(14,673)
Fee and commission received	39,824	28,418	25,999
Fee and commission paid	(2,156)	(1,681)	(1,255)
Other income received	14,197	9,565	8,028
Operating expenses paid	(37,525)	(41,691)	(31,825)
Cash flows from operating activities before changes in net operating assets	62,534	40,055	47,736
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves	4,876	56,443	(32,162)
Financial assets at fair value through profit or loss	8,332	32,700	4,932
Amounts due from credit institutions	(43,398)	(6,739)	(1,202)
Precious metals	(1,411)	(31)	(3)
Loans to customers	128,749	(171,599)	(441,856)
Insurance assets	(4,416)	(5,482)	(412)
Other assets	(1,069)	(4,857)	(4,161)
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss	(2,996)	(546)	9,914
Amounts due to customers	253,796	(62,061)	332,024
Amounts due to credit institutions	(131,307)	42,024	127,376
Insurance liabilities	9,335	10,427	5,774
Other liabilities	(7,163)	(1,235)	4,780
Cash inflow/(outflow) from operating activities before income tax	275,862	(70,901)	52,740
Income tax paid	(3,826)	(10,306)	(8,599)
Net cash inflow/(outflow) from operating activities	272,036	(81,207)	44,141
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets	(9,155)	(19,104)	(24,018)
Proceeds on sale of property and equipment	148	145	650
Proceeds on sale of available-for-sale investment securities	217,095	151,819	105,728
Purchase of available-for-sale investment securities	(270,522)	(174,879)	(90,256)
Proceeds from redemption of investments held to maturity	20,377	-	-
Purchase of investments held to maturity	(21,769)	(6,777)	-
Net cash outflow from investing activities	(63,826)	(48,796)	(7,896)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds on common shares issued	25	33,747	-	4,847
Proceeds on preferred shares issued	25	48,019	-	-
Proceeds on sale of treasury shares		23	-	-
Purchase of treasury shares		(4,250)	(47)	(259)
Dividends paid		(1,679)	(4,493)	(4,179)
Proceeds on debt securities issued		14,161	64,924	118,467
Redemption and repurchase of debt securities issued		(53,224)	(23,122)	(22,553)
Net cash inflow from financing activities		36,797	37,262	96,323
Effect of changes in foreign exchange rate on cash and cash equivalents		74,527	(1,416)	(5,122)
Net change in cash and cash equivalents		319,534	(94,157)	127,446
CASH AND CASH EQUIVALENTS, beginning of the year	5	161,088	255,245	127,799
CASH AND CASH EQUIVALENTS, end of the year		480,622	161,088	255,245

During 2008 in accordance with the amendments issued by the International Accounting Standards Board ("IASB") to International Accounting Standard ("IAS") 39 the Group has reclassified its financial assets at fair value through profit or loss to available-for-sale investment securities and investments held to maturity. Please see Notes 9 and 10 to the consolidated financial statements for detailed disclosure.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairman of the Board

10 March 2010
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2010
Almaty, Kazakhstan

The notes on pages 12 to 80 form an integral part of these consolidated financial statements.

(Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank (the "Bank") and its subsidiaries (together the "Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, and pension asset management and insurance services in Kazakhstan. The Bank was incorporated in 1995 and is domiciled in Kazakhstan. The Bank operates under a general license for banking operations, operations with securities and custody services renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of the Republic of Kazakhstan ("FMSA") on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Fund for Deposits Guarantee.

The Bank's primary business includes originating loans and guarantees, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and credit card operations and rendering other banking services to its customers. In addition, the Bank acts as the government's agent in channelling various budgetary payments and pensions through its nationwide network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE"). In addition, certain of the Bank's debt securities issued are primarily listed on the Luxembourg and London Stock Exchanges. The Bank has also sold Global Depository Receipts ("GDRs") through a listing on the London Stock Exchange.

On 15 January 2009, the Group and JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), an entity controlled by the Kazakhstan Government, have signed a series of agreements related to the realization of joint measures towards the support of the economy of the Republic of Kazakhstan within the terms of a stabilization program of the Kazakhstan Government. In accordance with the agreements signed Samruk-Kazyna will not intervene in the operating policies of the Group and its stake in the share capital of the Group will not exceed 25% of the issued common shares of the Group. On 27 March 2009, Samruk-Kazyna acquired 259,064,909 common shares of the Group for a total amount of KZT 26,951 million. On 29 May 2009, Samruk-Kazyna acquired 196,232,499 non-convertible preferred shares of the Group for a total amount of KZT 33,049 million. As at 31 December 2009 Samruk-Kazyna owned a 24.57% stake of voting shares in the Group's share capital. The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 December 2009, 2008 and 2007, the Group was owned by the following shareholders, which own more than 5% of the issued shares of the Group:

	31 December 2009		31 December 2008		31 December 2007	
	Stake in total shares issued*	Stake in total voting shares**	Stake in total shares issued*	Stake in total voting shares**	Stake in total shares issued*	Stake in total voting shares**
Timur Kulibayev and Dinara Kulibayeva	41.80%	67.33%	61.86%	93.33%	61.86%	94.15%
Samruk-Kazyna	26.81%	24.57%	-	-	-	-
Others (individually own less than 5%)	31.39%	8.10%	38.14%	6.67%	38.14%	5.85%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Total shares issued include common and preferred shares

** GDRs are not included in the calculation of stake in total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as non-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

As at 31 December 2009 the Bank operated through its head office in Almaty and its 22 regional branches, 125 sub-regional offices and 475 cash settlement units (31 December 2008 - 22, 125 and 467, respectively, 31 December 2007 – 22, 127 and 437, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 97 Rozybakiyev Street, Almaty, 050046, Kazakhstan.

The consolidated financial statements were authorised for issue by the Management Board of the Bank on 10 March 2010.

2. BASIS OF PRESENTATION

Accounting basis

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation as described in the accounting policies below.

The Group had a change in accounting policy during 2009 with regards to the presentation of the consolidated statements of cash flows from indirect to direct method. The direct method is a requirement of the National Bank of the Republic of Kazakhstan for annual periods starting from 1 January 2009. This change is retrospectively applied in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". In addition, IAS 1 "Presentation of Financial Statements" requires the presentation of the statement of financial position as at the beginning of the earliest period when a reporting entity applies an accounting policy retrospectively. For the Group, this consolidated statement of financial position would be as at 31 December 2006. However, the retrospective accounting for the change in accounting policy had no impact on the consolidated statement of financial position as at 31 December 2006. Therefore that consolidated statement of financial position has not been presented in these consolidated financial statements.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The reporting currency of the consolidated financial statements is the KZT.

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiaries	Holding, % 31 December 2009	31 December 2008	31 December 2007	Country	Industry
JSC Halyk Leasing	100	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	100	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100	100	100	Kazakhstan	Cash collection services
JSC Halyk Life	100	100	100	Kazakhstan	Life insurance
JSC Halyk Capital	100	100	100	Kazakhstan	Broker and dealer activities
LLP NBK-Finance	100	100	100	Russia	Broker and dealer activities
JSC Kazakhinstrakh	100	99	98	Kazakhstan	Insurance
JSC Accumulated Pension fund of Halyk Bank	99	99	85	Kazakhstan	Pension assets accumulation and management
JSC NBK Bank	100	100	100	Russia	Banking
LLP Halyk Dornod	-	100	100	Mongolia	Banking
LLP Halyk NBFO	-	100	100	Mongolia	Broker and dealer activities
JSC Halyk Bank Georgia	100	100	-	Georgia	Banking

In December 2007, the Management established two subsidiaries in Mongolia LLP Halyk Dornod and LLP Halyk NBFO. The share capital of LLP Halyk Dornod and LLP Halyk NBFO were equal to KZT 1.2 million and KZT 95.3 million, respectively. LLP Halyk Dornod was registered in accordance with Mongolian law with the purpose of obtaining a licence for provision of banking services. LLP Halyk NBFO was also registered in accordance with Mongolian law with the purpose of obtaining a licence to perform activity as non-banking financial organization. During 2009, the Management made decisions to close the operations of LLP Halyk Dornod due to the rejection of the Central Bank of Mongolia to provide a license for banking activities to LLP Halyk Dornod and to close the operations of LLP Halyk NBFO due to absence of the reasons for further functioning of LLP Halyk NBFO.

In January 2008, the Management established JSC Halyk Bank Georgia, a subsidiary in Georgia. The share capital of JSC Halyk Bank Georgia is equal to KZT 2.5 billion. On 29 January 2008 JSC Halyk Bank Georgia obtained a license for providing banking activities issued by the National Bank of Georgia.

Associates

The following associate is classified within other assets and accounted for under the equity method:

Associate	Holding, %	Country	Activity	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 31 December 2009 and for the year then ended								
JSC Processing Center	25.14	Kazakhstan	Data processing	(27)	208	1	207	49
As at 31 December 2008 and for the year then ended								
JSC Processing Center	25.14	Kazakhstan	Data processing	(35)	493	11	482	105
As at 31 December 2007 and for the year then ended								
JSC Processing Center	25.14	Kazakhstan	Data processing	(31)	606	15	591	45

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

The difference, if any, between the carrying amount of non-controlling interest and the amount received on its purchase is recognized in equity attributable to the equity holders of the parent.

Business combinations

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition.

The non-controlling interest is initially measured at the non-controlling proportion of the fair values of the assets, liabilities and contingent liabilities recognized. The equity and net income attributable to equity holders of the parent and attributable to non-controlling shareholders' interests are shown separately in the consolidated statement of financial position and consolidated income statement, respectively.

The Group accounts for increases in ownership of a controlled entity by revaluing all identified assets and liabilities of the subsidiary to fair value at the date of exchange in proportion to the amounts attributable to the additional interest acquired. Goodwill is recognized for any excess of the cost of the increase over the Group's interest in the net fair value of the identifiable assets and liabilities.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the equity holders of the parent.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Investments in associates are carried in the consolidated statement of financial position at cost as adjusted for goodwill and for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognized.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the consolidated income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within 90 days. For purposes of determining cash flows, the obligatory reserve required by the National Bank of Kazakhstan ("NBK") is not included as a cash and cash equivalent due to restrictions on its availability.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the NBK and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Amounts due from credit institutions

In the normal course of business, the Group maintains current accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Fair values

Financial instruments that are classified at fair value through profit or loss or available for sale are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price at the close of business on the reporting date. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgement as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit/(loss) could be material.

The tables below summarises the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2009, 2008 and 2007, before any allowances for impairment losses:

Consolidated statement of financial position category		**Quoted prices in active markets (Level 1)**	**Internal models based on market prices (Level 2)**	**Total 31 December 2009**
Assets:				
Financial assets at fair value through profit or loss	Debt financial instruments	627	-	627
	Equity financial instruments	2,722	-	2,722
	Derivative financial instruments	-	5,179	5,179
Available-for-sale investment securities	Debt financial instruments	198,011	-	198,011
	Equity financial instruments	2,940	-	2,940
Liabilities:				
Financial liabilities at fair value through profit or loss	Derivative financial instruments	-	3,201	3,201

Consolidated statement of financial position category		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Total 31 December 2008
Assets:				
Financial assets at fair value through profit or loss	Debt financial instruments	6,351	-	6,351
	Equity financial instruments	2,195	-	2,195
	Derivative financial instruments	-	6,441	6,441
Available-for-sale investment securities	Debt financial instruments	134,480	-	134,480
	Equity financial instruments	1,321	-	1,321
Liabilities:				
Financial liabilities at fair value through profit or loss	Derivative financial instruments	-	6,048	6,048

Consolidated statement of financial position category		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Total 31 December 2007
Assets:				
Financial assets at fair value through profit or loss	Debt financial instruments	38,654	-	38,654
	Equity financial instruments	5,942	-	5,942
	Derivative financial instruments	-	3,477	3,477
Available-for-sale investment securities	Debt financial instruments	106,392	-	106,392
	Equity financial instruments	1,447	-	1,447
Liabilities:				
Financial liabilities at fair value through profit or loss	Derivative financial instruments	-	2,851	2,851

Financial assets

Financial assets in the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as either financial assets at fair value through profit or loss, loans and receivables, investments held to maturity or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition.

Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets or financial liabilities are classified as at fair value through profit or loss where the financial asset or financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or financial liability other than a financial asset or financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in “Net gain/(loss) from financial assets and liabilities at fair value through profit or loss”. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in “Other income” when the right to receive the payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Loans and receivables are included within loans to customers, amounts due from credit institutions and other assets in the consolidated statement of financial position.

Available-for-sale investment securities

Available-for-sale investment securities are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or investments held to maturity, or are not held for trading and are not designated at fair value through profit or loss on initial recognition. Available-for-sale investment securities are initially recorded at fair value. After initial recognition available-for sale investment securities are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. However, interest calculated using the effective interest method and foreign exchange movements for debt securities are recognized in the consolidated income statement. Dividends declared are included in “Other income” in the consolidated income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts and premiums are recognized in interest income over the period to maturity using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Repurchase and reverse repurchase agreements and securities lending

The Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management.

Repos are treated as secured financing transactions. Securities sold under repos are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, loans to customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within "Net gain/(loss) from financial assets and liabilities at fair value through profit and loss" in the consolidated income statement. The obligation to return securities borrowed is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in "Net gain/(loss) from financial assets and liabilities at fair value through profit or loss" in the consolidated income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the consolidated income statement.

Debt securities issued

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Allowances for impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost – If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the impairment loss is recognized in the consolidated income statement.

The factors the Group evaluates in determining the presence of objective evidence of an occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The allowances are based on the Group's own loss experience and management's judgment as to the level of losses that will probably be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets are written off against the allowance for impairment losses where such items are determined to be uncollectible, including through repossession of collateral. The Group requires collateral to support credit-related financial instruments when deemed necessary. Collateral held may include deposits held in the banks, government securities and other assets. When the borrowers do not repay as scheduled, the Group can take the possession of the collateral pledged. Financial assets are written off after management has exercised all possibilities available to collect amounts due to the Group, and after the Group has sold all available collateral. The decision to write off bad debt against allowance for impairment losses for all major, preferential, unsecured and insider assets are confirmed with a procedural document from judicial or notary bodies. This document certifies that at the time of the decision to write off the bad debt, the amount could not be repaid (or partially repaid) with the debtor's funds. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the consolidated income statement.

Available-for-sale investment securities – If an available-for-sale investment security is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. In respect of equity instruments classified as available-for-sale, impairment losses previously recognized in the consolidated income statement are not reversed through the consolidated income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Renegotiated loans – Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition of financial assets and liabilities

Financial assets – A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities – A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

On the redemption or settlement of debt securities (including subordinated liabilities) issued by the Group, the Group derecognises the debt instrument and records a gain or loss being the difference between the debt's carrying amount and the cost of redemption or settlement. The same treatment applies where the debt is exchanged for a new debt issue that has terms substantially different from those of the existing debt. The assessment of whether the terms of the new debt instrument are substantially different takes into account qualitative and quantitative characteristics including a comparison of the discounted present value of the cash flows under the new terms with the discounted present value of the remaining cash flows of the original debt issue.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Taxation

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also charged or credited directly to other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and

- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan and other countries where the Group operates also have various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment except for the buildings and constructions which are carried at revaluated amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and constructions	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Buildings and constructions held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and constructions is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings and constructions is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and constructions is charged to the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Assets held for sale

A non-current asset and the liability directly associated with non-current assets are classified as held for sale ("disposal group") if it is highly probable that the net asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as loss from assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates'.

The Group tests goodwill for impairment at least annually. An impairment loss recognized for goodwill is not reversed in a subsequent period.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

a) Reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
b) Recognizes immediately in profit or loss any excess remaining after that reassessment.

On disposal of an investment, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the state pension system of Kazakhstan and other countries where the Group operates, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in operating expenses in consolidated income statement. The Group contributes social tax to the budget of Kazakhstan and other countries where the Group operates for its employees. In addition, the Group has no post-retirement benefits.

Equity

Share capital – The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities. The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognized as share premium reserve. Effective 13 May 2003, upon change in law concerning “Joint Stock Companies”, the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares – When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Group are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

Dividends – Dividends are recognized as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Trust activities

Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group’s consolidated financial statements. The Group accepts the operational risk on these activities, but the Group’s customers bear the credit and market risks associated with such operations.

Income and expense recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry.

Fees, commissions, including pension asset management fees, and other income and expense items are generally recorded on an accrual basis when the service has been provided.

Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Custody services that are continuously provided over an extended period of time are recorded over the period the service is provided.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as of the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated income statement as net gain on foreign exchange operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net gain on foreign exchange operations. The market exchange rate at 31 December 2009 was KZT 148.46 to USD 1 (31 December 2008 – KZT 120.79; 31 December 2007 – KZT 120.30).

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group utilizes accounting policies determined by FMSA for insurance companies of Kazakhstan.

The Group offers various insurance products in property and casualty, liability, personal, and life insurance.

Underwriting income – Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve.

Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within reserve for insurance claims in the consolidated statement of financial position.

Losses and loss adjustments are charged to income statement as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred in the consolidated income statement.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalized and recorded in the accompanying consolidated statements of financial position within insurance assets. The asset related to deferred acquisition costs is subsequently amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately. All other costs are recognized as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses – The reserve for insurance losses and loss adjustment expenses is included in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

The incurred but not reported reserve ("IBNR") for motor hull and liability insurance is actuarially determined and is based upon statistical claim data for the period typical for loss development of the classes and sub-classes of business and the Group's previous experience.

Due to the lack of historical company specific data and comparable industry data for other lines of business, the reserve for IBNR claims is determined by applying current government guidance as provided by FMSA. Under this guidance, the IBNR reserve is calculated as using the expected loss ratio for each line of business, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated income statement in the period in which they are determined.

Reinsurance – In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009.

During the current reporting period the Group has adopted IFRS 8 "Operating Segments", IAS 1 "Presentation of Financial Statements" (revised 2008), IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 8 defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues, whose operating results are regularly reviewed by management to make decisions about resources to be allocated and to assess its performance, and for which financial informations is available. The Group identifes operating segments on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's management to allocate resources and assess their performance. The internal reports about the components of the Group that are regularly reviewed by the Group's management have exactly the same composition and format that was historically disclosed in the Group's operating segments information. Therefore the adoption of IFRS 8 did not have any impact on the Group's operating segments and related disclosures.

IAS 1 (revised 2008) changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009. The adoption of the amendment to IAS 1 did not have any impact on the Group's profit or loss or financial position.

On 5 March 2009 the IASB issued amendments to IFRS 7 "Financial Instruments: Disclosures" named "Improving Disclosures about Financial Instruments". Among other things, the amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The Group applied this amendment for the annual period ending on 31 December 2009.

On 12 March 2009, the IASB issued an amendment to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods ending on or after 30 June 2009. These amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The Group applied this amendment for the annual period ending on 31 December 2009. The adoption did not have a significant impact on the consolidated financial statements.

Standards and interpretations issued and not yet adopted

The Group has not applied the following IFRS and interpretations issued by IFRIC that have been issued but are not yet effective:

- IFRS 3 'Business Combinations' – On 10 January 2008, the IASB issued an amendment to IFRS 3 'Business Combinations' which clarifies and changes certain elements of accounting for a business combination, including measurement of contingent consideration, step acquisition and intangible assets and also widens the scope of this standard. There are also associated amendments to IAS 27, IAS 28 and IAS 31. The amendment to IFRS 3 is effective for periods beginning on or after 1 July 2009. The amendment is not expected to have have a material effect on the Group's consolidated financial statements.

- In December 2008 the IFRIC issued interpretation IFRIC 17 ‘Distributions of Non-Cash Assets to Owners’ and the IASB made consequential amendments to IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognised in income statement. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation is not expected to have a material effect on the Group’s consolidated financial statements.
- In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. The Management of the Group currently assesses the impact on adoption the amendment.
- The IASB has revised IAS 24 Related Party Disclosures on 4 November 2009 to provide a partial exemption from the disclosure requirements for government-related entities and to clarify the definition of a related party. The revised standard also clarifies that disclosure is required of any commitments of a related party where a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised). The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Group is currently assessing the impacts of adoption of the amendments.
- IFRS 9 ‘Financial Instruments’ - On 12 November 2009, the IASB issued IFRS 9 ‘Financial Instruments’, which significantly overhauls the accounting requirements for financial instruments under IFRS. IFRS 9 is mandatory for annual periods beginning on or after 1 January 2013, with early application permitted. IFRS 9 requires that a financial asset be classified into one of three categories for measurement and income recognition: (1) Amortised cost, (2) Fair value through profit or loss (FVTPL) and (3) Fair value through other comprehensive income. The standard requires reclassification between amortised cost and FVTPL (or vice versa) if a financial asset no longer meets the criteria for its original classification. IFRS 9 replaces the existing classification and measurement requirements in IAS 39 for financial assets. It changes the manner in which entities classify and measure investments in debt and equity securities, loan assets, trade receivables, and derivative financial assets by requiring entities to classify financial assets as being measured at either amortized cost or fair value depending on the entity’s business model and the contractual cash flow characteristics of the asset. The Group is currently evaluating impact of adoption of IFRS 9.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment losses of loans and receivables – The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future consolidated income statement and its consolidated statement of financial position.

The Group uses management's judgement to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables.

The Group uses management's judgement to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment losses of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment losses of loans to customers as at 31 December 2009 is KZT 207,101 million (31 December 2008: KZT 115,052 million; 31 December 2007: KZT 56,697 million).

Taxation – Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review.

As at 31 December 2009 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

Claims liability and reserves arising from insurance contracts – For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. For certain lines of business, IBNR claims form the majority of the claims provision at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull and liability insurance, the Group actuarially determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by FMSA, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the period in which the necessary adjustments become known and estimable.

Goodwill – Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management judgement; for example those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. Difference fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2009	31 December 2008	31 December 2007
Cash on hand	42,437	23,918	2,918
Recorded as loans and receivables in accordance with IAS 39:			
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	17,238	1,719	3,101
Correspondent accounts with non-OECD based banks	5,678	6,701	2,972
Overnight deposits with OECD based banks	102,847	1,902	41,278
Short-term deposits with OECD based banks	94,540	125,626	197,654
Short-term deposits with National Bank of Kazakhstan ("NBK")	207,058	-	-
Short-term deposits with non-OECD based banks	5,459	562	-
Short-term deposits with Kazakhstan banks	5,365	660	7,322
	480,622	161,088	255,245

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.1%-0.2%	-	0.1%	-	2.3%-2.7%
Short-term deposits with OECD based banks	2.0%	0.2%-0.4%	-	0.0%-1.1%	-	3.8%-10.0%
Short-term deposits with NBK	1.0%	-	-	-	-	-
Short-term deposits with non-OECD based bank	-	5.0%	-	3.1%-11.1%	-	-
Short-term deposits with Kazakhstan banks	1.5%-1.6%	-	11.5%	-	3.0%-11.0%	-

Fair value of assets pledged and carrying amounts of short-term loans, included in short-term deposits with Kazakhstan banks, under reverse repurchase agreements classified as cash and cash equivalents as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	3,010	3,367	660	666	2,001	2,247
NBK notes	2,352	2,475	-	-	5,181	5,431
Equity securities of Kazakhstan corporations	-	-	-	-	100	113
	5,362	5,842	660	666	7,282	7,791

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 December 2009	31 December 2008	31 December 2007
Recorded as loans and receivables in accordance with IAS 39:			
Due from the NBK allocated to obligatory reserves	25,949	9,159	59,376
Cash on hand allocated to obligatory reserves	-	21,666	27,892
	25,949	30,825	87,268

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the NBK and used for calculation of the minimum reserve requirement. During 2009 and 2008 the NBK has decreased the level of minimum reserve requirements, which resulted in a significant decrease of obligatory reserves.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2009	31 December 2008	31 December 2007
Financial assets held for trading:			
Derivative financial instruments	5,179	6,441	3,477
Equity securities of Kazakhstan corporations	1,508	1,530	90
Equity securities of Kazakhstan banks	1,012	665	1,682
Securities of foreign countries and organizations	602	-	6,225
Mutual investment funds shares	202	-	1,245
Corporate bonds	25	222	287
Treasury bills of the Ministry of Finance of Kazakhstan	-	5,514	32,161
Bonds of Kazakhstan banks	-	615	942
Bonds of the Development Bank of Kazakhstan	-	-	1,964
	8,528	14,987	48,073
Subject to repurchase agreements	-	3,508	2,976

Financial liabilities at fair value through profit or loss comprise:

	31 December 2009	31 December 2008	31 December 2007
Financial liabilities held for trading:			
Derivative financial instruments	3,201	6,048	2,851

Interest rates and maturities of financial assets at fair value through profit or loss are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Securities of foreign countries and organizations	0.7%	2011	-	-	3.1%	2008-2012
Corporate bonds	8.0%	2010-2015	9.6%-18.0%	2010-2015	8.3%-14.1%	2010-2015
Treasury bills of the Ministry of Finance of Kazakhstan	-	-	5.6%-6.4%	2009-2014	3.2%-11.3%	2008-2014
Bonds of Kazakhstan banks	-	-	13.2%-16.3%	2009	7.5%-13.9%	2009-2011
Bonds of the Development Bank of Kazakhstan	-	-	-	-	6.2%	2026

Derivative financial instruments comprise:

	31 December 2009			31 December 2008			31 December 2007		
	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal Amount	Net fair value Asset	Net fair value Liability
Foreign currency contracts									
Forwards	46,104	3,782	3,019	35,576	6,361	5,871	110,532	3,364	2,740
Options	6,913	1,322	-	-	-	-	-	-	-
Swaps	6,784	75	182	87,638	55	156	1,195	-	107
Interest rate contracts									
Swaps	-	-	-	1,198	25	21	1,296	113	4
		5,179	3,201		6,441	6,048		3,477	2,851

As at 31 December 2009, 2008 and 2007, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	31 December 2009	31 December 2008	31 December 2007
Recorded as loans and receivables in accordance with IAS 39:			
Term deposits	49,380	5,764	2,626
Deposit pledged as collateral for derivative financial instruments	6,545	4,228	-
Loans to Kazakhstan credit institutions	185	382	790
	56,110	10,374	3,416
Less - Allowance for loan impairment (Note 22)	(9)	(17)	(18)
	56,101	10,357	3,398

Interest rates and maturity of amounts due from credit institutions are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits	5.5%-8.5%	2010	7.0%-11.1%	2009-2010	6.0%-13.0%	2008-2009
Deposit pledged as collateral for derivative financial instruments	0.1%	2012	0.1%	2012	-	-
Loans to Kazakhstan credit institutions	11.1%	2015	11.1%	2015	14.0%-17.0%	2008-2012

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements classified as amounts due from credit institutions as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Equity securities of Kazakhstan corporations	-	-	-	-	439	345
Bonds of Kazakhstan banks	-	-	-	-	12	13
	-	-	-	-	451	358

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	31 December 2009	31 December 2008	31 December 2007
Treasury bills of the Ministry of Finance of Kazakhstan	95,956	64,273	6,459
NBK notes	84,622	56,375	82,318
Securities of foreign countries and organizations	7,363	-	-
Corporate bonds	6,142	10,659	14,387
Bonds of Development Bank of Kazakhstan	2,514	2,213	-
Equity securities of Kazakhstan corporations	1,446	670	1,381
Mutual investment funds shares	1,307	651	-
Bonds of Kazakhstan banks	1,168	763	3,047
Treasury bills of the Kyrgyz Republic	200	197	101
Equity securities of foreign corporations	176	-	66
Equity securities of Kazakhstan banks	57	-	-
Local municipal bonds	-	-	80
	200,951	135,801	107,839
Less - Allowance for impairment (Note 22)	(730)	-	-
	200,221	135,801	107,839
Subject to repurchase agreements	87,856	78,077	51,669

Interest rates and maturities of available-for-sale investment securities are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate, %	Maturity, Year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	2.0%-18.7%	2010-2019	2.0%-19.3%	2009-2015	2.0%-18.6%	2008-2014
NBK notes	2.0%-3.1%	2010	6.3%-15.5%	2009	5.5%-9.5%	2008
Securities of foreign countries and organizations	7.4%-15.0%	2011-2014	-	-	-	-
Corporate bonds	0.2%-19.2%	2010-2021	6.3%-25.9%	2009-2021	6.4%-18.6%	2008-2021
Bonds of Development Bank of Kazakhstan	7.0%	2026	7.0%	2026	-	-
Bonds of Kazakhstan banks	6.1%-15.0%	2010-2016	7.9%-17.4%	2009-2017	6.4%-18.3%	2008-2016
Treasury bills of the Kyrgyz Republic	3.0%-19.0%	2010	8.6%-20.0%	2009-2010	5.6%-14.9%	2008-2009
Local municipal bonds	-	-	-	-	8.5%	2008

As at 31 December 2009, 2008 and 2007, the Group used quoted market prices from independent information sources to determine the fair value all of its available-for-sale investment securities.

In October 2008 the IASB issued amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, which allow the reclassification of financial assets out of the financial assets at fair value through profit or loss category in rare circumstances if certain other requirements are met. On 31 December 2008 in accordance with these amendments the Group reclassified certain debt and equity securities with total fair value of KZT 4,925 million out of financial assets at fair value through profit or loss category into the available-for-sale investment securities.

The reclassification was made only for those securities which had a significant decline in volume of transactions in the financial markets as a result of the financial crisis. The Group revised its investment policy in relation to these securities and has the intention and ability to hold these securities for the foreseeable future.

Debt and equity securities which were reclassified are presented in the tables below.

Debt securities	Effective interest rate, %	As at reporting date 31 December 2009 Fair value	As at reclassification date 31 December 2008 Fair value
Bonds of Development Bank of Kazakhstan	7.0%	2,514	2,213
Securities of foreign countries and organizations	9.8%-14.5%	361	1,987
		2,875	4,200

Equity securities	As at reporting date 31 December 2009	As at reclassification date 31 December 2008
Mutual investment funds shares	1,132	651
Equity securities of Kazakhstan corporations	57	74
	1,189	725

Estimated future cash flows the Group expects to recover from debt securities which were reclassified are presented in the table below.

Debt securities	As at reclassification date 31 December 2008
Bonds of Development Bank of Kazakhstan	4,711
Securities of foreign countries and organizations	2,939
	7,650

As the Group made reclassifications as at 31 December 2008, the net (loss)/gain recognized in the consolidated income statements up to the date of reclassification from the debt and equity securities which were reclassified is presented in the table below for the years ended 31 December 2008 and 2007. The net gain that would have been recognized in the consolidated income statement if the securities had not been reclassified is presented in the table below for the year ended 31 December 2009.

Debt securities	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Bonds of Development Bank of Kazakhstan	(205)	(69)	(355)
Securities of foreign countries and organizations	300	(939)	(188)
	95	(1,008)	(543)

Equity securities	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Mutual investment funds shares	332	(436)	163
Equity securities of Kazakhstan corporations	(17)	(72)	(28)
	315	(508)	135

10. INVESTMENTS HELD TO MATURITY

Investments held to maturity securities comprise:

	31 December 2009	31 December 2008	31 December 2007
Securities of foreign countries and organizations	10,893	3,682	-
Treasury bills of the Ministry of Finance of Kazakhstan	4,471	-	-
Notes of National Bank of Georgia	1,373	1,220	-
Corporate bonds	449	2,776	-
Bonds of Kazakhstan banks	-	1,011	-
	17,186	8,689	-

Interest rates and maturities of investments held to maturity are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Securities of foreign countries and organizations	3.0%-19.0%	2010	3.0%-8.1%	2009	-	-
Treasury bills of the Ministry of Finance of Kazakhstan	5.1%-6.1%	2010	-	-	-	-
Notes of National Bank of Georgia	3.0%-8.1%	2010	11.0%-13.0%	2009	-	-
Corporate bonds	6.3%-14.0%	2011-2017	6.9%	2016	-	-
Bonds of Kazakhstan banks	-	-	8.9%	2009	-	-

On 31 December 2008, in accordance with the IASB amendments to IAS 39 the Group reclassified certain debt securities with total fair value of KZT 1,912 million out of financial assets at fair value through profit or loss category into investments held to maturity.

The reclassification was made for those securities which had a significant decline in volume of transactions in the financial markets as a result of the financial crisis. The Group revised its investment policy in relation to these securities accordingly.

During the year ended 31 December 2009, the reclassified securities were repaid by the issuer before maturity in full.

11. PRECIOUS METALS

During the reporting period the Group purchased gold and other precious metals with the intention to sell these assets to the Group’s customers. The carrying amount of precious metals as at 31 December 2009 is equal to KZT 1,445 million (31 December 2008 – KZT 34 million, 31 December 2007 – KZT 3 million).

Previously the Group reported precious metals in other assets. As at 31 December 2009, the Group has presented precious metals as a separate line in the consolidated statement of financial position.

The comparative carrying amounts as at 31 December 2008 and 31 December 2007 were also reclassified from other assets in order to conform to the presentation as at 31 December 2009.

	Amount	As previously reported	As reclassified
		31 December 2008	31 December 2008
Precious metals	34	-	34
Other assets	(34)	29,256	29,222
		31 December 2007	31 December 2007
Precious metals	3	-	3
Other assets	(3)	19,221	19,218

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2009	31 December 2008	31 December 2007
Recorded as loans and receivables in accordance with IAS 39:			
Originated loans to customers	1,339,191	1,298,985	1,087,372
Overdrafts	1,145	4,347	4,300
Promissory notes	-	-	5,298
	1,340,336	1,303,332	1,096,970
Less – Allowance for loan impairment (Note 22)	(207,101)	(115,052)	(56,697)
Loans to customers	1,133,235	1,188,280	1,040,273

As at 31 December 2009, the annual interest rates charged by the Group ranged from 9% to 24% per annum for KZT-denominated loans (31 December 2008 – from 9% to 23%, 31 December 2007 – from 8% to 32%) and from 7% to 17% per annum for US Dollar-denominated loans (31 December 2008 – from 7% to 17%, 31 December 2007 – from 3% to 20%).

As at 31 December 2009, the Group had a concentration of loans of KZT 259,063 million from the ten largest borrowers that comprised 19% of the Group's total gross loan portfolio (31 December 2008 – KZT 214,295 million, 16%; 31 December 2007 – KZT 161,592 million, 15%) and 92% of the Group's total equity (31 December 2008 – 112%; 31 December 2007 – 100%). As at 31 December 2009 an allowance for impairment amounting to KZT 25,294 million was made against these loans (31 December 2008 – KZT 17,205 million; 31 December 2007 – KZT 7,967 million).

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2009	31 December 2008	31 December 2007
Loans collateralized by pledge of real estate or rights thereon	841,051	772,415	623,396
Loans collateralized by cash	69,035	62,823	71,749
Loans collateralized by pledge of agricultural products	39,012	20,482	20,526
Loans collateralized by pledge of inventories	29,880	17,178	16,811
Loans collateralized by pledge of vehicles	28,221	16,106	16,711
Loans collateralized by pledge of corporate shares	6,158	5,443	28,953
Loans collateralized by pledge of equipment	8,091	4,127	3,648
Other collateral	252,258	243,639	206,543
Unsecured loans	66,630	161,119	108,633
	1,340,336	1,303,332	1,096,970
Less - allowance for loan impairment losses (Note 22)	(207,101)	(115,052)	(56,697)
Total loans to customers	1,133,235	1,188,280	1,040,273

Loans are made to the following sectors:

	31 December 2009	%	31 December 2008	%	31 December 2007	%
Retail loans:						
- mortgage loans	149,442	10%	158,078	12%	160,663	15%
- consumer loans	149,073	11%	188,542	15%	161,611	15%
	298,515		346,620		322,274	
Wholesale trade	271,719	20%	251,654	19%	223,549	20%
Construction	190,819	14%	166,788	13%	147,908	13%
Agriculture	105,034	8%	73,538	6%	67,112	6%
Retail trade	100,359	8%	106,063	8%	87,650	8%
Services	94,606	7%	134,499	10%	59,921	5%
Real estate	94,513	7%	65,793	5%	40,141	4%
Metallurgy	40,768	3%	36,009	3%	29,913	3%
Food industry	31,435	2%	25,285	2%	16,439	1%
Oil and gas	22,601	2%	23,297	2%	30,289	3%
Transportation	22,398	2%	21,560	2%	9,679	1%
Hotel industry	22,082	2%	14,279	1%	10,122	1%
Energy	11,180	1%	11,072	1%	6,236	1%
Machinery	7,305	1%	4,396	0%	7,296	1%
Mining	4,474	0%	5,043	0%	9,343	1%
Communication	702	0%	1,785	0%	1,323	0%
Consumer goods and automobile trading	-	0%	91	0%	9,683	1%
Research and development	-	0%	-	0%	505	0%
Other	21,826	2%	15,560	1%	17,587	1%
	1,340,336	100%	1,303,332	100%	1,096,970	100%

As at 31 December 2009 the amount of accrued interest on impaired loans comprised KZT 101,860 million (31 December 2008 – KZT 55,737 million; 31 December 2007 – KZT 31,878 million).

13. PROPERTY AND EQUIPMENT

The movements in property and equipment are presented as follows:

	Buildings and constructions	Vehicles	Computers and banking equipment	Other	Total
Revalued/initial cost:					
31 December 2008	37,623	1,508	15,868	13,359	68,358
Additions	15,228	148	1,496	5,663	22,535
Disposals	(4,259)	(75)	(875)	(768)	(5,977)
Transfers	2,331	1	49	(2,381)	-
Revaluation	(5,447)	-	-	-	(5,447)
Impairment	(3,189)	-	-	-	(3,189)
Translation differences	150	9	28	21	208
31 December 2009	42,437	1,591	16,566	15,894	76,488
Accumulated depreciation:					
31 December 2008	356	737	5,868	3,374	10,335
Charge	453	280	2,727	1,487	4,947
Disposals	(21)	(59)	(739)	(566)	(1,385)
Transfers	7	-	1	(8)	-
Write-off at revaluation	(584)	-	-	-	(584)
Translation differences	4	3	7	3	17
31 December 2009	215	961	7,864	4,290	13,330
Net book value:					
31 December 2009	42,222	630	8,702	11,604	63,158

	Buildings and constructions	Vehicles	Computers and banking equipment	Other	Total
Revalued/initial cost:					
31 December 2007	9,644	1,358	11,905	9,181	32,088
Additions	2,510	231	5,314	5,883	13,938
Disposals	(42)	(76)	(1,331)	(604)	(2,053)
Transfers	1,108	1	5	(1,114)	-
Revaluation	24,933	-	-	-	24,933
Impairment	(428)	-	-	-	(428)
Translation differences	(102)	(6)	(25)	13	(120)
31 December 2008	37,623	1,508	15,868	13,359	68,358
Accumulated depreciation:					
31 December 2007	1,386	519	4,716	2,701	9,322
Charge	322	262	2,432	1,115	4,131
Disposals	(6)	(40)	(1,275)	(435)	(1,756)
Transfers	(2)	-	2	-	-
Write-off at revaluation	(1,340)	-	-	-	(1,340)
Translation differences	(4)	(4)	(7)	(7)	(22)
31 December 2008	356	737	5,868	3,374	10,335
Net book value:					
31 December 2008	37,267	771	10,000	9,985	58,023

	Buildings and constructions	Vehicles	Computers and banking equipment	Other	Total
Initial cost:					
31 December 2006	7,439	1,132	8,448	6,560	23,579
Additions	1,654	314	4,185	3,627	9,780
Disposals	(54)	(88)	(566)	(573)	(1,281)
Transfers	598	-	(163)	(435)	-
Translation differences	7	-	1	2	10
31 December 2007	9,644	1,358	11,905	9,181	32,088
Accumulated depreciation:					
31 December 2006	895	326	3,989	1,957	7,167
Charge	499	224	1,369	775	2,867
Disposals	(7)	(31)	(480)	(195)	(713)
Transfers	(1)	-	(162)	163	-
Translation differences	-	-	-	1	1
31 December 2007	1,386	519	4,716	2,701	9,322
Net book value:					
31 December 2007	8,258	839	7,189	6,480	22,766

The Group revalued its buildings and constructions as of 1 August 2009. The revaluation procedures were performed by an independent appraiser "Real Estate" LLP. The independent appraiser used three approaches to identify fair value of the property and equipment: the income approach with the method of realization as income capitalization, the comparative approach with application of market information, and the cost approach.

The income approach with the method of realization as income capitalization and the comparative approach with application of market information were used to identify the fair value of buildings and constructions in terms of active market for items that were subjects for revaluation. The cost approach was used when there was no active market for items that were subjects for revaluation. The total amount of fair value of buildings and constructions is KZT 24,977 million. The carrying amount of property and equipment that would have been recognized had the assets been carried under the cost model is KZT 33,289 million.

14. ASSETS HELD-FOR-SALE

During 2009 after the default of certain loans to customers the Group recognized certain collateral at fair value. The type of collateral recognized was land, buildings and constructions. It is intendent that the fair value of this collateral will be recovered principally through a sale transaction within one year from the date of classification.

Such collateral is recognized as assets held-for-sale, as the appropriate level of management has committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated.

15. GOODWILL

Goodwill arising as a result of business acquisitions relates to future economic benefits from business expansion, including the distribution of products on new markets, raising long-term funds and expected combined activity.

Goodwill arising as a result of a business acquisition is allocated to the companies that generate cash flows. Goodwill for the Group primarily relates to the company JSC Kazakhinstrakh which generates positive cash flows.

Movements of goodwill are presented as follows:

	2009	2008	2007
At the beginning of the year	3,190	3,265	3,265
Impairment loss	-	(75)	-
At the end of the year	3,190	3,190	3,265

As at 31 December 2009, 2008 and 2007 there was no evidence that the goodwill that arose on the acquisition of JSC Kazakhinstrakh has been impaired.

16. INTANGIBLE ASSETS

As at 31 December 2009, 2008 and 2007 the intangible assets of the Group consisted primarily of software used by the Group.

17. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	31 December 2009	31 December 2008	31 December 2007
Reinsurance premium unearned	2,163	2,583	1,934
Reinsurance amounts recoverable	1,147	112	140
	3,310	2,695	2,074
Premiums receivable	1,635	1,722	1,812
Insurance assets	4,945	4,417	3,886

Insurance liabilities comprised the following:

	31 December 2009	31 December 2008	31 December 2007
Gross unearned insurance premium reserve	5,394	6,057	5,265
Reserves for insurance claims	3,008	1,344	805
	8,402	7,401	6,070
Payables to reinsurers and agents	1,184	1,217	1,319
Insurance liabilities	9,586	8,618	7,389

Reserves for insurance claims have been established on the basis of information currently available, including potential outstanding loss notifications, and experience with similar claims.

The movements on claims reserves for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Reserves for claims, beginning of the year	1,344	805	391
Reserves for claims, reinsurance share, beginning of the year	(112)	(140)	(189)
Net reserves for claims, beginning of the year	1,232	665	202
Plus claims incurred	4,082	4,951	2,152
Less claims paid	(3,453)	(4,384)	(1,689)
Net reserves for claims, end of year	1,861	1,232	665
Reserves for claims, reinsurance share, end of the year	1,147	112	140
Reserves for claims, end of the year	3,008	1,344	805

The movements on unearned insurance premium reserve for the years ended 31 December 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Gross unearned insurance premium reserve, beginning of the year	6,057	5,265	5,290
Unearned insurance premium reserve, reinsurance share, beginning of the year	(2,583)	(1,934)	(2,609)
Net unearned insurance premium reserve, beginning of the year	3,474	3,331	2,681
Change in unearned insurance premium reserve	(663)	792	(25)
Change in unearned insurance premium reserve, reinsurance share	420	(649)	675
Change in unearned insurance premium reserve, net	(243)	143	650
Net unearned insurance premium reserve, end of the year	3,231	3,474	3,331
Unearned insurance premium reserve, reinsurance share, end of the year	2,163	2,583	1,934
Gross unearned insurance premium reserve, end of the year	5,394	6,057	5,265

18. OTHER ASSETS

Other assets comprise:

	31 December 2009	31 December 2008	31 December 2007
Other financial assets recorded as loans and receivables in accordance with IAS 39:			
Debtors on non-banking activities	1,319	1,876	2,159
Debtors on banking activities	1,305	760	171
Accrued other commission income	448	777	1,037
Accrued commission for managing pension assets	416	197	1,147
Other	171	361	657
	3,659	3,971	5,171
Less – Allowance for impairment (Note 22)	(930)	(1,074)	(504)
	2,729	2,897	4,667
Other non financial assets:			
Corporate income tax prepaid	7,426	8,608	62
Inventory	1,042	1,590	871
Advances for taxes other than income tax	543	-	-
Prepayments for property and equipment	516	14,044	12,412
Deferred tax assets (Note 23)	247	424	220
Investments in associates	228	272	262
Other	318	1,387	724
	10,320	26,325	14,551
Less - Allowance for impairment (Note 22)	(542)	-	-
	12,507	29,222	19,218

19. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 December 2009	31 December 2008	31 December 2007
Recorded at amortized cost:			
Term deposits:			
Legal entities	556,287	384,832	381,139
Individuals	317,527	258,499	282,520
	873,814	643,331	663,659
Current accounts:			
Legal entities	317,702	151,713	196,618
Individuals	82,553	72,348	75,152
	400,255	224,061	271,770
	1,274,069	867,392	935,429

As at 31 December 2009, the Group's ten largest customers accounted for approximately 52% of the total amounts due to customers (31 December 2008 – 50%; 31 December 2007 – 45%).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sector is as follows:

	31 December 2009	%	31 December 2008	%	31 December 2007	%
Individuals and entrepreneurs	400,080	31%	330,847	38%	357,672	38%
Oil and gas	369,987	29%	279,458	32%	206,185	22%
Other consumer services	85,684	7%	14,044	2%	55,889	6%
Government	85,245	7%	1,350	0%	47,130	5%
Wholesale trade	80,858	6%	50,832	6%	57,105	6%
Transportation	72,754	6%	45,024	5%	55,690	6%
Construction	65,418	5%	42,575	5%	41,781	5%
Financial sector	47,342	4%	51,035	6%	57,573	6%
Metallurgy	25,853	2%	2,183	0%	2,724	0%
Energy	20,573	2%	28,440	3%	32,552	4%
Other	20,275	1%	21,604	3%	21,128	2%
	1,274,069	100%	867,392	100%	935,429	100%

20. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 December 2009	31 December 2008	31 December 2007
Recorded at amortized cost:			
Loans and deposits from Kazakhstan banks	90,134	96,391	66,889
Correspondent accounts	40,082	1,367	1,286
Loans and deposits from OECD based banks	27,292	191,337	176,480
Loans from the JSC “Fund for Entrepreneurship Development "DAMU"	11,925	-	-
Loans from other financial institutions	1,933	184	-
Overnight deposits	1,000	-	-
Loans and deposits from non-OECD based banks	340	329	2,797
	172,706	289,608	247,452

Interest rates and maturities of amounts due to credit institutions are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, rate
Loans and deposits from Kazakhstan banks	0.5%-8.5%	2010	6.9%-11.0%	2009	6.5%-6.6%	2008
Loans and deposits from OECD based banks	1.1%-7.7%	2010-2023	2.5%-8.4%	2009-2015	3.0%-8.4%	2008-2015
Loans from the JSC “Fund for Entrepreneurship Development "DAMU"	7.7%	2016	-	-	-	-
Loans from other financial institutions	2.7%-3.2%	2011-2014	5.3%-6.9%	2010	-	-
Overnight deposits	0.5%-1.2%	2010	-	-	-	-
Loans and deposits from non-OECD based banks	2.7%	2012	11.0%	2009	6.2%-6.7%	2008-2009

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
NBK notes	58,870	55,935	42,049	39,982	51,672	49,151
Treasury bills of the Ministry of Finance of Kazakhstan	28,986	26,160	39,536	36,247	2,973	2,680
	87,856	82,095	81,585	76,229	54,645	51,831

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

As at 31 December 2009, 2008 and 2007, the Group was in compliance with the covenants of the various debt agreements with other banks and financial institutions.

21. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2009	31 December 2008	31 December 2007
Recorded at amortized cost:			
Subordinated debt securities issued:			
Inflation indexed KZT denominated bonds	19,120	19,228	19,221
Fixed rate KZT denominated bonds	15,996	16,021	11,229
Reverse inflation indexed KZT denominated bonds	8,947	8,359	8,381
Total subordinated debt securities outstanding	44,063	43,608	38,831
Unsubordinated debt securities issued:			
USD denominated bonds	208,627	200,118	145,017
KZT denominated bonds	11,203	19,265	41,038
Total unsubordinated debt securities outstanding	219,830	219,383	186,055
Total debt securities outstanding	263,893	262,991	224,886

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

	31 December 2009		31 December 2008		31 December 2007	
	Coupon rate, %	**Maturity, year**	**Coupon rate, %**	**Maturity, Year**	**Coupon rate, %**	**Maturity, year**
Subordinated debt securities issued:						
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015	inflation rate plus 1%	2015
	inflation rate plus 2%	2010-2017	inflation rate plus 2%	2010-2018	inflation rate plus 2%	2010-2017
Fixed rate KZT denominated bonds	7.5%-14.0%	2014-2019	7.5%-13.0%	2009-2018	7.5%-9.0%	2009-2015
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Unsubordinated debt securities issued:						
USD denominated bonds	7.3%-9.3%	2017	7.3%-9.3%	2009-2017	7.3%-8.1%	2009-2017
KZT denominated bonds	12.7%	2012	7.2%-7.8%	2009	7.1%-7.8%	2008-2009

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Interest on debt securities issued is payable on a semi-annual and annual basis.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as of 31 December 2009, 2008 and 2007, the Group was in compliance with the covenants of the agreements the Group has with the notes' trustee and holders.

22. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

The movements in the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers	Amounts due from credit institutions	Available-for-sale investment securities	Other assets	Total
31 December 2006	(33,654)	(6)	-	(218)	(33,878)
Additional provisions recognized	(21,899)	(10)	-	(275)	(22,184)
Write-offs	1,404	-	-	32	1,436
Recoveries of write-offs	(2,548)	(2)	-	(43)	(2,593)
31 December 2007	(56,697)	(18)	-	(504)	(57,219)
(Additional provisions recognized)/recoveries	(58,268)	1	-	(1,748)	(60,015)
Write-offs	25	-	-	1,372	1,397
Foreign exchange differences	(112)	-	-	(194)	(306)
31 December 2008	(115,052)	(17)	-	(1,074)	(116,143)
(Additional provisions recognized)/recoveries	(81,776)	11	(743)	(1,005)	(83,513)
Write-offs	300	-	15	547	862
Foreign exchange differences	(10,573)	(3)	(2)	60	(10,518)
31 December 2009	(207,101)	(9)	(730)	(1,472)	(209,312)

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

Provision represent provisions against letters of credit and guarantees issued. The movements in provisions were as follows:

	2009	2008	2007
At the beginning of the year	(2,889)	(1,885)	(3,021)
Additional provisions recognized	(11,348)	(11,899)	(8,656)
Recovery of provisions	10,127	10,912	9,653
Write-off	-	-	139
Foreign exchange differences	(323)	(17)	-
At the end of the year	(4,433)	(2,889)	(1,885)

23. TAXATION

The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC NBK Bank, OJSC Halyk Bank Kyrgyzstan, LLP NBK-Finance and JSC Halyk Bank Georgia are subject to taxation in Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. JSC NBK Bank and LLP NBK-Finance are subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Current tax charge	5,007	812	9,495
Deferred tax expense/(benefit) resulting from changes in tax rates	295	(1,226)	-
Deferred tax (benefit)/expense	(2,049)	2,038	1,147
Income tax expense	3,253	1,624	10,642

Kazakhstan legal entities must file individual tax declarations. The tax rate for banks for income other than on state and other qualifying securities was 20% during 2009 and 30% during 2008 and 2007. The tax rate for companies other than banks was also 20% during 2009 and 30% during 2008 and 2007, except insurance companies which were taxed at 4%. Income on state and other qualifying securities is tax exempt.

During 2008 there was a change in tax legislation in Kazakhstan in relation to corporate income tax, which is set at 20% for the financial year ending 31 December 2009, 17.5% for the financial year ending 31 December 2010 and 15% for financial years ending 31 December 2011 and thereafter.

There was a further change during 2009 in tax legislation in Kazakhstan in relation to corporate income tax, which is set at 20% for financial years ending 31 December 2009, 2010 and 2011, 17.5% for the financial year ending 31 December 2012 and 15% for financial years ending 31 December 2013 and thereafter.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Income before income tax expense	19,129	16,178	51,167
Statutory tax rate	20%	30%	30%
Income tax expense at the statutory rate	3,826	4,853	15,350
Deferred tax expense/(benefit) resulting from changes in tax rates	295	(1,226)	-
Tax-exempt interest income on mortgage loans and long-term loans issued by the Group to modernize equipment	-	-	(2,244)
Tax-exempt interest income and other related income on state and other qualifying securities	(1,114)	(2,502)	(2,569)
Income of subsidiaries taxed at different rates	(380)	(565)	(309)
Tax-exempt interest income on financial lease	(353)	(351)	(9)
Tax-exempt income on dividends	(247)	(257)	(300)
Change in unrecognized tax assets	333	1,353	-
Non-deductible expenditures:			
- general and administrative expenses	461	129	195
- other provisions	201	227	122
- withholding tax on interest	8	100	112
- charity	5	30	6
- interest on deposits to non-residents	-	26	3
Other	218	(193)	285
Income tax expense	3,253	1,624	10,642

Deferred tax assets and liabilities comprise:

	31 December 2009	31 December 2008	31 December 2007
Tax effect of deductible temporary differences:			
Fair value of derivatives	585	1,051	-
Losses carried forward	333	143	-
Vacation pay accrual	198	182	212
Insurance premium reserves	162	170	129
Provisions, different rates	76	62	-
Bonuses accrued	6	18	1,262
Deferred tax asset	1,360	1,626	1,603
Tax effect of taxable temporary differences:			
Property and equipment, accrued depreciation	(3,530)	(4,041)	(1,342)
Loans to customers, allowance for impairment losses	(3,304)	(5,042)	(3,431)
Fair value of derivatives	(473)	(971)	(185)
Taxes	-	(2)	-
Provisions, different rates	-	-	(322)
Deferred tax liability	(7,307)	(10,056)	(5,280)
Net deferred tax asset (Note 18)	247	424	220
Net deferred tax liability	(6,194)	(8,854)	(3,897)

During 2008 the Group recognized a loss on certain financial assets and liabilities at fair value through profit or loss in the amount of KZT 4,510 million, which can only be utilized against future realized gains on certain financial assets and liabilities within 3 years. This loss is not expected to be utilized by the Group within the allowed period, and as such a corresponding deferred tax asset has not been recognized.

Kazakhstan and other countries where the Group operates currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

Movements in net deferred tax liability:

	2009	2008	2007
Net deferred tax liability at the beginning of the year	8,430	3,677	2,530
(Credited)/debited directly to equity at the date of property and equipment revaluation	(729)	3,941	-
Deferred tax income resulting from change in tax rates	295	(1,226)	-
Deferred tax (benefit)/expense	(2,049)	2,038	1,147
Net deferred tax liability at the end of the year	5,947	8,430	3,677

24. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2009	31 December 2008	31 December 2007
Other financial liabilities:			
Creditors on non-banking activities	997	967	1,101
Payable for general and administrative expenses	437	600	155
Creditors on bank activities	351	94	95
Amounts due to customers of pension funds	-	7,209	-
Other	87	88	175
	1,872	8,958	1,526
Other non financial liabilities:			
Taxes payable other than income tax	3,789	2,579	1,111
Other prepayments received	1,158	1,017	1,015
Salary payable	1,149	1,332	5,653
Current income tax payable	7	8	956
	7,975	13,894	10,261

JSC Accumulated Pension fund of Halyk Bank (the "Pension Fund Management Company) receives two types of fees – 15% for management of pension assets based on the income earned or loss incurred on the pension assets during the year and 0.05% earned monthly based on total net assets under management.

At the end of 2008 due to a significant fall in the market quotations of securities the portfolio of pension assets incurred significant unrealized losses. This resulted in the refunding of management fees by the Pension Fund Management Company. The Group would have to repay those amounts in instances where the customers leave the fund or otherwise they could be offset against future positive management fees.

25. EQUITY

Authorized, issued and fully paid number of shares as at 31 December 2009, 2008 and 2007 were as follows:

31 December 2009

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	2,400,000,000	(1,091,584,040)	1,308,415,960	(7,899,791)	1,300,516,169
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(23,970,179)	285,889,251
Convertible preferred	80,225,222	-	80,225,222	(294,821)	79,930,401

31 December 2008

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	1,129,016,660	(145,000,000)	984,016,660	(4,585,603)	979,431,057
Non-convertible preferred	24,742,000	-	24,742,000	(199,321)	24,542,679
Convertible preferred	80,225,222	-	80,225,222	(113,677)	80,111,545

31 December 2007

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	1,129,016,660	(145,000,000)	984,016,660	(4,257,172)	979,759,488
Non-convertible preferred	24,742,000	-	24,742,000	(55,237)	24,686,763
Convertible preferred	80,225,222	-	80,225,222	(32,610)	80,192,612

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2006	970,689,036	24,742,000	80,215,187	44,939	2,474	13,233
Capital contributions	9,468,878	-	-	4,847	-	-
Purchase of treasury shares	(398,426)	(55,237)	(22,575)	(28)	-	-
31 December 2007	979,759,488	24,686,763	80,192,612	49,758	2,474	13,233
Capital contributions	-	-	-	-	-	-
Purchase of treasury shares	(328,431)	(144,084)	(81,067)	(3)	-	-
31 December 2008	979,431,057	24,542,679	80,111,545	49,755	2,474	13,233
Capital contributions	324,399,300	285,117,430	-	33,747	48,019	-
Purchase of treasury shares	(4,663,879)	(24,023,569)	(181,344)	(47)	(3,602)	-
Sale of treasury shares	1,349,691	252,711	200	13	-	-
31 December 2009	1,300,516,169	285,889,251	79,930,401	83,468	46,891	13,233

At 31 December 2009, the Group held 7,899,791 of the Group's common shares as treasury shares at KZT 103 million (31 December 2008 – 4,585,603 at KZT 69 million; 31 December 2007 - 4,257,172 at KZT 66 million).

Common shares

Each common share is entitled to one vote and dividends.

Preferred shares

In accordance with IAS 32 "Financial Instruments: Presentation", both the non-convertible and convertible preferred shares (together, the "Preferred Shares") are classified as compound instruments. On a return of capital on liquidation, the assets of the Group available for distribution are applied in priority to any payment to the holders of common shares in paying to the holders of the Preferred Shares an amount equal to the nominal capital paid up or credited as paid up.

The terms of the Preferred Shares require that the Bank pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on preferred shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the preference shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on preference shares are fully paid.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the preference share agreement and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBK plus one per cent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBK plus one per cent. Inflation in either calculation will range between three and nine per cent. Dividends on the Preferred Shares are only paid if declared and approved by the Board of Directors at the Annual General Meeting of the Shareholders.

The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

Share premium reserve – Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

Convertible preferred shares – Each convertible preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group will pay a compensation amount to each convertible preferred shareholder on conversion based on a formula specified in the preference share agreement. This payment is calculated such that, at the date of conversion, if the value of the common shares received by the preferred shareholder is less than KZT 160 per share, the Group will reimburse the preferred shareholders for the difference in cash at the time of conversion.

26. COMMITMENTS AND CONTINGENCIES

Financial Commitments and Contingencies – The Group's financial commitments and contingencies comprised the following:

	31 December 2009	31 December 2008	31 December 2007
Guarantees issued	64,845	32,337	34,888
Commercial letters of credit	20,356	18,760	18,825
Commitments to extend credit	16,723	23,489	37,746
Financial commitments and contingencies	101,924	74,586	91,459
Less: cash collateral against letters of credit	(3,518)	(1,197)	(443)
Less: provisions (Note 22)	(4,433)	(2,889)	(1,885)
Financial commitments and contingencies, net	93,973	70,500	89,131

Guarantees issued included above represent financial guarantees where payment is not probable as at the respective reporting date, and therefore have not been recorded in the consolidated statement of financial position. As at 31 December 2009, the ten largest guarantees accounted for 78% of the Group's total financial guarantees (31 December 2008 – 72%; 31 December 2007 – 54%) and represented 18% of the Group's total equity (31 December 2008 – 12%; December 2007 – 13%).

As at 31 December 2009, the ten largest letters of credit accounted for 76% of the Group's total commercial letters of credit (31 December 2008 – 83%; December 2007 – 31%) and represented 5% of the Group's total equity (31 December 2008 – 8%; December 2007 – 7%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Trust Activities – In the normal course of its business, the Group enters into agreements with clients to manage the clients' assets with limited decision making rights and in accordance with specific criteria established by the clients. The Group may only be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group on any date is equal to the volume of the clients' funds, net of any unrealized income/loss on the client's position. The balance of the clients' funds under the management of the Group, as at 31 December 2009 is KZT 560 billion (31 December 2008 – KZT 405 billion; December 2007 – KZT 354 billion).

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

Taxation – Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Tax years remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

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

Although in recent years there has been a general improvement in economic conditions in Kazakhstan, the country continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Ongoing global liquidity crisis – The financial markets, both globally and in the Republic of Kazakhstan, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets and the strength of counterparties. As such, many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

While many countries, including Kazakhstan, have recently reported an improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from a decline in the oil and gas prices could slow or disrupt the Kazakhstan economy, adversely affect the Group's access to capital and cost of capital for the Group and its business, results of operations, financial condition and prospects.

While the Kazakhstan government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

27. NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on impaired assets	181,775	173,468	121,017
- interest income on unimpaired assets	4,515	8,799	1,223
Interest income on available-for-sale investment securities	7,578	8,802	7,737
Interest income on financial assets recorded at fair value through profit or loss	137	1,591	2,589
Total interest income	194,005	192,660	132,566
Interest income on loans to customers	178,524	173,402	116,147
Interest income on amounts due from credit institutions and cash and cash equivalents	4,514	8,865	6,093
Interest income on investments held-to-maturity	3,252	-	-
Total interest income on financial assets recorded at amortized cost	186,290	182,267	122,240
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	137	1,591	2,589
Total interest income on financial assets at fair value through profit or loss	137	1,591	2,589
Interest income on available-for-sale investment securities	7,578	8,802	7,737
Total interest income	194,005	192,660	132,566
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortized cost	(103,277)	(100,753)	(61,532)
Total interest expense	(103,277)	(100,753)	(61,532)
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest expense on amounts due to customers	(66,869)	(66,878)	(35,348)
Interest expense on debt securities issued	(27,237)	(21,278)	(15,395)
Interest expense on amounts due to credit institutions	(9,171)	(12,597)	(10,789)
Total interest expense on financial liabilities recorded at amortized cost	(103,277)	(100,753)	(61,532)
Net interest income before impairment charge	90,728	91,907	71,034

28. FEES AND COMMISSIONS

Fee and commission income was derived from the following sources:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Pension fund and asset management	16,103	4,642	6,497
Bank transfers	8,756	8,959	8,184
Maintenance of customer accounts	3,340	2,407	1,433
Plastic cards maintenance	3,172	2,386	1,575
Cash operations	3,046	3,598	3,747
Customers' pension payments	2,093	1,710	1,292
Letters of credit and guarantees issued	1,904	1,887	1,424
Utilities payments	335	308	239
Other	965	1,311	1,037
	39,714	27,208	25,428

Fee and commission expense comprised the following:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Plastic cards	(769)	(731)	(682)
Commission paid to collectors	(591)	(223)	-
Bank transfers	(170)	(126)	(182)
Foreign currency operations	(127)	(140)	(141)
Other	(499)	(461)	(250)
	(2,156)	(1,681)	(1,255)

29. NET GAIN/(LOSS) FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:			
Net gain/(loss) on fair value adjustment	1,803	(2,280)	(1,184)
(Loss)/gain on trading operations	(411)	(7,370)	4,549
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	1,392	(9,650)	3,365

30. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Dealing, net	10,971	7,262	6,861
Translation differences, net	469	4,491	(1,414)
Total net gain on foreign exchange operations	11,440	11,753	5,447

31. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Insurance premiums written, gross	14,480	14,937	11,768
Ceded reinsurance share	(5,920)	(5,596)	(5,198)
Change in unearned insurance premiums, net	243	(143)	(650)
	8,803	9,198	5,920

32. OPERATING EXPENSES

Operating expenses comprised:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Salaries and other employee benefits	18,684	20,484	19,681
Depreciation and amortization expenses	5,979	5,040	3,366
Impairment of property and equipment	3,189	485	-
Deposit insurance	2,781	1,567	1,814
Repair and maintenance	1,917	2,780	1,238
Taxes other than income tax	1,831	2,254	1,949
Rent	1,508	1,772	1,342
Security	1,334	1,079	803
Communication	1,220	1,328	1,118
Insurance agency fees	1,217	1,190	950
Information services	954	591	493
Stationery and office supplies	617	397	483
Advertisement	548	1,500	1,012
Business trip expenses	421	657	676
Transportation	377	455	416
Professional services	310	815	779
Charity	56	100	65
Hospitality expenses	48	66	-
Social events	25	123	174
Other	1,493	1,642	1,483
	44,509	44,325	37,842

33. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

According to Kazakhstan legislation on Joint Stock Companies, and as described in Note 25, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Basic earnings per share			
Net income for the year attributable to equity holders of the parent	15,710	14,600	40,097
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	(1,225)	-	(2,304)
Less: Dividends paid on preferred shares	(1,679)	(1,679)	(1,579)
Earnings attributable to preferred shareholders	(2,904)	(1,679)	(3,883)
Earnings attributable to common shareholders	12,806	12,921	36,214
Weighted average number of common shares for the purposes of basic earnings per share	1,188,091,004	979,722,276	978,504,308
Basic earnings per share (Tenge)	10.78	13.19	37.01
Diluted earnings per share			
Earnings used in the calculation of basic earnings per share	12,806	12,921	36,214
Add: Dividends paid on convertible preferred shares	-	1,284	1,207
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	-	-	1,761
Less: Amounts payable to convertible preferred shareholders upon conversion	-	(1,148)	(1,138)
Earnings used in the calculation of total diluted earnings per share	12,806	13,057	38,044
Weighted average number of common shares for the purposes of basic earnings per share	1,188,091,004	979,722,276	978,504,308
Shares deemed to be issued:			
Weighted average number of common shares that would be issued for the convertible preferred shares	-	80,165,873	80,214,034
Weighted average number of common shares for the purposes of diluted earnings per share	1,188,091,004	1,059,888,149	1,058,718,342
Diluted earnings per share (Tenge)*	10.78	12.32	35.93

*For the year ended 31 December 2009 the convertible preferred shares were not included in the computation of diluted earnings per share as their effect was anti-dilutive.

34. FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority. These procedures are performed, by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (e.g. borrower's limits approved) are reviewed and approved by respective division of the Risk Management Department. Daily risk management is performed by the Branch Credit Divisions of the Bank.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved quarterly and by region are approved annually by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by Management board. The exposure to any one borrower including banks and brokers, covering on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a monthly basis with preparation of management reports.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on (Note 26). The collateral pledged was determined based on its fair value and limited to the outstanding balance of each loan.

					31 December 2009
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents*	438,185	-	438,185	5,362	432,823
Financial assets at fair value through profit or loss	8,528	-	8,528	3,750	4,778
Amounts due from credit institutions	56,101	-	56,101	-	56,101
Available-for-sale investment securities	200,221	-	200,221	-	200,221
Investments held to maturity	17,186	-	17,186	-	17,186
Loans to customers	1,133,235	-	1,133,235	1,066,605	66,630
Other financial assets	2,729	-	2,729	-	2,729
Total financial assets	1,856,185	-	1,856,185	1,075,717	780,468
Commitments and contingencies	97,491	-	97,491	3,518	93,973

					31 December 2008
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents*	137,170	-	137,170	660	136,510
Financial assets at fair value through profit or loss	14,987	-	14,987	1,688	13,299
Amounts due from credit institutions	10,357	-	10,357	-	10,357
Available-for-sale investment securities	135,801	-	135,801	-	135,801
Investments held to maturity	8,689	-	8,689	-	8,689
Loans to customers	1,188,280	-	1,188,280	1,027,161	161,119
Other financial assets	2,897	-	2,897	-	2,897
Total financial assets	1,498,181	-	1,498,181	1,029,509	468,672
Commitments and contingencies	71,697	-	71,697	1,197	70,500

					31 December 2007
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents*	252,327	-	252,327	7,282	245,045
Financial assets at fair value through profit or loss	48,073	-	48,073	-	48,073
Amounts due from credit institutions	3,398	-	3,398	357	3,041
Available-for-sale investment securities	107,839	-	107,839	-	107,839
Loans to customers	1,040,273	-	1,040,273	931,640	108,633
Other financial assets	4,667	-	4,667	-	4,667
Total financial assets	1,456,577	-	1,456,577	939,279	517,298
Commitments and contingencies	89,574	-	89,574	443	89,131

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group, before any impairment losses and which are monitored by international rating agencies:

	AA-	A	BBB	BB+	<BBB	Not rated	31 December 2009 Total
Cash and cash equivalents	170,332	43,294	3,970	-	213,310	49,716	480,622
Financial assets at fair value through profit or loss	-	-	-	-	3,105	5,423	8,528
Amounts due from credit institutions	-	51,086	1,242	-	3,242	540	56,110
Available-for-sale investment securities	-	920	5,138	1,995	186,860	6,038	200,951
Investments held to maturity	6,233	-	197	3,647	6,293	816	17,186
Other financial assets	-	-	-	-	-	3,659	3,659
Commitments and contingencies	-	-	-	-	-	101,924	101,924

	AA-	A	BBB	BB+	<BBB	Not Rated	31 December 2008 Total
Cash and cash equivalents	107,062	24,158	104	77	107	29,580	161,088
Financial assets at fair value through profit or loss	-	-	7,092	1,454	-	6,441	14,987
Amounts due from credit institutions	3,241	-	1,721	4,084	388	940	10,374
Available-for-sale investment securities	5,424	1,922	110,661	1,060	15,727	1,007	135,801
Investments held to maturity	3,131	-	4,547	1,011	-	-	8,689
Other financial assets	-	-	-	-	-	3,971	3,971
Commitments and contingencies	-	-	-	-	-	74,586	74,586

	AA-	A	BBB	BB+	<BBB	Not Rated	31 December 2007 Total
Cash and cash equivalents	186,653	53,511	14	9,575	-	5,492	255,245
Financial assets at fair value through profit or loss	5,967	1,852	1,964	33,472	1,341	3,477	48,073
Amounts due from credit institutions	3,065	-	-	-	-	351	3,416
Available-for-sale investment securities	-	-	-	103,841	3,998	-	107,839
Other financial assets	-	-	-	-	-	5,171	5,171
Commitments and contingencies	-	-	-	-	-	91,459	91,459

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the Risk Management function.

During 2009 the Group introduced a new internal model to classify loans in different risk categories. After the occurrence of an impairment event, the model assists in estimating the allowance for loan loss based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. Periodically the required information is inputted into the model by credit officers. Information input into the system and the estimate of the allowance for loan loss is verified by the Risk management department.

The new model was introduced in 2009, therefore the breakdown of classification of loans according to this model is not available for the comparative periods and is not presented. The following classifications are used by the new model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, paying capacity of the borrower depends on favourable economic circumstances;
- Rating score 8 - very high risk of default;
- Rating score 9 - procedure of bankruptcy is initiated but repayments are still made by the borrower;
- Rating score 10 – default.
- Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Collective assessment is performed on loans that were determined not to be individually significant based on the limits set by the Board of Directors of the Group and loans that are individually assessed for impairment and for which an impairment loss is not recognized.

Rating score	**31 December 2009**
1	-
2	-
3	47
4	29,789
5	149,513
6	343,355
7	337,047
8	105,943
9	-
10	990
Loans to customers that individually assessed for impairment	966,684
Loans to customers that are collectively assessed for impairment	373,652
	1,340,336
Less – Allowance for loan impairment (Note 22)	(207,101)
Loans to customers	1,133,235

Previously, Risk Management used the following classifications:

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Collective assessment is performed on loans that were determined not to be individually significant based on the limits set by the Board of Directors and loans that are individually assessed for impairment and for which an impairment loss is not recognized.

Doubtful 1st category – There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower repays the loan principal and the interest without delay and in full. The value of collateral covers at least 50 per cent of the Group's exposure.

Doubtful 2nd category – There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. However, due to temporary difficulties the borrower repays the loan with delays and/or not in full. The value of collateral covers at least 50 per cent of the Group's exposure.

Doubtful 3rd category – There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to improve its current financial performance, thus casting doubt on the borrower's ability to repay the loan and the interest in full. However, despite severe deterioration of financial health the borrower manages to repay the loan and interest in full and without delay. The value of collateral covers at least 50 per cent of the Group's exposure.

Doubtful 4th category – There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to stabilize and improve its current financial performance and impairs the borrower's ability to repay the loan and the interest in full. The borrower repays the loan late and/or not in full. The value of collateral covers at least 50 per cent of the Group's exposure.

Doubtful 5th category – The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The quality of collateral can be classified as satisfactory (normally not highly liquid but covering not less than 100 per cent. of the borrower's outstanding debt) or unsatisfactory (the value of which covers nearly but not less than 50 per cent of the borrower's outstanding debt).

Loss – In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the collateral value is negligible. The loan is uncollateralized or the value of the collateral covers less than 50 per cent of the borrowers' outstanding debt.

	31 December 2008	**31 December 2007**
Pools of homogeneous loans	737,434	835,901
Doubtful 1st category	369,689	180,643
Doubtful 2nd category	7,922	7,817
Doubtful 3rd category	97,430	46,456
Doubtful 4th category	16,307	4,172
Doubtful 5th category	20,447	2,763
Loss loans	54,103	19,218
	1,303,332	1,096,970
Less – Allowance for loan impairment (Note 22)	(115,052)	(56,697)
Loans to customers	1,188,280	1,040,273

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		Financial assets past due but not impaired which are individually and collectively assessed	31 December 2009 Total
	Impaired financial assets that have been individually assessed for impairment		Unimpaired financial assets that have been individually assessed for impairment					
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses		
Financial assets at fair value through profit or loss	-	-	8,528	-	-	-	-	8,528
Amounts due from credit institutions	-	-	55,926	-	184	(9)	-	56,101
Available-for-sale investment securities	723	(284)	199,782	-	-	-	-	200,221
Investments held-to-maturity	-	-	17,186	-	-	-	-	17,186
Loans to customers	577,963	(139,038)	388,721	(40,405)	373,652	(27,658)	-	1,133,235
Other financial assets	3,610	(930)	49	-	-	-	-	2,729

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		Financial assets past due but not impaired which are individually and collectively assessed	31 December 2008 Total
	Impaired financial assets that have been individually assessed for impairment		Unimpaired financial assets that have been individually assessed for impairment					
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses		
Financial assets at fair value through profit or loss	-	-	14,987	-	-	-	-	14,987
Amounts due from credit institutions	244	(11)	9,993	-	137	(6)	-	10,357
Available-for-sale investment securities	-	-	135,801	-	-	-	-	135,801
Investments held-to-maturity	-	-	8,689	-	-	-	-	8,689
Loans to customers	565,898	(87,627)	319,152	(24,965)	418,282	(2,460)	-	1,188,280
Other financial assets	2,142	(1,074)	1,829	-	-	-	-	2,897

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		Financial assets past due but not impaired which are individually and collectively assessed	31 December x2007 Total
	Impaired financial assets that have been individually assessed for impairment		Unimpaired financial assets that have been individually assessed for impairment					
	Carrying amount of assets	**Amount of allowance for impairment losses**	**Carrying amount of assets**	**Amount of allowance for impairment losses**	**Carrying amount of assets**	**Amount of allowance for impairment losses**		
Financial assets at fair value through profit or loss	-	-	48,073	-	-	-	-	48,073
Amounts due from credit institutions	-	-	2,968	-	448	(18)	-	3,398
Available-for-sale investment securities	-	-	107,839	-	-	-	-	107,839
Loans to customers	261,051	(37,477)	263,767	(7,566)	572,134	(11,654)	18	1,040,273
Other financial assets	504	(504)	4,667	-	-	-	-	4,667

Currency Risk – The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors, by branches and in total. These limits also comply with the minimum requirements of the FMSA. The Group's exposure to foreign currency exchange rate risk follows:

	31 December 2009			31 December 2008			31 December 2007		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
FINANCIAL ASSETS:									
Cash and cash equivalents	242,624	237,998	480,622	4,282	156,806	161,088	9,831	245,414	255,245
Obligatory reserves	7,991	17,958	25,949	20,165	10,660	30,825	30,122	57,146	87,268
Financial assets at fair value through profit or loss	2,750	5,778	8,528	8,090	6,897	14,987	37,248	10,825	48,073
Amounts due from credit institutions	2,864	53,237	56,101	5,777	4,580	10,357	3,084	314	3,398
Available-for-sale investment securities	193,889	6,332	200,221	132,879	2,922	135,801	106,886	953	107,839
Investments held to maturity	9,005	8,181	17,186	-	8,689	8,689	-	-	-
Loans to customers	544,296	588,939	1,133,235	643,078	545,202	1,188,280	621,285	418,988	1,040,273
Other financial assets	2,516	213	2,729	2,579	318	2,897	3,208	1,459	4,667
	1,005,935	918,636	1,924,571	816,850	736,074	1,552,924	811,664	735,099	1,546,763
FINANCIAL LIABILITIES:									
Amounts due to customers	569,663	704,406	1,274,069	465,863	401,529	867,392	548,136	387,293	935,429
Amounts due to credit institutions	141,108	31,598	172,706	91,522	198,086	289,608	79,989	167,463	247,452
Financial liabilities at fair value through profit or loss	-	3,201	3,201	-	6,048	6,048	-	2,851	2,851
Debt securities issued	55,266	208,627	263,893	62,873	200,118	262,991	79,869	145,017	224,886
Other financial liabilities	1,594	278	1,872	8,862	96	8,958	267	1,259	1,526
	767,631	948,110	1,715,741	629,120	805,877	1,434,997	708,261	703,883	1,412,144
Net balance sheet position	238,304	(29,474)	208,830	187,730	(69,803)	117,927	103,403	31,216	134,619

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

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's interest rate policy is reviewed and approved by the Group's ALMC. The interest rates on the Group's assets and liabilities are disclosed in the relevant notes to the consolidated financial statements.

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. Short-term liquidity needs are managed by the Group's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. The Assets and Liabilities Management Committee within the authority approved by 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 financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date, except for financial assets at fair value through profit or loss which are included in the column “On demand” as they are available to meet the Group’s short-term liquidity needs. The presentation below is based upon the information provided internally to key management personnel of the Group.

	31 December 2009								
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:									
Cash and cash equivalents	63,330	318,563	98,729	-	-	-	-	-	480,622
Obligatory reserves	6,532	1,566	2,123	7,622	1,827	1,618	1,998	2,663	25,949
Financial assets at fair value through profit or loss	8,528	-	-	-	-	-	-	-	8,528
Amounts due from credit institutions	-	2	1	47,355	55	6,537	2,140	11	56,101
Available-for-sale investment securities	2,988	14,432	89,021	45,210	15,445	9,645	17,467	6,013	200,221
Investments held to maturity	-	72	6,698	1,723	293	1,643	2,827	3,930	17,186
Loans to customers	35,843	54,867	128,819	572,453	97,099	56,581	66,369	121,204	1,133,235
Other financial assets	633	1,128	642	50	3	130	10	133	2,729
	117,854	390,630	326,033	674,413	114,722	76,154	90,811	133,954	1,924,571
FINANCIAL LIABILITIES:									
Amounts due to customers	392,946	80,803	122,606	448,813	108,868	86,508	3,455	30,070	1,274,069
Amounts due to credit institutions	42,821	89,452	524	2,471	5,363	6,833	6,359	18,883	172,706
Financial liabilities at fair value through profit or loss	3,201	-	-	-	-	-	-	-	3,201
Debt securities issued	-	107	1,065	8,476	-	10,138	111,977	132,130	263,893
Other financial liabilities	317	1,379	36	87	-	-	53	-	1,872
	439,285	171,741	124,231	459,847	114,231	103,479	121,844	181,083	1,715,741
Net position	(321,431)	218,889	201,802	214,566	491	(27,325)	(31,033)	(47,129)	
Accumulated gap	(321,431)	(102,542)	99,260	313,826	314,317	286,992	255,959	208,830	

	31 December 2008								
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:									
Cash and cash equivalents	32,338	128,750	-	-	-	-	-	-	161,088
Obligatory reserves	7,900	7,464	1,861	9,166	1,361	1,676	806	591	30,825
Financial assets at fair value through profit or loss	14,987	-	-	-	-	-	-	-	14,987
Amounts due from credit institutions	-	1,428	778	3,676	221	14	4,235	5	10,357
Available-for-sale investment securities	725	8,825	33,355	47,027	20,352	3,941	6,852	14,724	135,801
Investments held to maturity	-	868	421	4,645	-	-	-	2,755	8,689
Loans to customers	8,620	46,261	112,823	518,568	234,252	4,103	108,710	154,943	1,188,280
Other financial assets	67	1,520	156	558	76	8	508	4	2,897
	64,637	195,116	149,394	583,640	256,262	9,742	121,111	173,022	1,552,924
FINANCIAL LIABILITIES:									
Amounts due to customers	225,889	208,134	52,001	255,837	37,727	47,157	24,000	16,647	867,392
Amounts due to credit institutions	2,824	93,609	28,286	56,481	89,838	6,473	9,595	2,502	289,608
Financial liabilities at fair value through profit or loss	6,048	-	-	-	-	-	-	-	6,048
Debt securities issued	3	107	16,141	32,586	5,016	-	93,824	115,314	262,991
Other financial liabilities	8,401	237	235	24	-	-	61	-	8,958
	243,165	302,087	96,663	344,928	132,581	53,630	127,480	134,463	1,434,997
Net position	(178,528)	(106,971)	52,731	238,712	123,681	(43,888)	(6,369)	38,559	
Accumulated gap	(178,528)	(285,499)	(232,768)	5,944	129,625	85,737	79,368	117,927	

	31 December 2007								
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:									
Cash and cash equivalents	8,501	246,464	280	-	-	-	-	-	255,245
Obligatory reserves	24,099	15,353	10,540	25,708	2,736	4,735	543	3,554	87,268
Financial assets at fair value through profit or loss	48,073	-	-	-	-	-	-	-	48,073
Amounts due from credit institutions	-	193	127	2,460	566	24	25	3	3,398
Available-for-sale investment securities	2,045	35,350	332	56,493	2,220	2,474	4,742	4,183	107,839
Loans to customers	9,384	6,024	78,632	485,795	198,133	3,443	93,151	165,711	1,040,273
Other financial assets	833	1,675	132	1,578	165	19	212	53	4,667
	92,935	305,059	90,043	572,034	203,820	10,695	98,673	173,504	1,546,763
FINANCIAL LIABILITIES:									
Amounts due to customers	258,322	164,571	112,974	275,565	29,331	50,747	5,821	38,098	935,429
Amounts due to credit institutions	1,836	71,323	11,656	28,393	107,858	5,782	18,089	2,515	247,452
Financial liabilities at fair value through profit or loss	2,851	-	-	-	-	-	-	-	2,851
Debt securities issued	126	-	2,418	913	65,860	6,216	-	149,353	224,886
Other financial liabilities	85	654	724	15	48	-	-	-	1,526
	263,220	236,548	127,772	304,886	203,097	62,745	23,910	189,966	1,412,144
Net position	(170,285)	68,511	(37,729)	267,148	723	(52,050)	74,763	(16,462)	
Accumulated gap	(170,285)	(101,774)	(139,503)	127,645	128,368	76,318	151,081	134,619	

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities based on the remaining contractual payments (including interest payments).

	Weighted average effective interest rate	Up to 1 month	1 month to 3 year	3 months to 1 year	1year to 2 years	2 to 3 years	3 to 5 years	Over 5 years	31 December 2009 Total
FINANCIAL LIABILITIES:									
Amounts due to credit institutions	3.03%	132,284	533	2,511	5,627	7,351	7,132	28,657	184,095
Amounts due to customers	5.91%	475,513	128,259	478,492	131,377	117,751	45,354	57,373	1,434,119
Financial liabilities at fair value through profit or loss		23,632	-	-	-	-	-	-	23,632
Debt securities issued	9.40%	112	1,300	15,299	21,802	31,940	146,643	163,342	380,438
Other financial liabilities		1,696	36	87	-	-	53	-	1,872
Guarantees issued		64,845	-	-	-	-	-	-	64,845
Commitments to extend credit		16,723	-	-	-	-	-	-	16,723
		714,805	130,128	496,389	158,806	157,042	199,182	249,372	2,105,724
Derivative financial assets		31,226	-	-	-	-	-	-	31,226

	Weighted average effective interest rate	Up to 1 month	1 month to 3 year	3 months to 1 year	1year to 2 years	2 to 3 years	3 to 5 years	Over 5 years	31 December 2008 Total
FINANCIAL LIABILITIES:									
Amounts due to credit institutions	5.72%	96,967	43,739	68,502	127,232	8,602	9,802	2,560	357,404
Amounts due to customers	6.86%	435,843	56,512	273,376	58,017	63,558	56,989	17,121	961,416
Financial liabilities at fair value through profit or loss	-	122,007	-	-	-	-	-	-	122,007
Debt securities issued	9.66%	111	16,375	62,466	33,732	29,998	237,157	232,779	612,618
Other financial liabilities	-	8,638	235	24	-	-	61	-	8,958
Guarantees issued		32,337	-	-	-	-	-	-	32,337
Commitments to extend credit	-	23,489	-	-	-	-	-	-	23,489
		719,392	116,861	404,368	218,981	102,158	304,009	252,460	2,118,229
Derivative financial assets		122,450	-	-	-	-	-	-	122,450

	Weighted average effective interest rate	Up to 1 month	1 month to 3 year	3 months to 1 year	1year to 2 years	2 to 3 years	3 to 5 years	Over 5 years	31 December 2007 Total
FINANCIAL LIABILITIES:									
Amounts due to credit institutions	5.83%	87,213	11,995	42,263	124,454	6,550	18,266	2,541	293,282
Amounts due to customers	5.38%	429,083	121,083	292,115	33,653	57,301	6,071	40,629	979,935
Financial liabilities at fair value through profit or loss	-	110,501	-	-	-	-	-	-	110,501
Debt securities issued	7.73%	261	2,818	15,921	84,021	18,010	27,253	253,967	402,251
Other financial liabilities	-	739	724	15	48	-	-	-	1,526
Guarantees issued		34,888	-	-	-	-	-	-	34,888
Commitments to extend credit	-	37,746	-	-	-	-	-	-	37,746
		700,431	136,620	350,314	242,176	81,861	51,590	297,137	1,860,129
Derivative financial assets		103,150	-	-	-	-	-	-	103,150

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2009.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

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

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

Interest rate risk

The Group manages interest rate by determining the Group's exposure to the interest rate risk using the approach described by the Basle Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities by 200 basis points.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2009, 2008 and 2007 and the effect of revaluing instruments with fixed rates accounted at fair value. The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluating available for sale investment securities with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2009, 2008 and 2007:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate +2%	**Interest rate -2%**	**Interest rate +2%**	**Interest rate -2%**	**Interest rate +2%**	**Interest rate -2%**
FINANCIAL ASSETS:						
Financial assets at fair value through profit or loss	(54)	63	225	(319)	(1,365)	1,556
Amounts due to credit institutions	131	(131)	85	(85)	-	-
Loans to customers	550	(550)	1,620	(1,620)	1,441	(1,441)
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	551	(551)	2,931	(2,931)	(811)	811
Amounts due to customers	-	-	-	-	(1,684)	1,684
Net impact on profit before tax	1,178	(1,169)	4,861	(4,955)	(2,419)	2,610

Impact on equity:

	31 December 2009		31 December 2008		31 December 2007	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
FINANCIAL ASSETS:						
Financial assets at fair value through profit or loss	(54)	63	225	(319)	(1,365)	1,556
Amounts due to credit institutions	131	(131)	85	(85)	-	-
Loans to customers	550	(550)	1,620	(1,620)	1,441	(1,441)
Available-for-sale investment securities	(3,777)	4,034	(2,948)	3,264	(766)	766
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	551	(551)	2,931	(2,931)	(811)	811
Amounts due to customers	-	-	-	-	(1,684)	1,684
Net impact on equity	(2,599)	2,865	1,913	(1,691)	(3,185)	3,376

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 Group 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 Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of FMSA.

The table below indicates the currencies in which the Group had significant exposure at 31 December 2009, 2008 and 2007 and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase.

Impact on profit before tax based on asset values as at 31 December 2009, 2008 and 2007 calculated using currency rate fluctuations analysis:

	31 December 2009		31 December 2008		31 December 2007	
	+25% KZT/USD	-25% KZT/USD	+25% KZT/USD	-25% KZT/USD	+10% KZT/USD	-10% KZT/USD
Impact on profit before tax	(14,130)	14,130	(19,340)	19,340	5,383	(5,383)

Impact on equity:

	31 December 2009		31 December 2008		31 December 2007	
	+25% KZT/USD	-25% KZT/USD	+25% KZT/USD	-25% KZT/USD	+10% KZT/USD	-10% KZT/USD
Impact on equity	(14,130)	14,130	(19,340)	19,340	5,383	(5,383)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty. Such limitaton is represented by the assumption that all interest rates move in an identical fashion.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

To determine its exposure to price risk the Group uses an analysis for financial instruments based on:

- the Monte-Carlo simulation method; and
- the rating method.

The Group estimates the price risk at 31 December 2009, 2008 and 2007 to be not material and therefore quantitative information is not disclosed.

Monte-Carlo method

- benchmark data – data on the transaction price for each security received from official KASE sources or other sources such as Bloomberg or Reuters;
- length of period – data from the previous two years is used in the calculation;
- Confidence interval – 95%; and
- Quantity of simulations – no less than 10 thousand.

Rating method

- benchmark data – data on the transaction price for each security received from official KASE sources or other exchange, or non-exchange data (Bloomberg, Reuters);
- current yield to maturity; and
- Confidence interval – 95%.

The rating method is used to calculate VaR for newly issued securities or for securities that are not regularly traded. This method is based on Moody's ratings and migration tables which reflect a security's rating depending on the risk premium. This method is also based on the possibility of changing the rating.

35. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by the FMSA;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined by taking into account the above objectives during the process of preparing the annual budget, and is approved by the Management Board and Board of Directors. The capital adequacy of the Group is controlled according to the principles, methods and coefficients employed by Basle Committee. There have been no changes as to the way the Group measures capital.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interest less accrued dividends, net long position in own shares and goodwill. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt limited to 50% of Tier 1 capital and revaluation reserves.

The risk-weighted assets are measured based on a hierarchy of five risk weighting according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended 31 December. During those three years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2009	31 December 2008	31 December 2007
Composition of regulatory capital			
Tier 1			
Share capital	143,695	65,531	65,531
Share premium	1,317	1,908	1,952
Retained earnings and other reserves	135,693	123,428	92,253
Less: revaluation, available-for-sale and translation reserves	(18,812)	(20,826)	15
Less: goodwill	(3,190)	(3,190)	(3,265)
Minority interest	350	257	1,355
Total qualifying tier 1 capital	259,053	167,108	157,841
Tier 2			
Subordinated debt	39,605	36,755	33,884
Property and equipement and available-for-sale investment securities revaluation and translation reserves	18,812	20,826	(15)
Total qualifying tier 2 capital	58,417	57,581	33,869
Less investments in associates	(228)	(272)	(262)
Total regulatory capital	317,242	224,417	191,448
Risk weighted assets	1,537,737	1,673,780	1,484,559
Tier 1 capital ratio	16.9%	9.9%	10.6%
Total capital adequacy ratio	20.6%	13.4%	12.9%

Quantitative measures established by the Basle Committee to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

36. SEGMENT ANALYSIS

The Group is managed and reported on the basis of two main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and medium sized companies and commercial loans to larger corporate and commercial customers.

The products and services offered by each segment are:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals and cash and foreign currency related services.

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products to legal entities.

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Management Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and amounts due to credit institutions and operating expenses other than salaries and other employee benefits.

There were no transactions between business segments during the years ended 31 December 2009, 2008 and 2007. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group for the years ended 31 December 2009, 2008 and 2007 is set out below:

	Retail banking	Corporate banking	Other	Total
Year ended 31 December 2009				
External revenues	87,278	157,854	12,755	257,887
Total revenues	87,278	157,854	12,755	257,887
Total revenues comprise:				
- Interest income	53,789	140,216	-	194,005
- Fee and commission income	31,113	8,601	-	39,714
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	1,392	1,392
- Net realized gains from available-for-sale investment securities	-	-	109	109
- Net gain from repurchase of debt securities issued	-	-	1,120	1,120
- Net gain on foreign exchange operations	2,376	9,064	-	11,440
- Share of loss of associates	-	(27)	-	(27)
- Insurance underwriting income and other income	-	-	10,134	10,134
Total revenues	87,278	157,854	12,755	257,887
- Interest expense on amounts due to customers	(25,823)	(41,046)	-	(66,869)
- Impairment charge	(20,914)	(62,599)	-	(83,513)
- Fee and commission expense	(627)	(1,529)	-	(2,156)
- Salaries and other employee benefits	(5,605)	(13,079)	-	(18,684)
- Deposit insurance and advertisement expenses	(3,329)	-	-	(3,329)
- Other provisions	-	(1,221)	-	(1,221)
Segment result	30,980	38,380	12,755	82,115
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(36,408)
- Insurance claims incurred, net of reinsurance				(4,082)
- Unallocated operating expenses				(22,496)
Income before income tax expense				19,129
Income tax expense				(3,253)
Net income				15,876
Total segment assets	294,828	1,375,130	226,163	1,896,121
Unallocated assets				126,888
Total assets				2,023,009
Total segment liabilities	(400,080)	(873,989)	(4,433)	(1,278,502)
Unallocated liabilities				(463,555)
Total liabilities				(1,742,057)
Other segment items:				
Capital expenditure (unallocated)				(9,155)
Depreciation and amortization expense (unallocated)				(5,979)

	Retail banking	Corporate banking	Other	Total
Year ended 31 December 2008				
External revenues	94,462	137,124	4,513	236,099
Total revenues	94,462	137,124	4,513	236,099
Total revenues comprise:				
- Interest income	75,395	117,265	-	192,660
- Fee and commission income	18,033	9,175	-	27,208
- Net loss from financial assets at fair value through profit or loss	-	-	(9,650)	(9,650)
- Net realized gains from available-for-sale investment securities	-	-	223	223
- Net gain from repurchase of debt securities issued	-	-	2,439	2,439
- Net gains on foreign exchange operations	1,034	10,719	-	11,753
- Share of loss of associates	-	(35)	-	(35)
- Insurance underwriting income and other income	-	-	11,501	11,501
Total revenues	94,462	137,124	4,513	236,099
- Interest expense on amounts due to customers	(37,630)	(29,248)	-	(66,878)
- Impairment charge	(11,641)	(48,374)	-	(60,015)
- Fee and commission expense	(327)	(1,354)	-	(1,681)
- Salaries and other employee benefits	(5,717)	(14,767)	-	(20,484)
- Deposit insurance and advertisement expenses	(3,067)	-	-	(3,067)
- Other provisions	(169)	(818)	-	(987)
- Losses incurred from management of pension assets	(7,209)	-	-	(7,209)
Segment result	28,702	42,563	4,513	75,778
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(33,875)
- Insurance claims incurred, net of reinsurance				(4,951)
- Unallocated operating expenses				(20,774)
Income before income tax expense				16,178
Income tax expense				(1,624)
Net income				14,554
Total segment assets	339,940	1,020,057	159,477	1,519,474
Unallocated assets				131,875
Total assets				1,651,349
Total segment liabilities	(330,847)	(539,434)	-	(870,281)
Unallocated liabilities				(590,013)
Total liabilities				(1,460,294)
Other segment items:				
Capital expenditure (unallocated)				(19,104)
Depreciation and amortization expense (unallocated)				(5,040)

	Retail banking	Corporate banking	Other	Total
Year ended 31 December 2007				
External revenues	68,882	94,528	11,725	175,135
Total revenues	68,882	94,528	11,725	175,135
Total revenues comprise:				
- Interest income	50,811	81,755	-	132,566
- Fee and commission income	16,459	8,969	-	25,428
- Net gain from financial assets at fair value through profit or loss	-	-	3,365	3,365
- Net realized gains from available-for-sale investment securities	-	-	623	623
- Net gains on foreign exchange operations	1,612	3,835	-	5,447
- Share of loss of associates	-	(31)	-	(31)
- Insurance underwriting income and other income	-	-	7,737	7,737
Total revenues	68,882	94,528	11,725	175,135
- Interest expense on amounts due to customers	(18,333)	(17,015)	-	(35,348)
- Impairment charge	(6,068)	(16,116)	-	(22,184)
- Fee and commission expense	(191)	(1,064)	-	(1,255)
- Salaries and other employee benefits	(3,699)	(15,982)	-	(19,681)
- Deposit insurance and advertisement expenses	(2,826)	-	-	(2,826)
- Other provisions	(53)	1,050	-	997
Segment result	37,712	45,401	11,725	94,838
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(26,184)
- Insurance claims incurred, net of reinsurance				(2,152)
- Unallocated operating expenses				(15,335)
Income before income tax expense				51,167
Income tax expense				(10,642)
Net income				40,525
Total segment assets	323,093	976,073	155,912	1,455,078
Unallocated assets				139,997
Total assets				1,595,075
Total segment liabilities	(357,672)	(579,641)	-	(937,313)
Unallocated liabilities				(496,737)
Total liabilities				(1,434,050)
Other segment items:				
Capital expenditure (unallocated)				(24,018)
Depreciation and amortization expense (unallocated)				(3,366)

Geographical information – Information for the main geographical areas of the Group is set out below as at 31 December 2009, 2008 and 2007 and for the years then ended.

	Kazakhstan	**OECD**	**Non OECD**	**Total**
2009				
Total assets	1,724,165	271,720	27,124	2,023,009
External revenues	250,847	4,385	2,655	257,887
Capital expenditure	(9,155)	-	-	(9,155)
2008				
Total assets	1,509,039	134,850	7,460	1,651,349
External revenues	227,550	8,101	448	236,099
Capital expenditure	(19,104)	-	-	(19,104)
2007				
Total assets	1,343,705	242,031	9,339	1,595,075
External revenues	165,034	9,726	375	175,135
Capital expenditure	(24,018)	-	-	(24,018)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due from and to credit institutions - For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers - The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers - Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued - Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2009		31 December 2008		31 December 2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Amounts due from credit institutions	56,101	53,780	10,357	10,239	3,398	3,193
Loans to customers	1,133,235	1,086,220	1,188,280	1,164,318	1,040,273	1,084,619
Investments held-to-maturity	17,186	16,611	8,689	6,655	-	-
Financial liabilities						
Amounts due to customers	1,274,069	1,271,937	867,392	830,951	935,429	901,563
Amounts due to credit institutions	172,706	184,392	289,608	291,900	247,452	267,413
Debt securities issued	263,893	249,935	262,991	195,587	224,886	212,925

Financial assets and liabilities at fair value through profit or loss and available-for-sale investment securities are carried at fair value in the consolidated statement of financial position. The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

38. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Samruk-Kazyna is a shareholder of the Group since 27 March 2009 (please see Note 1). The ultimate shareholder of the Group Timur Kulibayev holds the position of deputy chairman in Samruk-Kazyna since October 2008. The functional responsibilities of Timur Kulibayev do not allow him to exercise significant control over the operations and policies of Samruk-Kazyna or otherwise influence its governance.

The transactions and balances with Samruk-Kazyna are disclosed as a separate line in related party transactions disclosure below for the periods in which Samruk-Kazyna was a shareholder of the Group.

The Group had the following transactions outstanding as at 31 December 2009, 2008 and 2007 with related parties:

	31 December 2009		31 December 2008		31 December 2007	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	1,508	8,528	-	14,987	-	48,073
- Subsidiaries of Samruk-Kazyna	1,508		-		-	
Available-for-sale investment securities before allowance for impairment	6,852	200,951	-	135,801	-	107,839
- Subsidiaries of Samruk-Kazyna	6,852		-		-	
Allowance for available-for-sale investment securities impairment	(408)	(730)	-	-	-	-
- Subsidiaries of Samruk-Kazyna	(408)		-		-	
Investments held to maturity	4,096	17,186	-	8,689	-	-
- Subsidiaries of Samruk-Kazyna	4,096		-		-	
Loans to customers before allowance for impairment losses	31,908	1,340,336	13,992	1,303,332	133	1,096,970
- entities with joint control or significant influence over the entity	9,976		9,379		-	
- key management personnel of the entity or its parent	210		49		43	
- other related parties	21,722		4,564		90	
Allowance for impairment losses	(4,249)	(207,101)	(677)	(115,052)	-	(56,697)
- entities with joint control or significant influence over the entity	(701)		(469)		-	
- key management personnel of the entity or its parent	(10)		(1)		-	
- other related parties	(3,538)		(207)		-	
Amounts due to customers	506,874	1,274,069	207,574	867,392	3,735	935,429
- the parent	7,901		85,956		2,673	
- entities with joint control or significant influence over the entity	13,165		116,550		-	
- associates	72		39		-	
- key management personnel of the entity or its parent	1,678		2,514		406	
- Samruk-Kazyna and its subsidiaries	479,827		-		-	
- other related parties	4,231		2,515		656	
Amounts due to credit institutions	51,786	172,706	-	289,608	-	247,452
- Subsidiaries of Samruk-Kazyna	51,786		-		-	

Included in the consolidated income statement for the years ended 31 December 2009, 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2009		Year ended 31 December 2008		Year ended 31 December 2007	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	6,301	194,005	651	192,660	-	132,566
- entities with joint control or significant influence over the entity	1,987		219		-	
- key management personnel of the entity or its parent	26		-		-	
- other related parties	2,858		432		-	
- Subsidiaries of Samruk-Kazyna	1,430		-		-	
Interest expense	(29,876)	(103,277)	(4,458)	(100,753)	(59)	(61,532)
- the parent	(751)		(3,132)		(11)	
- entities with joint control or significant influence over the entity	(239)		(1,187)		-	
- key management personnel of the entity or its parent	(164)		(97)		(22)	
-Samruk-Kazyna and its subsidiaries	(28,462)		-		-	
- other related parties	(260)		(42)		(26)	
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(57)	1,392	-	(9,650)	-	3,365
- Subsidiaries of Samruk-Kazyna	(57)		-		-	

	Year ended 31 December 2009		Year ended 31 December 2008		Year ended 31 December 2007	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	233	18,684	1,523	20,484	909	19,681
- short-term employee benefits	233		1,523		909	

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