Prospectus **21 December 2010**

"Temirbank" Joint Stock Company

(a joint stock company incorporated in the Republic of Kazakhstan with registration number 4814-1900-AO*)*

$60,750,000 14% Senior Notes due 2022

(Issued 30 June 2010)

The $60,750,000 14% Senior Notes due 2022 (the "Notes") were issued by Temirbank Joint Stock Company (the "Bank") on 30 June 2010 pursuant to its Plan of Restructuring (as defined herein) which became effective on such date. The Notes were issued in exchange for the outstanding (i) $300,000,000 9% Senior Notes due 2011 (the "2011 Notes") issued by Temir Capital B.V. and unconditionally and irrevocably guaranteed by the Bank, and (ii) the $500,000,000 9.5% Senior Notes due 2014 (the "2014 Notes") issued by Temir Capital B.V. and unconditionally and irrevocably guaranteed by the Bank. The Notes are constituted by a trust deed dated 30 June 2010 and made between the issuer and the trustee, BNY Corporate Trustee Services Limited.

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") for the Notes to be admitted to the official list of the UK Listing Authority (the "Official List"). Application has also been made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive

This Prospectus comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

Financial Services Authority
UK Listing Authority
Document approved
Date: 21/12/10
Signed: 1 N Patel

21 December 2010

RESPONSIBILITY STATEMENT

The Bank accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Certain information in this Prospectus contained under the headings “Exchange Rates and Exchange Controls”, "Risk Factors", "The Bank" and "The Banking Sector in Kazakhstan" has been extracted from documents and other publications released by the National Bank of Kazakhstan (the ‘‘NBK’’), Kazakhstan’s National Statistical Agency (the ‘‘NSA’’) and the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organizations (the "Kazakh FMSA"). Where information from a third party is referred to in the Prospectus, the source of such information is identified.

The Bank accepts responsibility for accurately reproducing such extracts, and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

IMPORTANT NOTICES

No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue/admission to trading and listing of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Bank or the Trustee or any of its directors, affiliates, advisers or agents. No representation or warranty, express or implied, is made by the Trustee or any of its 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 to the past or the future. The delivery of this Prospectus does not imply that there has been no change in the business and affairs of the Bank since the date hereof or that the information herein is correct as at any time subsequent to its date.

This Prospectus does not constitute 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 has been prepared by the Bank solely for use in connection with the admission to listing of the Notes on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and may be used only for the purposes for which it is published. 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 Bank and the Trustee to inform themselves about and to observe such restrictions.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain financial information included in this Prospectus has been derived from the Bank's audited interim condensed statement of financial position as at 30 June 2010, and its interim condensed statement of comprehensive income and interim condensed statement of cash flows for the six months ended 30 June 2010, and from the statements of financial position and statements of comprehensive income and statements of cash flows as at and for the years ended 31 December 2007, 2008 and 2009, respectively, and its unaudited consolidated statements of income and cash flows as at and for the six months ended 30 June 2009, in each case prepared in accordance with International Financial Reporting Standards ("IFRS") and included elsewhere herein.

The Bank is regulated as a commercial bank by the Kazakh FMSA and as such must meet the regulatory standards established by the FMSA. The Kazakh FMSA requires that the Bank file with the Kazakh FMSA monthly unaudited financial statements prepared in accordance with the Kazakh FMSA methodology and to test its capital adequacy using such financial statements. In certain limited circumstances in this Prospectus, where indicated herein, financial information has been derived from the Bank's financial statements as at the specified date or for the specified period prepared in accordance with Kazakh FMSA methodology. Such instances include the section entitled "Capitalisation – Kazakh FMSA Regulatory Capital Adequacy". The Bank's financial statements prepared in accordance with Kazakh FMSA methodology differ in certain material respects from its financial statements prepared in accordance with IFRS. See "Asset, Liability and Risk Management – Loan Classification and Provisioning Policy – Provisioning Policy".

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" (that is data derived from a statement of financial position) in U.S. Dollars is translated from Tenge at the Conversion Rate on the date of such balance sheet (or, if no such rate was quoted on such date, the immediately preceding date) 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 official exchange rates for U.S. Dollars on the KASE as reported by the National Bank of Kazakhstan. Further details can be found in the section headed "Exchange Rates and Exchange Controls".

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 figures which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

Certain statistical and market information presented in this Prospectus in the sections headed "Exchange Rates and Exchange Controls", "Risk Factors", "The Bank" and "The Banking Sector in Kazakhstan" on such topics as the Bank's competitors, the Kazakhstan banking sector, the Kazakhstan economy in general and other related subjects represents the Bank's calculations based on information and official data of the FMSA, the NBK and the NSA. The Bank has accurately reproduced such information and, so far as the Bank 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. Where information from a third party is referred to in the Prospectus, the source of such information is identified. The Bank has relied on the accuracy of this information without independent verification. Investors should note that some of the Bank's estimates are based on such third party information. Noteholders are advised to consider this data with caution. Official data published by Kazakhstan governmental or regional agencies is substantially less complete and less thoroughly researched than that of more developed countries. Further, official statistics, including those produced by the FMSA, the NBK and the NSA, may be produced on different bases than those used in more developed countries. Any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

BACKGROUND TO THE LISTING

The Notes which are the subject of this Prospectus were issued in connection with the Bank's Restructuring (as defined herein), which became effective on 30 June 2010 (the "Restructuring Date").

As described in more detail under "The Bank", during 2008, the Bank began to experience substantial financial difficulties as the Kazakh economy experience the impact of the global financial crisis. In the second half of 2009, the Bank began to cease payments on its external indebtedness, including the 2011 Notes and the 2014 Notes, and began the process of restructuring substantially all of its indebtedness and its equity capital.

In March 2010, the Bank successfully obtained, as required under the recently adopted Kazakh restructuring law (the "Restructuring Law"), the approval of more than two-thirds of its creditors for the Bank's plan of restructuring (the "Restructuring Plan"). With effect from the Restructuring Date, the Bank restructured its indebtedness and equity capital structure. Such restructuring included the issuance of the Notes in exchange for the 2011 Notes and the 2014 Notes. Simultaneously, by virtue of the Kazakh Restructuring Law and the terms of the Restructuring Plan, all of the 2011 Notes and the 2014 Notes were deemed extinguished and satisfied in full. For more information, see "The Bank" and "Management's Discussion and Analysis of Results of Operations and Financial Condition". The Bank has undertaken to seek the listing of the Notes on the London Stock Exchange.

Notes offered and sold in the Restructuring were offered (i) into the United States only to persons who were "qualified institutional investors" (as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933 (the "Securities Act")) in transactions not involving a public offering, and (ii) outside the United States in offshore transactions exempt from registration pursuant to Regulation S under the Securities Act ("Regulation S").

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 "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. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Bank's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Forward looking statements are not guarantees of future performance and that the Bank's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those statements made in or suggested by the forward looking statements contained in this Prospectus. In addition, even if the Bank's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the Bank's ability to realize its strategy;
- the stability of the banking sector in Kazakhstan;
- the state of the Bank's retail, corporate and SME businesses;
- the quality and stability of its deposit base;
- future credit losses that the Bank may incur;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for increasing and diversifying the composition, as well as the quality, of the Bank's loan portfolio.

Factors that could cause actual results to differ materially from the Bank's expectations are contained in cautionary statements in this Prospectus and include, among other things, the following:

- overall economic and business conditions;
- effects of the global financial crisis and international economic conditions;
- the level of demand for the Bank's services;
- deposit outflows;
- competitive factors in the industries in which the Bank and its customers operate;
- changes in Government's regulations and in the Government's policies or the policies of JSC National Welfare Fund Samruk-Kazyna ("Samruk-Kazyna") regarding support for the banking sector in Kazakhstan;
- the timing, impact and other uncertainties of unrecognised guarantees and pledges, if any;
- the timing, impact and other uncertainties of unidentified Related Party transactions, if any;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- results of litigation or arbitration;
- interest rate fluctuations and other changing conditions in the capital markets;

- exchange rate fluctuations;
- economic and political changes in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the impact of valuation of derivatives and property and equipment.

The section of this Prospectus entitled "Risk Factors" contains a more complete discussion of the factors that could affect the Bank's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward looking statements described in this Prospectus may not occur.

The Bank is not obliged to, and does not undertake any obligation to, update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Bank is a joint stock company organised under the laws of the Republic of Kazakhstan and substantially all of its operations are located in the Republic of Kazakhstan. Its directors and executive officers reside in Kazakhstan and substantially all of the Bank's assets and the assets of such persons are located in Kazakhstan and therefore outside the United States and the United Kingdom and other jurisdictions in which Noteholders may be resident. As a result, it may not be possible for Noteholders to effect service of process within the United States or any other jurisdiction outside Kazakhstan upon the Bank or such persons or to enforce against any of them judgments of U.S. federal or state courts (including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States) or the courts of any other jurisdiction other than Kazakhstan.

Although Kazakhstan is a member of the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, its courts 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 the United Kingdom or between Kazakhstan and the United States.

SUMMARY

This summary is written in generalised terms and does not discuss various exceptions to the general statements which are mentioned elsewhere in the Prospectus. This summary should be read as an introduction to the Prospectus and any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Bank is a commercial bank operating in the Republic of Kazakhstan.

According to Kazakh FMSA data, as at 31 December 2009, the Bank was the tenth largest commercial bank in Kazakhstan by total assets and seventh largest by retail banking assets. The Bank focuses on the retail market and has presence in all regions of Kazakhstan through a distribution network of 21 full service branches, 94 banking centres offering limited banking services, 341 automated teller machines (ATMs), 95 info-kiosks, and branches in every city with a population over 50,000 as at 31 December 2009.

The Bank holds a banking licence from the Kazakh FMSA for banking operations in Tenge and foreign currencies, and other operations allowed by banking legislation. The Kazakhstan Ministry of Justice issued the Bank's re-registration certificate number 4814-1900-AO on 25 June 2010 and its current banking licence number 107 was re-issued on 16 July 2010. The Bank's registered office is 68/74 Abai Avenue, 050008 Almaty, Republic of Kazakhstan, telephone number +7 727 258 78 88.

The Bank was established 26 March 1992 as Joint Stock Company Commercial Railway Bank Temirbank to service the railway industry in Kazakhstan. On 21 March 1996, the Bank was re-registered as Open Joint Stock Company Temirbank and on 16 January 2004 as Joint Stock Company Temirbank.

From 2000 to 2002, interests in Bank shares were acquired by BTA shareholders and, in December 2006, the Bank became a direct, majority-owned subsidiary of BTA following its acquisition of over 50 per cent. of the Bank's common shares.

In 2008, the Bank experienced financial difficulties due to the global financial crisis. From mid-2009 the Bank ceased payments on its external indebtedness and began restructuring substantially all its indebtedness and equity capital. Under the Restructuring Plan (defined below), on the Restructuring Date Samruk-Kazyna would control 79.9% of the outstanding common shares of the Bank (after effecting distribution of all common shares issued in the Restructuring).

The Restructuring

In March 2010, the Bank obtained, as required under Kazakh law, approval of over two-thirds of its creditors and of Kazakh FMSA for the Restructuring Plan. The Restructuring Plan was effective from the Restructuring Date and the Bank restructured its indebtedness and equity capital structure. Due to the Restructuring:

- All $300.0 million 2011 Notes and all $500.0 million 2014 Notes (including, in each case, all accrued and unpaid interest) and the Bank's guarantees thereof, were extinguished, and in exchange to holders of such extinguished debt the Bank (i) paid aggregate cash consideration of $153.6 million (KZT 22,664.9 million), (ii) issued an aggregate of $60,750,000 principal amount of its New Notes, and (iii) issued an aggregate of 4,000,000,000 of its common shares (or 20 per cent. of the common shares outstanding immediately after the Restructuring) in shares and global depositary receipts (a portion of such common shares currently remain to be distributed);

- Substantially all of the Bank's other indebtedness was restructured; and

- The stakes of BTA and other Bank common shareholders were diluted and Samruk-Kazyna became the Bank's major shareholder, with 15,980,933,000 common shares outstanding (or 79.9 per cent. of the total number of such shares after effecting the distribution of all common shares issued in the Restructuring) under its control directly and through a subsidiary.

The Bank will seek to list the Notes on the London Stock Exchange ("**LSE**").

Role of Samruk-Kazyna

Samruk-Kazyna is wholly-owned by the Government of Kazakhstan and is the national management holding company for most state enterprises. Samruk-Kazyna aims to improve competitiveness and stability of the Kazakh economy and alleviate possible adverse effects of world market changes on economic growth in Kazakhstan.

Samruk-Kazyna provided KZT 6,241.8 million to the Bank during 2009. Since January 2009, the Bank received KZT 641.9 million from participation in a State Finance Programme concerning the construction industry.

Strategy

After the Restructuring the Bank renewed its strategy. The Bank's principal objective is to establish a positive image with its customers and partners and return to its former positions in the Kazakh market.

The Bank's new major shareholder wants it, within 2½ years, to become a fully-fledged retail bank with return on equity of approximately 20%. To achieve this, the Bank's new management developed the following strategy in the post-restructuring period:

1. Achieve leading positions in all principal areas of retail banking
2. Reduce the proportion of non-performing assets
3. Reduce costs by optimizing its branch network and business-processes
4. Strengthen corporate governance and risk management

Risk Factors

Investment in the Notes includes risks:

Risks Relating to the Restructuring

- The outcome of any legal challenge to the Kazakh Restructuring Law is uncertain. There is no assurance that any restructuring affected under the Restructuring Law, including the Restructuring, will be recognized and effective against such challenge.
- There is no assurance that the Restructuring Law or the Restructuring will be recognised internationally and the Bank's assets outside of Kazakhstan may be attached by creditors.

Risks Relating to the Bank

- If the Bank cannot maintain minimum capital adequacy ratios following the Restructuring it could go into conservation or liquidation.
- Declines in customer deposits may continue to adversely affect its funding base.
- The Bank will be controlled by Samruk-Kazyna, the State's sovereign wealth fund, whose interests may differ from the interests of the Bank or the Noteholders.
- Internal control weaknesses were uncovered in several past transactions and other unusual transactions may be uncovered.
- Transactions with unidentified parties related to the Bank's former management and former BTA shareholders may cause losses.
- The Bank's risk management strategies and techniques expose it to several unidentified or unanticipated risks.

- The Bank is exposed to significant interest rate risk, which may adversely affect its financial condition and results of operations.
- Expected low growth of Kazakhstan's GDP in 2010 could put pressure on the ability of its existing borrowers to repay loans.
- The Bank faces significant competition, which may adversely affect its financial condition and results of operations.
- The Bank relies on information systems and aims to upgrade its information technology systems, requiring significant capital expenditure. Failure to properly implement or upgrade these systems could adversely affect its business, results of operations or financial condition.
- Failure of its security systems may have a material adverse effect.
- The Bank may not be able to service debt payments.
- The Bank is exposed to significant foreign currency exchange risk, which it may not be able to hedge.
- The Bank's success depends upon its ability to recruit and retain key personnel.
- Acts of terrorism, war and other catastrophic events may adversely affect its business, results of operations and financial condition.
- The Bank's operations and financing activities are restricted by provisions in the Notes.
- The Bank may not effectively implement its strategy, which could adversely affect its financial condition and results of operations.

Risks Relating to Kazakhstan

- The Bank is subject to the financial stability laws in Kazakhstan, which are currently being implemented so predicting their full impact on its business, financial condition or results of operations is impossible.
- Changes in liquidity support for the Kazakhstan banking sector may adversely affect the Bank.
- Failures in Kazakhstan's banking industry could adversely affect the Bank.
- The ongoing global financial markets crisis and deterioration of general economic conditions could continue to adversely affect the Bank's results of operations and financial condition.
- The lack of accurate statistical, corporate and financial information in Kazakhstan may limit its ability to assess its credit risks accurately.
- A decline in value or illiquidity of collateral securing its loans may adversely affect its ability to recover.
- Changes in banking regulations in Kazakhstan may adversely affect its business.
- Kazakhstan is subject to the risks associated with emerging markets generally.
- The Bank is and may be subject to new laws requiring it to monitor money laundering transactions and failure to meet these requirements may adversely affect its financial condition or results of operations.
- The Bank is subject to the volatility of conducting operations and having substantially all assets located in Kazakhstan, which only recently began to operate in a market economy. This may adversely affect its financial position and results of operations.
- The Kazakhstan economy is highly dependent on oil exports and so is affected by oil price volatility.

- The Kazakhstan judicial system, regulatory and tax regime are not fully developed and are unpredictable.
- Kazakhstan's president has been in office since 1991 and, if he lost power, Kazakhstan could become unstable.
- The Bank may face litigation if Kazakh FMSA applies any compulsory restrictive measures to the Bank.
- There are risks associated with the underdevelopment of Kazakhstan's securities markets.
- There is no active trading market for the Notes.
- Due to the Bank's financial condition and the historical volatility in price of Kazakhstan bank securities, the market price of the Notes is likely to be volatile.
- Financial instability in other emerging markets could continue to adversely affect the price of the Bank's Notes.

Risks Relating to the Notes

- The Bank may be unable to list or maintain listing the Notes on the Kazakhstan Stock Exchange (the "**KASE**") which may make the Notes less attractive and result in the delisting thereof.

Summary of the Notes

Issuer:	JSC Temirbank
Description of the Notes:	The U.S.$60,750,000 14 per cent. Senior Notes due 2022 (including notes issued under Condition 17 (*Further Issues*) and forming a single series) of JSC Temirbank dated 30 June 2010.
Trustee:	BNY Corporate Trustee Services Limited.
Denomination:	U.S.$1,000 and integral multiples of U.S.$1 in excess.
Interest:	The Notes bear interest from and including 30 June 2010 at 14.00 per cent. per annum, payable semi-annually in arrear on 30 June and 30 December of each year.
Yield:	The notes were issued to various Bank creditors in exchange for extinguishing existing obligations as part of the restructuring of the Bank (see *"The Bank – The Restructuring"*).
Accreted Principal Amount:	Subject to conditions (Condition 7 (*Accreted Principal Amount*)) on each interest payment date the principal amount of the Notes shall accrete in accordance with the following formula: Accreted Principal Amount = Previous Accreted Principal Amount x 1.05375
Redemption for Tax Reasons:	Under Condition 9(b) the Notes may be redeemed at the option of the Bank upon certain changes to Republic of Kazakhstan tax law.
Redemption at the Option of Noteholders on the fifth anniversary of the Issue Date:	Under Condition 9(c) the Notes may be redeemed at the option of the holder of the Notes on 30 June 2015 at 100% of the Notes' then Accreted Principal Amount.
Redemption at the Option of Noteholders on a Change of	Under Condition 9(d) the Notes may be redeemed at the option of the holder if the Bank ceases to be jointly at least 51% directly or indirectly owned by JSC National Welfare Fund Samruk-Kaznya and the Republic of Kazakhstan (whether directly or indirectly

Control:	through any Agency of or entity Controlled by the government of the Republic of Kazakhstan) unless the transferee is a bank, financial institution or sovereign wealth fund which meets the conditions in Condition 9.
Events of Default:	Events of Default (Condition 10) include: Non-payment of the Interest or Principal of the Notes; Breach of Other Obligations; Cross-Default (above an aggregate of U.S.$5,000,000; Judgment Default; Bankruptcy; Substantial Change in Business; Maintenance of Business; Material Compliance With Applicable Laws; Invalidity or Unenforceability; and Government Intervention.
Negative Pledge:	The Notes contain a negative pledge provision stating that neither the Bank nor its Subsidiaries create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money (Condition 5(a)).
Status of the Notes:	The Notes are direct, general, unconditional and (subject to Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Bank and will at all times rank pari passu among themselves. The payment obligations of the Issuer under the Notes will at all times rank at least pari passu in right of payment with all its other present and future unsecured and unsubordinated obligations, save for such obligations as may be preferred by law that are mandatory and of general application.
Meetings of Noteholders:	Condition 14 contains provisions for calling meetings of Noteholders to consider matters regarding the Notes, including the modification of any provision of the Conditions or Trust Deed.
Modification, Waiver and Substitution:	The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including the Conditions) or the Trust Deed (except regarding a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not materially prejudice the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed, which is of a formal, minor or technical nature or to correct a manifest error. Further the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach regarding the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.
Withholding Tax and Additional Amounts:	All payments of principal and interest regarding the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within The Republic of 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, subject to Condition 8.
Listing and admission to trading:	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to LSE for the Notes to be admitted to trading on LSE's Regulated Market. The Bank intends to apply for a listing of the Notes on the KASE.
Governing Law:	The Trust Deed, the Notes and any non-contractual obligations arising in connection with them, will be governed by, and construed in accordance with, English law.

Form:	The Notes are in registered form, without interest coupons attached, and shall be serially numbered. Notes shall be issued in denominations of U.S.$1,000 and integral multiples of U.S.$1 in excess thereof.
Clearing System:	The Notes will be settled by the Depository Trust Company ("**DTC**"). The Notes have been deposited with the Trustee as custodian for the DTC (see further *"Description of the Notes While in Global Form"*).

RISK FACTORS

The risks and uncertainties described below are the principal risks relating to the Bank, the Kazakhstan banking sector, the Notes and other relevant matters, however, they 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 adversely affect the Bank's business, financial condition or results of operations. If any of the risks or uncertainties described below come to fruition, the Bank's business, financial condition or results of operations, among other things, could be materially and adversely affected.

Risks Relating to the Restructuring

The outcome of any legal challenge to the Kazakh Restructuring Law is uncertain. There can be no assurance that any restructuring affected under the Restructuring Law, including the Restructuring, will be recognized and effective against any such challenge.

Prior to July 2009, there was no law in Kazakhstan allowing for the restructuring of creditor claims of Kazakhstan finance institutions without the consent of all 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 those assets were located. The recent Kazakh Restructuring Law permits creditors holding at least two-thirds of the debtor's obligations by value subject to the restructuring to approve the plan and this approval will ultimately bind dissenting minority creditors. The outcome of any such challenge to the new Kazakh Restructuring Law cannot be assured, and therefore there can be no assurance that any restructuring affected under the Restructuring Law, including the Restructuring, will be recognized and effective.

There can be no assurance that the Restructuring Law or the Restructuring will be recognised internationally and the Bank's assets outside of Kazakhstan may be attached by creditors.

A compulsory restructuring arrangement will not automatically bind foreign creditors in respect of assets held outside of Kazakhstan unless the local Kazakhstan restructuring is recognised in the countries where such creditors or assets are located. Although the Restructuring Law is designed to be capable of international recognition in countries that have adopted legislation based on the Model Insolvency Law (such as the United Kingdom and the United States), there can be no assurance that the Restructuring of the Bank, if approved, will be recognised by a court abroad. If the Restructuring is not capable of international recognition, the Bank's assets outside Kazakhstan may be attached by creditors. As a result, the Bank's business with correspondent banks outside of Kazakhstan could be significantly affected and the Bank may be limited to transactions within Kazakhstan. See also "– Risks Relating to Kazakhstan – The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and therefore are unpredictable".

Risks Relating to the Bank

If the Bank fails to maintain the minimum capital adequacy ratios following the Restructuring it could be forced into conservation or liquidation.

The Bank is required to comply with certain regulatory requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy" and "Asset, Liability and Risk Management - Loan Classification and Provisioning Policy – Provisioning Policy". The Bank is currently in breach of the minimum capital adequacy ratios established by the FMSA.

The capitalisation table (see the section entitled "Capitalisation – Capitalisation Table") provides information about the Bank's compliance with the regulatory requirements as at 31 December 2009 and the capitalisation table (see the section entitled "Capitalisation – Kazakh FMSA Regulatory Capital Adequacy") provides information about the Bank's compliance with the regulatory requirements had the Restructuring been completed as at 31 December 2009. As of 1 July 2010 after completion of the Restructuring the Bank became compliant with the FMSA minimum capital adequacy requirements.

Declines in customer deposits, which are an important source of funding for the Bank, have and may continue to have an adverse effect on the Bank's funding base.

Beginning in the last half of 2007 and continuing throughout 2008, the Bank undertook aggressive marketing efforts to attract customer deposits. However, the Bank began experiencing some customer outflows during the period and began experiencing significant outflows of customer deposits since

January 2009. Since the beginning 2010 the outflow of customer deposits has ceased. This change is due to the improved economic situation and the recovering public confidence in the financial system in Kazakhstan, which could change.. A significant role was support of Sumruk-Kazyna, now the major shareholder of the Bank.

If customer deposits resume their decline, the Bank will face significant difficulties and may be unable to carry on its business as other sources of funding, both domestically and in the international markets, may not be readily available.

The Bank will be controlled by Samruk-Kazyna, the State's sovereign wealth fund, whose interests may differ from the interests of the Bank or the Noteholders.

As the Bank's majority shareholder following the Restructuring, Samruk-Kazyna will be able to nominate directors to the Board of Directors and determine the outcome of all matters submitted to the Bank's shareholders for approval. As the State's sovereign wealth fund, with the goal of supporting and diversifying Kazakhstan's economy, the interests of Samruk-Kazyna may conflict with the interests of the Bank's other shareholders or the Noteholders 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, its shareholders or the Noteholders. In addition, being controlled by the Government may slow the Bank's decision-making process and may subject the Bank to the risk of bureaucracy and inefficiencies commonly attributed to state-controlled companies. Furthermore, because Samruk-Kazyna is controlled by the Government, there is a risk that any change of administration in Kazakhstan may result in Samruk-Kazyna's policies changing as well, and such new policies may conflict with the interests of the Bank, its shareholders and the Noteholders. For a description of the current ownership of the Bank and the expected ownership after the Restructuring, see "Principal Shareholders".

Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future.

Similar to other Kazakhstan banks, the Bank is susceptible to the potential risk of, 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 has determined that in prior periods, the Bank's management and financial reporting systems did not fully support its operations. In addition, there have been failures in the Bank's internal controls. The new management of the Bank has identified transactions entered into by the Bank between the Bank and other parties that were not properly recorded on the Bank's statement of financial position or were not on arm's length terms. See "The Bank – Principal Factors Contributing to the Restructuring – Management and Controls". Following its discovery of these failures and shortcomings, the Bank has revised and improved its internal management and financial systems and its internal controls.

Notwithstanding the above, we believe that our financial systems and internal controls are sufficient to ensure compliance with the requirements of the Disclosure and Transparency Rules as a listed entity.

Transactions with unidentified parties related to the Bank's former management and former shareholders of BTA may cause future losses.

Certain customers and counterparties of the Bank may not historically have been properly identified as parties related to the Bank's former management and former shareholders of BTA. Other transactions with parties related to the Bank's former management and former shareholders of BTA with unusual terms not known as at the date of this Prospectus may be uncovered in the future and may have further adverse effects on the Bank's financial condition and recovery prospects.

The Bank's risk management strategies and techniques expose the Bank to a number of unidentified or unanticipated risks.

Although the Bank expects to invest substantial time and effort in improving and monitoring 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 adversely affected. 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.

The Bank is exposed to significant interest rate risk, which may have a material adverse effect on the Bank's financial condition and results of operations.

The majority of the Bank's loans are fixed-rate agreements. Although the agreements often contain clauses allowing the Bank to change interest rates, in October 2008 the Banking Law was amended to prohibit banks from changing interest rates unilaterally. These amendments have retrospective effect and apply to any loan agreements entered into before and after their enactment. In addition, one of the refinancing programs in which the Bank is currently participating for the refinancing of certain SME loans requires that the loan be issued with a fixed interest rate per annum between 8 per cent. and 12.5 per cent. Funds to refinance such loans were provided by companies within the Samruk-Kazyna group with rates fixed at differing rates up to 7.5 per cent. per annum. For information about this refinancing programme, see "The Bank – Business of the Bank – SME Banking – SME Lending". The Bank's ability to mitigate its interest rate risks through loan repricing is therefore currently limited and as a result the Bank will continue to be exposed to increased interest rate risk until such law ceases to be effective and with regard to any such refinanced SME loans subject to a fixed rate of interest mandated by that programme. The current limitations on the Bank's ability to reprice its loan portfolio are in contrast to the potential repricing of its deposits. The Bank's current deposits are subject to repricing at any time in response to market forces, while its term deposits are subject to the risk that depositors will withdraw funds (subject to certain penalties) and seek increased interest rates thereon from the Bank or a competitor (subject to the currently applicable maximum interest rate permitted to be paid on deposits in Kazakhstan (see "The Bank – Business of the Bank")). The Bank's financial condition may be negatively affected by this current increased interest rate risk.

Continued expected low growth of Kazakhstan's GDP in 2010 could put increasing pressure on the ability of the Bank's existing borrowers to repay their loans.

The Government expects the growth of Kazakhstan's GDP to remain low throughout 2010 as a result of reduced oil prices, volatility in the real estate market, reduced access to credit for both corporate and retail customers and the general weakening of business and consumer confidence in Kazakhstan. The Bank expects that lower GDP growth will put increasing pressure on the ability of its current borrowers to repay their existing loans and could therefore increase the Bank's losses from non-performing loans, which could adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank faces significant competition, which may have a material adverse effect on the Bank's financial condition and results of operations.

The Bank is subject to significant competition from both domestic and foreign banks. As at 31 December 2009, according to data maintained by the Kazakh FMSA there were 38 commercial banks in Kazakhstan (excluding the NBK and the Development Bank of Kazakhstan (**DBK**)), of which 19 were banks with foreign shareholders, including the subsidiaries of foreign banks. In addition, regulatory changes may make it easier for foreign banks to increase their market presence in Kazakhstan. Such competition may adversely affect the Bank's ability to attract depositors and lending customers, and may adversely affect its net interest margin and its results of operations.

The Bank relies on information systems to conduct its business and is planning to upgrade its information technology systems, which will require significant capital expenditures. Any failure to properly implement or upgrade the Bank's information technology systems could have a material adverse effect on the Bank's business, results of operations or financial condition.

The Bank relies heavily on information systems to conduct its business. The Bank is currently planning to provide upgrades to its information technology systems over the next few years, which will require significant capital expenditures. The progress of such upgrades depends on a number of factors, including the availability of financing, proper project management and the attention and involvement of the Bank's senior management. There can be no assurance that the envisioned upgrades will take place as planned or that they will function properly or be sufficient to meet the Bank's needs. In addition, complications arising during or from the upgrades may result in delays or data loses. The failure to properly implement or upgrade any of the Bank's information technology systems could have a material adverse effect on the Bank's business, results of operations or financial condition.

Notwithstanding the above we believe that our financial systems and internal controls are sufficient to ensure compliance with the requirements of the UKLA's Disclosure and Transparency Rules as a listed entity.

Any failure of the Bank's security systems may have a material adverse effect on the Bank.

Although the Bank operates backup systems, including back-up data centres, any failure of, interruption in, or breach in security of, the Bank's security systems could result in failures or interruptions in the Bank's risk management, deposit servicing and/or loan origination systems or errors in its accounting books and records. In addition, any security breach of the Bank's automated credit scoring system could result in the inappropriate disclosure of confidential customer information, which could harm the Bank's reputation and subject it to the risk of litigation. 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. The occurrence of any failures or interruptions could have a material adverse effect on the Bank's business, results of operations or financial condition.

The Bank may not be able to service debt payments in the future.

The Bank continues to have significant indebtedness and may not be able to service the debt payments and continues to be required to devote a significant portion of its cash to fulfil its debt obligations, thereby reducing funds available for other purposes. Although interest payments were significantly reduced after partial cancellation of the existing financial indebtedness of the Bank as a result of the Restructuring, it is possible that the Bank may continue to incur losses and may not achieve or sustain sufficient cash flow in the future for the payment of interest, principal and other expenses. If the Bank's cash flow is not sufficient to meet its expenses, debt payment obligations and other requirements, the Bank may be forced to raise cash or reduce expenses by doing one or more of the following:

- restructuring or refinancing its indebtedness prior to original maturity;
- delaying or reducing expenses necessary to maintain its business and meet increased competition;
- disposing of some of its assets, possibly on unfavourable terms;
- revising or delaying the implementation of its strategic plans; or
- forgoing business opportunities.

The Bank cannot be sure that any of the above actions would be successful or sufficient to fund its operations in the future.

The Bank continues to be exposed to significant foreign currency exchange risk, which it may not be able to hedge.

After the Restructuring, the Bank has reduced its exposure to foreign currency exchange rate fluctuations on its liabilities to not more than U.S.$60 million, although the Bank may incur further foreign exchange exposure in the future. Although the Bank anticipates that it will enter into cross-currency swap transactions in the future to hedge against foreign currency exchange risk following the completion of the Restructuring, there can be no assurance that the Bank would actually be able to enter into such swap transactions in the future.

In addition, in recent periods, the Tenge has devalued against the U.S. Dollar. On 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117 – KZT 123 to 1 U.S. Dollar to KZT 150 to 1 U.S. Dollar (+/- 3 per cent.). This devaluation was due in part to recent pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) in the international markets. The devaluation of the Tenge was also intended to enhance the competitiveness of Kazakhstan goods in the export market. On 30 December 2009, NBK announced it would widen the Tenge's trading band to 127.5-165.0 per U.S. Dollar effective from 5 February 2010.

This devaluation increased the cost of foreign borrowings for the Bank and exacerbated problems with USD denominated loan portfolio and led to a rapid increase in NPLs denominated in USD. If the Restructuring is not completed, the devaluation of the Tenge will likely affect the Bank's costs as the majority of the Bank's funding base will remain substantially denominated in USD, whereas income from its loan portfolio is currently denominated in Tenge as many USD denominated loans are currently overdue and do not generate USD interest.

Generally, 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 causing a further outflow of Tenge deposits, by increasing the actual cost to the Bank of financing its U.S. Dollar based liabilities and by making it more difficult for Kazakhstan borrowers to service their U.S. Dollar loans. Any of these developments may have a material adverse effect on the Bank's business, financial condition and results of operations.

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

The Bank relies on its key personnel for the implementation of its strategy and the conduct of its day-to-day operations. There is a high level of competition for the services of these individuals in Kazakhstan. If the Bank is unable to retain key personnel and cannot hire newly qualified personnel, its business and results of operations could be adversely affected.

This risk is further compounded by the overall instability within the Bank as a result of the ongoing restructuring and financial difficulties faced by the Bank. The loss of or the inability to attract senior management and other skilled personnel could have a material adverse effect on the Bank's business, results of operations and financial condition.

Acts of terrorism, war and other catastrophic events may have a material adverse effect on the Bank's business, results of operations and financial condition.

Recently, the threat of terrorism and war has become an issue in both developed and emerging economies. In conducting its business, the Bank relies on telecommunication and other financial infrastructure. The Bank is unable to predict the effect that any potential future terrorist or other attack on the elements of the global financial infrastructure may have on the Bank, regardless of where any such attack may occur.

In addition, the Bank's infrastructure, including its information technology systems, are located in Almaty, Kazakhstan, which is an area prone to earthquakes. The occurrence of an earthquake could have an adverse effect on the Bank's financial condition and results of operations.

Further, the Bank has historically obtained collateral security for its loans. A terrorist or other attack, or the occurrence of any natural disaster, affecting the collateral for any loan made by the Bank could adversely affect the value of such collateral and the credit quality of the borrower, increasing the risk of default by the borrower and could have an adverse effect on the Bank's financial condition and results of operations.

A terrorist or other attack on elements of the global financial infrastructure affecting the Bank, or an earthquake or other natural disaster, or a similar attack or natural disaster damaging the collateral for loans made by the Bank, may have an adverse affect on the Bank's business, prospects, financial condition or results of operations, and these effects may be material.

The Bank's operations and financing activities are restricted by provisions in the Notes.

The Notes will contain provisions restricting the Bank's ability to:

- enter into mergers and consolidations;
- create or incur security interests over it assets; and
- enter into major transactions unless concluded at fair value and subject to certain conditions.

These restrictions may affect the Bank's ability to operate its business and may limit its ability to take advantage of potential business opportunities as they arise.

In addition, the Bank must comply with regulatory capital requirements. In the event the Bank breaches the applicable capital adequacy ratios applicable to it, it could threaten the Bank's ability to operate and trigger events of default under the terms of the Notes, including acceleration of indebtedness. If its indebtedness is accelerated, the Bank may not be able to repay its debt or borrow sufficient funds to refinance that debt. In addition, any default under the Notes, or agreements governing its other existing or future indebtedness, is likely to lead to an acceleration of indebtedness under any other debt instruments that contain cross-acceleration or cross-default provisions. If the indebtedness under the

Notes is accelerated, the Bank is unlikely to have sufficient assets to repay amounts due, or any other indebtedness then outstanding.

The Bank may fail to effectively implement its strategy, which could have a material adverse effect on the Bank's financial condition and results of operations.

The Bank intends to implement a two-phase strategy focusing on, in Phase I, successfully completing the Restructuring and on optimising recovery on the Bank's loan portfolio and, in Phase II, developing the Bank's business. See "The Bank – Strategy". Implementing the Bank's strategy will require, and will require on an on-going basis, significant allocation of resources, including capital and management resources, further development of the Bank's corporate governance, internal controls and risk management systems, upgrades to its information technology systems and additional training and recruitment of management and other key personnel. At the same time, the Bank must maintain a consistent level of client services and current operations in order to expand the Bank's business and to avoid loss of business or damage to the Bank's reputation. There can be no assurance that the Bank will be able to successfully implement its strategy and, if it fails to do so, it could materially adversely affect the Bank's financial condition or results of operations.

The audit opinion of the Bank's independent auditors in respect of the Bank's financial statements as at and for the year ended 30 June 2009 included a reference to a material uncertainty at the date of the audit opinion which cast doubt about the Bank's ability to continue as a going concern.

The audit opinion of the Bank's independent auditors in respect of the Bank's financial statements as at and for the year ended 31 December 2009 included a statement under the heading "Emphasis of Matter" in which the auditors noted that, without qualifying their opinion, they drew attention to Note 2 to such financial statements which highlighted the Bank's loss of KZ 95,173 million for the year ended 31 December 2009 and the fact that its liabilities as at such date exceeded its assets. The auditors, as at the date of its audit opinion, noted that these matters, as well as other matters referred to in such Note 2, including the then-current default by the Bank under its debt obligations, indicated the existence of a material uncertainty at the date of such opinion which could cast significant doubt on the Bank's ability to continue as a going concern.

Since the date of such audit opinion in respect of the Bank's financial statements as at and for the year ended 31 December 2009, the Bank has completed the Restructuring, and as a result its liabilities no longer exceed its assets and it is no longer in default on its debt obligations. See "The Bank – The Restructuring", "The Bank – Background to the Restructuring" and "Management's Discussion and Analysis of Results of Operations and Financial Condition – Recent Developments". In addition, following the Restructuring, the Bank is now in compliance with the regulatory capital requirements of the Kazakh FMSA, the banking regulator in the Republic of Kazakhstan. See "Management's Discussion and Analysis – Capital Adequacy". In addition, Note 2 to the Bank's financial statements as at and for the six months ended 30 June 2010 does not contain any statement that the Bank may not be able to continue as a going concern.

Risks Relating to Kazakhstan

The Bank is subject to the financial stability laws in Kazakhstan, which are currently in the early stages of implementation and it is not possible to predict their full impact on the Bank's business, financial condition or results of operations.

On 23 October 2008, the Parliament of Kazakhstan adopted the law No. 72-IV ZRK on Stability of the Financial System. The law introduced numerous amendments to the Banking Law, the JSC Law and the Securities Market Law, including permitting, in certain circumstances, the Government, with the agreement of the FMSA, to acquire, either directly or through Samruk-Kazyna, the authorised shares of any bank in Kazakhstan to the extent necessary to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. The management and shareholders of an affected bank do not have the right to approve any such acquisition, any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders, and the state body appointed by the Government to manage the acquired bank or Samruk-Kazyna is authorised to appoint up to 30 per cent. of the members of the board of directors and the management board of the affected bank.

The financial system stability law is currently in the early stages of its implementation and it is not possible to predict their full impact on the Bank's business, financial condition or results of operations.

Changes in the liquidity support for the Kazakhstan banking sector may have an adverse impact on the Bank.

The NBK and the Government have taken steps, including the provision of short term liquidity support, to protect the Kazakhstan banking sector from the recent turmoil in the financial markets. For example, minimum reserve requirements have been changed several times in recent months and the government has required the deposit of temporary excess cash of national companies, enterprises and joint stock companies which are wholly or partially owned by the State or controlled by the NBK into local commercial banks. If the NBK and the Government were to withdraw their liquidity support it would lead to decreased overall liquidity in the Kazakhstan banking sector. This decreased liquidity would likely result in an increase in the Bank's funding costs or result in a further liquidity shortfall, which would adversely affect the Bank's business, financial condition, results of business and prospects.

Risks resulting from failures in Kazakhstan's banking industry could adversely affect the Bank.

Since the peak of the banking crisis at the beginning of 2009, BTA, JSC Alliance Bank and the Bank, have defaulted on their contractual payments and breached certain regulatory requirements of the FMSA. Astana Finance, which is a non-bank financial holding company that owns companies that provide lease financing, commercial and residential mortgages and is 25 per cent. owned by the state, announced a moratorium on the repayment of its debt in May 2009. The Kazakhstan banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. Further defaults and debt restructuring cannot be ruled out. This could in turn have an adverse effect on the Restructuring and the Bank's ability to receive support from Samruk-Kazyna, as the Government's resources may become strained and the Government may be required to allocate support and funds selectively. For additional information about the banking industry in Kazakhstan, see the section entitled "The Banking Sector in Kazakhstan".

The current ongoing crisis in the global financial markets and deterioration of general economic conditions have adversely affected the Bank's results of operations and financial condition and could continue to cause them to decline.

In recent months, the global economy and the global financial system have been experiencing a period of significant turbulence and uncertainty, particularly the very severe disruption of the financial markets around the world that began in August 2007 and which has substantially worsened since September 2008 with adverse consequences for many large global commercial and investment banks, insurance companies and other financial institutions. This disruption has severely impacted general levels of liquidity and the availability of credit together with the terms on which credit is available. Governments around the world, including that of Kazakhstan, have sought to inject liquidity into banking systems and to recapitalise their banking sectors to reduce the risk of systemic failure and increase confidence in the financial markets.

This market disruption has also been accompanied by a slowdown in many economies including that of Kazakhstan. These developments have already adversely affected the Bank's earnings and profits. Continued general deterioration in the world economy, including business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, equity markets, bond markets, foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, lower transaction volumes in key markets, the liquidity of the global financial markets and market interest rates, would further reduce the level of demand for, and supply of, the Bank's products and services, would lead to lower realisations as well as write-downs and impairments of investments and negative fair value adjustments of assets, and could materially and adversely impact the Bank's operating results, financial condition and prospects.

The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Banks in Kazakhstan have previously relied heavily on the international debt markets as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole. Wholesale debt financing has now become significantly more expensive. If the availability of international wholesale debt financing continues to be limited or available at significantly higher costs or if the Bank suffers from increased volatility of its deposit base, this could adversely affect the Bank's business, financial condition, results of operations and prospects. The effect of any of these conditions may be exacerbated by the deterioration of the financial condition of other banks in Kazakhstan.

The full range and consequences of the risks faced by the Bank are difficult to predict and the continued global economic downturn could have a material adverse effect on Kazakhstan and the Bank.

The lack of accurate statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately.

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors within it, or corporate or financial information relating to companies or other economic enterprises, is not as comprehensive as those of many countries with established market economies. Moreover, the Bank's customers, particularly in the SME sector, may not have detailed financial information regarding their creditworthiness. Under-reporting of income in Kazakhstan, which is common, also makes it more difficult for the Bank to make accurate credit assessments. Thus, the statistical, corporate and financial information, including annual financial statements and recognised debt rating reports, available to the Bank as well as other Kazakhstan banks relating to prospective and existing corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Bank ordinarily estimates the net realisable value of collateral in determining any collateralisation requirements, the difficulties associated with accurately assessing the post–enforcement value of collateral may result in the Bank extending loans without the necessary collateral to support them.

The First Credit Bureau is a private company created on 29 July 2004 by Bank TuranAlem, Kazkommertsbank, Bank CenterCredit, Halyk Bank, Tsesna Bank, ATF Bank, Alliance Bank, Astana Finance and the Association of Financiers of Kazakhstan pursuant to the "Law on Credit Bureaus and Credit History" of Kazakhstan dated 6 July 2004. The First Credit Bureau manages a database containing the credit histories of individuals and legal entities in Kazakhstan. The Kazakh FMSA requires all credit institutions to provide information about their borrowers to the First Credit Bureau. Commercial banks can then purchase information about potential or existing borrowers from the First Credit Bureau. First Credit Bureau charges a fee on each request made by a bank, which varies depending on the amount of detail requested by the bank with respect to the individual borrower. Although the FMSA's requirement to provide information to the First Credit Bureau should insure that the Bureau's records are comprehensive and up to date, there can be no assurance that all banks do indeed comply with this requirement or that the information is ultimately accurate and reliable.

In addition, may result in the Bank not becoming aware of events of default or potential events of default of its borrowers on a timely basis, which could have a material adverse effect on its financial condition and results of operations.

A decline in the value or illiquidity of the collateral securing the Bank's loans may adversely affect the Bank's ability to recover on its loan portfolio.

A substantial portion of the Bank's loans to corporate customers and individuals is secured by collateral such as real estate, equipment, securities, and inventory. Downturns in the relevant markets or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans.

If collateral values decline, they may not be sufficient to cover uncollectible amounts on the Bank's secured loans which may require the Bank to reclassify the relevant loans, establish additional allowances for loan impairment and increase reserve requirements. A failure to recover the expected value of collateral may expose the Bank to losses, which may materially adversely affect the Bank's financial condition and results of operations. See "Asset, Liability and Risk Management – Credit Risk – Lending Activities and Provision Policy".

Changes in banking regulations in Kazakhstan may adversely affect the Bank's business.

The Bank operates in a highly regulated environment; however, like most of Kazakhstan's legislation regarding business activities, Kazakhstan's laws regarding banks and banking activities have been adopted only relatively recently and are subject to change, which could be rapid and unexpected. It is difficult to forecast how changes in banking and financial regulation may affect the Kazakhstan banking system, and no assurance can be given that the regulatory system will not change in a way that will impair the Bank's ability to provide a full range of banking and financial services or to compete effectively, thus materially and adversely affecting the Bank's financial condition or results of operations.

In addition, Noteholders should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the relevant regulators may differ from those applicable to banking operations in countries with more developed regulatory regimes. As a result, Noteholders may not have the benefit of all of the protections available in such other countries.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the Kazakh FMSA introduced certain amendments to Kazakhstan's capital adequacy regulations. These regulations limit the total amount of foreign borrowings which a bank may incur to a multiple of such bank's regulatory capital. Although the Bank fully complies with those particular regulations as at the date hereof, this limitation on the Bank's ability to access foreign lenders and the international capital markets may adversely affect the Bank's ability to secure adequate financing in the future. See "The Banking Sector in Kazakhstan".

The future implementation by the Kazakh FMSA of the recommendations of the Basel II framework, and any other similar regulations, may impose constraints on the Bank's business which may materially and adversely affect the Bank's business and financial condition or results of operations. See "The Banking Sector in Kazakhstan – Banking Supervision".

Kazakhstan is subject to the risks associated with emerging markets generally.

Emerging markets such as Kazakhstan are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Noteholders should also note that emerging market economies such as Kazakhstan's are subject to rapid change and the information set out in this Prospectus may become outdated relatively quickly. Noteholders who are receiving Securities under the Restructuring Plan should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their decision is appropriate.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by the level of investor confidence in such markets as a whole and as such any factors that affect investor confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets. Financial instability in any emerging market country tends to adversely affect prices in stock markets as investors move their money to more developed markets that they perceive to be more stable. As has happened in the recent past, financial problems or an increase in the perceived risks associated with investing in emerging economies has caused and could continue to cause foreign investment in Kazakhstan to dampen and adversely affect the Kazakhstan economy. In addition, during such times, emerging market companies may continue to face severe liquidity constraints if foreign funding sources continue to be withdrawn.

If current market conditions and circumstances deteriorate further, or continue for protracted periods of time, this could accelerate the observable decline in credit quality, declines in asset prices, increases in defaults and non-performing debt and/or a worsening of general economic conditions in the Bank's key markets, all of which would materially adversely affect the Bank's business, profitability and results of operations. Financial instability in any other emerging market country also could materially and adversely affect the Bank's business and/or the price of its securities.

The Bank is subject to new laws, and may be subject to further new laws, requiring it to monitor money laundering transactions and its failure to meet the requirements of that law may have a material adverse effect on the Bank's financial condition or results of operations.

The existence of "black" and "grey" market economies in Kazakhstan (typical in developing countries), inconsistent legislation and the lack of administrative guidance on its interpretation increase the risk of Kazakhstan's financial institutions being used as vehicles for money laundering.

The Parliament of Kazakhstan has recently adopted the Law of the Republic of Kazakhstan on Prevention of Legalisation (Laundering) of Illegal Income and Terrorism Financing No. 191-IV dated 28 August 2009. This law is expected to become effective in March 2010.

The new law identifies various types of transactions subject to financial monitoring and establishes thresholds for each of them. Banks, pension funds, insurance and reinsurance companies and certain other financial institutions and individuals are obliged to monitor any such transactions entered into by their clients and, in certain circumstances, the financial institution must prevent their clients from entering into such a transaction. The law requires any suspicious transaction to be reported to an authorised state body.

The Bank has written policies aimed at preventing it from being used as a vehicle for money laundering, including "know your client" policies and the adoption of anti-money laundering and compliance procedures. However, there can be no assurance that attempts to launder money through the Bank will not be made or that anti-money-laundering measures implemented by the Bank will be effective. If the Bank were associated with money laundering, albeit only through the failure of its anti-money laundering measures, or if it were unable to comply with all of the relevant laws and internal policies 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 and results of operations may be materially and adversely affected.

The Bank is subject to the volatility of conducting its operations, and having substantially all of its assets located, in Kazakhstan, which only recently began to operate in a market economy, which may have a materially adverse effect on the Bank's financial position and its results of operations.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has undergone significant changes as it has emerged from a single party political system and a centrally controlled command economy to a market oriented, democratic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reforms designed to establish a free market economy through privatisation of state enterprises. However, as with any transition economy, 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 intended aims. Although Kazakhstan has in the recent past enjoyed relative political stability, it could be adversely affected by political unrest in the Central Asian region. Additionally, in common with other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or by military or other action taken against sponsors of terrorism in the region.

Kazakhstan is currently experiencing a general economic slowdown which has resulted and is likely to continue to result in higher unemployment, reduced corporate profitability, increased corporate insolvency rates, increased personal insolvency rates and increased interest rates. This in turn may reduce borrowers' ability to repay loans, cause prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the value of the collateral securing many of the Bank's loans and increasing write-downs, and negatively affect the ability and willingness of companies and individuals to place deposits with domestic banks, including the Bank.

The Kazakhstan economy is highly dependent on oil exports and, as a result, is affected by oil price volatility.

Countries in the Central Asian region, including 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 them or by the frustration or delay of any infrastructure projects caused by political or economic instability. In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in 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 markets 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 and results of operations of the Bank.

The sharp drop in world prices for oil and other commodities since mid-2008 has had a negative impact on the growth prospects of the Kazakhstan economy.

Although oil prices have presently recovered, there can be no assurance that further revisions of the national budget will not be required in light of continuing oil price volatility.

The volatility of the Kazakhstan economy may have an adverse impact on the Bank's borrowers and their ability to fulfil their obligations to the Bank, including repayment of loans, and availability of funds for such borrowers to deposit with the Bank, which may adversely affect the Bank's results of operations and financial condition.

The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and therefore are unpredictable.

Although a large volume of legislation has come into force since early 1995, including a new tax code, laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan is still in a relatively early stage of development compared to countries with established market economies. In addition, the judicial system in Kazakhstan, including judicial officials and other government officials, may not be fully independent of external social, economic and political forces. There have been instances of improper payments made to public officials, inconsistent administrative decisions, and unpredictable court decisions.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in its newly adopted tax legislation, the tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as the lack of any established system of precedent or consistency in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more pronounced than in jurisdictions with a more developed tax system.

The Bank expects that there will be additional revenue raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Bank's business, financial condition or results of operations.

Kazakhstan's president, Nursultan Nazarbaev, has been in office since 1991 and, if he were to lose power, Kazakhstan could become unstable.

Kazakhstan's president, Nursultan Nazarbaev, has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbaev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. President Nazarbaev was re-elected for his most recent term of office in December 2005. In May 2007, Kazakhstan's Parliament voted to amend Kazakhstan's constitution to allow Nazarbaev to run in an unlimited number of elections. While this amendment will allow Nazarbaev to seek re-election at the end of his current term, there is no guarantee that he will remain in office. Should he fail to complete his current term of office or should a new president be elected at the next election, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate, which would have a material adverse effect on the Bank's business, results of operations and financial condition. Conversely, although Nazarbaev's remaining in office may contribute to stability in Kazakhstan, the constitutional amendment in May 2007 has raised some concerns regarding democratic reforms. A lack of confidence in the democratic nature of Kazakhstan's government could threaten the country's economic stability, which could have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank may face litigation if the Kazakh FMSA applies any of compulsory restrictive measures to the Bank.

The Kazakh FMSA may apply a number of compulsory restrictive measures to second tier banks (commercial banks) in financial distress or in breach of prudential or other mandatory regulations. Such measures include the following:

- issuing a warning and mandatory written instructions to a bank;
- entering into agreement with a bank setting out measures to be taken by the bank to remedy any identified breaches of prudential requirements;

- instituting the Kazakh 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 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 a conservation;
- forcing a bank into a mandatory reorganisation to segregate 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; and
- forcing a bank into mandatory liquidation.

Whether or not such claims may be meritorious, the Bank's shareholders could bring claims against the Bank and seek redress against the FMSA's actions. If such shareholders' claims are successful, the Bank's financial position and the interests of the Noteholders may be negatively affected.

Risks relating to the Notes

There are risks associated with the underdevelopment of Kazakhstan's securities markets.

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 the mid-to-late 1990s and the procedures for settlement, clearance and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, 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 in Kazakhstan, or as strictly enforced, compared to the United States, the United Kingdom and the other Western European countries, and existing laws and regulations may be applied inconsistently.

There is no active trading market for the Notes.

There is currently no active trading market for the Notes and an active trading market in the Notes may not develop or be maintained after the listing. 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. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes and investors may experience difficulties in selling such Notes.

Due to the Bank's financial condition and the historical volatility in the price of securities in Kazakhstan banks, the market price of the Notes is likely to be volatile.

As a result of a number of factors, including the Bank's recent financial condition and its participation in historically volatile markets, the market price for the Bank's debt securities has historically been and will remain volatile. The market price for the Notes is also likely to be volatile and investors may not be able to sell their Notes at the desired terms or at attractive prices. Factors that could cause volatility in the market price for the Notes in the future may include, among other things:

- actual or anticipated variations in the Bank's operating results;
- new products or services, whether the Bank's or those of its competitors;
- changes in financial estimates by analysts covering the Bank;
- changes in the market valuations of other Kazakhstan banks;

- large increases or decreases in capital commitments;
- additions to, or departures of, its key personnel; and
- additional issuances of Securities by the Bank.

Due to the Bank's financial condition and its participation in historically volatile markets, these factors may negatively affect the market price for the Notes to a greater extent than they would securities of other companies, in some cases regardless of the Bank's actual operating performance.

Financial instability in other emerging markets could continue to cause the price of the Bank's Notes to suffer.

Financial instability in any emerging market country tends to adversely affect prices in securities issued by companies in such country as investors move their money to more developed markets that they perceive to be more stable. As has happened in the recent past, financial problems or an increase in the perceived risks associated with investing in emerging economies has caused and could continue to cause foreign investment in Kazakhstan to dampen and adversely affect the Kazakhstan economy. In addition, during such times, emerging market companies may continue to face severe liquidity constraints if foreign funding sources continue to be withdrawn.

If current market conditions and circumstances deteriorate further, or continue for protracted periods of time, this could accelerate the observable decline in credit quality, declines in asset prices, increases in defaults and non-performing debt and/or a worsening of general economic conditions in the Bank's key markets, all of which would materially adversely affect the Bank's business, profitability and results of operations. Financial instability in any other emerging market country also could materially and adversely affect the Bank's business and/or the price of the Notes.

Risks Relating to the Notes

The Bank may be unable to list or maintain the listing of the Notes on the Kazakhstan Stock Exchange (the "KASE") which may make the Notes less attractive and will result in the delisting thereof.

The Bank may be unable to list or maintain the listing of the Notes on the KASE or may not be allowed to move the Notes out of the "buffer" category which may make the Notes less attractive and will result in the delisting thereof.

The Kazakh FMSA's rules establish certain requirements for listing of debt securities on the KASE which vary on the category of listing sought by an issuer. To be eligible for the "debt securities with rating (highest category)" listing, the issuer must have, inter alia, a minimum credit rating of the relevant debt security that is not lower than the "speculative" level by Moody's, S&P or Fitch. The Bank has been assigned a CC rating by Fitch. There can be no assurance that the Bank would be able to achieve or maintain the minimum rating required for the listing of Notes. Thus, the Bank may be unable to maintain or procure the listing of the Notes on the KASE. Certain types of financial institutions may not be allowed to invest in unlisted instruments and investment in the Notes may become unattractive.

The Bank will be required to obtain a listing of the Notes on KASE in order to avoid being required to pay withholding tax on payments under the Notes. In the absence of such a listing, the Bank will be obligated to gross-up payments under the Notes for Kazakhstan withholding tax. No assurance can be given that the Bank would have sufficient funds available to make such gross-up.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) Notes are lawful investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system with the rate being determined on the basis of market developments and the NBK's role in setting the exchange rate was limited to interventions in the domestic currency market in order to prevent exchange rate volatility caused by short-term changes in supply and demand. In April 1999, the NBK and the Government publicly announced that NBK would cease to establish fixed exchange rates for the Tenge and permit the exchange rate to float freely and that the NBK would only continue to intervene in the foreign exchange market only where necessary to support the Tenge. This decision was supported by international financial organisations such as the IMF. As a result, the Tenge depreciated from a pre-announcement rate of KZT 88.00 per U.S. Dollar to a rate of approximately KZT 130.00 per U.S. Dollar by May 1999. For the next three years the Tenge generally continued to depreciate in nominal terms against the U.S. Dollar, although from 2002 to 2008 it strengthened overall against the U.S. Dollar as a result of export proceeds from oil, agricultural products and other commodities. On 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117 – KZT 123 to 1 U.S. Dollar to KZT 150 to 1 U.S. Dollar (+/- 3 per cent.). This devaluation was due in part to recent pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) in the international markets and to prevent a significant decrease of Kazakhstan's gold and currency reserves. It was also intended to enhance export competitiveness. On 30 December 2009, NBK announced it would widen the Tenge's trading band to 127.5-165.0 per U.S. Dollar effective from February 5, 2010 until March 20, 2011.

The following table sets out certain month-end, high, average and low Tenge/U.S. Dollar official exchange rates as reported by the NBK:

Period ended	Period end	High	Average(1)	Low
31 December 2007	120.30	127.00	122.56	118.79
31 December 2008	120.77	120.87	120.30	119.48
31 December 2009	148.46	120.86	147.83	151.40
31 January 2010	148.21	148.40	148.07	147.88
28 February 2010	147.32	148.21	147.82	147.32
31 March 2010	146.98	147.45	147.12	146.89
30 April 2010	146.43	147.07	146.69	146.41
31 May 2010	146.69	147.04	146.68	146.47
30 June 2010	147.55	147.55	147.09	146.65
31 July 2010	147.69	147.73	147.52	147.25

Note:

(1) The weighted average rate reported by the NBK for each month, as applicable, during the relevant period.

As of 31 December 2010, the official KZT/U.S.$ rate of exchange as reported by the NBK was KZT 148.46 per U.S.$1.00.

The above rates may differ from the actual rates used in the preparation of the capitalisation table and other financial information appearing in this Prospectus. The inclusion of these exchange rates is not intended to suggest that the Tenge amounts actually represent such U.S. Dollar amounts or that such amounts could have been converted into U.S. Dollars at any particular rate, or at all.

Exchange Controls

Kazakhstan has accepted the conditions of paragraphs 2, 3 and 4 of Article VIII of the IMF Charter and, as a result, has agreed not to introduce or increase any exchange rate restrictions, introduce or modify any practice of multiple exchange rates, enter into any bilateral agreements violating Article VIII or impose any import restrictions. In accordance with Article VIII, a new law on currency regulation was adopted in 1996. According to this law, all current account operations, including transfers of dividends, interest and other investment income, may be made without restriction. Only certain outflowing and inflowing capital account operations need to be licensed by, or registered with, the NBK. Capital inflows are registered and monitored for statistical purposes only, but are not restricted.

Following the influx of U.S. Dollars into Kazakhstan due to, among other things, rising oil prices, a number of steps aimed at liberalising the currency control regime were undertaken in Kazakhstan from 2002 to 2004. The Law on Currency Regulation and Currency Control and supporting regulations came into effect at the end of 2005, representing a significant milestone towards achieving the liberalisation of currency operations, extension of export of capital and elimination of double control in Kazakhstan. Among other things, the new currency control rules substantially expanded the classes of Kazakhstan investors that can invest abroad and eased the requirements for international financing in Kazakhstan.

Since 1 January 2007, when certain provisions of the Law on Currency Regulation and Currency Control came into effect, it has become unnecessary to obtain an NBK licence for any foreign currency transactions, including the opening by Kazakhstan residents of accounts with foreign banks. Further, since 1 January 2007, most foreign currency transactions only require notification to the NBK, or are not subject to currency control at all. Only financial loans (with a non-bank local counterparty), direct investments and certain other capital account operations require registration with the NBK. With respect to most of their offshore operations, Kazakhstan banks are only obliged to notify the NBK as to the existence of such operations.

THE BANK

The Bank is a commercial bank operating in the Republic of Kazakhstan.

According to Kazakh FMSA data, as at 31 December 2009, the Bank was the tenth largest commercial bank in Kazakhstan by total assets and the seventh largest by retail banking assets. The Bank is focused on the retail market and has presence in all regions of the country through a distribution network consisting of 21 full service branches, 94 banking centres which offer limited banking services and 341 automated teller machines (ATMs), 95 info-kiosks with branches in every city with a population of over 50,000 as at 31 December 2009.

The Bank holds a banking licence from the Kazakh FMSA for banking operations in Tenge and foreign currencies, and for other operations allowed by the banking legislation. The Bank's re-registration certificate number 4814-1900-AO was issued by the Kazakhstan Ministry of Justice on 25 June 2010 and its current banking licence number 107 was re-issued on 16 July 2010. The Bank's registered office is located at 68/74 Abai Avenue, 050008 Almaty, Republic of Kazakhstan and its telephone number is +7 727 258 78 88.

History

The Bank was established on 26 March 1992 as the Joint Stock Company Commercial Railway Bank Temirbank to provide services to the railway industry in Kazakhstan. On 21 March 1996, the Bank was re-registered as an Open Joint Stock Company Temirbank and on 16 January 2004 as Joint Stock Company Temirbank. The Bank's registered address is 68/74 Abai Ave., Almaty 050008 Kazakhstan (telephone number +7 727 258 7888).

During the period from 2000 to 2002, interests in shares of the Bank were acquired by shareholders of BTA and, in December 2006, the Bank became a direct, majority-owned subsidiary of BTA following its acquisition of over 50 per cent. of the shares of the Bank's common stock. When the Bank became a subsidiary of BTA it became subject to Kazakh legislation that prohibits a subsidiary of a financial institution from having its own subsidiaries. To comply with this legislation the Bank transferred its minority interests in Temirleasing and CJSC Ineximbank and its 100 per cent. interest in Temir Capital B.V. to BTA. In 2008, the Bank began to experience substantial financial difficulties as the Kazakh economy experienced the impact of the global financial crisis. In the second half of 2009, the Bank began to cease payments on its external indebtedness and began the process of restructuring substantially all of its indebtedness and its equity capital. Pursuant to the terms of the Restructuring Plan (as defined below), on the Restructuring Date Samruk-Kazyna will control 79.9% of the total number of outstanding common shares of the Bank (after giving effect to the distribution of all common shares issued in the Restructuring). For information about the Bank's financial condition immediately after the Restructuring, see the Bank's audited financial statements as at and for the six months ended 30 June 2010 beginning on page F-2.

The Restructuring

In March of 2010, the Bank successfully obtained, as required under applicable Kazakh law, the approval of more than two-thirds of its creditors for the Bank's Restructuring Plan and subsequently, the Kazakh FMSA approved the Restructuring Plan. With effect from the Restructuring Date, the Restructuring Plan was effective and the Bank restructured its indebtedness and equity capital structure. As a result of the Restructuring:

- All of the $ 300.0 million 2011 Notes and all of the $ 500.0 million 2014 Notes (including, in each case, all accrued and unpaid interest) and the Bank's guarantees thereof, were extinguished, and in exchange to the holders of such extinguished debt the Bank (i) paid cash consideration in an aggregate amount of $ 153.6 million (KZT 22,664.9 million), (ii) issued an aggregate of $60,750,000 principal amount of its New Notes, and (iii) issued an aggregate of 4,000,000,000 of its common shares (or 20 per cent. of the total number of common shares outstanding immediately after the Restructuring) in the form of shares and global depositary receipts (a portion of such common shares remain to be distributed at the date hereof);
- $ 758.0 million (KZT 111,854.6 million) of deposits (including accrued interest) placed with the Bank by Temir Capital BV, representing the initial proceeds of the offering of the 2011 and 2014 Notes minus organisation commissions, were released and recharacterised (and the funds retained by the Bank) at the same time that the 2011 and 2014 Notes (and the Bank's

guarantees thereof) were extinguished, thereby reducing the Bank's deposits and increasing its equity by such amount;

- In addition, a further deposit of approximately $950,000 (KZT 140.2 million) placed with the Bank by Temir Capital, comprising funds from the equity contribution that the Bank had made in Temir Capital in connection with the 2011 and 2014 Notes, was released and recharacterised (and the funds retained by the Bank) at the same time that the 2011 and 2014 Notes (and the Bank's guarantees thereof) were extinguished, thereby reducing the Bank's deposits and increasing its equity by such amount;

- 75 per cent. of the Bank's KZT 19,290.7 million secured domestic notes were amended to (i) extend the terms thereof by ten years, (ii) amending the terms of such notes to fix the coupon at 8.0 per cent. per annum and to make the notes denominated in KZT (to the extent not already the case), and (iii) subordinate such notes so as to qualify as Tier II and III capital based on the requirements of Kazakh FMSA;

- 25 per cent. of such secured domestic notes were exchanged for an equivalent principal amount of new secured domestic notes that are (to the extent not already the case) denominated in KZT and bear interest at a rate equal to 1 per cent plus the Kazak Consumer Price Index;

- All of the Bank's KZT 7,513.1 million unsecured domestic notes were amended to (i) extend the terms thereof by ten years, (ii) fix the coupons on all such notes at 8.0 per cent. per annum, (iii) subordinate such notes so as to qualify as Tier II and III capital based on the requirements of Kazakh FMSA;

- Approximately $ 11.2 million (including accrued but unpaid interest) in aggregate trade indebtedness was exchanged in full for a loan in an aggregate principal amount of approximately $ 11.2 million (KZT 1,648.8 million), bearing interest at a rate of 2.0 per cent. per annum, and which will mature in June 2020;

- The terms of the deposit placed with the Bank by BTA were amended to reduce the rate of interest accruing thereon to 8 per cent. and to extend the maturity by 10 years to 15 March 2020. As at 30 June, the aggregate principal amount of such deposit (including any accrued and unpaid interest as of 15 March 2010) was KZT 57,651.7 million;

- The terms of the KZT 12,853.7 million of deposits with the Bank placed by Samruk-Kazyna in connection with the then-proposed restructuring of the Bank's indebtedness were amended to extend the term of the deposit by six months from their respective initial maturity dates; and

- The stakes of BTA and of others of the Bank's common shareholders were diluted and Samruk-Kazyna became the Bank's major shareholder, with 15,980,933,000 of common shares outstanding (or 79.9 per cent. of the total number of such shares after giving effect to the distribution of all common shares issued in the Restructuring) under its control directly and through one of its subsidiaries.

The discussion below provides more information on the background to the Restructuring and summarizes the changes to the Bank's capital structure as a result of the Restructuring.

Background to the Restructuring

Starting from 2005, the Bank's strategy was primarily focused on the retail market, increasing its retail market share during the period from 2005 to 2007, while maintaining a stable market share in the corporate segment with particular focus on SMEs. The Bank's growth from 2005 to 2007 was primarily funded by short-term bank borrowings and U.S. Dollar-denominated debt securities issues in the international capital markets. The proportion of funding through customer deposits remained relatively low. The external financing obtained by the Bank was used to fund rapid growth in customer lending using aggressive techniques to acquire customers.

From the second half of 2007, the Kazakh banking system experienced a significant outflow of deposits and a migration of deposits within the banking system to banks perceived to be more stable. The Bank's deposits decreased from KZT 63,323.3 million as at 31 December 2008 to KZT 47,996.5 million as at 31 December 2009. This contributed to the severe liquidity problems the Bank started experiencing in 2008 when funding from capital markets became unavailable. In the course of 2009, the Bank obtained State support in the form of deposits of approximately KZT 11.8 billion provided by Samruk-Kazyna and KZT

55.4 billion provided by BTA, on which it continues to rely, and of which KZT 11.9 billion of the Samruk-Kazyna deposit is outstanding and KZT 56.4 billion of the BTA deposit is outstanding as at 31 December 2009.

Due to the deterioration in its financial condition, the Bank discontinued most of its retail and corporate lending in the beginning of 2009, with the exception of the State Finance Programmes. Throughout 2009, the Bank continued to lose market share in all sectors. The Bank's market share in customer accounts decreased from 1.33 per cent. to 0.78 per cent. from 31 December 2008 to 31 December 2009, based on publicly available data from the Kazakh FMSA.

The following table shows the Bank's market share in assets, loans and deposits for the periods indicated.

	Market Share				
Categories	**01 January 2008**	**01 January 2009**	**01 April 2009**	**01 July 2009**	**01 January 2010**
Total Assets	2.79%	2.42%	2.24%	2.41%	1.55%
Loans	3.10%	2.78%	2.78%	2.72%	2.72%
Total Deposits............	1.55%	1.33%	1.13%	1.02%	0.78%

Source: Based on Kazakh FMSA publicly available data and derived from the Bank's unaudited management accounts

The Bank's asset quality has continually deteriorated in 2009 with NPLs rising to KZT 156.6 billion or 59.7 per cent. of gross loans as at 1 January 2010.

In the first half of 2009, the Kazakh FMSA (in its capacity as local regulator) conducted a regulatory audit of the Bank as of 1 March 2009, following which the Kazakh FMSA requested the Bank to increase its loan loss allowance prepared in accordance with the Kazakh FMSA methodology to KZT 122 billion. The Kazakh FMSA requirements for loan loss provisions are materially different from the requirements under IFRS (for example, under the Kazakh FMSA methodology, collateral value is not taken into consideration when determining the amount of provisioning required). The Bank has been gradually increasing its Kazakh FMSA methodology provisions to comply with this requirement and as at 1 January 2010, the Bank had recorded charges to provisions of KZT 126.1 billion under its financial statements prepared in accordance with the Kazakh FMSA methodology. As of 1 July 2010 the Bank had recorded Kazakh FMSA methodology provisions of KZT 129.8 billion. See the discussion on recognition of provisions in "Asset, Liability and Risk Management – Credit Risk Management – Loan Classification and Provisioning Policy – Provisioning Policy." For information on the pro forma effects of the Restructuring on the Bank's regulatory capitalisation as at 31 January 2010, see "Capitalisation -- Kazakh FMSA Regulatory Capital Adequacy".

As a result of the Bank's increased loan loss provision charges under the Kazakh FMSA methodology, the Bank breached the capital adequacy and liquidity requirements of the Kazakh FMSA in September 2009. Due to the Bank's breach of these regulatory requirements, the Bank entered into the Agreement with the Kazakh FMSA on 13 October 2009 pursuant to which the Kazakh FMSA instructed the Bank to remedy the breach of the capital adequacy ratio by 7 December 2009 (later amended to 30 December 2009 and later further amended to 31 March 2010) (the **Kazakh FMSA Agreement**). The Bank also agreed with the Kazakh FMSA to stop accruing and/or paying dividends on its Common Shares and Preference Shares; not to conduct any advertising campaign to attract individual depositors; to accomplish the voluntary surrender of licence (No. 0407100254) for custodial activity on the securities market to the Kazakh FMSA after the transfer of all clients' assets and documents; and to provide monthly reports to the Kazakh FMSA on the progress made to implement measures required by the agreement.

In October 2009, the Bank began an internal examination into the financial condition of the Bank and, more specifically, its loan portfolio, in order to determine what steps would be necessary in order to remedy its capital adequacy position.

In November 2009 the Bank suspended repayment of all outstanding principal amounts and accrued interest under its obligations pending completion of the Restructuring. More specifically, the worsening financial position of the Bank led to it being unable to pay (i) the KZT 5.8 billion (including interest and principal amount) due on Friday 6 November 2009 and the KZT 1.9 billion due on Monday 9 November 2009 to its major shareholder BTA under the BTA Deposit Agreement, (ii) the U.S.$23.6 million of interest due on 23 November 2009 on the 2014 Notes, and (iii) the U.S.$12.6 million of interest due on 24 November 2009 on the 2011 Notes.

On 13 November 2009, the Bank submitted an indicative restructuring and recapitalisation plan to the Kazakh FMSA in accordance with the Kazakh FMSA Agreement.

On 17 November 2009, Samruk-Kazyna signed a letter and sent it to the Kazakh FMSA regarding its intention to provide the Bank with liquidity in case of the approval of final terms of the restructuring of the Bank's Liabilities by restructuring creditors, the Bank and Samruk-Kazyna in order for the Bank to meet prudential requirements of the Kazakh FMSA after the Restructuring;

On 20 November 2009, an amended agreement was released whereby the Kazakh FMSA confirmed that it would permit the Bank to maintain its banking licence and would not apply any of the provisions of Articles 46, 47 and 47.1 of the Banking Law until 30 December 2009. For a discussion of the measures that the Kazakh FMSA may apply to banks under Articles 46, 47 and 47.1 of the Banking Law, see "The Banking Sector in Kazakhstan – FMSA's Compulsory Measures under the Banking Law". The Kazakh FMSA Agreement is in effect until all terms and conditions of the Restructuring Plan, as agreed by the FMSA, are fulfilled.

Following the adoption of the new Restructuring Law in Kazakhstan, which came into effect in August 2009, the Bank submitted an application to the Court to formally initiate the restructuring process under the Restructuring Law. The Bank's application was approved by the Court on 23 November 2009, resulting in an automatic stay of all relevant claims of the Bank's creditors and protection of the Bank's property from execution and attachment until completion of the Restructuring, except for the SK Deposits.

On 30 November 2009, the Bank published an information memorandum setting out the terms of the prior restructuring proposal. On 14 December 2009, the Bank announced its plans to arrange confidential discussions with certain Holders of 2014 Notes and 2011 Notes. On 18 December 2009 the Bank announced amended terms of such restructuring proposal. International Noteholders' meetings were held on 22 December 2009 in respect of the 2011 and 2014 Notes, which meetings were both inquorate and therefore adjourned, and as a result, the Bank subsequently withdrew the extraordinary resolutions and the information memorandum dated 30 November 2009. On 12 January 2010, the Bank announced that the deadline set by the FSMA and the Court had been extended on the Bank's application to such governmental authorities. Pursuant to the publication of the Bank's revised information memorandum dated 22 February 2010, and the following two supplements on 9 March 2010 and 11 March 2010, the Restructuring Plan was approved by more than the requisite majority of the Bank's debt holders (93.74% approved) on 31 March 2010. The Bank completed restructuring on 30 June 2010 and obtained the corresponding final approvals by Kazakh FMSA on 7 July 2010 and by the Financial Court on 19 July 2010.

As a result of the Bank's rapidly deteriorating financial condition, suspension of repayments and announcement of the proposed Restructuring, the Bank's rating was downgraded. As of August 2009 the Bank was assigned a "CC" long-term credit rating by Fitch and a "CC" long-term credit rating by S&P. Moody's suspended its rating of the Issuer's bonds in September 2009. On 23 November 2009, after the announcement of the Restructuring, the Bank's rating was downgraded to an "RD" long term credit rating by Fitch and "D" long-term credit rating by S&P.

After completion of the Restructuring and the recovery of financial condition of the Bank's financial condition, the Bank worked with rating agencies to review the credit ratings of the Bank. Following the review by the rating agencies, the Bank currently has a long term rating of "B" by S&P and "B-" by Fitch. The Notes are currently rated "B" by S&P and "B-" by Fitch.

Recent Financial Information

Following the Restructuring, the Bank has prepared its interim condensed statement of financial position as at 30 June 2010 and its interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six months ended 30 June 2010. The Bank's interim condensed statement of financial position at that date reflects the impact of the Restructuring described above, and is included elsewhere in this Prospectus. As at 30

June 2010, the Bank's total liabilities decreased to KZT 180,926 million from KZT 277,036 million at 31 December 2009, and its total equity improved to KZT 51,225 million, from a negative equity of KZT 50,530 million as at 31 December 2009. See the Bank's audited financial statements beginning on page F-1.

The Role of Samruk-Kazyna

Samruk-Kazyna is wholly owned by the Government and is the national management holding company for substantially all state enterprises. Samruk-Kazyna's primary objective is to improve the competitiveness and stability of the Kazakh economy and alleviate the possible adverse effects of changes in world markets on economic growth in Kazakhstan.

Samruk-Kazyna provided a total of KZT 6,241.9 million to the Bank during 2009. In addition, since January 2009, the Bank has received KZT 641.9 million relating to the Bank's participation in a State Finance Programme relating to the construction industry.

Samruk-Kazyna has provided liquidity support to the Bank during 2009 through the following measures:

- In connection with the Bank's participation in the State Finance Programmes, the Bank has received financing support from a number of government-controlled entities including Samruk-Kazyna. The Bank received KZT 3,330.2 million from Samruk-Kazyna, of which the Bank has utilised KZT 3,248.1 million and returned KZT 82.1 million to Samruk-Kazyna; and
- Samruk-Kazyna maintains a current account at the Bank with a balance of KZT 11,936.6 million as at 31 December 2009.

As part of the Government's anti-recession programme, Samruk-Kazyna invested in the Bank's capital pursuant to the successful Restructuring and recapitalisation of the Bank. A letter of intent was signed between the Bank and the Samruk-Kazyna Fund under which Samruk-Kazyna expressed its intent to provide certain support for the Bank's Restructuring Plan, including its intent on the following terms:

- to provide the Bank with capital in the amount of up to KZT 23.5 billion for the cash payment to the holders of the 2011 and 2014 International Notes in connection with the Restructuring;
- through BTA or by acquiring the BTA Deposits to vote in favour of the Restructuring Plan.

Such support was important in the successful completion of the Restructuring Plan. For more information about Samruk-Kazyna, see "Principal Shareholders".

Strategy

Having now completed the Restructuring, the Bank has renewed its strategy. The Bank's principal objective in the coming years will be to establish a positive image with customers and partners of the Bank, as well as to return the Bank to its former positions in the Kazakh market.

The Bank's new major shareholder has set the goal for the Bank within 2 and one-half years to become a full-fledged retail bank with a return on equity of approximately 20%. To achieve this goal, the Bank's new management has developed a strategy for the Bank in the post-restructuring period which is comprised of the following four elements:

1. Achieve leading positions in all principal areas of retail banking
2. Reduce the proportion of non-performing assets
3. Reduce costs by optimizing its branch network and business-processes
4. Strengthen corporate governance and risk management

Achieve leading positions in all principal areas of retail banking

Despite the turmoil that the Bank went through in the past couple of years and total lack of advertising and PR activity, the Bank's management believes that it managed to preserve its well-known brand name and maintain its extensive branch network. Therefore, contrary to the stagnated banking sector for the next year or so the Bank will (i) push aggressively in raising its deposit base, especially in the corporate and SME sectors by pursuing new customers as well as pursuing customers who left the bank due to distress, (ii) concentrate on short- and medium-term lending with a primary focus on consumer credit and credit card products, (iii) optimize its fee structure for non-lending banking services and exploit its extensive branch network to increase non-interest income,

Reduce the proportion of non-performing assets

The reduction of non-performing loans will require the Bank to proceed in several directions. The principal direction will be the restructuring of delinquent loans for both corporate and retail customers (through the use of reduction of interest rates, grace periods and reduction of instalments depending on the loan-to-value coefficient and financial standing of the borrower). Those borrowers that either constantly default on the restructured terms or fail to agree with the bank on new restructured terms will be subject to the Bank's full collection efforts ("hard collection") in which the bank will pursue their assets. Finally, the Bank will revise its "soft" collection procedures and automate its collection business processes. Unsecured loans will be sold to collection companies.

Reduce costs by optimizing its branch network and business-processes

The former strategy of the bank heavily relied on quick expansion of the branch network without a proper assessment of the new branches' viability. Therefore, the key to successful cost reduction the new management sees in optimizing its branch network goal through cutting unprofitable branches, especially those located in remote towns far away from major cities, relocating branches with low turnover and increasing the level of inferior branches to the level of corporate standard. Further, during the years of expansion bank paid little attention and invested minuscule amounts into business-process automation systems. Bank plans major investments into business-process automation systems which would allow the bank to increase productivity by at least 30% and reduce costs accordingly.

Enhance corporate governance and risk management

The Bank's new management is dedicated to strengthening the Bank's corporate governance, internal controls and risk management procedures. Following the Restructuring, the Bank adopted Corporate Governance Code which limits the powers of the sole major shareholder and distributes powers evenly among the board, minority shareholders and management. Further, the Bank believes the increase in independent representation on the Bank's Board of Directors (two directors were appointed by the creditor committee as part of the Restructuring process) will strengthen the Bank due to import of western business practices into Kazakh bank. In addition, in response to the prior breaches of appropriate procedures by certain former members of management the Bank has determined to strengthen its risk management. For example, the Bank introduced the limits on decisions by the management as well as intends to implement an integrated credit scoring system in the medium term. The Bank believes these steps will strengthen its internal controls and risk management, will further enhance operational efficiency at the Bank, will improve the quality of its new business and reduce the risks of a recurrence of such breaches of controls and thereby reduce the risks associated with its new lending activities.

Business of the Bank

From 2005 to 2008, the Bank offered most traditional retail and corporate banking products and services, including deposit taking, lending, issuing letters of credit, guarantees and promissory notes and payment cards, foreign currency exchange operations, broker-dealer transactions, custody, clearing and safe-keeping operations, financial leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust, factoring and forfeiting operations and issuing securities.

As a result of the Bank's breach of capital adequacy requirements in 2009 and the Kazakh FMSA Agreement, the Bank's lending operations are currently limited to mortgages under the Mortgage State Finance Programme and SME loans under the SME State Finance Programme to the extent it receives repayment proceeds of previously made Mortgage State Finance Programme loans and SME State Finance Programme loans. The Bank continues to provide certain other banking services, including payment cards, foreign currency exchange operations, custody, clearing and safe-keeping operations, correspondent banking, cash operations, remittances and trust operations. As noted above, the Bank is seeking to re-establish its broader lending activities as market conditions improve and opportunities are presented.

The following table presents a breakdown of the Bank's net loan portfolio into the retail, SME and Corporate banking sectors as at 31 December 2009, 2008 and 2007.

	As at 31 December					
	2009		**2008**		**2007**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Retail[(1)]	133,304.8	67.6	172,513.5	69.1	198,165.1	73.5
Corporate[(2)]	34,113.6	17.3	43,003.8	17.2	19,825.7	7.4
SME[(3)]	29,867.7	15.1	33,976.2	13.6	51,640.6	19.2
Total net loan portfolio.........	**197,286.1**	**100.0**	**249,493.5**	**100.0**	**269,631.4**	**100.0**

Notes:

(1) Represents "loans to individuals" net of allowances for loan losses in the audited financial statements as at and for the year ended 31 December 2009 and the audited financial statements as at and for the year ended 31 December 2008.

(2) Represents "loans to corporate clients" net of allowances for loan losses in the audited financial statements as at and for the year ended 31 December 2009 and the audited annual financial statements as at and for the year ended 31 December 2008. See Note 8 to the audited financial statements as at and for the year ended 31 December 2009 and Note 8 to the audited annual financial statements as at and for the year ended 31 December 2008.

(3) Represents "loans to small business" net of allowances for loan losses in the audited interim condensed financial statements as at and for the year ended 31 December 2009 and the audited annual financial statements as at and for the year ended 31 December 2008. See Note 8 to the audited financial statements as at and for the year ended 31 December 2009 and Note 8 to the audited annual financial statements as at and for the year ended 31 December 2008.

The Bank offers its products and services through its branch office and centres of banking services network as well as through electronic distribution channels such at its ATM and POS terminal network, and telephone, SMS and Internet banking.

Retail banking

The Bank offers a wide range of retail banking services, including cash operations, safe deposit boxes, traveller's checks, utility and mobile phone operator payments, payment cards, money transfers and currency exchange. The Bank is seeking to expand its retail banking services as a part of its business strategy since these services provide consistent fee generation.

The following table provides certain information relating to the Bank's retail banking activities as at 31 December 2009, 2008 and 2007.

	As at 31 December		
	2009	**2008**	**2007**
Retail loans			
Number of retail loans	87,325	129,322	146,922
Retail loans, net[(1)] *(KZT millions)*.....................................	133,304.8	172,513.5	198,165.1
Market share of retail loans *(per cent.)*............................	8.0%	7.9%	8.8%
Retail deposits			
Number of retail deposit accounts[(2)]	676,816	590,089	440,421
Retail deposits[(2)(3)] *(KZT millions)*	23,345.5	26,103.6	21,578.6
Market share of retail deposits *(per cent.)*	1.8%	1.8%	1.5%

Notes:

(1) Retail loans represent "loans to individuals" and include consumer loans, mortgage loans, car loans and other retail loans to customers.

(2) Includes time deposits of individuals, current accounts of individuals and other restricted deposits of individuals.

(3) Retail deposits represents "individuals" within "amounts due to customers" and include time deposits, current accounts and guarantees and other restricted deposits of individuals.

Since February 2009, the Bank has experienced significant outflows of customer deposits. In October 2009, the Bank and the Kazakh FMSA entered into an agreement whereby the Bank acknowledged that it had infringed certain capital adequacy requirements and agreed to take certain remedial measures, including discontinuing marketing to attract individual depositors. The restrictions will remain in effect until the Bank is in compliance with applicable regulatory requirements of the FMSA. The Bank had retail deposits of KZT 23,345.5 million as at 31 December 2009 as compared to KZT 26,103.6 million as at 31 December 2008 and KZT 21,578.6 million as at 31 December 2007. The Bank's customer deposits decreased by 10.6 per cent. during 2009. The decrease would have been partially offset by the deposit totalling KZT 11.8 billion made by Samruk-Kazyna during 2009.

The interest rates on the Bank's deposits are close to average market rates, and the Bank offers rates which are competitive with those of other institutions in Kazakhstan. The Bank's ability to adjust interest rates on the Bank's deposits, and thus compete for deposits aggressively on rates, is limited due to regulation by the KDIF, which has set maximum interest rates which Kazakh banks may offer on deposits. Accordingly, the Bank, like other banks in Kazakhstan, cannot aggressively compete for retail deposits on the basis of interest rates alone.

The Bank has faced a significant outflow of deposits as a result of the deterioration in its financial condition since January 2009. Retail deposits decreased to KZT 23,345.5 million as at 31 December 2009 compared to KZT 26,103.6 million as at 31 December 2008. The Bank had 676,816 retail deposit accounts as at 31 December 2009. Of the deposits from individuals, 14.2 per cent. were demand deposits and 85.8 per cent. were time deposits with terms typically ranging from 3 to 37 months. As at 31 December 2009, KZT 15,368.1 million (representing 65.8 per cent. of the Bank's retail deposit base) was denominated in Tenge, with the remaining 34.2 per cent. denominated in foreign currencies, principally U.S. Dollars but, to a lesser extent, Euros. The decrease in retail deposits was due to the financial difficulties experienced by the Bank and the ongoing financial crisis that caused severe instability and loss of confidence in the Bank and the banking sector in Kazakhstan in general.

Pursuant to an agreement with the FMSA entered into in October 2009, the Bank does not carry out any advertising campaigns to attract depositors. Following completion of the Restructuring of the Bank and the resolution of the Kazakh FMSA dated 7 July 2010, the above mentioned agreement was terminated.

Retail Lending

Currently, the Bank provides the following retail lending products: loans to individuals under the Mortgage State Finance Programme to the extent it receives repayment proceeds of previously made Mortgage State Finance Programme loans, which represents a significant decrease from the number of products that the Bank marketed and sold prior to 2009; credit card ("non-stop cards"); mortgage loans ("mortgage-auction"); loans with security of money ("deposit loan"); and car loans ("car auction"). The Bank had a net portfolio of retail loans of KZT 133,304.8 million (classified as "loans to individuals" within loans to customers in the Bank's financial statements) as at 31 December 2009 compared to KZT 172,513.5 million as at 31 December 2008 and KZT 198,165.1 million as at 31 December 2007.

Prior to 2009, when all retail lending unrelated to the State Finance Programme was discontinued, the Bank offered a comprehensive range of retail lending products, including consumer loans, mortgage loans, car loans and other types of retail loans.

Mortgages under Mortgage State Finance Programme. From April to October 2009, the Bank issued mortgage refinancing loans under the Mortgage State Finance Programme. Pursuant to this Programme, the Bank made loans to individuals to refinance existing mortgages, provided that the collateralised real estate was the only real property owned by the individual and that the real estate amounted to less than 120 square metres. The annual interest rate for loans under the Mortgage State Finance Programme may not exceed 9.0 per cent. for government employees and 11.0 per cent. for all other borrowers, and had a maximum term of 20 years.

As at 31 December 2009, the Bank had issued mortgage refinancing loans pursuant to the Mortgage State Finance Programme totalling KZT 5,920.0 million (KZT 5,679.0 million after charges to allowance for impairment) and had fully utilised the funds allocated under the Programme. Currently, the Bank provides mortgages under the Mortgage State Finance Programme only to the extent it receives repayment proceeds of the previously made Mortgage State Finance Programme loans.

Consumer loans. Prior to 2008, the Bank offered a variety of consumer loans in U.S. Dollars and Tenge. As at 31 December 2009, the net residual amount of outstanding consumer loans was KZT 68,215 million. Non-performing loans represented 41.1 per cent. of the gross outstanding consumer loan portfolio as at 31 December 2009.

Home Equity Loan Programme

The Bank provided home equity loans which are loans secured by collateral in the form of housing stock or non-agricultural real estate, the proceeds of which may be used by the borrower for any purpose. These loans are included as consumer loans in the financial statements. The loans may be denominated in U.S. Dollars or Tenge, and may have a term of up to 20 years but in any event at the loan maturity date the borrower's age should not exceed the retirement age stipulated by Kazakh legislation. Although the loan agreements permit the Bank to change interest rates, loans denominated in foreign currency and in Tenge are generally fixed rate loans and the Kazakh banking law prohibits the Bank from unilaterally changing interest rates. The Bank charges a non-refundable application fee, which covers the cost of obtaining a credit report from the credit bureau, information on obligatory pension allocations (if necessary) and real estate evaluation. The Bank also charges an arrangement fee that includes the Bank's expenses to register the pledge of the real estate. As at 31 December 2009, the net residual amount of outstanding home equity loans was KZT 73,260 million. Non-performing loans represented 53.8 per cent. of the gross residual portfolio of home equity loans as at 31 December 2009. Large scale lending on this programme stopped at the beginning of crisis in October 2007, after that the Bank was lending in smaller amounts, the Bank issued the following tranches within already existing credit lines.

"Temir OK" Loan Programme

Loans under the "Temir OK" product were provided to individuals resident in Kazakhstan living in any one of the cities where the Bank's branches were located and were granted for the purchase of consumer goods and payment for services. These loans were granted in Tenge and did not require collateral. Amounts available to applicants under the programme ranged from a minimum of KZT 20,000 to a maximum of KZT 500,000 with the interest rate depending of the loan amount and term of the loan, generally ranging from 37.5 per cent. to 40.0 per cent. Interest and principal is repaid in equal monthly instalments.

The Bank discontinued loans under the "Temir OK" programme in August 2008 and has not made any extensions of credit under the programme since August 2008, when the Bank generally ceased its loan origination activities. As at 31 December 2009, the net residual amount of outstanding loans issued through the Temir OK programme was KZT 20 million. NPLs represented 100 per cent. of the gross residual portfolio of Temir OK loans as at 31 December 2009.

"Temir Express" Programme

The Bank also issued unsecured retail customer loans under its "Temir Express" programme using a simplified approval procedure. The interest rate charged under the "Temir Express" Lending Programme varies based on the customer's ability to repay the loan, but upon first application for a credit was generally no less than 35.0-45.0 per cent. Loans are provided up to a maximum term of three years. The maximum amount of credit provided to a client applying to the Bank for the first time was generally KZT 75,000, but in the case of a client having a good credit history, the amount could be increased up to KZT 1 million.

The Bank discontinued loans under the "Temir Express" programme in February 2009 and has not made any extensions of credit under the programme since September 2007, when the Bank generally ceased its loan origination activities. As at 31 December 2009, the net residual amount of outstanding loans issued through the Temir Express programme was KZT 1,138.5 million. NPLs represented 87.8 per cent. of the gross residual portfolio of Temir Express loans as at 31 December 2009. Massive lending on this programme stopped at the beginning of crisis in October 2007, after that the Bank issued loans only to the Bank's employees and existing clients of the Bank. The Bank eventually stopped lending on this programme in February 2009.

Mortgages. Prior to 2008, the Bank also offered residential mortgages to its customers with a maximum term of 30 years with interest rates between 10.0 per cent. and 22.0 per cent. (depending on the terms of the loan product). These mortgages required a down-payment equal to at least 10.0 per cent. of the purchase price of the real estate. The Bank charged commissions of 0.5-1.0 per cent. of the loan amount. The Bank also offered mortgages in conjunction with the JSC Kazakhstan Mortgage Company and BTA Ipoteka, a mortgage arm of JSC Bank TuranAlem, with a maximum term of 20 years with interest rates between 10.0 per cent. and 19.5 per cent. (depending on the terms of the loan product). These mortgages required a down-payment equal to at least 10 per cent. of the purchase price of the real estate. As at 31 December 2009, the net residual amount of outstanding mortgage loans was KZT 50,400.8 million. NPLs represented 55.6 per cent. of the gross outstanding mortgage loan portfolio as at 31 December 2009. Large scale lending on this programme stopped at the beginning of crisis in October 2007, and since February 2009 the bank has not issued any new loans on mortgage programmes (apart from loans issued for refinancing of mortgage loans within Samruk-Kazyna support programme).

Car loans. During 2006-2007, the Bank also had a variety of loan programmes to finance the purchase of an automobile. Under such programmes, a loan may be in U.S. Dollars or Tenge for a term up to seven years. The maximum loan amount available is generally equal to 70-85% of the purchase price of the automobile to be acquired and the Bank required an initial down payment ranging between 15 per cent. and 30 per cent. of the purchase amount depending on the loan programme, and the type and age of the automobile to be acquired. The loans are secured by the automobile to be acquired and the down payment. The Bank also accepted deposit of the borrower as collateral. The Bank may charge an application fee, an arrangement fee and a monetisation fee depending on the loan programme. As at 31 December 2009, the net residual amount of outstanding car loans was KZT 6,228 million. NPLs represented 51.7 per cent. of the gross outstanding car loan portfolio as at 31 December 2009. Significant lending on this programme stopped at the beginning of crisis in October 2007.

Other retail loans. The Bank also provided other types of retail loans. As at 31 December 2009, the net residual amount of outstanding loans within other retail loans was KZT 8,460.9 million. NPLs represented 72.4 per cent. of the gross outstanding loan within the other retail loan portfolio as at 31 December 2009.

Payment Cards

The Bank has been an associate member of the Visa International Payment System since May 2002. As at 31 December 2009, the Bank had issued approximately 182,179 VISA debit and credit cards. In February 2010, the Bank became a principal member of MasterCard. See "Business of the Bank – Corporate Banking – Payment Cards and Salary Programmes" below.

Retail Distribution Channels

Since the Bank is not currently providing retail loans other than under the state finance programmes or accepting deposits, its extensive network is used primarily for collection purposes. However, the Bank expects to resume its use of its branch network to restore its lending and deposit-taking operations. The Bank's branches also service residual retail loans issued by the Bank in previous years.

The Bank's usage of alternative distribution channels, such as Internet and mobile banking for individuals, allows the Bank to serve customers with access to the Internet from their offices and homes. The Bank provides a wide range of retail banking services through the Internet, including account management, cash operations, utility and mobile phone operator payments and money transfers.

SME Banking

The Bank currently does not report SME deposits separately from deposits of corporate clients. The SME deposits are reported as part of the deposits from commercial entities. See " – Business of the Bank – Corporate Banking" below.

SME Lending

Since November 2008, the Bank has been lending to the SME sector in Kazakhstan through its participation in certain government programmes intended to support the SME sector. These five recent programmes are:

- The "Damu Regions programme," which is specifically for SME borrowers in the Pavlodar region of Kazakhstan;
- The "Dame-Ondiris programme," which is aimed to support the manufacturing industry in the SME segment in Kazakhstan;

- The lending programme targeted at SME clients in Zhanaozen of the Mangistau region of Kazakhstan;
- The lending programme to support female entrepreneurs of Kazakhstan;
- The "Road Map Business - 2020" programme.

In addition, with the completion of the Restructuring of the Bank, the Bank plans to revive lending to existing customers and attract new SME borrowers beyond the scope of such government-funded programmes using the Bank's existing product line.

SME State Finance Programme Loans. In November 2008, the Bank signed an agreement for its participation in the "Damu Regions programme" with the State providing a total of KZT 600 million to support SME borrowers in the Pavlodar region at interest rate 12.5% per annum. This amount of funding was completely disbursed by the Bank among 18 SME businesses in the Pavlodar region. As loans from this programme are repaid, the Bank lends such funds again to other qualifying borrowers under this programme.

In October 2009, the Bank signed a quadripartite agreement with DAMU Fund, Samruk-Kazyna and Kazakh State Fund of Distressed Assets to finance and/or refinance existing loans in the manufacturing sector. As loans from this programme are repaid, the Bank lends such funds again to other qualifying borrowers under this programme. The Bank is required to fund approximately 30% of each such loan under this programme from its own resources. Terms of the loans for this programme include:

- loans must be issued to acquire fixed assets, replenish assets (such as inventory) which have turned over or refinance existing loans;
- tenor is up to 84 months;
- limit available to one borrower - not more than KZT 750 million;
- ultimate annual rate for borrowers - no more than 8% per annum; and
- grace period for principal amount repayment - up to 24 months.

Currently, under this programme, the Bank has refinanced 32 projects in the aggregate principal amount KZT 2.8 billion.

In December 2009, the Bank entered into an agreement with DAMU Fund to provide funding for loans to SME borrowers from Zhanaozen in the Mangistau regions. Under this agreement, the Bank has received KZT 22.3 million. Under the terms of programme, the annual effective interest rate charged to the ultimate borrower on these projects can not exceed 10% per annum and the maturity of such loans is up to seven years. Currently, all funding made available to the Bank under this programme has been lent.

In June 2010, the Bank entered into another agreement with DAMU Fund to provide funding for loans to female entrepreneurs in Kazakhstan. Under this agreement, the Bank received approximately KZT 138 million. Under the programme, the annual effective interest rate, charged by the bank for its customers, may not exceed 14% per annum and the maturity of loans is up to 5 years.

In May 2010, the Bank signed an agreement with the Ministry of Economic Development and Trade of Kazakhstan, DAMU Fund and local executive bodies to implement the "Road Map Business 2020" programme, a programme to provide subsidized loans to other private enterprise borrowers in Kazakhstan. The programme aims to accelerate the industrialization of the country, to provide sustained and balanced growth of regional entrepreneurship in the non-extractive sectors of the economy, as well as maintaining existing and creating new permanent jobs. Priority sectors for potential participants in the programme are agro-industry, industrial production, construction materials, light industry, technical services in mining, metallurgy, health activities, education and other types of services to the population. The programme includes three parts:

- The first part of the programme provides subsidized loans for the implementation of new investment projects, as well as for modernization and expansion of production. The nominal interest rate on such loans may not exceed 14% per annum. Moreover, the borrower pays no more than 7% per annum and 7% per annum is compensated by the state. This programme also provides a partial guarantee for loans granted for the implementation of new investment projects, as well as the modernization and expansion of production;

- The second part of the programme provides subsidized rates on previously issued loans, which require rehabilitation, deferred taxes and other measures. The nominal interest rate of the loan may be no more than 12% per annum, of which no more than 5% per annum is paid by programme participant and 7% per annum is compensated by the state; and

- The third part seeks to subsidize interest rates on credit export-oriented industries, exporting more than 10% of production in all sectors of the economy. The nominal rate of the loan may be no more than 14% per annum, of which no more than 6% per annum is paid by the programme participant and 8% per annum by the state. Under the programme the Bank is working on advice for potential borrowers on the terms of the programme and accepting applications for this programme.

In addition, in the second half of the year the Bank is planning to participate in the "Damu Regions II" programme.

Building Construction Financing Programme. The Building Construction Financing Programme was initiated by the Government to finance construction in order to assist the general real estate market within Kazakhstan. Funding from Samruk-Kazyna comprises 85 per cent. of the total amount of funding, while the Bank finances 10 per cent and the remaining 5 per cent is financed by the client. Under the terms of this programme, the interest rate charged by the Bank to its customers is set by reference to the refinancing interest rate of the NBK plus a margin rate of 5 per cent. per annum. The loans have a maturity period of up to three years. As of 31 December 2009, the Bank issued loans in an aggregate of KZT 8.7 billion.

Corporate Banking

As at 31 December 2009, the Bank's corporate loan portfolio included KZT 34,113.6 million in loans to corporate customers (excluding SME customers), which represented 17.3 per cent. of its gross loan portfolio. As at 31 December 2009, the Bank posted KZT 27,492.7 million of provisions in respect of corporate loans (excluding SME loans).

The Bank does not break down deposit accounts by SME and corporate clients and provides information on an aggregate basis. The deposit accounts of corporate clients decreased by 35.3 per cent. to KZT 24,073.6 million as at 31 December 2009 from KZT 37,219.6 million as at 31 December 2008. This decrease was due to outflow of corporate clients' deposits. Of the private SME and corporate clients' deposit accounts 72.2 per cent. were time deposits with terms ranging from 1 to 36 months and 27.8 per cent. were current accounts. As at 31 December 2009, KZT 24,073.6 million, representing 89.1 per cent. of the Bank's private SME and corporate deposit base, was denominated in Tenge, with the remaining 10.9 per cent. denominated in foreign currencies, primarily U.S. Dollars.

Corporate Lending and Trade Finance

The Bank currently is not offering corporate loans. Prior to 2009, the Bank provided services to large corporate clients, including lending, leasing, financial leasing, project finance, overdrafts (for preferred clients) and unsecured tender guarantees for corporate customers.

Part of the Bank's corporate banking activities consisted of providing trade finance and short-term credit facilities, including letters of credit, guarantees and working capital facilities. Currently, the majority of the Bank's trade finance loans will mature within the next 12 months, however, their maturities may be extended an additional 12 months pursuant to the Restructuring. As part of its trade finance activities, the Bank maintains correspondent banking relationships with many leading international banks, including the Bank of New York Mellon, Citibank N.A., Commerzbank AG, ING Bank NV and Standard Chartered Bank.

Payment Cards and Salary Programmes

In connection with the Bank's payment card services, the Bank also provided payroll cards under employer payroll programmes. As at 31 December 2009, the Bank had issued 182,149 payment cards (37,763 of which were payroll cards and 144,386 of which were debit and credit cards). The Bank issues payroll cards predominantly in connection with employer instituted payroll programmes. The Bank issues a payroll card to an individual of such employers maintaining payroll programmes to pay salaries by an electronic deposit to the account of the employee maintained at a bank. Such arrangements for direct electronic deposit are usually negotiated between the Bank and the employer.

Some payroll cards included an overdraft facility up to the amount of one month's salary of the relevant employee and were issued by the Bank to employees of companies participating in the Bank's salary programmes. As at the date of this Prospectus, the Bank does not offer an overdraft facility for payroll cards but continues to issue Visa and MasterCard cards.

Treasury Activities

The Bank's primary treasury activities involving capital markets instruments consisted of the purchase of highly liquid securities primarily in connection with the management of the Bank's liquidity and other types of risk. The Bank conducted repurchase transactions using its securities portfolio as collateral. These operations were conducted within the framework of established limits for bank counterparties in the stock, and over-the-counter, markets. For more information on the treasury activities of the Bank, see "Asset, Liability and Risk Management".

Distribution Channels

The Bank offers its products and services through its own branches and centres of banking services, as well as through its ATM network and electronic distribution channels such as Internet, telephone, info-kiosks and mobile banking channels.

Branches and Centres of Banking Services

As at 31 December 2009, the Bank had 21 branches and 94 centres of banking services located throughout Kazakhstan. Between 31 December 2008 and 31 December 2009, the number of branches remained unchanged and there was a decrease in centres of banking services from 120 to 94. Following the deterioration of the Bank's financial condition, the Bank has centralised many of its functions in its head office, including credit decisions in respect of its retail products. The Bank anticipates that credit decisions will be decentralised in coming months as it resumes its lending activities. The operations of each branch are subject to internal regulation and to oversight by the head office. Although the Bank's branches and centres of banking services provide a broad range of banking services, certain operations are conducted exclusively at the Bank's head office. In comparison with branches, centres of banking services are primarily intended for retail customers and offer a limited number of banking operations such as utility payments, cash withdrawals and money transfers.

The following table provides details on the location of the Bank's branches and centres of banking services as at 31 December 2009 and as at 31 December 2008 and 2007.

	As at 31 December					
	2009		2008		2007	
Location	Branches	Centres of Banking Services	Branches	Centres of Banking Services	Branches	Centres of Banking Services
Almaty....................	1	10	1	15	1	17
Astana....................	1	4	1	8	1	9
Aktau......................	1	1	1	1	1	0
Aktobe	1	5	1	8	1	10
Atyrau	1	3	1	4	1	4
Zhezkazgan	1	1	1	2	1	2
Karaganda	1	6	1	7	1	7
Kaskelen	1	0	1	0	1	0
Kokshetau...............	1	5	1	5	1	5
Kostanai..................	1	5	1	6	1	7
Kyzylorda	1	1	1	1	1	0
Otegen Batyr...........	1	9	1	10	1	8
Pavlodar..................	1	6	1	7	1	5
Petropavlovsk	1	3	1	4	1	3
Semei......................	1	13	1	14	1	15
Taraz......................	1	5	1	6	1	6
Ural'sk....................	1	0	1	2	1	2
Ust'-Kamenogorsk ..	1	7	1	7	1	8
Shymkent................	1	8	1	10	1	8
Schuchinsk	1	1	1	1	1	1
Ekibastuz	1	1	1	2	1	2
Total	21	94	21	120	21	119

The Bank intends to continue monitoring the performance of the branch network and may close certain branches or centres of banking services in the future.

ATM Network and Point-of-Sale Terminals

To supplement its offices, the Bank also owns and operates 341 ATMs in order to enable its customers to have easier access to their deposits and loan accounts as well as other services. The Bank also has 185 Point-of-Sale terminals (**POS-terminals**) installed at the Bank's branches and 43 POS-terminals in trading outlets, as well as 95 info-kiosks.

Internet, Telephone and Mobile Banking

The Bank also offers Internet, telephone and mobile banking services to the Bank's customers. Through Internet, telephone and mobile networks the Bank's customers may remotely manage their accounts, access information for banking products, view the balance of their accounts, pay municipal and other bills, and make card transfers to and from their account.

Technology

The Bank has a centralised information technology platform which connects the Bank's head office and its branches and centres of banking services throughout Kazakhstan and permits real time communications between them.

The Bank's information technology systems are equipped with internationally reputable and up-to-date anti-virus and security systems. The Bank maintains two up-to-date data centres and backs up data every 24 hours.

The Bank's information technology systems relating to management and financial reporting, risk management and client relationship management are not fully automated. The Bank is in the process of improving such systems and plans to invest approximately KZT 1 billion in upgrades to its information technology infrastructure, including the creation of additional information back up data systems and upgrades to information technology hardware and software systems. The Bank believes, however, that Samruk-Kazyna may require it to reduce or delay such capital expenditures following the Restructuring while the Bank is focused on rebuilding its business.

Property

The Bank has leased the premises at which its head office is located since 2000. In addition, the Bank leases other buildings with a total of 36,167 square meters of its branches and it owns buildings with 4,321.6 square meters. Generally, the term of the leases are for one-year periods, renewable annually, and the current terms are scheduled to expire on 31 December 2010.

Employees

Given the deteriorating financial condition of the Bank, the Bank's management decided to reduce the Bank's salary costs by reducing both staff levels and salaries. As at 31 December 2009, the Bank had 2,296 full-time employees, of which 1,607 were employed at the Bank's branches and 689 were employed at the Bank's head office, compared to 2,480 full-time employees as at 31 December 2008 of which 1,740 were employed at the Bank's branches and 740 were employed at the Bank's head office. The reduction of staff did not result in significant amounts of severance payments or pension contributions by the Bank due to short notice requirements for termination under Kazakhstan law and a small number of departing employees of a retirement age.

The following table presents a breakdown of the Bank's employees by head office and branches and centres of banking services as at 31 December 2009, 2008 and 2007.

	As at 31 December		
	2009	**2008**	**2007**
Head office	689	739	757
Branches and centres of banking services	1,607	1,739	2,116
Total	**2,296**	**2,478**	**2,873**

To date, the Bank has not experienced industrial action or other work stoppages resulting from labour disputes.

Security and Anti-Money Laundering

The Bank has implemented security procedures and policies for all of its locations. Each branch and centre of banking service is subject to oversight by the Bank's head office to ensure compliance with the Bank's procedures and policies.

The Bank maintains an anti-money laundering policy in relation to all of its customers. The Bank monitors and analyses accounts and transactions of customers, investigates unusual and suspicious transactions and establishes compliance procedures for all internal standards and external bank regulation. The Bank has also maintains programmes for customer identification and the examination of customers' data upon the opening of a new account.

Insurance

The Bank insures its employer liability risks and motor insurance. All policies are renewable annually.

Competition

Prior to mid-2007, international funding for domestic banks was readily accessible, creating an environment in which banks competed aggressively for retail, SME and corporate clients. These banks competed by increasing the size of available facilities, increasing their networks, expanding their influence and increasing their sophistication.

Over the last 18 months, the competitive environment in Kazakhstan has changed significantly. Due to the global financial crisis, Kazakhstan banks no longer have ready access to international financing. As a result, many banks could not refinance their facilities or refinance the loans made to their customers, resulting in a liquidity deficit among corporate clients. At the same time, due to the negative public perception about domestic banks and fear of the effects of the global financial crisis, the banking system has experienced significant outflows of deposits from both retail and corporate clients which has exacerbated the liquidity deficit. The competitive landscape therefore shifted from banks competing for customers to banks competing for domestic funding. Domestic funding comes from primarily two sources: retail deposits, and corporate and state-controlled company deposits.

Retail Market

Since 2005, the Bank's principal business focus has been on growing and maintaining retail banking operations within Kazakhstan. Accordingly, the Bank largely competes with other banks within Kazakhstan which focus on banking products and services for retail customers. Historically, the Bank's retail banking growth strategy has been to develop and implement products which are easily useable by retail customers rather than competing on the basis of product pricing. The Bank has also competed on the basis of the ease of access by customers to the Bank's distribution network, which has included the Bank's adoption of information technologies to enable Internet and telephone SMS banking as well as the expansion of the Bank's ATM network. The Bank has also sought to offer higher quality customer service compared to other its retail banking competitors.

As the size of the domestic retail deposit market is contracting, the competition for a share in this market has increased. For retail deposits, the Bank competes primarily with Alliance Bank, Halyk Bank, Bank CenterCredit, Nurbank and Bank Caspian. The Bank's market share has remained the same over 2009 at a 1.8 per cent. share of retail deposits as at 31 December 2009 comparing to approximately a 1.8 per cent. share of retail deposits as at 31 December 2008, according to publicly available data from the Kazakh FMSA. The Bank will seek to increase its share in the retail deposits market as a result of the improved public perception of the Bank's stability based on Samruk-Kazyna's control.

To date, the Bank has not experienced significant competition in the retail sector from foreign banks operating in Kazakhstan. The number of commercial banks in Kazakhstan has decreased from 130 in 1995 to 39 as at 31 December 2009, and the six largest banks accounted for 78.5 per cent. of the total assets of the Kazakhstan banking sector as at 31 December 2009. In the past, foreign banks present in Kazakhstan, including RBS Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan, were not able to utilise their lower cost of funding as they were held to the same reserve requirements for foreign debt as domestic banks. However, HSBC Kazakhstan has revised its strategy in the local market and intends to strengthen its competitive position by building a branch network and servicing retail customers in Kazakhstan.

SME and Corporate Market

The Bank also seeks to maintain its corporate banking offerings to SME customers. Although the Bank competes with all participants in the Kazakhstan banking sector for SME customers, the Bank's principal focus has not been on corporate banking market for large corporate customers because the Bank believes that larger domestic banks may be able to offer more favourable terms to large corporate customers than the Bank may be able to offer. As such, the Bank does not compete with the leading Kazakhstan banks for large corporate customers.

Companies in which the state owns a controlling stake are required by law to keep their working capital in certain financial products, including deposit accounts with at least three second-tier banks. Samruk-Kazyna's majority ownership of the Bank is expected to improve public perception of the Bank's stability and to enhance the Bank's competitive advantage for obtaining deposits of state-controlled companies.

For state-owned companies' deposits, the Bank competes primarily with Alliance Bank, Halyk Bank, BTA Bank, Kazkommertsbank, Bank CenterCredit and ATF Bank.

ASSET, LIABILITY AND RISK MANAGEMENT

Overview

The purpose of risk management is to monitor and control the size and concentration of risks arising from the Bank's operations. The Bank's principal risks are credit risk, price risk, liquidity risk, market risk, including interest rate risk and foreign currency risk, and operational risk.

Risk management is fundamental to the Bank's business and operations. The Bank continually monitors risks and limits by using developed risk management systems. The Bank monitors and manages the maturities of its loans, its interest rate and exchange rate exposure, its liquidity position, the credit quality of each individual loan and any equity investment proposal in order to minimise the effects of changes to them relative to the Bank's profitability and liquidity position.

The Bank has developed risk management principles that are the foundation of its risk management process. These principles include: (i) monitoring (estimating risk, dynamics analysis and determining the causes of risk change), (ii) risk diversification, (iii) risk limitation, (iv) hedging, and (v) scenario analysis and simulation (stress-testing). The Bank has also developed limit policies based on which the Bank sets qualitative (limit on the set of instruments used to manage risks) and quantitative (limits on the sums) limits and monitors how these limits are met.

To monitor and manage its risk, the Bank has both an organizational structure and internal committees that work together to devise, implement and monitor the Bank's risk management policies. The Bank manages its risks on a day-to-day basis through four risk management divisions and the Treasury Department. The Bank has also established committees that meet on a regular basis to coordinate and monitor the joint work of the four divisions and the Treasury Department in monitoring and managing different types of risk: the asset and liability management committee (**ALCO**), the Credit Committee, the Board of Directors Risk Committee and the Management Board Risk Committee, and the problem loans committee. These divisions, departments and committees are collectively responsible for devising, implementing and monitoring the Bank's risk policies.

Since 2008, as the economic crisis began to adversely impact the Bank's liquidity position, the Bank's risk management processes and activities have been modified in some respects, and its operations involving some such risks have been reduced, to address the global market conditions, as discussed in this section. During this period, for example, the Bank's limited lending activity has become subject to a centralized, and truncated, process for credit approval, and certain Treasury Department operations require additional approval from ALCO. In addition, in September 2009, the Bank imposed a moratorium on most new lending (other than through participation in the State Finance Programmes, as discussed under "The Bank – Business of the Bank") pending resolution of its liquidity shortage. Below is a discussion of the Bank's risk management processes and procedures and, where the current modifications or limitations on any such process (or the related business activity) have been imposed by the Bank pending resolution of its liquidity shortfall and its resumption of full banking activities, such ongoing modifications or limitations are also described. Since the Restructuring has now been completed, the Bank is now in the process of re-establishing its lending and other retail banking businesses. For more information, see "The Bank".

The Bank is required by Kazakh law to publish its annual audited financial statements prepared in accordance with IFRS. The Bank is also regulated as a commercial bank by the Kazakh FMSA and as such must meet the regulatory standards established by the FMSA. The Kazakh FMSA requires that the Bank file with the Kazakh FMSA monthly unaudited financial statements prepared in accordance with the Kazakh FMSA methodology and to test its capital adequacy using such financial statements. The Bank manages its day-to-day operations using unaudited management data which is prepared according to the Kazakh FMSA Methodology. The Bank's financial statements prepared in accordance with Kazakh FMSA methodology differ in certain material respects from its financial statements prepared in accordance with IFRS. See "Loan Classification and Provisioning Policy – Provisioning Policy".

ALCO

The Bank monitors and manages its overall asset and liability position through the ALCO, which is a permanent committee reporting to the Management Board, with day-to-day responsibilities delegated to the Treasury Department. The ALCO meets once a week and also as often as is required in order to review the Bank's asset and liability position on the initiative of the Treasury Department, the risk management divisions, or any other member of the ALCO.

The ALCO reviews the Bank's maturities, liquidity gaps, interest rates and yields, as well as the Bank's net foreign currency position, prudential ratios conforming to the regulations established by the FMSA, exchange rates, inflation rates and other economic data, and general national and international political and economic trends. Based on its review of this information, the ALCO evaluates the Bank's risk profile and determines strategies and policies for transactions relating to assets and liabilities for the coming month with a view to increasing the Bank's revenues, while maintaining adequate liquidity, compliance with industry norms and regulations and minimising the impact of financial market risks. ALCO also sets the counterparty exposure limits for Treasury Department activities, after taking into consideration the analysis of the financial risks division.

Decisions of the ALCO are reviewed and approved by the Management Board, which has overall responsibility for ensuring that the asset and liability maturity profiles are appropriate considering prevailing market conditions and consistent with the Bank's strategy, while meeting all the requirements and limits established by the FMSA.

As at the date of this Prospectus, ALCO consists of eight members. The current seven members of ALCO are:

Name	Committee Title	Other Titles
M. Mamekov	chairman	managing director responsible for risk management
A. Alishev	deputy chairman	Treasury Department director
M. Bekkali	member	managing director, member of the Management Board
D. Karimbayev	member	member of the Management Board – first deputy chairman responsible for sales (corporate and retail banking)
A. Shangutov	member	Managing director responsible for treasury
Y. Kusainov	member	managing director, member of the Management Board
Y. Shaikenov	member	chairman of the Management Board, member of the Board of Directors

Risk management divisions

The Bank has four divisions that develop methods for managing risks and monitor and control their implementation on a daily and month basis.

- *Financial risks division* – advises ALCO on possible credit limits for proposed Treasury Department activities, calculates prudential regulatory ratios and reports on a monthly basis to FMSA, and otherwise performs analysis of financial risk and reports to ALCO and Senior Management as appropriate. See "– Liquidity Management Policies and Procedures – Introduction" below.

- *Loan portfolio analysis division* – monitors the quality of the Bank's loan portfolio, estimates the loan loss provisions according to Kazakh FMSA methodology and for IFRS purposes, and provides reports on a monthly basis to Senior Management and Kazakh FMSA and on a quarterly basis to BTA. In addition, the loan portfolio analysis division recently began to provide a copy of such reports on a monthly basis to Samruk-Kazyna. See "– Credit Risk Management – Lending Policies and Procedures" below.

- *Credit risks division* – monitors the credit risks related to corporate and retail clients, provides reports on the creditworthiness of potential borrowers to the Credit Committee, the Management Board or other committees as requested. See "– Credit Risk Management – Loan Approval Process" below.

- *Operational risks and risk management methodology division* – manages risks coming from day-to-day internal operations, develops effective risk management policies for all types of operational risks, and reports on a monthly basis to the financial risks division on the level of operational risk. See "– Operational Risk Management" below.

Problem loans department

The Bank's problem loans department concentrates and centralizes the Bank's efforts to maximise recoveries on the Bank's problem loans. The problem loans department works with a borrower to restructure the terms of a loan pursuant to policies set by the problem loans committee and recommends changes to the terms of a loan to the problem loans committee, which approves the restructured loan. See "– Credit Risk Management – Loan Classification and Provisioning Policy" below.

Treasury Department

The Treasury Department carries out its conventional role of day-to-day managing of currency, liquidity, maturity, interest rate and other market risks.

Credit Committee

The Bank's Credit Committee is located within its head office and consists of the Large Credit Committee and the Small Credit Committee. The Large Credit Committee is responsible for the terms of credit facilities for amounts over KZT 60 million. The Small Credit Committee is responsible for the implementation of the Bank's credit policy in respect of medium to large corporate customers and for approving the terms of credit facilities for amounts up to KZT 60 million. The Credit Committee is responsible for setting the Bank's credit risk management policy, approving credit decisions within the Bank and handling all issues relating to the lending policy of the Bank, including determining the limits for the Bank's branches. In addition, each of the Bank's branches has a credit committee that can approve loans up to a certain limit, as established by the Credit Committee. The Credit Committee takes into consideration the analysis of the credit risk division when approving credit decisions. See "– Credit Risk Management — Lending Policies and Procedures" below.

Risk Committees

Board of Directors Risk Committee

The Board of Directors Risk Committee is a permanent committee reporting to the Board of Directors that meets on a quarterly basis to develop and approve the Bank's risk management policies. In addition, the Board of Directors Risk Committee monitors the activities of the four risk management divisions.

Management Board Risk Committee

The Management Board Risk Committee monitors the implementation and execution of the Bank's risk management strategy and policies. In addition, it monitors whether the Bank meets its prudential regulatory requirements. The Management Board Risk Committee provides reports to the Management Board, the Board of Directors, and other authorities in the Bank, as necessary, on the effectiveness of the Bank's risk management policies, whether the Bank is meeting its regulatory requirements, and, if applicable, advises on policies to ensure the Bank meets its prudential requirements.

Problem loans committee

The Bank's problem loans committee was formed in 2008 in order to centrally manage and monitor the Bank's recovery efforts on problem loans in response to the recent rapid deterioration of the Bank's loan portfolio. The problem loans committee develops the policy and terms for restructuring problem loans to maximise the Bank's recovery. The problem loans committee reviews changes to the terms of problem loans as recommended by the problem loans department and makes the final decision on whether or not the restructured loan can be provided. See "– Credit Risk Management – Loan Classification and Provisioning Policy" below.

Credit Risk Management

Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the Bank as they become due. The Bank is generally exposed to credit risk primarily through its financial and investment assets and contingent liabilities. The Bank limits the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or counterparty, or groups of borrowers, and to industry segments. These limits on credit and counterparty risk apply not only to the Bank's lending activities (and are included as part of the loan approval process discussed below), but also restrict the maximum exposures to which the Bank may be subject at any time through the activities of the Treasury Department in managing the Bank's liquidity risk. See "– Liquidity Risk Management" below. The Bank's credit approval process is based on Kazakh FMSA regulations and its internal procedures are established by the Management Board and the Board of Directors, as further described below.

Lending Policies and Procedures

The Bank manages its credit risk by closely monitoring and managing the quality of its loan and investment portfolios. The Credit Committee is responsible for all issues relating to the lending policy of the Bank. The Credit Committee sets the limits on the level of credit risk by borrower, industry sector and region, as well as limiting exposure to any one borrower by imposing sub-limits covering on- and off-balance sheet exposures. The Credit Committee monitors credit risk on a continuous basis and subject to annual or more frequent reviews.

The Credit Committee consists of two principal sub-committees located within the Bank's head office that are responsible for approving credit decisions within the Bank: the Large Credit Committee and the Small Credit Committee. The Large Credit Committee is responsible for the terms of credit facilities for amounts over KZT 60 million. The Small Credit Committee is responsible for the implementation of the Bank's credit policy in respect of medium to large corporate customers and for approving the terms of credit facilities for amounts up to KZT 60 million.

Within each branch, credit decisions for loans below the credit limit set for such branch are approved by the credit committee within such branch.

The Kazakh FMSA sets strict guidelines in relation to the credit approval process of banks and the terms, credit levels and interest rates of the loans given. The Kazakh FMSA regulations limit a bank's exposure to any single borrower or group of borrowers to 10.0 per cent. of a bank's equity for parties related to the bank and 25.0 per cent. of a bank's equity for parties not related to the bank. See "Management's Discussion and Analysis of Results of Operations and Financial Condition –Capital Adequacy".

Loan Approval Process

Below is a discussion of the Bank's loan approval process. This process has, however, been temporarily modified by the Bank as a result of the impact of the global financial crisis and the Bank's decision to limit its lending activity pending resolution of its insufficient liquidity. A description of the Bank's temporarily imposed loan approval process is set forth below under "– Credit Risk Management – Lending Policies and Procedures – Current Lending Activity and Practices".

Corporate Loans

All loan applications by corporate customers must be submitted to the Bank on its standard forms. The Bank's branches conduct an initial review of each application. After such review, depending on the type of borrower and loan, the application is presented for review and analysis by the credit risk division, the legal and the security department and collateral department. The relevant department undertakes a thorough review and analysis of the application, including feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower, and prepares a credit dossier based upon the results. If applicable, the Bank obtains references on the potential borrower from third parties including other banks and various governmental authorities, such as taxation bodies, the NBK, Kazakh FMSA and the Kazakhstan Ministry of Internal Affairs. If the loan is collateralised, the Bank's associate or independent assessor makes an appraisal of the collateral being offered, including as to valuation, title and prior encumbrances.

Retail Loans

Most retail clients of the Bank apply to the credit manager of a branch for a loan. If the terms of the loan are acceptable to the customer and the required documentation is provided, collateral assessment is made by Independent assessment company, an assessment report/value is then reviewed by Collateral Department of the Bank, a review by the credit risk division, the legal and the security department is conducted and confirmation of permanent employment is made. The application is transferred to the appropriate Credit Committee, which makes the final decision on whether or not the loan can be provided.

Maturity Limit

To reduce credit risk, the Bank limits the maximum maturity of a loan based on the type of loan. The maximum maturity of a loan when issuing a loan depends on the type of loan as follows:

Nature of the Loan	Maximum Maturity
Real estate	20 years
Equipment	by decision of the authorized body[(1)]
Financing of working capital	by decision of the authorized body[(1)]
Goods in turnover	by decision of the authorized body[(1)]
Corporate guarantees	according to the contract tenor[(1)]
Other assets	1 – 5 years

Note:

(1) Authorized body includes the Credit Committee, credit committees of branches and/or the Board of Directors.

The Bank has discretion to set the maximum tenor for its lending programs, except for loans issued by the Bank pursuant to the State Financing Programmes, described further in "The Bank – Business of the Bank," which must be extended for the maturities mandated by each of the programmes. See "– Credit Risk Management – Lending Policies and Procedures – Current Lending Activity and Practices" below. The Credit Committee establishes the maximum tenor of each of the Bank's loans after taking into consideration the analysis of the credit risk division.

Collateralisation

To reduce its credit risks, the Bank requires collateral from most borrowers. Collateral includes, but is not limited to, real estate, machinery and motor vehicles, industrial equipment, industrial goods and food stocks and medicine and other commercial goods, as well as cash deposits, domestic securities and guarantees from individuals or financial institutions. The Bank regularly monitors the quality of the collateral taken as security. In certain cases, when existing collateral declines in value, additional collateral might be requested. In addition, the terms of the Bank's loan agreements usually provide the Bank with the flexibility to adjust interest rates or request a prepayment of the loan or a portion thereof upon changes in circumstances, including a decline in the value of collateral. For information about the recent Kazakh legislation which has limited the Bank's ability to adjust interest rates on its outstanding retail loans, see "– Interest Rate Risk Management" below.

The following table sets out the maximum loan amount as a percentage of the value of the corresponding collateral for standard loans based on the type of collateral:

Collateral Categories	Loan/Collateral Value
	(per cent.)
Real estate	Max 95.0
Inventories	65.0
Equipment	65.0
Cash	90.0
Guaranties of enterprises	by decision of the authorized body[(1)]
Shares and bonds of other companies	by decision of the authorized body[(1)]
Others	95.0

Note:

(1) Authorized body includes the Credit Committee, credit committees of branches and/or the Board of Directors.

The following table sets forth the nominal amount of the Bank's collateralised and non-collateralised loans and such amount as a percentage of total gross loans as at 31 December 2009 and 2008 and 31 December 2008 and 2007, respectively.

	Year Ended 31 December					
	2009		2008		2007	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Collateralised	275,011	95.48%	240,192	89.7%	250,382	89.5%
Uncollateralised	13,019	4.52%	27,724	10.3%	29,373	10.5%
	288,030	100.0%				
Total	**275,011**	**95.48%**	**267,916**	**100.0%**	**279,755**	**100.0%**

Where borrowers of the Bank are affiliated, these companies are treated as a single borrower by the Bank and are required to provide cross-collateral for loans. If there is a default by one company, all the other companies of the same group become liable and the Bank can enforce collateral posted by the other connected companies to repay the defaulted obligations.

The laws of Kazakhstan allow a secured creditor to foreclose on collateral upon the occurrence of an event of default through both judicial and non-judicial procedures. Non-judicial foreclosure allows the secured creditor to seize collateral in the event of a default and to hold an auction, if necessary, to dispose of such collateral after 60 days' notice. The Bank's security documents provide for both non-judicial and judicial foreclosure. To be enforceable, a pledge over immovable property is required to be registered with local departments of the Kazakhstan Ministry of Justice. According to the laws of Kazakhstan and the Bank's internal procedures, such registration is required for the pledges over certain types of movable property.

Current Lending Activity and Practices

Challenging global financial conditions occurring in the second half of 2007 began to curtail the Bank's access to international funding. At the same time, the Bank slowed the pace of its loan origination activities. Global financial conditions substantially deteriorated to the end of 2007. During 2008, the global financial crisis continued, contributing to decreased liquidity and deposit outflows from the Bank and across the Kazakhstan banking industry, generally. At the same time, the Bank suffered significant deterioration in its loan portfolio as many of its customers began defaulting on loan payments, reflecting the deteriorating Kazakh economy. These factors significantly affected the Bank's operations throughout 2008 and 2009.

To address the current financial conditions, in the second half of 2008, the Bank modified its credit approval process, described in more detail below, to temporarily eliminate the use of limit policies. Accordingly, all new loans must be approved by the Credit Committee. In addition, in September 2009, the Bank initiated a self-imposed moratorium on new lending and discontinued originating new loans, other than new loans granted principally under the State Finance Programmes. As described in "The Bank – Business of the Bank", the Bank is currently participating in several State Finance Programmes providing certain refinancing loans. Approval of loans for appropriate borrowers under these programmes is made by the Bank using the same approval process and procedures as used for all other loans, as described below. Certain terms of the loans extended under these programmes, however, are subject to the requirements of such programmes and thus may vary from the Bank's general policies on maturity or setting the interest rates as described below. Specifically, these programmes impose the following requirements:

- *Mortgage State Finance Programme*: Interest rates may not exceed 9 per cent. per annum for government employees and may not exceed 11 per cent. per annum for all other borrower categories. The tenor of the loan may not exceed 20 years.
- *SME State Finance Programme*: Interest rates under several the SME Finance Programmes must be issued at an interest rate between 8 per cent. and 12.5 per cent. per annum. The tenor of the loans may not exceed seven years.
- *Building Construction Refinancing Programme:* Interest rates are set by reference to refinancing interest rate of the NBK plus a margin rate of 5 per cent. per annum. The interest rate is reviewed each quarter, but the annual effective interest rate may not exceed 16.2 per cent. The tenor of the loan may not exceed three years.

- *Refinancing loan support of the Kazakhstan real estate sector under ad hoc state finance programme:* The annual effective interest rate charged by the Bank to its customers may not exceed 9.65 per cent. The loans have a maturity period of up to 15 years.

Since August 2010 the Bank plans to start lending again by its own means all directions (retail lending, SME lending and corporate lending) which were stopped earlier.

Loan Classification and Provisioning Policy

Loan Classification

The Bank classifies its loans in accordance with Kazakh FMSA asset classification rules for Kazakh FMSA purposes. The Credit Committee is responsible for development and regulation of the quality of the loan portfolio of the Bank. The loan portfolio analysis division monitors the Bank's loan portfolio. The loan portfolio analysis division uses its centralised banking system, IBSO/RBO to evaluate the quality of the loan portfolio and the requirements for loan loss provisions in relation to it.

Loans are monitored on a periodic basis, which allows the loan portfolio analysis division to identify problem loans at an early stage. In addition, an in-depth review of each borrower's financial condition is carried out on-site on a quarterly basis or as soon as payment by the borrower is overdue more than 30 calendar days. The status of any collateral is assessed by the Bank twice a year. As soon as repayment is one day late, the loan portfolio analysis division contacts the problem loan division, which begins working on recovery on the problem loan.

Loans and off-balance sheet exposure are classified by reference to: (i) the customer's financial performance; (ii) the timeliness of repayment of principal and/or interest; (iii) the quality of collateral; (iv) whether there has been any extension of the loan; (v) the timeliness of repayments on other loans; (vi) whether there has been any unauthorised use of the loan; (vii) whether other credits to that customer have been written off; and (viii) any rating assigned to the customer.

Each of the criteria of financing is assessed and then assigned a risk weight grade according to the following matrix:

Criteria per Kazakh FMSA Regulations		**Loans**	
	General	**Investment**	**Mortgage**
Financial Performance			
Stable	0	0	-1
Satisfactory	+1	+1	0
Unsatisfactory	+2	+2	+1
Unstable	+3	+3	+2
Critical	+4	+4	+3
Timeliness of Repayment of the Loan			
No payments overdue during the last 12 months	-1	0	-1
There were payments overdue before the current date during the last 12 months and the maturity is not yet expired	0		0
Overdue by 15-30 days	+1.5	+1.5	+1
Overdue by 31-60 days	+2.5	+2.5	+2
Overdue by 61-90 days	+3.5	+3.5	+3
Overdue by more than 90 days	+4.5	+4.5	+4
Quality of Collateral			
Reliable	-3	-3	-2
Good	-2	-2	-1
Satisfactory	0	-1	0
Unsatisfactory	+1	+1	+2
No collateral	+2	+2	
Unauthorised Use of the Loan			
Up to 25%	0	0	
Above 25%	+1	+1	–
Above 50%	+2	+2	–
Above 75%	+3	+3	–
100%	+4	+4	–
International Rating of the borrower			
“A” and above	-3	-3	–
Above Kazakhstan sovereign to “A”	-2	-2	–
Kazakhstan sovereign	-1	-1	–
Below Kazakhstan sovereign/no rating	0	0	–
Remoteness of valuation			
Less than 3 years	–	–	0
More than 3 years	–	–	+1

In relation to the Financial Performance criteria:

“Stable” means that the customer is solvent, has no losses and a strong market presence and there are no external or internal factors evidencing expected deterioration in financial performance before maturity of the loan or doubts as to repayment of the loan and there is no substantial maturity gap between assets and liabilities of the borrower. The customer has a positive credit history.

“Satisfactory” means that there is high probability of deterioration in the financial condition of the customer, there is a decrease in revenues, solvency, deterioration in cash position of the customer, the cash position of the customer allows to pay the principal amount of debt. There is no doubt that the customer is able to repay its debt. The customer has one extension.

“Unsatisfactory” means that there are indications of constant and significant deterioration of financial condition of the customer, increase of loss for the period not more than 12 months, low level of solvency, and large dependence on borrowed funds. The customer has negative equity, decrease of market share, two extensions.

“Unstable” means when the readjustment was announced to the customer for the period not more than 1 year. There was force majeure conditions as well as other conditions which entailed material damage but did not lead to the cease of its activity. The customer has three extensions.

“Critical” means when the customer is insolvent, the readjustment was announced to the customer for the period more than 1 year, the customer is bankrupt. There are significant discrepancies in the financial statements of the customer. The customer has four or more extensions.

In relation to the Quality of Collateral criteria:

“Reliable” means highly liquid collateral, in aggregate covering not less than 100% of debt of the customer. Collateral is in the form of Kazakhstan governmental guarantees, guarantees of legal entities, including banks non-residents and residents of Kazakhstan, having an international rating not less than

"A", securities equivalent to state securities issued by the government and Central bank of foreign countries having international rating not less than "A-".

"Good" means highly liquid collateral as in Reliable Collateral securing not less than 90.0 per cent. of the credit. Also, immovable property, the value of which covers not more than 130% of the debt of the borrower.

"Satisfactory" means good collateral securing not less than 90.0 per cent. of the debt of the borrower.

"Unsatisfactory" means any collateral securing not less than 50.0 per cent. of the credit.

"No Collateral" means that the loan is not secured or the collateral secures less than 50.0 per cent. of the credit.

On 1 April 2008, the Kazakh FMSA asset classification rules came into effect. The regulations include more stringent requirements for mortgage loans, and require mortgage loans secured by property located outside Kazakhstan to be considered as unsecured for purposes of portfolio supervision. In addition, loans denominated in foreign currencies to borrowers who do not engage in foreign currency transactions will be considered one financial performance category below where they would otherwise fall in the above table, unless the customer has entered into a currency hedge transaction. The Bank has revised its risk assessment policies to reflect the regulations. In addition to the more stringent asset classification standards, the Kazakh FMSA is also empowered under the regulations to require banks to increase their provisions.

In relation to retail loans, the Kazakh FMSA asset classification rules permit certain groups of loans to be combined into a homogeneous loan portfolio for purposes of determining the loan loss provisions against such loans. The calculation of loan loss provisions in relation to such loans is done for the entire category of loans in accordance with the Bank's internal methodology rather than in respect of each individual loan. The Kazakh FMSA asset classification rules permit the grouping of loans for this purpose with similar loans based on the following characteristics: (i) type of borrower, (ii) loan product, (iii) purpose of loan, (iv) type of collateral, (v) tenor and (vi) other. The amount of loan loss provisions against the homogeneous loans is calculated based on the applicable methodology of the risk assessment, which contains loss estimation for the portfolio of homogeneous loans. The risk weight grades for all criteria are then combined, resulting in the classification of the Bank's portfolio as follows according to Kazakh FMSA requirements:

Total Grades	Timeliness of Repayment	Kazakh FMSA Classification
Less than 1 (inclusive)	Current	Standard
1-2 (inclusive)	Current	Doubtful 1st category
	Overdue	Doubtful 2nd category
2-3 (inclusive)	Current	Doubtful 3rd category
	Overdue	Doubtful 4th category
3-4 (inclusive)	Both current and overdue	Doubtful 5th category
4 and more (inclusive)	Both current and overdue	Loss

Total classified loans under the FMSA's classification comprise doubtful loans (irrespective of the categories) and loss loans. Total classified loans under the Bank's classification methodology include standard loans, doubtful loans and loss loans.

The loan portfolio analysis division produces a monthly report which includes the analysis of the credit risks of the loan portfolio. The Management Board pays strict attention to the timeliness of debt repayment and classified loans and contingent liabilities are included in such monthly reports. Immediate action is taken by the appropriate departments, which have responsibility for supervising and monitoring loan repayment if any principal or accrued interest repayment problems arise. Any deterioration in the quality of the assets and contingent liabilities of the entire loan portfolio is brought to the attention of the Management Board.

The Bank's determination as to whether a repayment problem has arisen is based on a number of objective and subjective criteria including: the credit's classification as described above, sudden changes in volume in the customer's accounts with the Bank, sudden changes in the standard of living of the customer (which imply improper use of credit facilities), applications to change credit terms, failure of the customer or a counterparty to fulfil terms under a contract relating to the credit, or refusal of a customer to cooperate in supplying documentation and/or evasion of the Bank's officers by the customer.

Once any repayment problem arises, the problem loans division takes over management of the problem loan. Prior to August 2009, the problem loans department began managing a loan after it was 60 days overdue. Since that date, the Bank modified its policy to provide that the problem loans department begins to work with a loan as soon as it is one day overdue. To maximise recovery for the Bank, the problem loans department works with a borrower to adjust the terms of the problem loan, including cancelling payment of penalty fees, granting a grace period or reducing monthly payments. Any changes to the terms of a loan must be first presented to and approved by the problem loans committee. If the loan becomes standard and is no longer considered a problem loan (the borrower repaid the amount overdue and was put in schedule), the problem loans department continues monitoring the loan for another 6 months.

Provisioning Policy

The classification matrix described above is also used to determine the provisioning rate for certain types of loans. Calculation of loan loss provisions for regulatory purposes is carried out on a monthly basis and on a semi-annual basis pursuant to IFRS.

Since 1 November 2008, the Bank sets provisions for its retail loan portfolio based on its assessment of risk in the portfolio on an aggregate basis rather than on a case-by-case basis. The Bank considers historical data in its assessment of its retail loan portfolio, including past rates of overdue loans and other risk criteria, to determine its maximum risk exposure in respect of the aggregate portfolio.

For Kazakh FMSA regulatory purposes, the Bank considers a loan to be non-performing when either interest or principal payments are past their due date by 90 days or more. For Kazakh FMSA regulatory purposes, in its financial data prepared in accordance with the Kazakh FMSA methodology, the Bank ceases accruing interest on loans that are 30 or more days past due. The loan loss provisions calculated according to the Kazakh FMSA methodology are based on regulations issued by Kazakh FMSA and differ from provisions calculated based on IFRS presented in the Bank's financial statements. Accordingly, the actual provision levels recorded in the financial statements may materially differ from the provisioning rates used for regulatory purposes.

For purposes of the Bank's IFRS financial statements, the Bank considers a loan to be non-performing when either interest or principal payments are past their due date by 90 days or more. Further, for purposes of the Bank's IFRS financial statements, it continues to accrue interest on loans that are past due except to the extent that the loan is determined by the Bank to be impaired (after taking into the account any collateral and other probable future cash flows). In the case of such impaired loans, the Bank continues to accrue interest on that portion of the loan equal to the net present value of the collateral (if any) which the Bank believes could be realised upon sale and the net present value of probable future cash flows from that borrower.

In determining provisions, one of the main differences between the Kazakh FMSA methodology and IFRS is the treatment of collateral. According to the Kazakh FMSA methodology, provisions are created against amounts of principal of outstanding loans without taking into account accrued interest and partially taking into account the value of collateral. In the case of mortgage loans, the value of collateral is taken into consideration: if the amount of the loan outstanding compared to the value of the collateral does not exceed 50 per cent., the collateral is considered as "reliable" and is assigned a grade of -2; if the amount of the loan outstanding as compared to the value of collateral does not exceed 60 per cent., the collateral is considered as "good" and is assigned a grade of -1; if the amount of the loan outstanding as compared to the value of collateral does not exceed 70 per cent., the collateral is considered as "satisfactory" and is assigned a grade of 0; if the amount of the loan outstanding as compared to the value of collateral exceeds 70 per cent., the collateral is considered as "unsatisfactory" and is assigned a grade of +2. For provisioning of mortgage loans, the remoteness of collateral valuation is also taken into consideration. The provisioning rate is zero per cent. for loans classified as "standard", 5.0 per cent. for loans classified as "doubtful 1st category", 10.0 per cent. for loans classified as "doubtful 2nd category", 20.0 per cent. for loans classified as "doubtful 3rd category", 25.0 per cent. for loans classified as "doubtful 4th category", 50.0 per cent. for loans classified as "doubtful 5th category", and 100.0 per cent. for loans classified as "loss". In addition, according to the Kazakh FMSA methodology, banks are not required to create provisions against accrued interest.

Under the IFRS methodology applied by the Bank, allowances for loan losses are created on total borrowers exposure including both principal and accrued interest, but less the discounted value of collateral in the case of impaired collateralised loans and less the net present value of other probable cash flows from that borrower. For IFRS purposes, loan loss provisioning rates are determined based on the probability of default by industry. The Bank creates allowance for loan losses on an individual basis for impaired loans. The Bank creates allowances for loan losses incurred on pools of homogenous loans based on historical loss data for non impaired loans. In analyzing each loan, the Bank reviews the: (i) customer's financial performance; (ii) timeliness of repayment of principal and/or interest; (iii) quality of collateral; (iv) whether there has been any unauthorised use of the loan; and (v) any rating assigned to the customer. In addition, for IFRS purposes, the Bank considers the future cash flows of the borrower, while loan loss provisions for Kazakh FMSA regulatory purposes only take into consideration current financial performance of the borrower. Further, IFRS provides the Bank with discretion in setting appropriate loan loss provisions if a borrower is bankrupt, including consideration of collateral. For Kazakh FMSA regulatory purposes, however, the Bank must set 100 per cent. loan loss provisions if the borrower is bankrupt, and the Bank does not have any discretion in making such provisions.

For purposes of the Bank's IFRS financial statements, the Bank had loan loss provisions of KZT 18,422.5 million, or 6.9 per cent. of the Bank's gross loan portfolio, as at 31 December 2008 compared with KZT 92,988.3 million, or 31.3 per cent. of the Bank's gross loan portfolio, as at 31 December 2009. This compares with total provisions for Kazakh FMSA regulatory purposes, calculated on the basis of Kazakh FMSA methodology, of KZT 17,656 million, or 6.9 per cent. of the Bank's gross loan portfolio, as at 31 December 2008 compared with KZT 108,454 million, or 38.5 per cent. of the Bank's gross loan portfolio, as at 31 December 2009.

The following table presents a comparison of loan loss provisions calculated by the Bank based on Kazakh FMSA methodology and IFRS:

	As at 31 December		
	2009	**2008**	**2007**
	(*KZT millions, except percentages*)		
IFRS			
Total gross loans	288,030	267,915.9	279,754.7
Loan loss allowance for loan losses	(90,743.9)	(18,422.5)	(10,123.3)
Loan loss reserves as a percentage of non-performing loans	57.9%	22.3%	32.8%
Loan loss reserves as a percentage of gross loans	31.5%	6.9%	3.6%
Kazakh FMSA Methodology	262,117		
Total gross loans excluding accrued interest	(126,053)	256,723	274,835
Loan loss reserves	80.5%	(17,656)	(9,695)
Loan loss reserves as a percentage of non-performing loans	48.1%	22.4%	32.4%
Loan loss reserves as a percentage of gross loans	288,030	6.9%	3.5%

The table below sets forth certain information based on Kazakh FMSA methodology relating to the Bank's loans and the credit classifications and provisions in relation to them in accordance with the risk assessment methodology of the Bank as at 31 December 2009, 2008 and 2007, respectively:

	As at 31 December								
	2009			**2008**			**2007**		
	Total exposure	(*unaudited*) **Total reserves**	**Reserves/ Exposure**	**Total Exposure**	(*unaudited*) **Total reserves**	**Reserves/ Exposure**	**Total exposure**	(*unaudited*) **Total reserves**	**Reserves/ Exposure**
	(*KZT millions, except percentages*)								
Standard	120,471	-	-	126,384	-	-	251,777	-	-
Doubtful category 1	7,739	387	0.15%	76,627	476	0.19%	7,276	364	0.13%
Doubtful category 2	5,107	1510	0.19%	22,499	1,852	0.72%	1,781	178	0.06%
Doubtful category 3	2,589	518	0.20%	14,827	2,640	1.03%	996	199	0.07%
Doubtful category 4	1,937	484	0.18%	3,529	882	0.34%	4,404	1,101	0.40%
Doubtful category 5	240	120	0.05%	2,091	1,045	0.41%	1,493	747	0.27%
Loss	124,034	124,034	47.32%	10,766	10,761	4.19%	7,106	7,106	2.59%
Total	**262,117**	**126,053**	**48.09%**	**256,723**	**17,656**	**6.88%**	**274,835**	**9,695**	**3.53%**

The table above, which is based on information prepared in accordance with Kazakh FMSA methodology, does not include accrued interest on loans to customers totalling KZT 14,373.1 million and KZT 11,193.0 million as at 31 December 2009 and as at 31 December 2008, respectively, or discounts on loans to customers totalling KZT 4,919.7 million as at 31 December 2007.

NPLs, which during the periods under review were defined for purposes of the Bank's IFRS financial statements as loans which are more than 90 days overdue, were KZT 166,807.9 million (60.3 per cent. of the gross loan portfolio) as at 31 December 2009, compared to KZT 82,489.0 million (30.8 per cent. of the gross loan portfolio) as at 31 December 2008 and KZT 30,830.0 million (11.2 per cent. of the gross loan portfolio) as at 31 December 2007.

Since 31 December 2009, loans overdue by more than 90 days or more have been increasing. The Bank believes that this is largely the result of the ongoing financial crisis and the inability of collection agents to achieve any significant recoveries.

Liquidity Management Policies and Procedures

Introduction

Liquidity risk arises in the general funding of the Bank's financing and investment activities and in the management of positions. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms. The Bank's funding and liquidity management policy seeks to ensure that, even under adverse conditions, the Bank has access to the funds necessary to satisfy customer needs, maturing liabilities and the capital requirements of its operations, while maximising the Bank's interest and other earnings on any surplus liquidity. The Bank seeks to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding and to enable the Bank to meet its operational needs and to ensure compliance with Kazakh FMSA regulations.

Liquidity is managed centrally on a real-time basis by the Treasury Department according to the requirements and forecasts for all of the Bank's divisions and branches. The director of the Treasury Department is consulted on each major credit decision in respect of the impact on the Bank's overall liquidity position. In addition, the ALCO reviews the Bank's liquidity guidelines and strategy on a monthly basis, making any necessary adjustments.

To evaluate liquidity risk, the Bank utilizes a variety of tools, including (i) interest rate, maturity and foreign currency gap analysis on a monthly basis, (ii) daily monitoring of actual cash flows and forecasting cash flows (payment calendar), which is considered by ALCO on a weekly basis, (iii) monitoring of optimal asset and liability structure on a monthly basis by the financial risks division, (iv) observations of liquidity ratios and minimum reserve requirements on a daily basis by the financial risk department, (v) discussions by ALCO of anticipated liquidity operations for the next month based on analytical reports, capital market projections, and liquidity requests by internal divisions such as the Treasury Department, financial analysis and planning department, and financial risks division, and (vi) limits on operations, such as liquidity ratios, limits on gap sizes, and monthly lending limits, which are monitored by the financial risks division.

The Bank manages its liquidity risk through asset and liability management. Asset management includes liquid asset sales and expected cash flow management (changing the pattern of expected asset cash flows in order to match its liabilities payment schedule), liability management includes seeking and utilizing external funding sources, and asset and liability management combines two sources of liquidity – liquid assets and borrowing capacity.

The following table gives certain information as to the Bank's liquidity as at 31 December 2009, 2008 and 2007, respectively:

	As at 31 December		
	2009	**2008**	**2007**
		(per cent.)	
Net Loans[(1)]/ total assets	87.1	84.6	80.8
Net Loans[(1)]/ customer accounts	411.0	394.0	420.6
Liquid assets[(2)]/ total assets	9.7	12.6	15.6
Liquid assets[(2)]/ customer accounts	44.4	58.6	81.5

Notes:

(1) Net loans means loans and advances to customers, net of allowances for impairment losses.

(2) Liquid assets comprise trading securities, cash and balances with the NBK and loans and advances to banks (with maturity of less than 1 month).

Sources of Funding

The Bank's current primary sources of funding are retail and corporate deposits. Prior to 2005, a significant portion of the Bank's funding base was represented by corporate customer deposits. In 2005, the Bank's strategy shifted to focus on attracting a greater proportion of retail deposits and the amount of retail deposits increased significantly since 2005. The Bank's funding strategy has remained focused on the retail deposit market.

The interest rates on the Bank's deposits are close to average market rates, and the Bank offers rates which are competitive with those of other institutions in Kazakhstan. The Bank's ability to adjust interest rates on the Bank's deposits, and thus compete for deposits aggressively on rates, is limited due to regulation by the KDIF, which has set maximum interest rates which Kazakh banks may offer on deposits. See "The Bank – Business of the Bank – Deposits". Accordingly, the Bank, like other banks in Kazakhstan, cannot aggressively compete for retail deposits on the basis of interest rates alone. In addition, beginning in the last half of 2007 and continuing throughout 2008, the Bank experienced large withdrawals by significant corporate depositors. In particular, JSC National Atomic Company Kazatomprom (**Kazatomprom**), a customer of the Bank since the second half of 2005, withdrew deposits totalling U.S.$170.0 million (KZT 20,400 million*) in September 2007. Further, due to the global economic crisis and the Bank's financial condition, the Bank has experienced significant outflows of customer deposits from February 2009 until the first half of 2010. The Bank's deposits decreased by 31.9 per cent. during 2009. Since 31 December 2009, the Bank's deposit base stabilized and has been steady.

As at 31 December 2009, the ten largest depositors accounted for 37.73 per cent. of total deposits in the amount of KZT 18,109.1 million, compared to 35.41 per cent. as at 31 December 2008. All of the largest ten depositors have placed their deposits with the Bank as term deposits. As at 31 December 2009, term deposits were KZT 37,900.3 million or 79.2 per cent. of total customer accounts, compared to KZT 49,743.1 million or 78.6 per cent. of total customer accounts as at 31 December 2008. See "Management's Discussion and Analysis – Recent Developments" for a summary of the changes in the terms of certain large deposits placed with us which changes took effect on the Restructuring Date.

As at 31 December 2008, approximately three-fourths of the Bank's retail customer accounts were covered by the KDIF. As at 31 December 2009, approximately 80 per cent. of the Bank's retail customer accounts were covered by the KDIF. In accordance with its rules, the KDIF will not guarantee a deposit exceeding KZT 5,000,000. For more information, see "The Banking Sector in Kazakhstan".

Net Liquidity Gap

The Bank's loans and deposits expose the Bank to liquidity management issues because of the differences between the contractual maturity of the loans, which is generally more than three years, and the maturity of deposits, which is primarily under one year. The following table summarizes the Bank's banking assets and liabilities by maturity as at 31 December 2009 and contains certain information regarding the net liquidity gap. This does not reflect the potential impact of early repayment or withdrawal.

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* Translated for the convenience of the reader at the official average U.S. Dollar exchange rate as at that date, as reported by the NBK, of KZT 120.00 = U.S.$ 1.00.

	As at 31 December 2009							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	Total
				(KZT millions)				
Assets:								
Cash and cash equivalents	8,540.6	–	–	–	–	–	–	8,540.6
Financial assets at fair value through profit and loss	12,580.7	–	–	–	–	–	172.1	12,752.8
Amounts due from credit institutions	–	91.7	5.0	404.6	376.6	–	13.7	89.2
Loans to customers	–	7,354.4	3,008.4	15,122.6	31,300.6	102,492.4	38,007.7	197,286.1
Corporate income tax assets	–	–	–	–	–	308.4	–	308.4
Other assets	–	187.2	–	11.5	5.97	361.8	0.0	566.4
Total assets	**21,121.3**	**7,633.2**	**3,013.4**	**15,662.7**	**31,683.1**	**103,162.6**	**38,193.5**	**220.469.8**
Liabilities:								
Amounts due to credit institutions	57,993.4	4,519.7	130.1	585.6	1,569.9	8,148.3	–	72,947.0
Amounts due to customers[1]	22,019.0	2,463.4	676.3	2,390.9	17,637.4	2,809.6	–	47,996.5
Eurobond issued	119,999.9							119,999.9
Debt securities issued	34,917.4	–	–	–	–	–	–	34,917.4
Financial derivatives	–	3.2	–	–	–	–	–	3.2
Other liabilities	–	1,165.5	–	–	3.3	–	–	1,168.8
Total Liabilities	234,929.7	8,151.8	806.48	2,976.5	19,210.6	10,957.8	–	277,032.9
Net liquidity gap	(213,808.4)	(518.6)	2,207.0	12,686.2	12,472.5	92,204.7	38,193.5	(56,563.0)
Cumulative liquidity gap	(213,808.4)	(214,327.0)	(212,120.0)	(199,433.8)	(186,961.3)	(94,756.6)	(56,563.0)	–

Notes:

(1) As at 31 December 2009, the Bank's overall cumulative liquidity gap was KZT (56,563.0) million, and as at 31 December 2008, it was KZT 41,418.7 million.

(2) Amounts due to customers include KZT 11,631.0 million in deposits of Samruk-Kazyna to provide liquidity support to the Bank and such deposits have been classified within on demand deposits because the relevant deposit agreements contain provisions that permit Samruk-Kazyna to require early repayment of its deposits if the Bank breaches covenants relating to prudential requirements or experiences certain credit rating downgrades.

The Bank manages its liquidity risk by investing in a wide range of instruments to manage concentration in sectors, markets, instruments, currencies, maturities or individual institutions. The Bank's liquidity risk is managed through its treasury operations.

Treasury Operations

The main objective of the Bank's treasury operations is to achieve efficient management of liquidity, interest rate and market risk through operations in the foreign exchange and money markets, thus managing foreign currency exposure and funding costs. The Treasury Department calculates the Bank's cash position on a daily basis and provides the Bank's management with weekly and monthly reports on the Bank's liquidity and cash flow.

The Bank manages its liquidity needs and surpluses on a day-to-day basis using the acceptance and placing of interbank deposits with other local banks, transactions in Kazakh corporate and government bonds and other securities, and repurchase and reverse repurchase transactions in respect of Kazakhstan government bonds and Kazakhstan corporate bonds. In entering into any such transaction, The Treasury Department is subject to the counterparty exposure limits set by ALCO. The Treasury Department also utilizes interest rate and currency derivative transactions for hedging purposes. The Bank does not engage in derivative transactions for speculative purposes. The lack of a developed framework for trading and accounting mechanisms in the derivatives market in Kazakhstan, combined with an underdeveloped banking sector, means that futures, options and forward currency trading are rare.

Impact of Recent Financial Crisis

As a result of the recent financial crisis, the Bank has experienced significant liquidity shortfalls. Since the beginning of 2009, the Bank has focused its liquidity management efforts on attracting liquidity, through retail, corporate and interbank deposit taking, as well as the use of repurchase transactions and, from time to time, the sale of government and other securities held in the Bank's securities portfolio. In addition, ALCO approval is now required for certain Treasury Department activities, such as the sales and purchases of government and other securities and entering into reverse repurchase transactions.

In the second half of 2009, as the Bank began experiencing small amounts of excess liquidity, the Bank used excess liquidity to settle outstanding repurchase obligations. After the Bank returns to profitability following the Restructuring, the Bank anticipates resuming its use of the full range of financial instruments to manage its liquidity risk. Following the completion of the Restructuring, the Bank will update its trade portfolio and plans to buy the state securities.

Market Risk Management

Market risk is the risk that changes in the level of interest rates, foreign currency rates, asset prices or other financial contracts, including derivatives, will adversely impact the results of the Bank's operations or financial condition. The Bank's business and operations expose it to market risk, primarily interest rate risk. The Bank's approach to managing interest rate risk is outlined below.

Interest Rate Risk Management

Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities and imperfect correlation of interest rates between different financial instruments. The principal objective of the Bank's interest rate risk management activities is to increase profitability by limiting the effect of adverse interest rate movements and increasing net interest income by managing interest rate exposure.

The Bank manages its interest rate risk by estimating interest rate risk, setting limits to control and minimize interest rate risk and monitoring of interest rate risk observance. Methods used to estimate the degree of interest rate risk include gap analysis (mismatch management), duration analysis (analysis of weighted average maturities), and interest income simulation. Additionally, the Bank manages and minimizes the risk through interest gap management, interest risk hedging and usage of embedded options, and setting limits. The system of interest rate limits includes (i) limit on maximum loss, (ii) limits on interest rate gap, and (iii) minimum interest rate on allocation of resources.

The Bank monitors its interest rate risk by estimating the Bank's exposure to the risk of interest rate and interest margin change, monitoring existing risks with regard to established limits, constant monitoring of news that may impact the Bank's interest rate position, and monitoring of interest rate risk on new banking products. In addition, the Bank analyzes the composition of its assets and liabilities and off-balance sheet financial instruments. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the periodic re-pricing of assets and liabilities. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on interest income.

Historically, the Bank's sensitivity to changes in interest rates has been largely reduced because contractually it has the ability to reprice certain of its loans that mature within one year and, under certain circumstances, it also has the ability to reprice loans maturing after one year. This ability to reprice interest rates enables the Bank to mitigate the impact of interest rate increases on its source of funding. Although the majority of the Bank's loan agreements contain such clauses allowing the Bank to change the loan's interest rates, in October 2008 the Banking Law was amended to prohibit banks (including the Bank) from changing interest rates unilaterally on retail loans. These amendments have retrospective effect and apply to any loan agreements entered into before and after their enactment. In addition, certain of the State Financing Programmes in which the Bank is currently participating require that loans be issued with a fixed per annum interest rate. See "The Bank – Business of the Bank". The Bank's ability to mitigate its interest rate risks through loan repricing is therefore currently limited. As a result, the Bank will continue to be exposed to increased interest rate risk until such law ceases to be effective and, with regard to any loans made in connection with certain of the State Financing Programmes, subject to a fixed rate of interest mandated by that programme.

The current limitations on the Bank's ability to reprice its loan portfolio are in contrast to the potential repricing of its deposits. The Bank's current deposits are subject to repricing at any time in response to market forces, while its term deposits are subject to the risk that depositors will withdraw funds (subject to certain penalties) and seek increased interest rates thereon from the Bank or a competitor (subject to the currently applicable maximum interest rate permitted to be paid on deposits in Kazakhstan).

Foreign Currency Risk Management

The Bank incurs foreign currency risk as a result of having assets, liabilities and on- and off-balance sheet items that are denominated in currencies other than Tenge, the Bank's reporting currency, as a result of normal funding and investing activity.

The Tenge/U.S. Dollar exchange rate has been subject to fluctuation in recent years. In 2007, the Tenge appreciated against the U.S. Dollar by 5.3 per cent. and in 2008, the Tenge depreciated against the U.S. Dollar by 0.4 per cent. On 4 February 2009, however, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117-KZT 123 to 1 U.S. Dollar to KZT 150 to 1 U.S. Dollar (+/- 3 per cent.), devaluing the Tenge by 18 per cent. to KZT 143.98 per 1 U.S. Dollar. On 30 December 2009, NBK announced it would widen the Tenge's trading band to KZT 127.5- KZT 165.0 per U.S. Dollar effective from February 5, 2010.

The Kazakh FMSA carries out the regulation and monitoring of the net foreign currency positions of banks in Kazakhstan. According to current Kazakh FMSA Regulations, the percentage of a bank's net open foreign currency position relative to its own capital must not exceed 25.0 per cent., and the open foreign currency position (long and short positions) for any currency of a country rated "A" or the Euro must not exceed 12.5 per cent. of its own capital. The open foreign currency position (long and short positions) for any currency of a country rated less than "A" is limited to 5.0 per cent. of a bank's own capital. See "Management's Discussion and Analysis of Results of Operations and Financial Condition – Capital Adequacy".

The Kazakh 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 the 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 foreign currency positions and the sum of all short foreign currency positions. On a weekly basis, the Bank furnishes to the Kazakh FMSA a report on positions in each currency and net currency positions.

The ALCO monitors the net open foreign currency position in relation to prevailing market conditions and outlook and advises on the Bank's position and implements the Bank's strategy accordingly.

The goal of the Bank's foreign currency risk management policies is to minimize currency exposure by requiring net liabilities in any one currency to be matched closely with net assets in the same currency. Historically, the Bank managed its foreign currency risk principally by the Bank holding or lending the proceeds of its borrowings in the currencies in which they were borrowed.

In 2005 and 2006, increasing in 2007, however, the Bank borrowed substantial sums denominated in U.S. Dollars, while lending such proceeds to borrowers in loans principally denominated in Tenge. In mid-2007, the Bank made loans, funded by such U.S. Dollar borrowings, with such loans denominated in Tenge. In the second half of 2007, the Bank resolved to extend an increasing proportion of its loans in dollars (or linked to the U.S. Dollar – Tenge exchange rate); however the Bank's loan origination volume was then substantially reduced. Following the substantial devaluation of the Tenge beginning in early 2009, the Bank experienced substantial losses as a result of the currency mismatch between its assets and liabilities. In addition, for loans which the Bank extended in U.S. Dollars, the devaluation has also adversely affected the borrowers' ability to repay and thus has adversely affected the Bank's portfolio. For information about the Bank's strategy to maximise its problem loan recovery through, among other things, the conversion of certain U.S. Dollar loans in its portfolio into Tenge following the Restructuring, see "The Bank — Strategy".

Since July 2009, the Bank's net open foreign currency position was more than the limit set by FMSA. Prior to that time, the Bank's net open foreign currency position was less than the limit set by the FMSA. As the Bank extinguished a substantial portion of its foreign currency-denominated debt in connection with the Restructuring, the Bank's net open foreign currency position as of July 31 was below the limit set by FMSA. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments".

Operational Risk Management

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 operational risk as well as fraud by employees or outsiders, unauthorised transactions by employees and operational errors, clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems.

The Bank's operational risk is managed by the operational risks and risk management methodology division and by Internal Audit. Operational risk is monitored and managed with the aim of addressing risks at all levels of the Bank's operations and to ensure that existing or potential problems are timely detected, identified and mitigated in the most effective way. Risk management processes throughout the Bank are audited annually, examining both the adequacy of the Bank's procedures and the Bank's compliance with the procedures. The results of all assessments are discussed with Senior Management, and Internal Audit reports on its findings and recommendations to the Audit Committee. In addition, in response to prior breaches of internal controls by certain former members of management, the Bank has strengthen its internal controls and risk management. For more information, see "The Bank – Strategy – Enhance the Bank's corporate governance, internal controls and risk management".

SELECTED FINANCIAL INFORMATION

The selected financial information presented below has been derived from the Bank's audited interim condensed statement of financial position and audited interim condensed statement of comprehensive income and cash flows as at and for the six months ended 30 June 2010, from the statements of financial position and statements of comprehensive income and cash flows as at and for the years ended 31 December 2009, 2008 and 2007, respectively, and its unaudited consolidated statements of income and cash flows as at and for the six months ended 30 June 2009. See the financial statements set forth beginning at page F-2. The Bank's 2008 consolidated financial statements have been prepared in accordance with IFRS, and its interim condensed financial statements have been prepared in accordance with IAS 34.

The selected financial information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in "Presentation of Financial and Other Information", "Risk Factors", "Capitalisation", "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Bank's financial statements and the related notes thereto contained elsewhere in this Prospectus.

	6 months ended 30 June		**Year ended 31 December**		
	2010 (audited)	**2009 (unaudited)**	**2009 (audited)**	**2008 (audited)**	**2007 (audited)**
Statement of Comprehensive Income	*(KZT millions, except per share amounts)*				
Interest income	**13,422**	**19,864.7**	**35,026.1**	**41,095.3**	**44,328.1**
Interest expense	**(16,305.9)**	**(15,065.6)**	**(30,129.1)**	**(27,113.4)**	**(23,226.5)**
Net interest income before impairment	**(2,883.9)**	**4,799**	**4,987**	**13,981.8**	**21,101.6**
Allowance for impairment	(11,419.5)	(69,092.5)	(75,111.7)	(8,289.3)	(5,555.2)
Net interest income/(expense)	**(14,303.4)**	**(64,293.4)**	**(70,214.7)**	**5,692.5**	**15,546.4**
Fee and commission income	708.5	769.4	1,512.8	1,693.5	2,540.0
Fee and commission expenses	(51.5)	(32.5)	(77.7)	(67.9)	(84.2)
Fees and commissions	**657**	**736.9**	**1,435.1**	**1,625.6**	**2,455.9**
Non-interest (expenses) / income	**733.5**	**(19,041.8)**	**(20,442.6)**	**(468.1)**	**457.3**
Operating expenses	**(4,386.8)**	**(5,220.3)**	**(9,290)**	**(10,272.2)**	**(10,407.8)**
(Loss) / profit before income tax expense	**76,468.5**	**(87,818.6)**	**(98,512.2)**	**(3,422.2)**	**8,051.7**
Income tax benefit/ (expense)	–	3,339	3,339	(231.3)	(660.6)
Other comprehensive income	**131**				
Net (loss) / profit after income tax expense	**76,599.5**	**(84,479.6)**	**(95,173.2)**	**(3,653.5)**	**7,391.1**
Basic and diluted (loss) / earnings per share (in KZT)	**510.77**	**(4,430.67)**	**(4,991.51)**	**(196.61)**	**412.97**

	As at 30 June 2010	As at 31 December 2009	2008	2007
Statement of Financial Position				*(KZT millions) (audited)*
Assets				
Cash and cash equivalents	26,847.3	8,540.6	15,085.4	28,319.4
Trading securities	13,264.7	12,752.8	22,043.7	23,914.7
Investment securities held-to-maturity	4,225.4	–	–	–
Amounts due from credit institutions	552.3	891.6	2,260.9	5,515.5
Loans to customers	180,291.2	197,286.1	249,493.5	269,631.4
Derivative financial instruments	247.3	308.0	679.5	224.0
Investments in associates	–		–	796.2
Property and equipment	1,485.3	1,795.8	2,571.5	3,200.1
Current income tax asset	41.3	123.9	885.7	109.7
Deferred income tax asset	3,677.1	3,677.1	338.1	504.7
Other assets	1,520.9	1,129.4	1,575.7	1,567.3
Total assets	**232,152.9**	**226,505.8**	**294,933.9**	**333,783.0**
Liabilities				
Amounts due to Government of RK and NBK	–		69.9	50.3
Amounts due to credit institutions	70,241.7	72,947.0	35,309.9	72,566.5
Amounts due to customers(1)	62,640.6	47,996.6	63,323.3	64,106.4
Eurobonds issued(1)	8,967.1	119,999.9	112,908.8	114,306.8
Debt securities issued(1)	38,542.1	34,917.4	38,371.2	33,684.3
Derivative financial liabilities	–	3.0	0.6	148.9
Other liabilities	535.3	1,172.9	308.1	624.1
Total liabilities	**180,926.9**	**277,036.8**	**250,291.7**	**285,487.3**
Equity				
Share capital	59,618.9	34,461.4	34,461.4	34,461.4
common stock	59,183.2	34,025.7	34,025.7	34,025.7
preferred stock	542.8	542.8	542.8	542.8
Treasury preferred shares	(107.1)	(107.1)	(107.1)	(107.1)
Reserve for revaluation of available-for-sale securities	131			
Retained earnings/(accumulated deficit)	(8,523.9)	(84,992.4)	10,180.8	13,834.2
Total equity	**51,226.0**	**(50,531.0)**	**44,642.2**	**48,295.7**
Total equity and liabilities	**232,152.9**	**226,505.8**	**294,933.9**	**333,783.0**

Notes:

(1) The 2009 Notes (as defined herein), 2011 Notes and 2014 Notes were included in the Eurobonds issued.

	As at and for the 6 months ended 30 June 2010	As at or for the year ended 31 December		
		2009	2008	2007
	(unaudited)			
Selected Financial Ratios:				
Key Ratios:				
Return on shareholders' equity[(1)] (per cent.)	NM*(**)	NM*	NM*	28.0
Net earnings / (loss) per share (in KZT)	510.71	(4,991.51)	(191.61)	412.97
Effective provisioning rate on loans to customers	33.5	31.5	6.9	3.6
Profitability Indicators[(2)]				
Net interest margin[(3)] (per cent.)	(2.0)**	1.6	4.9	8.7
Operating expenses as a percentage of net interest income before provisions for loan losses	(138.2)	181.7	72.9	47.9
Operating expense as a percentage of average total assets	2.7	3.2	3.3	3.5
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	34.6	17.3	21.5	19.2
Net loans to customers as a percentage of total assets	77.7	87.1	84.6	80.8
Total equity as a percentage of total assets	22.1	(22.3)	15.1	14.5
Liquid assets as a percentage of amounts due to customers[(4)]	64.2	44.6	58.6	81.5
Liquid assets as a percentage of liabilities with maturities of up to one month[(4)]	221.5	8.8	97.7	103.5
Asset Quality Ratios:[(5)]				
Past due loans as a percentage of gross loans to customers	64,4	65.4	43.9	26.1
Past due and impaired loans as a percentage of gross loans to customers	57,3	60.5	50.0	8.5
Allowance for impairment of loans to customers as a percentage of gross loans to customers	33,5	31.5	6.9	3.6

Notes:

* Not meaningful.

** Annualised.

(1) Based on the average of the opening and closing balances for the period.

(2) Averages are based upon average daily balances.

(3) Represents the ratio of net interest income before allowance for impairment expressed as a percentage of average interest-earning assets based on average daily balances.

(4) Liquid assets include cash and cash equivalents, financial assets at fair value through profit or loss and amounts due from credit institutions (having a maturity of less than one month).

(5) For the definition of past due loans used by the Bank, see "Asset, Liability and Risk Management – Loan Classification and Provisioning Policy – Loan Classification".

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

The following discussion of the Bank's financial condition and results of operations should be read in conjunction with the Bank's audited financial statements as at and for the years ended 31 December 2009, 2008 and 2007, respectively, and the related notes thereto, included elsewhere in this Prospectus. Such financial statements have been prepared in accordance with IFRS. See "Presentation of Financial and Other Information". This discussion contains forward-looking statements that involve risks and uncertainties. The Bank's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Forward Looking Statements" and "Risk Factors".

Overview

The Bank is a commercial bank and primarily focuses on the retail banking market but also serves the corporate banking segment with a particular focus on SME customers. From 2005 to 2007, the Bank offered a wide range of banking services and products within Kazakhstan to the retail, SME and corporate banking market. Due to the deterioration of its financial condition, the Bank discontinued lending in 2009 with the exception of the Bank's participation in the state-sponsored financing programmes for mortgage refinancing, financing of the SME manufacturing industry, financing of the residential construction building industry, and financing completion of construction building projects in Almaty and Astana.

As at 31 December 2009, the Bank had total assets of KZT 226,505.8 million and total shareholders' deficit of KZT 50,531.0 million, as compared to 31 December 2008 when the Bank had total assets of KZT 294,933.9 million and total equity of KZT 44,642.2 million. The Bank had a net loss of KZT 95,173.2 million for the year ended 31 December 2009, as compared to a net loss of KZT 3,653.5 million for the year ended 31 December 2008.

Recent Developments

On 30 June 2010, the Bank completed its Restructuring. As a result of the Restructuring:

- All of the $ 300.0 million 2011 Notes and all of the $ 500.0 million 2014 Notes (including, in each case, all accrued and unpaid interest) and the Bank's guarantees thereof, were extinguished, and in exchange to the holders of such extinguished debt the Bank (i) paid cash consideration in an aggregate amount of $ 153.6 million (KZT 22,664.9 million), (ii) issued an aggregate of $60,750,000 principal amount of its New Notes, and (iii) issued an aggregate of 4,000,000,000 of its common shares (or 20 per cent. of the total number of common shares outstanding immediately after the Restructuring) in the form of shares and global depositary receipts;

- $ 758.0 million (KZT 111,854.6 million) of deposits placed with the Bank by Temir Capital BV, representing the initial proceeds of the offering of the 2011 and 2014 Notes minus organisation commissions, were released and recharacterised (and the funds retained by the Bank) at the same time that the 2011 and 2014 Notes (and the Bank's guarantees thereof) were extinguished, thereby reducing the Bank's deposits and increasing its equity by such amount;

- In addition, a further deposit of approximately $950,000 (KZT 140.2 million) placed with the Bank by Temir Capital, comprising funds from the equity contribution that the Bank had made in Temir Capital in connection with the 2011 and 2014 Notes, was released and recharacterised (and the funds retained by the Bank) at the same time that the 2011 and 2014 Notes (and the Bank's guarantees thereof) were extinguished, thereby reducing the Bank's deposits and increasing its equity by such amount;

- 75 per cent. of the Bank's KZT 19,290.7 million secured domestic notes were amended to (i) extend the terms thereof by ten years, (ii) amending the terms of such notes to fix the coupon at 8.0 per cent. per annum and to make the notes denominated in KZT (to the extent not already the case), and unsecured and subordinated, thereby comprising "Unsecured B Domestic Notes";

- 25 per cent. of such secured domestic notes were exchanged for an equivalent principal amount of new secured domestic Notes (the "New Secured Domestic Notes") that are (to the extent not already the case) denominated in KZT and bear interest at a rate equal to 1 per cent plus the Kazak Consumer Price Index;

- All of the Bank's KZT 7,513.1 million unsecured domestic notes were amended to (i) extend the terms thereof by ten years, (ii) fix the coupons on all such notes at 8.0 per cent. per annum, (iii) subordinate such notes so as to qualify as Tier II and III capital based on the requirements of Kazakh FMSA (such amended notes, "Unsecured A Domestic Notes";

- Approximately $ 11.2 million (including accrued but unpaid interest) in aggregate trade indebtedness was exchanged in full for a loan in an aggregate principal amount of approximately $ 11.2 million (KZT 1,648.8 million), bearing interest at a rate of 2.0 per cent. per annum, and which will mature in June 2020;

- The terms of the deposit placed with the Bank by BTA were amended to reduce the rate of interest accruing thereon to 8 per cent. and to extend the maturity by 10 years to 15 March 2020. As at 30 June, the aggregate principal amount of such deposit (including any accrued and unpaid interest as of 15 March 2010) was KZT 57,651.7 million;

- The terms of the KZT 12,853.7 million of deposits with the Bank placed by Samruk-Kazyna in connection with the then-proposed restructuring of the Bank's indebtedness were amended to extend the term of the deposit by six months from their respective initial maturity dates; and

- The stakes of BTA and of others of the Bank's common shareholders were diluted and Samruk-Kazyna became the Bank's major shareholder, with 15,980,933,000 of common shares outstanding (or 79.9 per cent. of the total number of such shares) under its control directly and through one of its subsidiaries.

After the Bank's fiscal year end on 31 December 2009, the Bank, having reviewed changes in its loan portfolio since that date, estimated that the portion of non-performing loans in its total loan portfolio increased slightly and therefore the Board determined to increase the provisions for loan losses for Kazakh FMSA reporting purposes by approximately 3.0 per cent.

The Bank has recently prepared its interim condensed statement of financial position as at 30 June 2010 and its interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six months ended 30 June 2010, in each case prepared in accordance with IAS 34. The Bank's interim condensed financial statements as at and for the six months ended 30 June 2010 have been audited by the Bank's independent auditor, and the auditor's opinion thereon is included with such interim condensed financial statements elsewhere in this Prospectus, beginning on page F-1. The Bank has also included summary information derived from its unaudited income statement and cash flows statement for the six months ended 30 June 2009. See also "Selected Financial Information".

Key financial data derived from the Bank's financial statements as at and for the six months ended 30 June 2010 include the following analysis:

- The Bank's total assets have increased to KZT 232,152.9 million as at 30 June 2010, from KZT 226,505.8 million as at 31 December 2009;

- The Bank's trading securities have increased to KZT 13,264 .8 million as at 30 June 2010, from KZT 12,752.8 million as at 31 December 2009;

- The Bank's loans to customers declined to KZT 180,291.2 million as at 30 June 2010, from KAT 197,286.1 million as at 31 December 2009;

- For the six month period ended 30 June 2010:

- The Bank's net interest income before impairment charges declined to KZT 2,884.0 million net interest expense from net interest income of KZT 4,799.1 million for the six months ended 30 June 2009;

- The Bank's net loss on financial assets at fair value through profit or loss (or "net losses from trading securities") was KZT 129.7 million, as compared to a net loss of KZT 9,253.6 million for the six months ended 30 June 2009;

- The Bank's net gain/loss from foreign currencies for the six months ended 30 June 2010 improved to a gain of KZT 801.9 million as compared to a net loss of KZT 7,049.2 million for the six months ended 30 June 2009;

- Personnel costs decreased to KZT 1,603.2 million for the six months ended 30 June 2010 from KZT 1,925.8 million for the six months ended 30 June 2009;

- The Bank recorded a one time income from restructuring of liabilities for the six months ended 30 June 2010 of KZT 93,768.3 million; and

- Principally as a result of the one time recognition of income from restructuring of liabilities referred to above, the Bank had net income of KZT 76,468.5 million for the six months ended 30 June 2010 as compared to a net loss of KZT 84,479.6 million for the six months ended 30 June 2009.

Expected Tax Effects of Restructuring

As a result of the Restructuring, a portion of the Bank's indebtedness was forgiven and thus extinguished. Under recent amendments to the Tax Code, the Bank will not be subject to income taxation on the aggregate amount of such debt forgiven.

Factors Affecting Results of Operations

Global Financial Crisis and Challenging Economic Environment in Kazakhstan

The Bank, in common with all banks in Kazakhstan, has been affected by the ongoing economic crisis. The unprecedented recent market and economic conditions have resulted in tighter credit conditions and slower growth worldwide. Continued concerns about the health of the financial sector in many countries, possible inflation, energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and diminished expectations for various national economies.

The economy in Kazakhstan was particularly affected. Real estate prices in Kazakhstan dropped sharply since June 2007 on the worsening outlook and, beginning in the second half of 2008, the collapse of oil and gas prices aggravated the adverse economic conditions. Such volatility in the commodity prices and the real estate market has had a significant adverse effect on the national economy. These adverse economic conditions led to a decrease in GDP growth of 3.2 per cent. in 2008 compared to 8.5 per cent. GDP growth in 2007.

In addition, concern about the stability of the banking sector in Kazakhstan has led to a material reduction in liquidity as wholesale funding has become more expensive and less available. Funding from retail depositors has also fallen as a result of the public's loss of confidence in the Kazakhstan banking sector.

Loan Portfolio Development

During the period from 2005 to 2007, the Bank embarked on a growth strategy, substantially expanding its lending and other banking activities, principally through attracting retail and SME customers.

Due to its deteriorating financial condition, the Bank discontinued most of its retail and corporate lending in the beginning of 2009, with the exception of lending under state-supported finance programmes for mortgage refinancing, financing of the SME manufacturing industry, financing of the residential construction building industry, and financing completion of construction building projects in Almaty and Astana. The Bank's lending operations are currently limited to loans under these state-sponsored programmes and to the extent the Bank receives repayment proceeds of previously made loans. With the exception of the programme for financing completion of construction building projects in Almaty and Astana, under these state-sponsored programmes, the Bank loans funds to approved borrowers using funds on deposit from government acting through Samruk-Kazyna. Under the programme for construction building projects, the Bank uses funds from Samruk-Kazyna that are provided on a case-by-case basis to approved borrowers. For more information, see "The Bank – Business Activities of the Bank – Retail Banking" and " – SME Banking". Repayment proceeds of any other loans in the Bank's portfolio are used to cover the Bank's operating expenses.

During the year ended 31 December 2009, the Bank applied approximately KZT 6,000 million in funding pursuant to the Mortgage State Finance Programme to refinance mortgage loans, approximately KZT 1,400 million pursuant to the SME State Finance Programme, approximately KZT 222 million to finance the residential construction building industry and approximately KZT 5,925 million pursuant to the state-supported finance programme for the completion of construction building projects in Almaty and Astana.

Now that the Restructuring Plan has been successfully implemented, the Bank expects to resume its lending activities from August 2010 to selectively extend new loans in the most profitable segments of the market (retail, SME and corporate lending), growing its gross loan portfolio at a rate supported by the growth in the deposit base. For more information about the segments of the market on which the Bank has historically focused, see "Business – Business of the Bank".

Loan Book Quality

The Bank's gross loan portfolio contains a significant amount of non-performing customer loans due to the challenging global economic conditions and Kazakhstan economic conditions. Many of the Bank's loans were extended in the first half of 2007 at the peak of the market before the subsequent deterioration in the global economy during the last half of 2007. The deterioration of the Bank's loan portfolio accelerated in the first half of 2009, due to difficult economic conditions in Kazakhstan as well as the devaluation of the Tenge in February 2009. The Bank's asset quality has continued to deteriorate throughout 2009 with NPLs (defined as loans over 90 days overdue) rising to KZT 166,808 million, or 57.9 per cent. of gross loans as at 31 December 2009.

Allowance for Loan Losses

The discussion below is based on the Bank's financial statements prepared in accordance with IFRS. The Bank is, however, subject to regulation by the Kazakh FMSA and must maintain regulatory capital that meets the requirements of the FMSA, based on financial statements prepared in accordance with Kazakh FMSA methodology.

The Bank recorded charges to its allowance for loan losses of KZT 75,111.7 million for the year ended 31 December 2009, as compared to charges of KZT 8,289.3 million for the year ended 31 December 2008, for purposes of its IFRS financial statements discussed in this Prospectus, reflecting the substantial increase in the volume of loans that were delayed in payment during the year ended 31 December 2009.

The Bank's allowance for loan losses determined for regulatory purposes differ from such provisions reflected in the Bank's IFRS financial statements included in this Prospectus and as publicly reported by the Bank. Accordingly, the actual level of the Bank's allowance for loan losses as recorded in its IFRS financial statements may materially differ from the provisioning rates used for regulatory purposes.

Under the IFRS methodology applied by the Bank, the allowance for loan losses is created in respect of amounts of outstanding loans, including accrued interest, but less the discounted value of collateral in the case of collateralised loans. For IFRS purposes, loan loss provisioning rates are determined based on the type of loan (retail or corporate) and the size of the loan.

In determining the allowance for loan losses, the main difference between Kazakh FMSA methodology and IFRS is the treatment of collateral. According to Kazakh FMSA methodology, provisions are created against the principal amounts of outstanding loans without taking into account accrued interest and without fully taking into account the value of collateral in the case of collateralised loans. The Bank meet such regulatory capital requirements calculated on the basis of Kazakh FMSA methodology in order to continue to operate as a commercial bank. For more information about the loan loss provisioning for regulatory purposes, see "Asset, Liability and Risk Management – Loan Classification and Provisioning Policy".

The Kazakh FMSA (in its capacity as local regulator) conducted a regulatory audit of the Bank as of 1 March 2009, following which the Kazakh FMSA requested the Bank to increase its loan loss provisions (for purposes of its financial statements prepared in accordance with the Kazakh FMSA Methodology) to KZT 122,000 million in order to satisfy regulatory capital requirements. Accordingly, the Bank has gradually increased its loan loss provisions under its regulatory accounts to comply with the FMSA's requirement. Following the Restructuring the Bank has become in compliance with the FMSA regulatory capital requirements.

Funding Mix Dominated by Wholesale Funding

The Bank's growth in retail lending and SME lending was predominately funded by short-term bank borrowings and debt securities issues in the international capital markets, which was aided by the widespread availability of low interest credit during the period. Throughout the period, the proportion of funding through customer deposits remained relatively low such that, by the end of 2007, a significant portion of the Bank's funding base was principally comprised of funding from international sources. As at 31 December 2009, approximately 12.7 per cent. of the Bank's funding base comprised debt securities issued and approximately 41.5 per cent. comprised of funding primarily from OECD-country based banks. In addition, the Bank borrowed much of such wholesale funding from international sources in U.S. Dollars and used such funds to originate the majority of its retail and SME loans in Tenge.

Following the Bank's internal examination of its financial condition and its loan portfolio performance in order to evaluate steps to restore its capital adequacy, in November the Bank suspended repayment of all outstanding principal amounts and accrued interest under its debt obligations pending completion of the Restructuring. More specifically, the worsening financial position of the Bank led to it being unable to pay (i) the KZT 5.8 billion (including interest and principal amount) due on Friday 6 November 2009 and the KZT 1.9 billion due on Monday 9 November 2009 to its major shareholder BTA under the BTA Deposit Agreement, (ii) the U.S.$23.6 million of interest due on 23 November 2009 on the 2014 Notes, and (iii) the U.S.$12.6 million of interest due on 24 November 2009 on the 2011 Notes. From that time until the date of the Restructuring (30 June 2010), such payments continued to be in suspense and the Bank devoted its efforts toward completing the Restructuring and improving the performance of its loan portfolio.

Now that the Restructuring has been completed, the Bank has determined to increase the deposit portion of its funding base, with a particular focus on the corporate and SME sectors. See "The Bank -- Strategy".

Trends in the Bank's Customer Deposit Base

Beginning in the last half of 2007 and continuing throughout 2008, the Bank undertook aggressive marketing efforts to attract additional customer deposits. However, during this period the Bank experienced large withdrawals by significant corporate depositors. In particular, Kazatomprom, a customer of the Bank since the second half of 2005, withdrew deposits totalling U.S.$170.0 million (KZT 20,400 million[*]) in September 2007.

From January 2009, the Bank has experienced significant outflows of customer deposits, and the Bank's efforts to attract additional private depositors were not enough to offset these customer deposit outflows. In addition, since October 2009 the Bank has been restricted from marketing to attract additional individual depositors under the Kazakh FMSA Agreement. However, this restriction was removed following the resolution of the Kazakh FMSA dated 7 July 2010 approving the completion of the Bank's Restructuring. The Bank had deposits of KZT 47,996.5 million as at 31 December 2009 compared to KZT 63,323.3 million as at 31 December 2008 and KZT 64,106.4 million as at 31 December 2007. In recent weeks, however following the completion of the Restructuring, the Bank has begun to attract further retail deposits, and the Bank's deposit base has increased to KZT 61,755,6 million as at 29 July 2010

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[*] Translated for the convenience of the reader at the official average U.S. Dollar exchange rate as at that date, as reported by the NBK, of KZT 120.00 = U.S.$ 1.00.

Liquidity Support provided by Samruk-Kazyna and BTA

Liquidity support provided by Samruk-Kazyna as well as the Bank's parent, BTA, in the form of term deposits partially offset the deposit outflows experienced by the Bank. As at 31 December 2009, Samruk-Kazyna maintained term deposits totalling KZT 11,936.6 million with the Bank (relating to financing under the state-supported finance programmes) and BTA maintained term deposits totalling KZT 56,191.2 million with the Bank, representing 77.0 per cent. of total interbank deposits with the Bank.

As noted above, in connection with the Restructuring, the maturity of the Samruk Kazyna were extended by six months and the Bank will continue to pay interest on such deposits at the current rates, and the interest rate on BTA Deposits was reduced to 8 per cent. and the term of the BTA Deposits were extended to ten years from the Restructuring Date.

Currency Devaluation

A large proportion of the Bank's funding base is composed of international borrowings in currencies other than Tenge, while the Bank's customer loans are principally denominated in Tenge. As at 31 December 2009, 54.7 per cent. of the Bank's gross loans to customers were Tenge-denominated, while approximately 60.3 per cent of the Bank's liabilities are denominated in non-Tenge currencies.

From January 2006 to January 2009, the Tenge/U.S. Dollar exchange rate traded in a relatively stable range and remained strong overall against the U.S. Dollar as a result of export proceeds from oil, agricultural products and other commodities. See "Exchange Rates and Exchange Controls – Exchange Rates". However, following pressure on the balance of payments of Kazakhstan as a result of declining commodity prices (particularly oil and gas) in the international markets and to forestall significant decreases in Kazakhstan's gold and currency reserves, on 4 February 2009 the NBK reduced its support for the Tenge/U.S. Dollar exchange rate from a range of KZT 117 – KZT 123 per U.S. Dollar to KZT 150 (+/- 3 per cent.) per U.S. Dollar, according to publicly available information maintained by the NBK.

As a result, as of 31 December 2009, the Bank recorded a loss from translation differences on foreign currency of KZT 10,380.7 million. This devaluation also increased the ongoing interest cost (as reported in Tenge, the Bank's functional currency) of the Bank's U.S. Dollar borrowings (which comprise a significant portion of its total liabilities) and exacerbated difficulties for the Bank's borrowers under U.S. Dollar denominated loans by making it more difficult for Kazakhstan borrowers to service their U.S. Dollar loans. The Bank believes, however, that following the Restructuring it has substantially reduced its exposures to foreign currency risk as the Bank was permitted to extinguish the bulk of its US dollar denominated debt in connection with the Restructuring. See "--Recent Developments" above.

Operating Expense Reductions

During the last half of 2007 and 2008, in response to the deterioration of its financial condition, the Bank commenced a number of initiatives to reduce its operating expenses. The Bank decreased the total number of employees from 2,873 as at 31 December 2007 to 2,478 as at 31 December 2008 and 2,298 as at 31 December 2009. In addition, the Bank also reduced salaries and wages of its employees during 2008. These efforts contributed to a reduction in the Bank's total operating expenses as salaries and personnel costs decreased to KZT 3,866.4 million for the year ended 31 December 2008 compared to KZT 4,742.4 million for the year ended 31 December 2007. However, the reduction in total operating expenses were insufficient to offset the decline from 2007 to 2008 in the Bank's interest income and the significant increase in its interest expenses, principally due to interest paid on the International Notes during 2008. The Bank expects that following the Restructuring Samruk-Kazyna will lead the Bank to investigate further potential operating expense reductions.

Sale of Shares of Temir Capital B.V.

On 23 March 2006, Temir Capital B.V. issued the 9.25 per cent. Senior Notes due 2009 (the **2009 Notes**), which were guaranteed by the Bank and were repaid at their scheduled maturity date of 23 March 2009. On 24 November 2006, Temir Capital B.V. issued U.S.$ 300.0 million in aggregate principal amount the 2011 Notes and on 21 May 2007, Temir Capital B.V. issued U.S.$ 500.0 million in aggregate principal amount of the 2014 Notes, each of which were guaranteed by the Bank. The net proceeds received by Temir Capital B.V. were deposited with the Bank upon completion of each offering of Notes.

In December 2006, the Bank became a subsidiary of BTA. In order to comply with subsequently enacted legislation in the Republic of Kazakhstan which prohibits subsidiaries of financial institutions from having their own subsidiaries, the Bank sold all of the common stock of Temir Capital B.V. to BTA on 24 January 2008 for an aggregate purchase price of KZT 370.3 million. The Bank recognised a loss from that sale of KZT 53.7 million in the year ended 31 December 2008.

Prior to the Bank's sale of shares of Temir Capital B.V., interest expense incurred by the Bank in respect of its interest payments on the Temir Capital B.V. deposits related to 2009 Notes, 2011 Notes and 2014 Notes was included in the Bank's income statement within interest expense on debt securities issued. As a result of the Bank's sale of the Temir Capital B.V. shares, all of such interest expense is reflected in interest expense on amounts due to customers for the year ended 31 December 2008.

Sale of Shares of Temirleasing

Prior to June 2008, the Bank held a minority shareholding in JSC Temirleasing (**Temirleasing**) and in June 2008 the Bank sold shares in Temirleasing in a series of transactions, including the sale of 118,647 shares to clients of BTA Securities and an additional 261,329 shares to BTA, in each case at a price per share of KZT 5,057, and recognised a net gain of KZT 1,446.5 million. The Bank had no such sales in 2007.

Critical IFRS Accounting Policies

The Bank's IFRS accounting policies are integral to understanding its results of operations and financial condition presented in the financial statements and related notes thereto. The Bank's significant accounting policies are described in Notes 3 and 4 to the audited annual financial statements for the year ended 31 December 2008 included elsewhere in this Prospectus. The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and of income and expenses during the relevant reporting period. The Bank's management believes that the following significant accounting policies, due to the judgment, estimates and assumptions inherent in the application thereof, are critical to an understanding of the Bank's financial statements prepared in accordance with IFRS. Actual results may differ from estimates, and such differences may be material.

Allowance for Impairment of Loans

The determination of the Bank's allowance for loan losses is based on an analysis of the loan portfolio and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the loan portfolio. The determination is based upon an analysis of the Bank's loan portfolio, considering, among other factors, the current economic conditions, the loan portfolio composition, past loan loss experience, independent appraisals, the fair value of underlying loan collateral, the Bank's customers' ability to pay, selected key financial ratios and other factors believed to be important by management. Because of the nature of the judgments made by management, actual results could differ from the estimates and assumptions relied upon, which could have a material impact on the value of assets and liabilities, other results of operations and the financial condition of the Bank. If actual loan losses are higher or market conditions are less favourable than those projected by management, additional allowances may be required.

The net change in the allowance for loan losses is charged to the statement of comprehensive income and the total of the allowance for loan losses is deducted in arriving at loans and advances to customers and banks on the statement of financial position.

Financial Assets and Liabilities at Fair Value through Profit or Loss

In the normal course of business, the Bank enters into various financial instruments in the foreign exchange and capital markets with the purpose of selling such financial instruments in the near term. Such financial instruments are initially recognised at fair value. 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. Gains and losses resulting from these instruments are recognised in the statement of comprehensive income.

Results of Operations for the year ended 31 December 2009 compared to the year ended 31 December 2008

The Bank experienced a net loss of KZT 95,173.2 million in the year ended 31 December 2009 compared to a net loss of KZT 3,653.5 million in the year ended 31 December 2008. This primarily reflected the impact challenging general economic conditions within Kazakhstan, which began in the second half of 2008 but continued through and worsened during 2009. As noted above, the Bank's growth in its consumer lending activities from 2005 to 2007 was aided by the ready availability of funding from international sources. As these sources became less available during 2008 in response to deteriorating economic conditions in Kazakhstan, the Bank experienced insufficient liquidity, as a result of which the Bank curtailed much of its consumer loan origination activities. Contemporaneously, the Bank also experienced substantial deterioration in its existing loan portfolio as borrower defaults accelerated during 2008. These factors led to a decline in the Bank's interest income while its interest expense and charges to allowances for impairment both increased, resulting in lower net interest income for 2008.

The following table sets forth the principal components of the Bank's results of operations for the periods indicated.

	Year ended 31 December	
	2009	**2008**
	(KZT millions) *(audited)*	
Net interest income	(70,214.7)	5,692.5
Fees and commissions income (net)	1,435.1	1,625.6
Non-interest (expenses) / income	(20,442.6)	(468.1)
Operating expenses	(9,290.0)	(10,272.2)
(Loss) / profit before income tax expense	**(98,512.2)**	**(3,422.2)**
Income tax benefit / (expense)	(3,339.0)	(231.3)
Net (loss) / profit after income tax expense	**(95,173.2)**	**3,653.5**

Net Interest Income

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

	Year Ended 31 December	
	2009	**2008**
	(KZT millions)	
Interest income	35,026.0	41,095.3
Interest expense	(30,129.1)	(27,113.4)
Net interest income before provision for impairment	**4,896.9**	**13,981.8**
Charges to allowance for impairment	(75,111.6)	(8,289.3)
Net interest income	**(70,214.7)**	**5,692.5**

Net interest income decreased by KZT 75,907.3 million to KZT (70,214.7) million for the year ended 31 December 2009 from KZT 5,692.5 million for the year ended 31 December 2008, as interest income declined, while interest expense and charges to allowances for impairment of the Bank's loan portfolio both increased. The Bank's loan portfolio suffered significant deterioration during 2008 as customers defaulted on outstanding loans.

Interest Income

Total interest income decreased by KZT 6,069.2 million, or 14.8 per cent., to KZT 35,026.1 million for the year ended 31 December 2009 from KZT 41,095.3 million for the year ended 31 December 2008, reflecting principally the decrease in interest income from loans.

Interest income on loans to customers decreased by KZT 4,723.1 million, or 12.5 per cent., to KZT 32,983.0 million for the year ended 31 December 2009 from KZT 37,706.1 million for the year ended 31 December 2008, primarily as a result of a decrease in the average interest rate to 15.0 per cent. in 2009 from 20.0 per cent. in 2008. The decrease in interest income on loans to customers was also influenced by the Bank's declining new loan origination activities, which primarily reflected the impact of challenging general economic conditions within Kazakhstan. Since 2006, the Bank charged fees on its retail loans at the origination of the loan, which are recorded as interest income due from loans. As the Bank's loan origination activities decreased, the Bank experienced a corresponding decrease in loan origination fees. Slightly offsetting the decrease resulting from a decline in average interest rate was the increase in the average balance of loans outstanding from KZT 204,816.8 million in 2008 to KZT 251,898.4 million in 2009.

Interest income on trading securities decreased slightly from KZT 2,015.9 million in 2008 to KZT 1,895.0 million in 2009, reflecting an increase in the average balance of the Bank's trading securities. Moderately offsetting this increase in interest income from trading securities resulting from an increase in the average balance of trading securities was a decrease in the average yield earned on such trading securities from 9.7 per cent. in 2008 to 8.9 per cent. in 2009.

Interest Expense

Total interest expense increased by KZT 3,015.7 million, or 11.1 per cent., to KZT 30,129.1 million for the year ended 31 December 2009 from KZT 27,113.4 million for the year ended 31 December 2008.

Eurobonds

Interest expense relating to the Eurobonds issued by Temir Capital BV and guaranteed by the Bank increased by KZT 2,233.6 million, or 21.7 per cent., from KZT 10,263.7 million in 2008 to KZT 12,497.3 million in 2009. Such increase reflected the devaluation of the Tenge against the US dollar (the currency in which such Eurobonds were issued) during 2009.

Amounts due to credit institutions and loans from Government

Interest expense on amounts due to credit institutions increased 41.4 per cent. to KZT 9,373.9 million in 2009 from KZT 5,496.5 million in 2008, principally reflecting a decrease in the volume of such deposits. This decline reflected the global financial crisis as OECD-country based banks limited their deposit placing with Kazakhstan banks, including the Bank. The Bank's average balance of amounts due to credit institutions and loans from the Kazakh Government decreased, as did the average interest rate on such balances for the year ended 31 December 2009.

Slightly offsetting such increases in interest expense was a decrease in interest expense on debt securities issued of KZT 2,005.4 million, or 37.0 per cent., from KZT 5,426.5 million in 2008 to KZT 3,421.1 million in 2009. Such decrease reflected the decrease in the average outstanding balance of such debt securities during 2009 as compared to 2008.

Charges to Allowance for Impairment

The charge to allowance for impairment was KZT 75,111.7 million for the year ended 31 December 2009, compared to KZT 8,289.3 million for the year ended 31 December 2008, principally as a result of increased charges to the allowance for corporate loans. The increase in such charges to allowances reflects the deteriorating performance of the Bank's loan portfolio in 2009.

Fee and Commission Income

The following table sets out the components of the Bank's net fee and commission income for the periods indicated.

	Year Ended 31 December	
	2009	**2008**
	(KZT millions)	
Gross fee and commission income	1,512.8	1,693.5
Fee and commission expense	(77.7)	(67.9)
Net fee and commission income	**1,435.1**	**1,625.6**

Gross fees and commission income decreased by KZT 180.6 million, or 10.7 per cent., for the year ended 31 December 2009 as compared to the year ended 31 December 2008 principally as a result of a decrease in the volume of fees from cash operations. The Bank typically deposits funds from loans it makes to customers into an account established on the customers' behalf, and retail customers are charged a fee to withdraw from their accounts. As the volume of the Bank's retail lending activities declined during 2009, such fees decreased, which is reflected in the decrease in fees from cash operations. In addition, total fee and commission income also decreased due to a decline in fees from settlement operations (e.g., fees charged by the Bank to complete customer wire transfers) as well as a decrease in fees earned from letters of credit and guarantees issued and custodian services provided by the Bank to its customer base, all of which reflected the decreasing economic activity in 2009. Slightly offsetting this decrease in the volume of such services was a moderate increase in fees and commissions charged by the Bank for trust management services.

Non-Interest (Expenses) / Income

The following table sets out the principal components of the Bank's non-interest expenses and non-interest income for the years ended 31 December 2009 and 2008:

	Year Ended 31 December	
	2009	**2008**
	(KZT millions)	
Loss on sale of shares of a subsidiary	–	(53.7)
Income from sale of shares of an associate	–	1,446.5
Net gain/(loss) from financial assets at fair value through profit or loss	(9,237.2)	(1,810.9)
Net (losses) / gains from foreign currencies:		
- dealing	1,729.0	30.8
- translation differences	(10,380.7)	(348.0)
Loss from purchase of loan	(2,950.9)	–
Share of income in associates	–	37.5
Income from dividends on shares	137.6	155.7
Other income	259.6	74.0
Total non-interest (expenses) / income	**(20,442.6)**	**(468.1)**

The increase in non-interest expenses was principally the result of net losses recognised on financial assets at fair value through profit or loss and, to a lesser extent, net losses on foreign currency transactions undertaken by the Bank during the year ended 31 December 2009.

Net loss from financial assets at fair value through profit or loss

Net losses from financial assets at fair value through profit or loss increased during 2009, primarily reflecting the substantial decline in the market value of shares of Kazakh companies held by the Bank during 2009. In addition to the shares held by the Bank at the start of 2009, the Bank opportunistically continued to add to its position in certain shares during the period of declining market prices in anticipation of a recovery but as a result incurred losses on acquired shares as the market subsequently continued to decline. Further, the Bank recognized a KZT 53.7 million loss in 2008 on the sale of the shares of Temir Capital B.V., as described above.

Income from Sale of Shares of an Associate

The Bank recognized a net gain on the sale of shares of an associate of KZT 1,446.5 million in 2008, reflecting the KZT 1,446.5 million gain the Bank recorded when it sold shares in Temirleasing in a series of transactions, including the sale of 118,647 of such shares to clients of BTA Securities and further sale of 261,329 of such shares to the Bank's then-parent, BTA, in each case at a price per share of KZT 5,057. The Bank had no such sales in 2009.

Operating Expenses

The following table sets out the components of the Bank's operating expenses for the years ended 31 December 2009 and 2008.

	Year Ended 31 December	
	2009	2008
	(KZT millions)	
Salaries and personnel costs	(3,816.3)	(3,866.4)
Administrative and other operational expenses	(3,650.8)	(4,848.2)
Deposits insurance costs	(313.3)	(137.0)
Depreciation and amortisation	(893.6)	(1,010.4)
Taxes other than income tax	(223.9)	(332.5)
Other provisions	(392.1)	(77.7)
Total operating expenses	**(9,290.0)**	**(10,272.2)**

Operating expenses decreased by KZT 982.2 million, or 9.5 per cent., to KZT 9,290.0 million for the year ended 31 December 2009 from KZT 10,272.2 million for the year ended 31 December 2008 primarily as a result of decreases in salaries and personnel costs, deposits insurance costs and other provisions, which offset increases in administrative and other operational expenses, depreciation and amortisation. Although the Bank implemented several measures to decrease its operating expenses, the reduction in total operating expenses was insufficient to offset the decline from 2008 to 2009 in the Bank's interest income and the significant increase in its interest expenses. See "– Factors Affecting Results of Operations – Operating Expense Reductions".

Salaries and Personnel Costs

The following table sets out the principal components of the salaries and personnel costs for the period.

	Year Ended 31 December	
	2009	2008
	(KZT millions)	
Salaries and bonuses	(3,427.8)	(3,442.5)
Social security costs	(241.3)	(250.9)
Other payments	(147.3)	(173.1)
Total salaries and personnel costs	**(3,816.3)**	**(3,866.4)**

The Bank's social security costs relate to mandatory pension contributions for the Bank's employees to Kazakhstan state pension plans. Social security costs decreased by 3.8 per cent. to KZT 241.3 million for the year ended 31 December 2009 from KZT 250.9 million for the year ended 31 December 2008 due to a decrease in the Bank's number of employees as well as a reduction in salaries and wages generally paid to employees during 2009.

Other payments to employees, constituting expenses recognised by the Bank to reflect payments to employees for unused vacation, redundancy payments and other payments to employees which are not reflected in salary, bonus and social security costs also decreased by KZT 25.8 million in 2009.

Administrative and other operational expenses

The following table sets out the principal components of the Bank's administrative and other operating expenses for the years indicated.

	Year Ended 31 December	
	2009	2008
	(KZT millions)	
Penalties	(907.2)	(274.2)
Occupancy and rent	(855.7)	(1,209.4)
Communications	(320.3)	(390.4)
Security	(298.2)	(353.9)
Repair and maintenance of property and equipment	(172.9)	(238.4)
Encashment	(161.3)	(165.0)
Marketing and advertising	(135.6)	(857.1)
State duty paid to the budget upon Bank's claims	(108.7)	(289.7)
Agency services	(77.7)	(277.3)
Transportation expenses	(60.0)	(89.1)
Legal services and consultancy	(43.8)	(31.0)
Postal charges	(43.5)	(31.0)
Business travel and related expenses	(34.4)	(47.9)
Office supplies	(31.0)	(45.6)
Data processing	(3.7)	(11.5)
Insurance	(3.1)	(5.1)
Trainings	(1.7)	(15.4)
Representation	–	(7.1)
Participation in forums, seminars and conferences	(0.4)	(0.6)
Other	(391.6)	(508.5)
Total administrative and other operating expenses	**(3,360.8)**	**(4,848.2)**

Administrative and other operating expenses decreased by KZT 1,197.3 million, or 24.7 per cent., to KZT 3,650.8 million for the year ended 31 December 2009 from KZT 4,848.2 million for the year ended 31 December 2008 principally as a result of decreases in marketing and advertising, occupancy and rent expenses, security expenses, state duty paid to the budget upon the Bank's claims, agency services and penalties.

Occupancy and rent expenses decreased by KZT 353.7 million, or 29.2 per cent., for the year ended 31 December 2009.

Charges to Other Provisions

Charges to other provisions increased by KZT 314.3 million to KZT 392.1 million in 2009 from KZT 77.7 million in 2008. Charges to other provisions represent charges to allowances for impairment against letters of credit and guarantees extended by the Bank for its customers where the Bank identifies deterioration in the creditworthiness of such clients, and for which the Bank recorded a net charge to other provisions of KZT 392.1 million in 2009, which reflected a reversal of an impairment charge in respect of letters of credit and guarantees of KZT 3.0 million in 2009 and an impairment charge in respect of other assets of KZT 395.0 million in 2009. This compares to an impairment charge in respect of letters of credit and guarantees, and of other assets for an aggregate impairment charge of approximately KZT 255.2 million in 2008, which was reversed in the following year.

Income Tax Expense

As noted above, the statutory corporate income tax rate for the year 2009 was 30.0 per cent. In November 2009, a new tax code was enacted in Kazakhstan to reduce the corporate income tax rate from 30 per cent. to 20.0 per cent. for corporate entities effective from 1 January 2009, 17.5 per cent. for corporate entities effective from 1 January 2010 and 15.0 per cent. for corporate entities effective from 1 January 2011. In addition, in 2009 interest income on mortgage loans became taxable under applicable Kazakhstan tax legislation.

Income tax expense consists of the Bank's current tax income charge and changes in deferred corporate income tax charge related to timing differences between tax accounting and financial reporting. Taxes other than income tax, such as property tax, are recorded within taxes other than income tax. The following table sets out the principal components of the Bank's income tax expense for the periods indicated.

	Year Ended 31 December	
	2009	2008
	(KZT millions)	
Corporate income tax charge	–	64.6
Deferred corporate income tax (benefit) / charge – origination and reversal of temporary differences	(3,339.0)	166.7
Total corporate income tax (benefit) / expense	**(3,339.0)**	**231.3**

Although the Bank pays corporate income tax on a cash basis, its IFRS financial statements are compiled on an accrual basis. The Bank's corporate income tax benefit was KZT 3,339.0 million in 2009, as compared to tax expense KZT 231.3 million in 2008, which principally reflects the net loss the Bank's experienced in 2009 compared to a net taxable profit in 2008.

Results of Operations for the year ended 31 December 2008 compared to the year ended 31 December 2007

The Bank experienced a net loss of KZT 3,653.5 million in the year ended 31 December 2008 compared to a net profit of KZT 7,391.2 million in the year ended 31 December 2007. This primarily reflected the impact challenging general economic conditions within Kazakhstan, which began in the second half of 2007 but continued through and worsened during 2008. As noted above, the Bank's growth in its consumer lending activities from 2005 to 2007 was aided by the ready availability of funding from international sources. As these sources became less available during 2008 in response to deteriorating economic conditions in Kazakhstan, the Bank experienced insufficient liquidity, as a result of which the Bank curtailed much of its consumer loan origination activities. Contemporaneously, the Bank also experienced substantial deterioration in its existing loan portfolio as borrower defaults accelerated during 2008. These factors led to a decline in the Bank's interest income while its interest expense and charges to allowances for impairment both increased, resulting in lower net interest income for 2008.

The following table sets forth the principal components of the Bank's results of operations for the periods indicated.

	Year ended 31 December	
	2008	2007
	(KZT millions) *(audited)*	
Net interest income	5,692.5	15,546.4
Fees and commissions income (net)	1,625.6	2,455.9
Non-interest (expenses) / income	(468.1)	457.3
Operating expenses	(10,272.2)	(10,407.8)
(Loss) / profit before income tax expense	**(3,422.2)**	**8,051.7**
Income tax expense	(231.3)	(660.6)
Net (loss) / profit after income tax expense	**(3,653.5)**	**7,391.1**

Net Interest Income

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

	Year Ended 31 December	
	2008	**2007**
	(KZT millions)	
Interest income	41,095.3	44.328.1
Interest expense	(27,113.4)	(23,226.5)
Net interest income before provision for impairment	**13,981.8**	**21,101.6**
Charges to allowance for impairment	(8,289.3)	(5,555.2)
Net interest income	**5,692.5**	**15,546.4**

Net interest income decreased by KZT 9,853.8 million, or 63.4 per cent., to KZT 5,692.5 million for the year ended 31 December 2008 from KZT 15,546.4 million for the year ended 31 December 2007, as interest income declined, while interest expense and charges to allowances for impairment of the Bank's loan portfolio both increased. The Bank's loan portfolio suffered significant deterioration during 2008 as customers defaulted on outstanding loans.

Interest Income

Total interest income decreased by KZT 3,232.8 million, or 7.3 per cent., to KZT 41,095.3 million for the year ended 31 December 2008 from KZT 44,328.1 million for the year ended 31 December 2007, reflecting principally the decrease in interest income from loans.

Interest income on loans to customers decreased by KZT 3,319.2 million, or 8.1 per cent., to KZT 37,706.1 million for the year ended 31 December 2008 from KZT 41,025.3 million for the year ended 31 December 2007, primarily as a result of a decrease in the average interest rate to 15.0 per cent. in 2008 from 20.0 per cent. in 2007. The decrease in interest income on loans to customers was also influenced by the Bank's declining new loan origination activities, which primarily reflected the impact of challenging general economic conditions within Kazakhstan. Since 2006, the Bank charged fees on its retail loans at the origination of the loan, which are recorded as interest income due from loans. As the Bank's loan origination activities decreased, the Bank experienced a corresponding decrease in loan origination fees. Slightly offsetting the decrease resulting from a decline in average interest rate was the increase in the average balance of loans outstanding from KZT 204,816.8 million in 2007 to KZT 251,898.4 million in 2008.

Interest income on trading securities increased slightly from KZT 1,818.6 million in 2007 to KZT 2,015.9 million in 2008, reflecting an increase in the average balance of the Bank's trading securities. Moderately offsetting this increase in interest income from trading securities resulting from an increase in the average balance of trading securities was a decrease in the average yield earned on such trading securities from 9.7 per cent. in 2007 to 8.9 per cent. in 2008.

Interest Expense

Total interest expense increased by KZT 3,886.9 million, or 16.7 per cent., to KZT 27,113.4 million for the year ended 31 December 2008 from KZT 23,226.5 million for the year ended 31 December 2007.

Eurobonds

Interest expense on debt securities issued and on amounts due to customers increased by KZT 2,924.3 million, or 34.7 per cent., to KZT 11,353.2 million in 2008 from KZT 8,428.9 million in 2007, principally as a result of increased interest expense in respect of the debt securities issued by Temir Capital B.V. and guaranteed by the Bank. In May 2007, the U.S. $500 million 2014 Notes were issued, and thus the Bank recognised seven months of the related interest expense in the year ended 31 December 2007. In 2008, however, as the 2014 Notes were outstanding for the full year, the Bank recognised a full twelve months of such interest expense.

Amounts due to credit institutions and loans from Government

Interest expense on amounts due to credit institutions decreased 11.3 per cent. to KZT 5,496.5 million in 2008 from KZT 6,199.3 million in 2007, principally reflecting a decrease in the volume of such deposits. This decline reflected the global financial crisis as OECD-country based banks limited their deposit placing with Kazakhstan banks, including the Bank. The Bank's average balance of amounts due to credit institutions and loans from the Kazakh Government decreased, as did the average interest rate on such balances for the year ended 31 December 2008.

Charges to Allowance for Impairment

The charge to allowance for impairment was KZT 8,289.3 million for the year ended 31 December 2008, compared to KZT 5,555.2 million for the year ended 31 December 2007, principally as a result of increased charges to the allowance for corporate loans. The increase in such charges to allowances reflects the deteriorating performance of the Bank's loan portfolio in 2008.

Fee and Commission Income

The following table sets out the components of the Bank's net fee and commission income for the periods indicated.

	Year Ended 31 December	
	2008	**2007**
	(KZT millions)	
Gross fee and commission income	1,693.5	2,540.0
Fee and commission expense	(67.9)	(84.2)
Net fee and commission income	**1,625.6**	**2,455.9**

Gross fees and commission income decreased by KZT 846.6 million, or 33.3 per cent., for the year ended 31 December 2008 as compared to the year ended 31 December 2007 principally as a result of a decrease in the volume of fees from cash operations. The Bank typically deposits funds from loans it makes to customers into an account established on the customers' behalf, and retail customers are charged a fee to withdraw from their accounts. As the volume of the Bank's retail lending activities declined during 2008, such fees decreased, which is reflected in the decrease in fees from cash operations. In addition, total fee and commission income also decreased due to a decline in fees from settlement operations (e.g., fees charged by the Bank to complete customer wire transfers) as well as a decrease in fees earned from letters of credit and guarantees issued and custodian services provided by the Bank to its customer base, all of which reflected the decreasing economic activity in 2008. Slightly offsetting this decrease in the volume of such services was a moderate increase in fees and commissions charged by the Bank for trust management services.

Non-Interest (Expenses) / Income

The following table sets out the principal components of the Bank's non-interest expenses and non-interest income for the years ended 31 December 2008 and 2007:

	Year Ended 31 December	
	2008	**2007**
	(KZT millions)	
Loss on sale of shares of a subsidiary	(53.7)	(19.8)
Income from sale of shares of an associate	1,446.5	-
Net gain/(loss) from financial assets at fair value through profit or loss	(1,810.9)	(646.4)
Net (losses) / gains from foreign currencies:		
- dealing	30.8	91.4
- translation differences	(348.0)	715.6
Share of income in associates	37.5	215.4
Income from dividends on shares	155.7	23.9
Other income	74.0	77.3
Total non-interest (expenses) / income	**(468.1)**	**457.3**

The increase in non-interest expenses was principally the result of net losses recognised on financial assets at fair value through profit or loss and, to a lesser extent, net losses on foreign currency transactions undertaken by the Bank during the year ended 31 December 2008.

Net loss from financial assets at fair value through profit or loss

Net losses from financial assets at fair value through profit or loss increased during 2008, primarily reflecting the substantial decline in the market value of shares of Kazakh companies held by the Bank during 2008. In addition to the shares held by the Bank at the start of 2008, the Bank opportunistically continued to add to its position in certain shares during the period of declining market prices in anticipation of a recovery but as a result incurred losses on acquired shares as the market subsequently continued to decline. Further, the Bank recognized a KZT 53.7 million loss in 2008 on the sale of the shares of Temir Capital B.V., as described above.

Income from Sale of Shares of an Associate

The Bank recognized a net gain on the sale of shares of an associate of KZT 1,446.5 million in 2008, reflecting the KZT 1,446.5 million gain the Bank recorded when it sold shares in Temirleasing in a series of transactions, including the sale of 118,647 of such shares to clients of BTA Securities and further sale of 261,329 of such shares to the Bank's then-parent, BTA, in each case at a price per share of KZT 5,057. The Bank had no such sales in 2007.

Operating Expenses

The following table sets out the components of the Bank's operating expenses for the years ended 31 December 2008 and 2007.

	Year Ended 31 December	
	2008	2007
	(KZT millions)	
Salaries and personnel costs	(3,866.4)	(4,742.4)
Administrative and other operational expenses	(4,848.2)	(4,141.8)
Deposits insurance costs	(137.0)	(244.7)
Depreciation and amortisation	(1,010.4)	(666.7)
Taxes other than income tax	(332.5)	(289.3)
Other provisions	(77.7)	(323.1)
Total operating expenses	**(10,272.2)**	**(10,407.8)**

Operating expenses decreased by KZT 135.6 million, or 1.3 per cent., to KZT 10,272.2 million for the year ended 31 December 2008 from KZT 10,407.8 million for the year ended 31 December 2007 primarily as a result of decreases in salaries and personnel costs, deposits insurance costs and other provisions, which offset increases in administrative and other operational expenses, depreciation and amortisation. Although the Bank implemented several measures to decrease its operating expenses, the reduction in total operating expenses was insufficient to offset the decline from 2007 to 2008 in the Bank's interest income and the significant increase in its interest expenses. See "– Factors Affecting Results of Operations – Operating Expense Reductions".

Salaries and Personnel Costs

The following table sets out the principal components of the salaries and personnel costs for the period.

	Year Ended 31 December	
	2008	2007
	(KZT millions)	
Salaries and bonuses	(3,442.5)	(4,128.1)
Social security costs	(250.9)	(437.5)
Other payments	(173.1)	(176.8)
Total salaries and personnel costs	**(3,866.4)**	**(4,742.4)**

Salaries and personnel costs decreased principally due to a decrease in salary and bonus payments to employees as the Bank reduced its total number of employees and instituted salary and wage reductions during 2008. See " – Factors Affecting Results of Operations – Operating Expense Reductions".

The Bank's social security costs relate to mandatory pension contributions for the Bank's employees to Kazakhstan state pension plans. Social security costs decreased by 42.7 per cent. to KZT 250.9 million for the year ended 31 December 2008 from KZT 437.5 million for the year ended 31 December 2007 due to a decrease in the Bank's number of employees as well as a reduction in salaries and wages generally paid to employees during 2008.

Other payments to employees, constituting expenses recognised by the Bank to reflect payments to employees for unused vacation, redundancy payments and other payments to employees which are not reflected in salary, bonus and social security costs also decreased by KZT 3.7 million in 2008.

Administrative and other operational expenses

The following table sets out the principal components of the Bank's administrative and other operating expenses for the periods indicated.

	Year Ended 31 December	
	2008	2007
	(KZT millions)	
Occupancy and rent	(1,209.4)	(943.1)
Marketing and advertising	(857.1)	(987.2)
Communications	(390.4)	(366.5)
Security	(353.9)	(214.7)
State duty paid to the budget upon Bank's claims	(289.7)	(66.1)
Agency services	(277.3)	(101.6)
Penalties	(274.2)	(13.2)
Repair and maintenance of property and equipment	(238.4)	(436.1)
Encashment	(165.0)	(83.4)
Transportation expenses	(89.1)	(92.6)
Business travel and related expenses	(47.9)	(86.7)
Office supplies	(45.6)	(76.7)
Postal charges	(31.0)	(23.9)
Legal services and consultancy	(31.0)	(95.6)
Trainings	(15.4)	(7.5)
Data processing	(11.5)	(25.3)
Representation	(7.1)	(20.4)
Insurance	(5.1)	(37.8)
Participation in forums, seminars and conferences	(0.6)	(7.1)
Other	(508.5)	(456.2)
Total administrative and other operating expenses	**(4,848.2)**	**(4,141.8)**

Administrative and other operating expenses increased by KZT 706.4 million, or 17.1 per cent., to KZT 4,848.2 million for the year ended 31 December 2008 from KZT 4,141.8 million for the year ended 31 December 2007 principally as a result of increases in occupancy and rent expenses, security expenses, state duty paid to the budget upon the Bank's claims, agency services and penalties. Such increases offset decreases in marketing and advertising expenses, repair and maintenance costs for the Bank's property and equipment and business travel and related expenses, office supply expenses, legal services and consultancy, data processing, representation costs, insurance costs and expenses incurred by the Bank's employees' participation in industry conferences.

Occupancy and rent expenses increased by KZT 266.3 million, or 28.2 per cent., for the year ended 31 December 2008 due to scheduled consumer price indexing increases in rent of premises and letting of additional real property for the Bank's branches and centres of banking services. In addition, the Bank also opened on centre of banking services in 2008 compared to 2007.

Charges to Other Provisions

Charges to other provisions decreased by KZT 245.4 million, or 75.9 per cent., to KZT 77.7 million in 2008 from KZT 323.1 million in 2007. Charges to other provisions represent charges to allowances for impairment against letters of credit and guarantees extended by the Bank for its customers where the Bank identifies deterioration in the creditworthiness of such clients, and for which the Bank recorded a net charge to other provisions of KZT 77.7 million in 2008, which reflected a reversal of an impairment charge in respect of letters of credit and guarantees of KZT 318.8 million in 2008 and an impairment charge in respect of other assets of KZT 396.6 million in 2008. This compares to an impairment charge in respect of letters of credit and guarantees, and of other assets for an aggregate impairment charge of approximately KZT 323.2 million in 2007, which was reversed in the following year.

Income Tax Expense

As noted above, the statutory corporate income tax rate for the year 2008 was 30.0 per cent. In November 2008, a new tax code was enacted in Kazakhstan to reduce the corporate income tax rate from 30 per cent. to 20.0 per cent. for corporate entities effective from 1 January 2009, 17.5 per cent. for corporate entities effective from 1 January 2010 and 15.0 per cent. for corporate entities effective from 1 January 2011. In addition, in 2008 interest income on mortgage loans became taxable under applicable Kazakhstan tax legislation.

Income tax expense consists of the Bank's current tax income charge and changes in deferred corporate income tax charge related to timing differences between tax accounting and financial reporting. Taxes other than income tax, such as property tax, are recorded within taxes other than income tax. The following table sets out the principal components of the Bank's income tax expense for the periods indicated.

	Year Ended 31 December	
	2008	**2007**
	(KZT millions)	
Corporate income tax charge	64.6	1,099.2
Deferred corporate income tax charge – origination and reversal of temporary differences	166.7	(438.7)
Total corporate income tax expense	**231.3**	**660.6**

Although the Bank pays corporate income tax on a cash basis, its IFRS financial statements are compiled on an accrual basis. The Bank's corporate income tax expense was KZT 231.3 million in 2008, as compared to KZT 660.6 million in 2007, which principally reflects the net loss the Bank's experienced in 2008 compared to a net profit in 2007.

Recent Developments to the Bank's Financial Condition – Financial Data as at 30 June 2010

The Bank has recently prepared its interim condensed statement of financial position as at 30 June 2010, as well as its interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six months ended 30 June 2010, in each case prepared in accordance with IAS 34. The Bank's interim condensed statement of financial position as of 30 June 2010 reflects the Bank's financial condition immediately after giving effect to the Restructuring. Investors should review the complete interim condensed financial statements as at and for the six months ended 30 June 2010, as well as the Bank's other financial statements set forth beginning on page F-1. Key information about the Bank's financial condition as at 30 June 2010 include the following:

- The Bank's total assets have increased to KZT 232,152.9 million as at 30 June 2010, from KZT 226,505.8 million as at 31 December 2009, including the following changes:
    - The Bank's cash and cash equivalents increased to KZT 26,847.3 million as at 30 June 2010 from KZT 8,540.6 million as at 31 December 2009;
    - The Bank's financial assets at fair value through profit or loss (or "trading securities") have increased to KZT 13,264 .8 million as at 30 June 2010, from KZT 12,752.8 million as at 31 December 2009; and
    - The Bank's loans to customers declined to KZT 180,291.2 million as at 30 June 2010 from KZT 197,286.1 million as at 31 December 2009;
- The Bank's total liabilities decreased to KZT 180,926.9 million as at 30 June 2010 from KZT 277,036.8 million as at 31 December 2009, reflecting principally the effects of the Restructuring. This change in total liabilities reflected principally the following:
    - The Bank's debt securities and Eurobonds outstanding decreased to KZT 47,509.2 million as at 30 June 2010 from KZT 154,917.3 million as at 31 December 2009

- The Bank's deposits from customers increased to KZT 62,640.6 million as at 30 June 2010 from KZT 47,996.6 million as at 31 December 2009;

- The Bank's total equity improved to KZT 51,226.0 million as at 30 June 2010 from KZT (50,531.0) as at 31 December 2009, which reflects the following:

    - The Bank's total share capital increased to KZT 59,618.9 million as at 30 June 2010 from KZT 34,461.4 million as at 31 December 2009;

    - The Bank's accumulated deficit improved to a deficit of KZT 8,523.9 million from a deficit of KZT 84,992.4 million as at 31 December (such improvement reflecting the Bank's net income for the period, which was the result of the Bank's recognition of gains on the restructuring of its indebtedness following the Restructuring).

Financial Condition as at 31 December 2009, 2008 and 2007

Total assets

As at 31 December 2009, the Bank had total assets of KZT 226,505.8 million. As at 31 December 2008, the Bank had total assets of KZT 294,933.9 million, representing a decrease of KZT 38,849.1 million, or 11.6 per cent., from KZT 333,783.0 million as at 31 December 2007. The decrease was due principally to the decrease in the Bank's lending activity, which declined by KZT 20,137.9 million, or 7.5 per cent., to KZT 249,493.5 million as at 31 December 2008 from KZT 269,631.4 million as at 31 December 2007.

The following table sets out the components of the Bank's total assets for the periods indicated.

	As at 31 December		
	2009	**2008**	**2007**
		(KZT millions)	
Cash and cash equivalents	8,540.6	15,085.4	28,319.4
Financial assets at fair value through profit or loss	12,752.8	22,043.7	23,914.7
Amounts due from credit institutions	891.5	2,260.9	5,515.5
Loans to customers	197,286.1	249,493.5	269,631.4
Derivative financial instruments	308.4	679.5	224.0
Investments in associates	–	–	796.2
Property and equipment	1,795.8	2,571.5	3,200.1
Current income tax asset	124.0	885.7	109.7
Deferred income tax asset	3,677.1	338.1	504.7
Other assets	1,129.5	1,575.7	1,567.3
Total assets	**226,505.8**	**294,933.9**	**333,783.0**

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss constitutes the second largest component of the Bank's total assets, representing 5.6 per cent of the Bank's total assets as at 31 December 2009 and 7.5 per cent. of the Bank's total assets as at 31 December 2008 compared to representing the third largest component of the Bank's total assets, or 7.2 per cent., as at 31 December 2007. As at 31 December 2009, financial assets at fair value through profit or loss were KZT 12,752.8 million and as at 31 December 2008, financial assets at fair value through profit or loss were KZT 22,043.7 million, a decrease of 7.8 per cent. compared to 31 December 2007. The following table sets out the components of the Bank's cost of financial assets at fair value through profit and loss.

	As at 31 December		
	2009	2008	2007
		(KZT millions)	
Corporate bonds	3,709.3	12,378.6	15,094.7
Bonds of the Ministry of Finance of the Republic of Kazakhstan	7,502.3	7,942.8	6,928.6
Corporate shares	1,541.2	1,722.4	1,891.4
Total cost of financial assets at fair value through profit and loss	**12,752.8**	**22,043.7**	**23,914.7**

As at 31 December 2008 and 2007, the cost of financial assets at fair value through profit and loss includes accrued interest income on debt securities totalling KZT 638.2 million and KZT 441.1 million, respectively.

Loans to Customers

The Bank offers a broad range of loan products to customers through its distribution network. Loans to customers (less allowance for impairment) constitutes the largest component of the Bank's total assets, representing 87.1 per cent. of the Bank's total assets as at 31 December 2009 and 84.6 per cent. of the Bank's total assets as at 31 December 2008 compared to 80.8 per cent. as at 31 December 2007. The following table sets forth the components of the Bank's net loans to customers after charges to allowance for impairment as presented on the Bank's statement of financial position for the periods indicated.

	As at 31 December		
	2009	2008	2007
		(KZT millions)	
Loans to customers	285,128.7	267,218.1	279,630.4
Factoring	2,787.5	362.4	—
Overdrafts	8.4	326.8	113.8
Financial leasing	105.4	8.6	10.4
Gross loans to customers	**288,030.0**	**267,915.9**	**279,754.6**
Less allowance for impairment	(90,743.9)	(18,422.5)	(10,123.3)
Total net loans to customers	**197,286.1**	**249,493.5**	**269,631.4**

As at 31 December 2009, the total gross loans to customers before charges to allowances for impairment were KZT 288,030.0 million. Increased gross loans to customers before charges to allowances for impairment was mainly due to the devaluation of KZT in February 2009. As at 31 December 2008, the total gross loans to customers before charges to allowances for impairment were KZT 267,915.9 million compared to KZT 279,754.6 million as at 31 December 2007, a decrease of KZT 11,838.7 million or 4.2 per cent. As at 31 December 2009, the total net loans to customers (i.e., gross loan less charges to allowances for impairment) was KZT 197,286.1 million. As at 31 December 2008, the total net loans to customers (i.e., gross loan less charges to allowances for impairment) was KZT 249,493.5 million compared to KZT 269,631.4 million as at 31 December 2007, a decrease of KZT 20,137.9 million or 7.5 per cent.

Distribution of Gross Loans to Customers by Type of Customer

The following discussion is based on gross loans to customers before charges to allowances for impairment. The following table sets forth the distribution of gross loans to customers by type for the periods indicated.

	As at 31 December		
	2009	2008	2007
		(KZT millions)	
Individuals	183,513.3	180,011.2	203,853.5
Private companies	104,490.6	87,876.9	75,482.9
State companies and authorities	–	–	393.0
Other	26.1	27.8	25.2
Total gross loans to customers	**288,030.0**	**267,915.9**	**279,754.6**

Distribution of Gross Loans to Customers by Type of Loan

The following table sets forth the distribution of the Bank's loans to customers by type of loan for the periods indicated.

	As at 31 December		
	2009	2008	2007
		(KZT millions)	
Consumer loans	95,214.4	96,526.6	108,811.1
Mortgage loans	68,344.7	63,605.0	69,585.3
Corporate clients	61,606.3	50,508.3	22,760.1
Loans to small business	42,910.3	37,396.4	53,141.0
Car loans	7,536.8	8,813.4	11,128.6
Other retail loans	12,417.5	11,066.2	14,328.5
Gross loans to customers	**288,030.0**	**267,915.9**	**279,754.6**
Less allowance for impairment	(90,743.9)	(18,422.5)	(10,123.3)
Total loans to customers	**197,286.1**	**249,493.5**	**269,631.4**

The Bank's gross loan portfolio increased as at 31 December 2009 due to the Bank's participation in the government-supported financing programmes. The Bank's loan portfolio decreased in 2009 compared to 2008 principally as a result of the Bank ceasing its retail and SME loan origination activities and, to a lesser extent, as such borrowers repaid existing loans at their scheduled maturity, which were not refinanced by the Bank. The decline in the retail loan portfolio offset increased lending to corporate customers, which reflected additional corporate loans extended by the Bank during the first half of 2008 as well as further drawdown by corporate clients of available unused commitments on existing loans.

Distribution of Gross Loans to Customers by Industry

The Bank has exposure across industries in its customer loan portfolio but the Bank's loan portfolio is principally comprised of loans to individuals. The Bank classifies its loan portfolio by industry and by loans to individuals. The following table sets forth the distribution of the Bank's gross loans to customers by economic sector for the periods indicated.

	As at 31 December					
	2009		2008		2007	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Individuals	183,513.3	63.7	180,011.2	67.2	203,853.5	72.9
Construction	46,505.7	16.1	35,314.7	13.2	24,832.4	8.9
Real estate activities	16,020.3	5.6	12,599.2	4.7	10,584.4	3.8
Wholesale trade	10,728.9	3.7	11,712.4	4.4	11,028.4	3.9
Services rendered to enterprises	7,715.2	2.7	5,381.9	2.0	2,932.0	1.0
Retail trade	4,486.9	1.6	3,250.8	1.2	7,848.9	2.8
Mining industry	3,072.6	1.1	2,873.5	1.1	566.8	0.2
Hotel business and restaurants	2,213.1	0.8	1,876.9	0.7	3,267.0	1.2
Services rendered to individuals	2,152.1	0.7	1,914.4	0.7	1,744.4	0.6
Food industry	2,022.2	0.7	1,757.7	0.7	2,065.5	0.7
Transport	1,392.3	0.5	2,864.1	1.1	3,109.8	1.1
Financial service	1,210.5	0.4	3,040.0	1.1	2,986.8	1.1
Chemical industry	263.1	0.0	1,038.9	0.4	866.6	0.3
Other	6,733.8	2.4	4,280.2	1.6	4,068.1	1.5
Total gross loans to customers	**288,030.0**	**100.0**	**267,915.9**	**100.0**	**279,754.6**	**100.0**

Distribution of Net Loans to Customers by Currency

The following discussion is based on loans to customers after charges to allowances for impairment.

The majority of the Bank's loans to customers is denominated in Tenge. To a lesser extent, the Bank also extends loans in Euros and U.S. Dollars. The following table sets for the Bank's loans to customers after charges to allowance for impairment for loans extended in Tenge compared to foreign currencies for the periods indicated.

	As at 31 December 2009			As at 31 December 2008			As at 31 December 2007		
	Tenge	Other currencies	Total	Tenge	Other currencies	Total	Tenge	Other currencies	Total
	(KZT millions)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Loans to customers	118,294.9	78,991.2	197,286.1	154,389.1	95,104.4	249,493.5	186,996.1	82,635.2	269,631.3

Borrower Concentration

The total outstanding gross loans to customers to the Bank's ten largest customers comprised KZT 37,239.7 million and KZT 29,007.3 million as at 31 December 2009 and 2008, respectively.

Distribution of Gross Loans to Customers by Status

The following table sets forth the composition of the Bank's gross loans to customers by status as at 31 December 2009.

	As at 31 December 2009			
	Total	**Standard including past due, but not impaired**	**Impaired**	**Total**
	(KZT millions)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Corporate loans	20,853.3	466.9	40,753.0	61,606.3
Loans to small business	28,863.3	1,234.3	14,047.0	42,910.3
Consumer loans..............................	47,578.9	4,943.5	47,635.5	95,214.4
Mortgage loans...............................	32,882.7	1,840.2	35,461.9	68,344.7
Car loans	3,847.1	505.5	3,689.7	7,536.8
Other retail loans	4,317.4	367.9	8,100.1	12,417.5
Total..	**138,342.7**	**9,358.3**	**149,687.2**	**288,030.0**

The following table sets forth the composition of the Bank's gross loans to customers by status as at 31 December 2008.

	As at 31 December 2008			
	Total	**Standard including past due, but not impaired**	**Impaired**	**Total**
	(KZT millions)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Corporate loans	26,380.8	1,278.0	22,719.7	49,100.5
Loans to small business	31,077.4	2,006.2	6,319.1	37,396.4
Loans subject to reverse repurchase agreements.....................................	1,407.8	–	–	1,407.8
Consumer loans..............................	94,747.0	4,096.5	1,779.6	96,526.6
Mortgage loans...............................	62,670.2	517.2	934.8	63,605.0
Car loans	8,758.9	569.3	54.5	8,813.4
Other retail loans	10,288.3	193.0	777.9	11,066.2
Total	**235,330.4**	**8,660.1**	**32,585.5**	**267,915.9**

The following table sets forth the composition of the Bank's gross loans to customers by status as at 31 December 2007.

	As at 31 December 2007			
	Total	**Standard including past due, but not impaired**	**Impaired**	**Total**
	(KZT millions)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
Corporate loans	18,330.4	24.2	4,429.7	22,760.1
Loans to small business	43,843.7	231.6	7,947.5	51,791.2
Loans subject to reverse repurchase agreements.....................................	1,349.8	–	–	1,349.8
Consumer loans..............................	100,637.3	405.5	8,173.9	108,811.1
Mortgage loans	68,300.0	219.7	1,285.3	69,585.3
Car loans	10,258.7	49.1	869.9	11,128.6
Other retail loans	12,899.6	66.0	1,428.9	14,328.5
Total	**255,619.4**	**996.2**	**24,135.2**	**279,754.6**

The following is an ageing analysis of past due but not impaired loans per class of loans to customers is as follows:

	Less than 30 days	More than 60 days	Total
	(KZT millions)	*(KZT millions)*	*(KZT millions)*
31 December 2009			
Corporate loans	455.4	11.5	466.9
Loans to small and medium business	601.3	633.0	1,234.3
Consumer loans	3,246.2	1,697.3	4,943.5
Mortgage loans	1,087.4	752.7	1,840.1
Car loans	330.1	175.5	505.6
Other retail loans	59.6	308.3	367.9
Total	**5,780.0**	**3,578.3**	**9,358.3**
Fair value of collateral received by the Bank on past due but not impaired assets[1]	7,671.0	3,713.8	11,384.8
31 December 2008			
Corporate loans	1,277.6	0.3	1,278.0
Loans to small and medium business	1,769.6	236.5	2,006.2
Consumer loans	4,035.2	61.3	4,096.5
Mortgage loans	500.8	16.4	517.2
Car loans	557.3	12.0	569.3
Other retail loans	183.6	9.4	193.0
Total	**8,324.2**	**335.9**	**8,660.1**
Fair value of collateral received by the Bank on past due but not impaired assets[1]	9,633.3	3,132.7	12,766.0
31 December 2007			
Corporate loans	23.6	0.6	24.2
Loans to small and medium business	216.5	15.2	231.7
Consumer loans	218.7	186.8	405.5
Mortgage loans	153.3	66.4	219.7
Car loans	29.2	19.9	49.1
Other retail loans	49.1	16.8	66.6
Total	**690.5**	**305.7**	**996.2**
Fair value of collateral received by the Bank on past due but not impaired assets[1]	89.3	57.0	146.3

Note:

(1) Includes collateral received in respect of amounts due from credit institutions.

Allowance for Impairment of Loans to Customers

The following table sets forth the movements in the Bank's allowances for impairment of interest earning assets.

	Loans to customers
	(KZT millions)
31 December 2007	**10,123.3**
Impairment charge / (reversal)	8,289.2
Write-offs	(41.5)
Recoveries	15.1
Foreign currency allowance revaluation	36.4
31 December 2008	**18,422.5**
Impairment charge / (reversal)	75,051.9
Write-offs	(4,698.4)
Recoveries	5.8
Foreign currency allowance revaluation	1,962.1
31 December 2009	**90,743.9**

The following table sets forth a reconciliation of the allowance for impairment of the Bank's loans to customers by class.

	Corporate loans	**Loans to small business**	**Mortgage**	**Consumer loans**	**Car loans**	**Other retail loans**	**Total loan portfolio**
	(KZT millions)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
31 December 2007	**2,934.4**	**1,500.4**	**798.0**	**3,489.6**	**521.6**	**879.3**	**10,123.3**
Charge for the year	4,545.1	1,910.6	984.0	928.2	(40.9)	(37.8)	8,289.2
Recoveries	—	4.0	—	5.3	5.6	0.1	15.1
Write-offs	—	(2.2)	—	(12.9)	(26.4)	—	(41.5)
Other (foreign exchange difference)	25.0	7.4	0.6	2.0	0.7	0.7	36.4
31 December 2008	**7,504.5**	**3,420.2**	**1,782.6**	**4,412.2**	**460.5**	**842.4**	**18,422.5**
Individual impairment	6,110.5	2,183.1	668.4	1,687.2	51.5	746.6	11,447.4
Collective impairment	1,393.9	1,237.1	1,114.3	2,725.0	409.1	95.7	6,975.1
Total	**7,504.5**	**3,420.2**	**1,782.6**	**4,412.2**	**460.5**	**842.4**	**18,422.5**
Charges	24,551.2	9,582.0	15,576.6	21,664.4	842.6	2,835.1	75,051.9
Recoveries	–	3.3	–	0.6	0.5	1.4	5.8
Write-offs	(4,609.3)	–	(11.6)	(31.4)	(46.1)	–	(4,698.4)
Revaluation of impairment in foreign currency	46.3	37.1	596.3	953.5	51.2	277.7	1,962.1
31 December 2009	**27,492.7**	**13,042.6**	**17,943.9**	**26,999.3**	**1,308.7**	**3,956.6**	**90,743.9**
Individual impairment	20,766.2	7,828.6	16,634.8	24,973.7	1,145.0	3,768.3	75,116.7
Collective impairment	6,726.5	5,214.0	1,309.1	2,025.6	163.8	188.2	15,627.2
Total							

Total liabilities

The following table sets forth the Bank's total liabilities as at the periods indicated.

	As at 31 December		
	2009	**2008**	**2007**
		(KZT millions)	
Liabilities			
Amounts due to Government of RK and NBK	–	69.9	50.3
Amounts due to credit institutions..............................	72,947.1	35,309.9	72,566.5
Amounts due to customers..	47,996.5	63,323.3	64,106.4
Eurobonds issued………………………………	119,999.9	112,908.8	114,306.9
Debt securities issued	34,917.4	38,371.2	33,684.3
Derivative financial liabilities......................................	3.2	0.6	148.9
Other liabilities	1,172.7	308.1	624.1
Total liabilities..	**277,036.8**	**250,291.7**	**285,487.3**

Amounts due to Credit Institutions

Amounts due to credit institutions represents 26.3 per cent. of the Bank's total liabilities as at 31 December 2009 and 14.1 per cent. of the Bank's total liabilities as at 31 December 2008, compared to 25.4 per cent. as at 31 December 2007. The following table sets forth the composition of the amounts due to credit institutions for the periods indicated.

	As at 31 December		
	2009	**2008**	**2007**
		(KZT millions)	
Loans from Kazakh banks and credit institutions	10,511.3	14,212.2	10,126.5
Loans extended on reserve Repo agreements	4,434.2	14,056.5	14,751.5
Loans from OECD based banks and credit institutions............	1,250.6	1,062.5	16,591.6
Total loans from credit institutions	**16,196.1**	**29,331.1**	**41,469.6**
Placements from other Kazakh banks......................................	56,191.2	5,728.6	28,697.3
Placements from non OECD banks..	–	242.2	2,158.5
Loro accounts	559.8	8.0	241.1
Total placements from credit institutions...........................	**56,751.0**	**5,978.8**	**31,096.9**
Total amounts due to credit institutions.............................	**72,947.1**	**35,309.9**	**72,566.5**

As at 31 December 2009, amounts due to credit institutions were KZT 72,947.1 million. The increase in amounts due to credit institutions principally reflects the placements by BTA with the Bank to provide liquidity support during the period. As at 31 December 2009, placements from Kazakh banks comprise 13 deposits from BTA in the amount of KZT 56,191.2 million, which bear interest at the rate of 14-18 per cent. annual and mature between November and December of 2009.

Interest rates and maturities of amounts due to credit institutions are as follows:

As at 31 December

	2009		2008		2007	
	per cent.	*Maturity date*	*per cent.*	*Maturity date*	*per cent.*	*Maturity date*
Placements from Kazakh banks........................	14.00-18.00	2009	11.00-15.00	2009	6.00-14.00	2008
Loans extended on reserve Repo agreements...	1.60	2010	6.00-13.00	2009	8.50-12.00	2008
Loans from OECD based banks and credit institutions...	1.09-1.41	2009	2.67-7.58	2009-2011	7.98-8.89	2008-2009
Loans from Kazakh banks and credit institutions...	7.50-19.00	2010-2029	7.50-20.56	2009-2028	12.00-19.00	2027
Placements from non OECD banks...................			7.00	2009	7.00	2008

Debt Securities Issued

Debt securities issued represented 12.6 per cent. of the Bank's total liabilities as at 31 December 2009 and 15.3 per cent. of the Bank's total liabilities as at 31 December 2008, compared to 11.8 per cent. as at 31 December 2007. The following table sets forth the composition of the debt securities issued for the periods indicated.

As at 31 December

	2009	2008	2007
		(KZT millions)	
KZT bonds with fixed rates	11,952.4	26,336.9	24,161.1
KZT bonds with floating rates	20,628.9	10,048.0	7,005.4
Preferred shares	4,743.5	4,580.2	4,580.1
USD and KZT subordinated bonds............................	1,816.9	1,252.6	725.4
Subtotal	**39,141.7**	**42,217.7**	**36,472.0**
Own KZT bonds held by the Bank.............................	(1,818.1)	(1,579.8)	(1,739.3)
Plus: unamortized premium..	10.9	16.3	24.2
Less: unamortized discount..	(2,417.1)	(2,283.0)	(1,072.6)
Total	**39,917.4**	**38,371.2**	**33,684.3**

In the first half of 2009 the Bank had repaid bonds with fixed rates by KZT 6,151.3 thousands.

Eurobonds Issued

As at 31 December

	2009	2008	2007
		(KZT millions)	
Eurobonds issued	119,999.9	112,908.8	114,306.9

As at 31 December 2008 and 2007 and as at 31 December 2009 the 2009 Notes, 2011 Notes or 2014 Notes are included in amounts due to Eurobonds issued. See "– Factors Affecting Results of Operations – Sale of Shares of Temir Capital B.V.". Note that these 2014 and 2011 Notes were deemed extinguished and satisfied in full on 30 June 2010. See "Background to the Listing."

Amounts due to Customers

Amounts due to customers represents 17.3 per cent. of the Bank's total liabilities as at 31 December 2009 and 25.3 per cent. of the Bank's total liabilities as at 31 December 2008, compared to 22.5 per cent. as at 31 December 2007. Amounts due to customers include balances in customer current accounts, time deposits, guarantees and restricted deposits. The following table sets forth the amounts due to customers by type of product as at the periods indicated.

	As at 31 December		
	2009	**2008**	**2007**
	(KZT millions)		
Time deposits	36,040.9	48,111.5	51,376.7
Current accounts	10,096.2	13,580.2	11,826.2
Guarantees and restricted deposits	1,859.5	1,631.6	903.5
Total amounts due to customers	**47,996.6**	**63,323.3**	**64,106.4**

The following table sets forth the amounts due to customers by balance in customer time deposits, current accounts and as guarantees and other restricted deposits for the periods indicated.

	As at 31 December		
	2009	**2008**	**2007**
	(KZT millions)		
Time deposits:			
Commercial entities	3,543.5	13,132.7	28,733.4
Individuals	19,603.1	22,561.7	18,538.8
Government entities	12,894.3	12,417.1	4,104.5
Total time deposits	**36,040.9**	**48,111.5**	**51,376.7**
Current accounts:			
Commercial entities	5,476.1	8,170.2	8,349.0
Individuals	3,321.4	3,077.2	2,821.8
Government entities	1,298.6	2,332.8	655.4
Total current accounts	**10,096.1**	**13,580.2**	**11,826.2**
Guarantees and other restricted deposits:			
Commercial entities	1,438.6	1,164.0	685.5
Individuals	420.9	464.7	218.0
Government entities	–	2.9	–
Total guarantees and other restricted deposits	**1,859.5**	**1,631.6**	**903.5**
Total amounts due to customers	**47,996.5**	**63,323.3**	**64,106.4**

As at 31 December 2009, current accounts of government entities reflect deposits of Samruk-Kazyna to provide liquidity support to the Bank and such deposits have been classified within current accounts because the relevant deposit agreements contain provisions that permit Samruk-Kazyna to require early repayment of its deposits if the Bank breaches covenants relating to prudential requirements or experiences certain credit rating downgrades.

In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is not paid or is paid based on a significantly lower interest rate, depending on terms and conditions specified in the agreement.

Distribution of Customer Accounts by Industry

The following table sets forth the amounts due to customers by economic sector for the periods indicated.

	As at 31 December					
	2009		2008		2007	
	(KZT millions)	*per cent.*	*(KZT millions)*	*per cent.*	*(KZT millions)*	*per cent.*
Individuals......................	23,345.5	48.6	26,103.6	41.2	21,578.6	33.7
Government institutions	12,537.7	26.1	5,109.0	8.1	3,756.5	5.9
Non-credit financial organizations	2,398.9	5.0	8,724.6	13.8	19,352.7	30.2
Construction..................	2,252.0	4.7	7,472.0	11.8	10,116.1	15.8
Research and development	1,160.2	2.4	3,172.4	5.0	152.9	0.2
Services rendered to legal entities and individuals	929.1	1.9	2,398.5	3.8	2,557.1	4.0
Whole sale trading.........	1,037.5	2.2	2,391.7	3.7	1,210.5	1.9
Education.......................	446.2	0.9	2,179.6	3.4	1,450.7	2.3
Agriculture......................	188.0	0.4	721.1	1.1	845.7	1.3
Transport	370.7	0.8	532.9	1.0	392.8	0.6
Mining	200.1	0.4	147.5	0.0	330.3	0.5
Real estate.....................	23.6	0.1	34.2	0.0	58.4	0.1
Other…………………..	3,107.0	6.5	4,336.2	6.9	2,304.1	3.6
Total amounts due to customers....................	**47,996.5**	**100.0**	**63,323.3**	**100.0**	**64,106.4**	**100.0**

Customer Account Concentration

As at 31 December 2009 and as at 31 December 2008 and 2007, the Bank's ten largest customers accounted for approximately 37.7 per cent., 35.4 per cent. and 40.1 per cent. respectively, of the total amounts due to customers.

As at 31 December 2009, the largest depositor with the Bank was Samruk-Kazyna, which had deposits totalling KZT 4,846.3 million as at 31 December 2008, which were placed in an amount of KZT 363.7 million on 29 May 2008, in an amount of KZT 1,317.7 million on 20 June 2008, in an amount of KZT 467.9 million on 26 June 2008, and in an amount of KZT 2,697.1 million on 12 December 2007. Kazatomprom was previously a customer of the Bank since the second half of 2005 but withdrew deposits totalling KZT 3,718.4 million in September 2007.

As at 31 December 2008, approximately three-fourths of the Bank's retail customer accounts were covered by the KDIF. As at 31 December 2009, approximately 80 per cent. of the Bank’s retail customer accounts were covered by the KDIF. In accordance with its rules, the KDIF will not guarantee a deposit exceeding KZT 5,000,000. For more information, see “The Banking Sector in Kazakhstan”.

Eurobonds Issued

Eurobonds issued represents 43.3 per cent. of the Bank’s total liabilities as at 31 December 2009 and 45.1 per cent. of the Bank’s total liabilities as at 31 December 2008 and reflect the liability in respect of the 2009 Notes, 2011 Notes and 2014 Notes issued by Temir Capital B.V., which are guaranteed by the Bank.

As at 31 December 2007, 2008 and 31 December 2009, Temir Capital B.V.'s deposits of net proceeds from the 2009 Notes, 2011 Notes and 2014 Notes are included in the Bank's statement of financial position within Eurobonds issued. For more information, see "– Factors Affecting Results of Operations – Sale of Shares of Temir Capital B.V.".

Capital Adequacy

The Bank's operations are principally within Kazakhstan. The Bank does not have any substantial assets or operations outside Kazakhstan.

The Bank is regulated by the Kazakh FMSA, and as such must meet the regulatory standards established by such regulator. The Kazakh FMSA requires that the Bank test its capital adequacy using financial statements proposed in accordance with the Kazakh FMSA Methodology. In the months prior to the Restructuring, the Bank was in breach of the minimum capital adequacy ratios established by the FMSA. Following the Restructuring, however, the Bank became, and is now, in compliance with the applicable minimum capital adequacy ratios.

Following the successful completion of the Restructuring, the Bank became subject to the general minimum level requirements of 5.0 per cent. for K1-1 (Tier I capital to total assets) and K1-2 (Tier I capital to total assets weighted for risk) ratios and 10.0 per cent. for the K2 (own capital to total assets weighted for risk) ratio, and as a result of the Restructuring, the Bank became, and is now in compliance with the applicable minimum capital adequacy ratios.

The following table sets out the certain matters regarding capital adequacy of the Bank derived from its management accounts prepared on the basis of Kazakh FMSA methodology to meet the Kazakh FMSA regulatory requirements. Under Kazakh FMSA regulations, the Bank is required to report to the Kazakh FMSA unaudited financial statements prepared in accordance with Kazakh FMSA methodology for the prior month within 10 days of the month-end. The following table is based on the financial statements reported to the Kazakh FMSA as at 30 June 2010 and extracted from the management accounts of the Bank, immediately following the Restructuring, prepared in accordance with Kazakh FMSA methodology and sets out the capital adequacy of the Bank as calculated in accordance with Kazakh FMSA requirements. The information below has not been prepared in accordance with IAS 34, Interim Financial Reporting.

	As at 30 June 2010
	(*KZT millions, except percentages*) (*unaudited*)
Tier I capital	18,170
Total capital	34,510
K1 – 1 (Tier I capital to total assets)	9.8%
K1 – 2 (Tier I capital to total assets weighted for risk)	8.6%
K2 (own capital to total assets weighted for risk)	16.3%

The following table sets out the requirements of the Kazakh FMSA regarding capital adequacy, foreign exchange positions, maximum exposures and certain other matters.

	FMSA's Minimum Requirements
Minimum Share Capital (KZT)(1)	Not less than KZT 5,000 million(*)
K1 – 1 (Tier I capital to total assets)	Not less than 5%(2)
K1 – 2 (Tier I capital to total assets weighted for risk)	Not less than 5%(2)
K2 (own capital to total assets weighted for risk)(3)	Not less than 10%(4)
K4 (current liquidity ratio)(5)	Greater than 30%
K4 – 1 (quick liquidity ratio)	Minimum 1.0
K4 – 2 (quick liquidity ratio)	Minimum 0.9
K4 – 3 (quick liquidity ratio)	Minimum 0.8
K5 – Short-term Liquidity Ratio	Greater than 50%
Reserves with the NBK and cash	1.5% of most domestic liabilities and 2.5% of all other, including foreign, liabilities
K6 (investments in fixed assets and non-financial assets to own capital)	Not greater than 50% of bank's own capital
Maximum aggregate net open foreign currency position(6)	25% of bank's own capital
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	12.5% of bank's own capital
Maximum net open position in currencies of countries rated less than "A"	5% of bank's own capital
Maximum exposure to:	
related parties	Not greater than 10%
other borrowers	Not greater than 25%
on unsecured loans	Not greater than 10%

* For recently established banks, effective as at 1July 2009.

Notes:

(1) Under Kazakhstan law, "share capital" means capital which must be provided in order to establish a company or a bank. A bank's share capital may be formed only with cash contributions. Sources of funds contributing to the Bank's share capital are subject to specific disclosure requirements.

(2) As at the date of this Prospectus, the Bank is subject to a reduced minimum threshold of 5.0 per cent. applicable to banks whose shareholders are bank holding companies (as is presently the case with the Bank).

(3) The FMSA's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and Tier III capital (not exceeding 250.0 per cent. of the portion of Tier I capital to cover market risk) less investments. Tier I capital is the sum of share capital less treasury shares plus share premium plus retained earnings from prior years (including funds and reserves out of net profit from prior years), plus open-end financial instruments less the sum of intangible assets (excluding licensed software corresponding to IAS 38 purchased for the purposes of the Bank's business), losses from prior years and current losses for the period. Tier II capital is the sum of current profit for the period plus revaluation of capital assets and securities plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk-weighted assets) plus covered open-end financial instruments not included in Tier I capital plus Tier II subordinated debt (but no more than 50.0 per cent. of Tier I capital), less subordinated debt of the Bank redeemed by the Bank. Tier III capital is the sum of Tier III subordinated debt plus Tier II subordinated debt not included into the calculation of Tier II capital.

(4) 10.0 per cent. for banks, such as the Bank, with a bank holding company among their shareholders or whose shares were acquired by the Government or a national management holding company or where more than 50.0 per cent. of issued shares belong to the state.

(5) The current currency liquidity limit is calculated as high liquidity assets averaged monthly divided by paid-on-demand liabilities in the same currency averaged monthly.

(6) Ratio of the net currency position (including statement of financial position items) to own capital in accordance with Kazakh FMSA requirements.

Liquidity and Capital Resources

During the period from 2005 to 2007, the Bank relied upon short-term bank borrowings and debt securities issues in the international capital markets in order to fund its growth in retail lending and SME lending, including through the issuance by Temir Capital B.V. of the 2009 Notes, 2011 Notes and 2014 Notes and its deposit of the related proceeds with the Bank. The Bank also issued bonds on the local Kazakhstan domestic markets.

During this period, the proportion of funding through customer deposits remained relatively low such that, by the end of 2007, the majority of the Bank's funding base was principally comprised of funding from international sources. As at 31 December 2009, approximately 43.5 per cent of the Bank's funding base was comprised of debt securities issued and approximately 12.4 per cent. of its funding base was comprised of amounts due to credit institutions, consisting primarily of OECD-country based banks.

As a result of global financial crisis, the Bank no longer has ready access to further international funding and the Bank expects to rely significantly on customer deposits for its funding needs. See "Risk Factors – Adverse publicity relating to the Restructuring and the financial condition of the Bank may adversely affect the Bank's ability to attract and retain funding, its ability to attract and maintain customer relationships and the market perception of its business, which could adversely affect the Bank financial condition or results of operations". The Bank may, however, if market conditions permit, return to the international capital or other markets in the future, if market conditions then permit In addition, the Bank expects to continue to rely upon support from Samruk-Kazyna in any number of available forms, including the placement of deposits from time to time as well as equity funding, for so long as it remains its principal shareholder. See "Principal Shareholders".

In addition to its ongoing liquidity and business operational funding needs, the Bank is in the process of improving its technology systems and plans to invest approximately KZT 1 billion in upgrades to its information technology infrastructure, including the creation of additional information back up data systems and upgrades to information technology hardware and software systems. The Bank believes, however, that Samruk-Kazyna may require it to reduce or delay such capital expenditures following the Restructuring while the Bank is focused on rebuilding its business.

Off-Balance Sheet Arrangements

Financial Commitments and Contingencies

The Bank enters into financial instruments with off-balance sheet risk in the ordinary course of business in order to meet the needs of its customers. These instruments, which include guarantees and letters of credit, involve varying degrees of credit risk and are not reflected on the Bank's statement of financial position. The Bank applies the same credit control and management policies to its off-balance sheet commitments as it does to its on-balance sheet operations. See "Asset, Liability and Risk Management".

The following table sets forth the Bank's financial commitment and contingencies as at 31 December 2009, 2008 and 2007.

	As at 31 December		
	2009	**2008**	**2007**
		(KZT millions)	
Guarantees	1,116.9	1,485.2	1,810.4
Undrawn loan commitments	35,213.4	42,312.9	52,959.8
Commercial letters of credit	–	71.7	5,690.2
Subtotal	**36,330.3**	**43,869.8**	**60,460.4**
Less cash collateral	(392.7)	(409.8)	(365.1)
Less provisions	(2.1)	(5.1)	(323.9)
Total financial commitments and contingencies	**35,935.5**	**43,454.9**	**59,771.5**

Guarantees account comprises guarantees issued in respect of the International Notes issued by Temir Capital B.V. The collateral for the guarantees are deposits of Temir Capital B.V. placed in the Bank in the amount of the guarantee.

The following table sets forth the maximum exposure to credit loss of the Bank's off-balance sheet arrangements as at 31 December 2009, 2008 and 2007.

	As at 31 December		
	2009	2008	2007
	(Nominal or contracted amount in KZT millions)		
Issued guarantees and similar liabilities..........................	1,116.9	1,485.2	1,810.4
Undrawn loan commitments..	35,213.4	42,312.9	52,959.8
Letters of credit and other contingent liabilities related to settlement operations	–	71.7	5,690.2
Total contingent liabilities	**36,330.3**	**43,869.8**	**60,460.5**

The Bank reverses allowances for impairment in respect of letters of credit and guarantees was KZT 2.9 million for the year ended December 2009 and KZT 2.2 million for the year ended 31 December 2008 and KZT 316.6 million for the year ended 31 December 2007.

Derivative Financial Instruments

The Bank uses derivative instruments primarily for risk management enters into derivative contracts on standardised terms and conditions. Such contracts are generally traded in the over-the-counter market. To keep its open foreign currency position within reasonable limits and meet the local regulatory requirements, the Bank enters into currency swap and forward contracts. The following table sets forth the Bank's derivative financial instruments for the periods indicated.

	As at 31 December 2009			As at 31 December 2008			As at 31 December 2007		
	Notional principal amount	Fair values		Notional principal amount	Fair values		Notional principal amount	Fair values	
		Asset	Liability		Asset	Liability		Asset	Liability
	(KZT millions)	(KZT millions)	(KZT millions)	(KZT millions)	(KZT millions)	(KZT millions)	(KZT millions)	(KZT millions)	(KZT millions)
Foreign exchange purchase / sale contracts:									
Options.............	2,337.0	308.4	–	–	–	–	–	–	–
Forwards	–	–	–	25,005.2	679.5	–	46,592.6	224.0	–
Swaps...............	8,245.1	–	3.2	3,031.6	–	0.6	22,405.9	–	148.9
Total.................	**10,582.1**	**308.4**	**3.2**	**28,036.8**	**679.5**	**0.6**	**68,998.6**	**224.0**	**148.9**

SELECTED STATISTICAL INFORMATION

The Bank is required by Kazakh law to publish its annual audited financial statements prepared in accordance with IFRS. The Bank is also regulated as a commercial bank by the Kazakh FMSA and as such must meet the regulatory standards established by the FMSA. The Kazakh FMSA requires that the Bank file with the Kazakh FMSA monthly unaudited financial statements prepared in accordance with the Kazakh FMSA methodology and to test its capital adequacy using such financial statements. The Bank manages its day-to-day operations using unaudited management data which is prepared according to the Kazakh FMSA Methodology. The Bank's financial statements prepared in accordance with Kazakh FMSA methodology differ in certain material respects from its financial statements prepared in accordance with IFRS. See "-- Loan Classification and Provisioning Policy – Provisioning Policy".

The following information has, unless otherwise indicated, been extracted from the Bank's management information systems. This information is unaudited, except where indicated. The information contained in this section should be read in conjunction with the Bank's consolidated financial statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", which also contains further statistical information.

Average Balance Sheet and Interest Rates

The tables below present the average balances for the Bank's interest-earning assets and interest-bearing liabilities together with rates for the periods indicated. Readers should note that this average balance sheet data has been prepared for each period by using the average of the period beginning and period ending balances, derived from the Bank's financial statements prepared in conformity with IFRS. This method of preparing the average balance sheet, and the tables below which in part are derived from this average balance sheet (e.g., the Volume and Rate Analysis below), may not be representative of the Bank's daily average balances (determined in accordance with IFRS) during the periods presented.

	Year ended 31 December 2009			**Year ended 31 December 2008**		
	Average balance	Weighted average interest rate, per cent	Interest Income / Expense	Average balance	Weighted average interest rate, per cent	Interest Income / Expense
Interest Bearing Assets	*(KZT millions)*		*(KZT millions)*	*(KZT millions)*		*(KZT millions)*
Loans to customers..............	208,298.4		32,983	251,898.4		37,706
Trading securities.................	16,858		1,89	22,527		2,01
Amounts due from credit institutions............................	6,02		1	13,371		1,37
Total interest earning assets.............................	**231,182.4**	**15.2%**	**35,026.1**	**287,797.4**	**14.3%**	**41,095.3**
Interest Bearing Liabilities						
Debt securities issued..........	35,503	9.6%	3,421.1	35,250.3		3,653.9
Amounts due to customers...	54,983	8.8%	4,836.8	62,792.3		5,926.7
Amounts due to Eurobonds issued	112,343.6	11.1%	12,497.3	112,771.6		12,036.3
Amounts due to credit institutions............................	52,203	18.0%	9,373.2	53,513.6		5,490.2
Loans from Government		6.8%	0.8	94.5		6.3
Total interest bearing liabilities.........................	**255,044.0**		**30,129.1**	**264,422.4**		**27,113.4**
Net Interest Income			**4,896.9**			**13,981.9**

Average Net Interest Margin and Spread

The following table shows the Bank's average interest-earning assets, average interest-bearing liabilities and net interest income and illustrates the comparative net interest margin and net interest spread for the years ended 31 December 2009 and 2008, respectively.

	Year Ended 31 December	
	2009	2008
Total average interest-earning assets	231,182	287,797
Total average interest-bearing liabilities	255,048	264,422
Net interest income[(1)]..	4,896.9	13,982
Average rate on average interest-earning assets.............	15.2%	14.3%
Average rate on average interest-bearing liabilities...........	11.8%	10.3%
Net interest spread[(2)]	3.3%	4.0%
Net interest margin[(3)] (per cent.)	2.1%	4.9%

Notes:

(1) Defined as total interest income less total interest expense.

(2) Defined as the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(3) Defined as net interest income before provisions for loan losses divided by average interest-earning assets.

Changes in Interest Income, and Expenses Volume and Rate Analysis

The following table allocates the changes in the Bank's interest income and expense between changes in average volume and changes in the average rates for the year ended 31 December 2009 compared to the year ended 31 December 2008.

	Year ended 31 December 2009 compared to year ended 31 December 2008			
	Increase/(decrease) in net interest due to changes in:			
	Volume	Rate	Rate x Volume	Net change
	(KZT millions)			
Interest income[(1)]				
Loans to customers	(6,526.4)	2,180.7	(377.4)	(4,723.1)
Trading securities	(507.3)	516.3	(129.9)	(120.9)
Amounts due from credit institutions	(754.5)	(1,044.6)	573.9	(1,225.2)
Total interest income...................	**(7,788.1)**	**1,652.4**	**66.5**	**(6,069.2)**
Interest expense: [(1)]				
Debt securities issued....................	26.2	(257.2)	(1.8)	(232.8)
Amounts due to customers	(737.1)	(403.0)	50.1	(1,089.9)
Amounts due to Eurobonds issued...	45.7	508.6	(1.9)	461.0
Amounts due to credit institutions ..	(134.4)	4,118.2	(100.8)	3,883.0
Loans from Government	(5.5)	0.1	(0.1)	(5.5)
Total interest expense.................	**(896.5)**	**3,966.8**	**(54.6)**	**3,015.7**
Net interest income..........................	**(6,891.6)**	**(2,314.5)**	**121.1**	**(9,085.0)**

Trading Portfolio

As at 31 December 2009, the Bank's securities portfolio was carried at a book value of KZT 12,272.8 million, representing 5.6 per cent. of total assets in amount of KZT 226,505.8 million.

Loan Portfolio

As at 31 December 2009, total loans were KZT 197,286.1 million, representing 87.1 per cent. of the Bank's total assets of KZT 226,505.8 million. The Bank's loan portfolio has declined during the period from KZT 249,493.5 million as of 31 December 2008 to KZT 197,286.1 million as of 31 December 2009.

The following table sets out the breakdown of the Bank's gross commercial loans and advances (before allowances) by loan amount as at the dates indicated.

	Year Ended 31 December					
	2009		2008		2007	
	Principal	Interest Accrued	Principal	Interest Accrued	Principal	Interest accrued
	(KZT millions)					
Up to $50,000	95,830	3,545	94,371	2,686	111,669	2,211
$50,001-$200,000	57,900	3,496	56,310	1,691	65,005	875
$200,001-$1,000,000	52,013	4,487	48,723	2,152	52,143	972
$1,000,001-$3,000,000	26,003	4,403	22,794	1,484	22,619	756
$3,000,001-$5,000,000	13,861	759	9,075	292	5,164	183
Over $5,000,000	32,126	3,114	26,876	1,462	17,594	564
Total	**277,733**	**19,804**	**258,149**	**9,767**	**274,194**	**5,561**

Loans in arrears

The table below presents the Bank's gross loan portfolio, loans past due over 30 days and the total allowance for impairment for the periods indicated.

	As of 31 December		
	2009	2008	2007
	(KZT millions, except number of loans)		
Total loan portfolio, gross	288,030.0	267,915.9	279,754.6
Total allowance for impairment for loans..	(90,743.9)	(18,422.5)	(10,123.3)
Total loan portfolio, net...	197,286.1	249,493.4	269,631.4
Loans past due over 30 days	173,538.2	104,219.0	54,944.(

For purposes of the Bank's IFRS financial statements, it continues to accrue interest on loans that are past due by 30 or more days provided that the net present value of probable future cash flows on those loans are sufficient. For Kazakh FMSA regulatory purposes, in its financial data prepared in accordance with Kazakh FMSA methodology, the Bank ceases accruing interest on loans that are 30 or more days past due.

Interest in Suspense

The following table shows the movements in the actual amounts of suspended interest as at the periods indicated.

	Year Ended 31 December		
	2009	2008	2007
		(KZT millions)	
Balance at beginning of year	753	753	263
Interest written off during the year	(49)	(9)	(166)
Interest suspended in the year	52	11	656
Balance at the end of year	756	756	753
Including currency difference (built in repayment)	44	(45)	(42)
Recovery final turnover to off-balance for period indicated	–	–	437

Loan loss experience

Throughout the year, and at the year end, the Bank assesses all loans on properties that are in possession or in arrears. The Bank recognizes that not all loans in arrears will result in possession, by applying a factor based on recent experience and other relevant risk considerations to reflect this probability. Specific allowances are made against those loans when their circumstances make full recovery doubtful.

Charges to provisions for loan losses represent new or additional allowances for loan losses less any reduction in allowances or recoveries of amounts previously charged off. Interest that is considered irrecoverable, where the property has been taken into possession or the normal lending relationship has ceased, is suspended (i.e. treated on a "non-accrual basis"). Interest up to that time is credited to income and an allowance is made as appropriate.

MANAGEMENT AND CORPORATE GOVERNANCE

The General Shareholders' Meeting is the highest corporate governing body of the Bank. The Charter provides that the Bank shall have a Board of Directors and a Management Board. The JSC Law vests in the Board of Directors the final approval of the majority of corporate decisions, although the final approval of certain major corporate decisions is vested in the General Shareholders' Meeting. In accordance with Kazakhstan legislation, members of the Board of Directors are elected and their powers may be terminated early at any time by the General Meeting of Shareholders. The Chairman of the Board of Directors and members of the Management Board are elected and their term of office may be terminated early by the Board of Directors. The appointment of the Chairman, members of the Board of Directors and members of the Management Board is subject to the consent of the FMSA.

Management and Corporate Governance after the Restructuring

After the Restructuring, the structure of the Bank's management bodies remained unchanged and consists of the General Shareholders' Meeting, the Board of Directors and the Management Board. Approval matters and composition of certain management bodies has, however, been amended as discussed below to improve the Bank's corporate governance.

Board of Directors after the Restructuring

In connection with the Restructuring, a majority of the members of the Bank's Board of Directors were replaced.. The members of the Board are discussed below .

New Charter

After the Restructuring, the Bank's Charter was replaced with its New Charter that reflects changes to the composition of the Board of Directors, approval matters and required majorities.

Current Management and Corporate Governance

Board of Directors

The Board of Directors is a permanent body involved in the general management of the Bank's activities during the periods between General Meetings of Shareholders, except for the matters specifically reserved by the legislation of the Republic of Kazakhstan and the Charter as being within the exclusive competence of the General Meeting of Shareholders. The responsibilities of the Board of Directors include determining the strategy of the Bank, defining the credit and other policies of the Bank, electing the Chairman and members of the Management Board, approving material contracts, convening General Shareholders' Meetings, establishing and closing branches and representative offices, adopting decisions on the Bank's acquisition of 10.0 per cent. or more of the shares in another legal entity and increases in the Bank's liabilities in excess of 10.0 per cent. of its equity capital. In addition, the JSC Law provides that at least one-third of the members of a company's Board of Directors must be independent.

All members of the Board of Directors are elected for a term defined by the General Meeting of Shareholders. The Charter requires that the Board of Directors consists of at least three members and that at least one third of the members of the Board of Directors are independent. The Board of Directors may have up to eight members. The business address of all members of the Board of Directors is 68/74, Abay Avenue, Almaty 050008, Republic of Kazakhstan.

As of the date of this Prospectus, the Board of Directors consists of the following six members elected by a General Shareholders' Meeting on the dates indicated:

Name	Position	Director Since
A. Iskandirov	Chairman of the Board of Directors	2 July 2009
A. Dzholdasbekov.......	Independent Director	10 June 2009

	Member of the Board of Directors	10 June 2009
R. Amirov	Member of the Board of Directors	30 June 2010
Y. Shaikenov	Member of the Board of Directors, Chairman of the Management Board	2 December 2009
I. Goverdovsky	Independent Director	30 June 2010
P. Donnelly	Independent Director	30 June 2010

Mr. Abai Iskandirov (27) has served as a member of the Board of Directors since 2009. In addition, since 2009, he serves as a member of the board of directors of BTA. From 2008 to 2009, Mr. Iskandirov was a deputy manager in the administration of the President of the Republic of Kazakhstan, a managing director at Samruk-Kazyna, and a managing director at JSC Sustainable Development Fund "Kazyna," where he also served as the director of a department and a managing director from 2006 to 2008. From 2005 to 2006, Mr. Iskandirov worked in various positions at the Ministry of Economy and Budget Planning of the Republic of Kazakhstan, including deputy head of the department. Earlier in his career, from 2002 to 2003, Mr. Iskandirov was a probationer with Deloitte & Touche, Kazakhstan. Mr. Iskandirov graduated from the Kazakh State Law University in 2003 with a major in financial and tax law. He also earned a Master of Jurisprudence, with a focus on international business law, in 2004, and a Master of Economic Sciences, with a focus on international management, in 2005 from Oxford Brookes University.

Mr. Azamat Dzholdasbekov (47) has served as an independent director on the Board of Directors since June 2009. From 2002 to 2009, he served as the President of KASE. From 2001 to 2004, he served as a chairman of the Liquidation Commission of the Republic of Kazakhstan, and since 2002, as a Director of the Financial Association of Kazakhstan. From 2001 to 2002, Mr. Dzholdasbekov has served as an adviser to CJSC Citibank Kazakhstan and to Pragma Corporation (under a USAID contract). He served as a chairman of the National Security Commission of the Republic of Kazakhstan from 1999 to 2001 and as its executive director from 1997 to 1999. In 1997, he was the President of the financial instruments division of CJSC Almaty Stock Exchange, and from 1995 to 1997, served as an adviser, deputy general director, and acting general director of KASE. Mr. Dzholdasbekov served as a chairman of the board of JSC Vernenskii Commercial Bank in 1994, and, from 1991 to 1994, was the acting executive president and deputy executive president of International Commercial Bank "Al-Baraka Kazakhstan". In addition, from 1990 to 1991, he served as the deputy chairman of the board of Commercial Bank "Invest – bank". Earlier in his career, Mr. Dzholdasbekov was a team manager with the Almaty Central cooperative bank (Centrebank), from 1989 to 1990, and was a teacher at the Almaty Institute of National Agriculture from 1988 to 1989. Mr. Dzholdasbekov graduated from the St. Petersburg Financial and Economic Institute im.N.A. Voznesenskogo in 1984 with a major in finance and credit, where he was also a candidate for an economic sciences degree in finance, monetary circulation and credit in 1987.

Mr. Rashid Amirov (26) was appointed as a member of the Board of Directors in June 2010. Since 2006, , he has served in various roles at JSC "Samruk – Kazyna", including as specialist, manager and senior specialist in corporate development department, deputy head and head of corporate finance department. In 2006 he worked as a specialist in Ministry of economics and budget planning of RK. From 2005 to 2006 he held a position of accountant assistant in Agip KCO (Atyrau). In 2005 he graduated from the Kazakh economics university, . Ryskulov (Almaty), with a major in economics and international relations.

Mr. Yerzhan Shaikenov (32) has served as a member of the Board of Directors since December 2009. He also served as a chairman of the Management Board since May 2009. He was first appointed as a member of the Management Board in March 2008 and was appointed in February 2009 as the acting chairman of the Management Board. Mr. Shaikenov joined the Bank in March 2006 as Corporate Sales Department Director and, in September 2006, he was appointed a managing director. In 2005, he was Vice President for finance at Romat LLP and, from 1998 to 2005, he worked in various positions at ABN Amro Bank Kazakhstan, ATF Banking and the Bank. Mr. Shaikenov graduated from the Kazakh State Management Academy in 1999, with honours, with a major International Economic Relations. In 2001, he received a Master's degree in Banking and International Finance at Cass Business School, City University, London.

Mr. Igor Goverdovsky (43) was appointed as an independent director of the Board of Directors on 30 June 2010. Since October 2009, he has acted as a co-founder, special situations consultant in Anakreon (UK) LLP (London). From 2007 to 2009 he worked as a senior debt originator in Commerzbank AG (London). From 2005 to 2007 he worked at HSBC Bank (London) as an associate director. In 2004 he held a position of desk credit analyst in Maxcor Financial Group (London). In 2000 to 2003 he worked as a senior associate in BNP Paribas (New York, London). In 1999 he held a position of financial analyst in Digital Storage Inc. Columbus. From 1996 to 1998 he was the owner and worked as a general manager in Avtomatika (Russia). From 1992 to 1996 he held a position of financial controller in Torgovy Dom Severny (Russia). In 1992 Mr. Goverdovsky graduated from Chelyabinsk State University (Russia) with a major Economics. In 2000, he received a Master's degree in Corporate Financial Management, Investment Management at Ohio State University, Fisher College of Business, Columbus, (USA).

Mr. Peter Donnelly (63) was appointed as an independent director of the Board of Directors on 30 June 2010. Since 1998, he has worked as a General Manager and Member of the Board in Finantia Securities Ltd (London) and a Member of the Investment Banking Committee in Banco Finantia SA (Lisbon). From 1994 to 1998 he was General Manager (UK and Western Europe, London) in ABSA Bank Limited (Johannesburg). From 1991 to 1993 he worked at FirstCorp Merchant Bank Limited (Johannesburg) as a Senior Advisor Europe, London and EPIC (Vienna). During the period from 1982 to 1991, he held a position of the Managing Director in Prudential Securities (New York) and The First Boston Corporation (New York). From 1977 to 1982 he worked as General Partner at Lehman Brothers Kuhn Loeb Inc (New York). From 1969 to 1977 he held positions from Management trainee to Vice President in European American Bank (New York). In 1996 he graduated from Oxford University, Templeton College.

There are no potential conflicts of interest between any duties of each of the members of the Board of Directors towards the Bank and their private interests and/or their other duties. The members of the Board of Directors have no outside interests, which are significant to the Bank.

Committees of the Board of Directors

The Board of Directors includes the Audit Committee and the Board of Directors Risk Committee. The membership of the committees described below is as at the date of this Prospectus. The Bank expects that new members will be appointed to the Audit Committee and the Board of Directors Risk Committee following the Restructuring.

Audit Committee

As at the date of this Prospectus, the members of the Audit Committee are:

Name	Position
A. Dzholdasbekov...............	chairman of the committee, member of the Board of Directors
Y. Shaikenov.......................	member of the committee, member of the Board of Directors
R. Amirov	member of the committee, member of the Board of Directors

The audit committee's major functions include supervising the general corporate governance of the Bank, including the activities of the Bank's division responsible for the internal audit and performance of the functions of the Bank's external auditor and the Bank's compliance with applicable laws and regulations, the quality and completeness of the financial and accounting statements of the Bank and the qualification and independence of the external auditor of the Bank.

Risk Committee

As at the date of this Prospectus, the members of the Board of Directors Risk Committee are as follows:

Name	Position
R. Amirov	chairman of the committee, member of the Board of Directors
Y. Shaikenov.......................	member of the committee, member of the Board of Directors
A. Dzholdasbekov...............	member of the committee, member of the Board of Directors

The Board of Directors Risk Committee is responsible for creating a unified risk management policy for the Bank and defining methodological approaches for the assessment of each type of risk, including credit, liquidity, interest rate and foreign exchange risks. Currently the functions of the Board of Directors Risk Committee are performed by the Management and other relevant committees. For additional information regarding the Board of Directors Risk Committee and other committees responsible for risk management at the Bank, see "Asset, Liability and Risk Management — Risk Committees".

Management Board

The Management Board is responsible for the day-to-day management and administration of the Bank's activities. The Management Board has executive powers, in contrast to the Board of Directors' supervisory role. The Management Board's responsibilities include making executive business decisions, implementing the Bank's business strategy, appointing senior management and branch representatives of the Bank and dealing with all other matters not reserved to the Board of Directors or the General Meeting of Shareholders.

All members of the Management Board are elected for a term defined by the Board of Directors. The business address for all members of the Management Board is 68/74, Abay Avenue, Almaty 050008, Republic of Kazakhstan.

As at the date of this Prospectus, the members of the Management Board are:

Name	**Position**
Y. Shaikenov......................	chairman of the Management Board, member of the Board of Directors
D. Karimbayev	first deputy chairman, member of the Management Board
K. Yesbulatov.....................	deputy chairman, member of the Management Board
M. Bekkali	managing director, member of the Management Board
Y. Kusainov	managing director, member of the Management Board

Mr. Yerzhan Shaikenov, see "– Current Management and Corporate Governance Board of Directors".

Mr. Daulet Karimbayev (38) has served as a first deputy chairman and member of the Management Board since May 2009. Prior to joining the Bank, Mr. Karimbayev worked at Slavinvestbank (2008 to 2009), at Agroinvestment Commercial Bank (2005 to 2008), at Bank TuranAlem (currently BTA Bank) (2004 to 2005), at Nauryz Bank Kazakhstan (2004), at Kazkommertsbank (2002 to 2004), at Halyk Bank (1996 to 2002), and at Vidergeburt Bank (1994 to 1996). In 1996, Mr. Karimbayev graduated from the Kazakh Institute of Consumer Cooperation.

Mr. Kerimkul Yesbulatov (27) has served as a deputy chairman and member of the Management Board since August 2009. Prior to joining the Bank, Mr. Yesbulatov worked at Alliance Bank (2009), at Investment Fund of Kazakhstan (2008 to 2009), at Samruk-Kazyna (2006 to 2008), and at ATF Bank (2003 to 2006). In 2007, Mr. Yesbulatov graduated from the University of International Business, with honours, with a specialization in Business Administration. In 2003, he graduated from the Almaty Law Institute, with honours.

Dr. Mukhtar Bekkali (35) has served as a managing director and member of the Management Board since January 2010. Since March 2007, Dr. Bekkali has been a managing director for development at the Bank. Prior to joining the Bank, from 2006 to 2007, he worked as the head of the Investment Projects Department at BTA. From 2001 to 2006, Dr. Bekkali served as an economist at the Centre for Agricultural Research and Development in Ames, Iowa, and from 1997 to 1999, as a senior tax consultant with Arthur Andersen. From 1995 to 1996, Dr. Bekkali was an assistant to the chief economist at the Japanese Agency for International Cooperation and Development and, from 1993 to 1995, he was deputy general manager of Aidar LLP. Dr. Bekkali holds a bachelor degree in economics and marketing, with honours, from the Kazakh State Academy of Management (1995) and master degree in economics, with honours, from the Kazakhstan Institute of Management, Economics and Strategic Research (1997). In 2006, he received his Ph.D. degree in Economics from Iowa State University, with specialization in international economics, industrial organization and finance.

Mr. Yerulan Kusainov (34) has served as a managing director and member of the Management Board since January 2010. He has worked at the Bank in various positions since 2006. Prior to joining the Bank, Mr. Kusainov worked at Caspi Bank (2002 to 2006) and BTA (1999 to 2002). From 1997 to 1999, he worked at Kazakhstan CT, from 1996 to 1997 he worked at CentreBank and CentreCredit Bank, and in 1995, he worked at Cvetmet. Mr. Kusainov graduated in 1996 with a degree in banking business from Kazakh State Academy of Management and earned a degree in finance and credit from O.A. Baikonurov Zhezkazgan University in 2005. In 2009, he earned his Master of Business Administration from the International Academy of Business.

There are no potential conflicts of interest between any duties of the members of the Board of Directors or the Management Board towards the Bank and their private interests and/or other duties.

Internal Audit Division

The internal audit division (**Internal Audit**) oversees the financial control of the Bank's activities and reports to the Board of Directors. Members of the internal audit division have the right to attend meetings of the Management Board and participate in discussions. However, they do not have the right to vote at such meetings. The current head of the internal audit division is Dmitryi Babichev.

Committees of the Management Board

Asset and Liability Management Committee (ALCO)

As at the date of this Prospectus, the members of the ALCO are as follows:

Name	Position
M. Mamekov	chairman of the committee, managing director responsible for risk management
A. Alishev	deputy chairman of the committee, Treasury Department director
Y. Kusainov.........................	member of the committee, managing director , member of the Management Board
D. Karimbayev	member of the committee, member of the Management Board – first deputy chairman responsible for sales (Corporate and Retail Banking)
M. Bekkali	member of the committee, managing director, member of the Management Board
A. Shangutov	Managing director responsible for treasury
Y. Shaikenov.......................	member of the committee, chairman of the Management Board, member of the Board of Directors

The ALCO implements the asset and liability management policies and controls relevant procedures in the Bank. The ALCO is authorised to make decisions regarding liquidity control and management, profitability control and management, risk control and management and strategic performance. The ALCO meets as frequently as the business needs require, but no less than once every week. The ALCO may be convened at the request of any department of the Bank. For more detail on the duties of the ALCO, see "Asset, Liability and Risk Management – Overview – ALCO".

Credit Committee

The Bank has a Credit Committee which is responsible for setting the Bank's credit risk management policy and handling all issues relating to the lending policy of the Bank, including determining the limits for the Bank's branches. The Bank conducts its credit risk management at several levels, depending upon the amount of risk involved. The Credit Committee consists of two principal sub-committees located within its head office that are responsible for approving credit decisions within the Bank: the Large Credit Committee and the Small Credit Committee. For further detail on the Bank's Credit Committee and its portfolio supervision policies, see "Asset, Liability and Risk Management – Credit Committee".

Large Credit Committee

As at the date of this Prospectus, the members of the Large Credit Committee are:

Name	Position
D. Karimbayev	chairman of the committee, member of the Management Board – first deputy chairman responsible for sales (Corporate and Retail Banking)
M. Mamekov	deputy chairman of the committee, managing director responsible for Risk Management
A. Bratus	member of the committee, head of the Legal Department
B. Illyasov	member of the committee, head of the Corporate Department
Y. Kusainov.........................	member of the committee, managing director, member of the Management Board
E. Menlibayev	member of the committee, head of Collateral Department
Y. Shaikenov.......................	member of the committee, chairman of the Management Board, member of the Board of Directors

The Large Credit Committee reports to the Credit Committee of the Bank. It is responsible for approving the terms of credit facilities and guarantees issued by the Bank (including its branches) for amounts over KZT 60 million.

Small Credit Committee

As at the date of this Prospectus, the members of the Small Credit Committee are:

Name	Position
B. Illyasov	chairman of the committee, head of the Corporate Department
M. Mamekov	deputy chairman of the committee, managing director responsible for risk management
A. Bratus	member of the committee, head of the Legal Department
K. Berkenov	member of the committee, head of Security Department
S. Issina	member of the committee, head of Retail Business Department

The Small Credit Committee reports to the Credit Committee of the Bank. It is responsible for approving the terms of credit facilities and guarantees issued by the Bank (including its branches) for amounts under KZT 60 million.

Problem loans committee

As at the date of this Prospectus, the members of the problem loans committee are:

Name	Position
K. Yesbulatov………………	chairman of the committee, member of the Management Board – deputy chairman
D. Karimbayev	first deputy chairman of the committee, member of the Management Board – deputy chairman responsible for sales (corporate and retail banking)
A. Bratus	member of the committee, head of claims department
Y. Kusainov.........................	member of the committee, managing director, member of the Management Board
M. Mamekov	member of the committee, managing director responsible for risk management

The problem loans committee reports to the Board of Directors of the Bank and is responsible for the approval of decisions relating to the recovery of non-performing loans. See "Asset, Liability and Risk Management – Risk Committees – Problem Loans Committee".

Management Board Risk Committee

As at the date of this Prospectus, the members of the Management Board Risk Committee are:

Name	Position
D. Karimbayev	chairman of the committee, member of the Management Board – deputy chairman responsible for sales (Corporate and Retail Banking)
K. Yesbulatov………………	deputy chairman of the committee, member of the Management Board – deputy chairman
A. Bratus	member of the committee, head of the Legal Department
M. Mamekov	member of the committee, managing director responsible for risk management
T. Zhandaulet......................	member of the committee, head of the Technology Department

The Management Board Risk Committee is responsible for formation and implementation of strategies and policies for the short-term, mid-term and long-term risk management of the Bank, and for the development of an effective system of risk management. The Management Board Risk Committee meets on a bi-weekly basis. See "Asset, Liability and Risk Management – Risk Committees – Management Board Risk Committee".

Product Committee

As at the date of this Prospectus, the members of the product committee are:

Name	Position
D. Karimbayev	chairman of the committee, member of the Management Board – deputy chairman responsible for sales (corporate and retail banking)
M. Bekkali	deputy chairman of the committee, member of the Management Board - managing director
A. Bratus	member of the committee, head of the legal department
M. Mamekov	member of the committee, managing director responsible for risk management
Y. Shaikenov.......................	member of the committee, chairman of the Management Board, member of the Board of Directors
T. Yesmurzin………………	member of the committee, head of the Almaty branch
directors of Departments ...	directors responsible for the separate products

The product committee is responsible for maintaining the Bank's product line competitiveness and product sale effectiveness. The product committee develops and approves new, modified and cancelled products and sets the product limits for each of the Bank's branches. The product committee meets on a bi-weekly basis.

Information technology (IT) committee

As at the date of this Prospectus, the members of the IT committee are:

Name	Position
M. Bekkali	chairman of the committee, member of the Management Board - managing director
S. Aikumbayev....................	member of the committee, deputy head of the security department
A. Itkulova	member of the committee, head of operation and insurance risk department
A. Trapezin	member of the committee, head of IT department
N. Zharmyshev………………	member of the committee, head of Bank operation administration department

The IT committee defines and develops the Bank's information technology infrastructure, including supporting, maintaining and upgrading the Bank's information technology systems. The IT committee meets at least once per fiscal quarter.

Tariff committee

As at the date of this Prospectus, the members of the tariff committee are:

Name	Position
I. Paramonova	chairman of the committee, head of operating department
T. Yesmurzin.......................	deputy chairman of the committee, director of Almaty branch
R. Bakimov	member of the committee, head of marketing department
M. Mamekov	member of the committee, managing director responsible for risk management
V. Rudakova	member of the committee, head of branch development and coordination department

The tariff committee is responsible for forming the Bank's pricing policy to ensure it offers competitive rates and tariffs. The tariff committee keeps track of pricing and tariff policies of the Bank's competitors and decides base interest rates and tariffs of the Bank. It also approves tariffs of the Bank's branches on the basis of an analysis of the domestic markets. The tariff committee meets at least once a week and meets whenever a review of the Bank's tariffs is deemed to be necessary.

Senior Management

Senior Management comprises the individuals responsible for the day-to-day management of their respective departments or divisions, each of whom reports regularly to the Board of Directors in relation to the status of his respective department. Senior Management reports to the Management Board and certain members report directly to the chairman of the Management Board. Any member of Senior Management can be called to attend a meeting of the Board of Directors as appropriate.

As at the date of this Prospectus, Senior Management consists of the following persons:

Name	Position
Y. Shaikenov.......................	chairman of the Management Board, member of the Board of Directors
D. Karimbayev	first deputy chairman, member of the Management Board
K. Yesbulatov......................	deputy chairman, member of the Management Board
M. Bekkali	managing director, member of the Management Board
Y. Kusainov..........................	managing director, member of the Management Board
M. Mamekov	managing director responsible for risk management
A. Shangutov	managing director responsible for treasury

Mr. Yerzhan Shaikenov, see "– Current Management and Corporate Governance Board of Directors".

Mr. Daulet Karimbayev, see "–Current Management and Corporate Governance Management Board".

Mr. Kerimkul Yesbulatov, see "–Current Management and Corporate Governance Management Board".

Dr. Mukhtar Bekkali, see "–Current Management and Corporate Governance Management Board".

Mr. Yerulan Kusainov, "–Current Management and Corporate Governance Management Board".

Mr. Murat Mamekov (31) has been a managing director responsible for risk management at the Bank since September 2009. Prior to joining the Bank, Mr. Mamekov worked at Samruk-Kazyna (2008 to 2009), at Kazyna (2007 to 2008), at Eurasian Bank (2005 to 2007), at Nurbank (2003 to 2005), and at Kazkommertsbank (1999 to 2003). Mr. Mamekov graduated in 1999 from the Kazakh State Academy of Management, with honours, with a major in accounting and economic cybernetics. He also studied at "CentreAudit" in 1999. In 2001, he earned his master degree from the Kazakh State Academy of Management with a specialization in economics in the social field and sectors.

Mr. Aslan Shangutov (31) was appointed as a Managing director responsible for treasury in July 2010. Prior to joining the Bank, Mr. Shangutov worked at Kazatomprom (2009 to 2010), at Samruk – Kazyna (2008 to 2009), at Kazyna Capital Management (2008), at Air Astana (2006), and at Raimbek Bottlers (2005 to 2006). Mr. Shangutov graduated in 2007 from the George Washington University, Master of Science in Finance. In 2005 he also graduated from Kazakhstan Institute of Management, Economics and Strategic Research, Bachelor of Science, Finance.

Management Remuneration

In accordance with the Bank's charter, the Board of Directors of the Bank determines the remuneration and compensation of the members of the Bank's senior management team. The Bank paid the members of the Management Board and the Bank's managing directors an aggregate of KZT 340.2 million and KZT 258.8 million for the year ended 31 December 2009 and for the year ended 31 December 2008, respectively. None of the employment contracts of the members of the senior management team or the Management Board provide for benefits upon termination of employment. The Bank paid the independent directors on the Board of Directors an aggregate of KZT 19.1 million and KZT 12.1 million for the year ended 31 December 2009 and for the year ended 31 December 2008, respectively. The Bank did not pay any non-independent directors in either period for their services as members of the Board of Directors.

Loans to the Board of Directors, Management Board and Senior Management

Members of the Board of Directors and Management Board, as well as other employees of the Bank, are permitted to apply to the Bank for any of its products and services, including personal loans and other extensions of credit. Transactions with such persons entered into by the Bank during the year ended 31 December 2009 and the year ended 31 December 2008 that remained outstanding as at 31 December 2009 and 31 December 2008 were made in the normal course of business and on an arm's length basis, with some of the loans to Bank personnel providing slightly discounted interest rates. For further discussion, see "Related Party Transactions".

As at 31 December 2009, the only member of the Board of Directors or Management Board with outstanding loans from the Bank was Yerzhan Shaikenov, the chairman of the Management Board. His loan balance was KZT 6 million as of 31 December 2009 (and was KZT 30 million as at 31 December 2008).

There are no other outstanding loans or guarantees given by the Bank to any member of the Board of Directors or the Management Board, or to any parties related to them.

The decision to grant loans to members of the Bank's management teams is made by the Credit Committee of the Bank based on the procedures described under "Asset, Liability and Risk Management –Credit Risk Management – Lending Policies and Procedures. However, these loans are considered transactions with persons associated with the Bank by "special relations" and accordingly must be approved by the Board of Directors. These loans are then notified to the Credit Committee and the Risk Committee.

Shareholding of the Board of Directors, Management Board and Senior Management

The member of the Board of Directors, Management Board and Senior Management do not possess Shares of the Bank.

Corporate Governance

Corporate governance best practice in Kazakhstan is set out in the Kazakhstan Corporate Governance Code, which is based on existing international best practice in the area of corporate governance and sets out recommendations for the application of the principles of corporate governance by Kazakhstan joint stock companies. The Code was developed in 2005 by the Association of Financiers of Kazakhstan and approved by the FMSA. The Bank's Corporate Governance Code was initially adopted by the shareholders of the Bank on 10 February 2006. The Bank's current Corporate Governance Code was adopted by shareholders of the Bank on 21 June 2010. The Code incorporates provisions of the Kazakhstan Corporate Governance Code and otherwise complies with the JSC Law in all material respects.

Litigation

In the five years ending with the date of this Prospectus, none of the members of the Board of Directors, Management Board and Senior Management:

- has had any convictions in relation to fraudulent offences;

- has held an executive function in the form of a senior executive officer of a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; nor
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

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PRINCIPAL SHAREHOLDERS

The Bank's Shareholders Following the Restructuring

On successful completion of the Restructuring, Samruk-Kazyna will provide equity funding to the Bank and become the majority shareholder of the Bank. The following table provides information on the Bank's common shareholders following the Restructuring.

Name	Percentage of the total number of Common Shares
Samruk-Kazyna	79.9%
Creditors	20.0%
Existing shareholders	0.1%
Total	**100.00%**

Source: Company data

The Bank's Shareholders Prior to the Restructuring

The following table provides information on the Bank's common shareholders immediately prior to the Restructuring whose holdings amount to over 1.0 per cent. of the total amount of Common Shares of the Bank as at 31 December 2009 and 31 December 2008.

	Percentage of the total number of Common Shares	
Name	**As of 31 December 2009**	**As of 31 December 2008**
JSC BTA Bank (Almaty, Republic of Kazakhstan)	69.85	69.85
EurasiaInvest LLP (Almaty, Republic of Kazakhstan)	4.90	4.90
NAK-LTD LLP (Almaty, Republic of Kazakhstan)	3.81	3.81
Company Premium-Invest LLP (Almaty, Republic of Kazakhstan)	3.36	3.36
JSC Investment Group Alan (Almaty, Republic of Kazakhstan)	1.23	1.19
Others owning less than 1 per cent.	16.85	16.89
Total	**100.00**	**100.00**

Source: Company data

The following table provides information on the Bank's registered holders of Preference Shares immediately prior to the Restructuring whose holdings amount to over 1.0 per cent. of the total amount of Preference Shares of the Bank as at 31 December 2009 and 31 December 2008.

	Percentage of the total number of Preference Shares	
Name	**As of 31 December 2009**	**As of 31 December 2008**
Mirage Inter S.A. (British Virgin Islands)	33.90	–
NAK-LTD LLP (Almaty, Republic of Kazakhstan)	28.30	28.30
Company Premium-Invest LLP (Almaty, Republic of Kazakhstan)	19.02	19.02
JSC Accumulative Pension Fund Capital (Almaty, Republic of Kazakhstan)	5.13	5.13
QVT Fund LP (Almaty, Republic of Kazakhstan)	0.02	33.90
Others owning less than 1 per cent.	13.63	13.65
Total	**100.00**	**100.00**

Source: Company data

Management does not own any shares in the Bank.

The Bank's Shares are currently listed on the non-listed securities category of the KASE. However the Bank has made an application to the KASE to transfer the Shares to the third category of the official list of KASE. Through 1 July 2010, the Bank did not pay dividends on Preference Shares in accordance with the terms of issue of the Preference Shares and therefore, according to the local law, Shareholders (holding Preference Shares) gained proportionate voting rights on par with Shareholders (holding Common Shares). The Bank did, however, pay dividends on the Preference Shares in October 2010. For so long as the Bank continues to pay such dividends, holders of such Preference Shares will cease to have proportionate voting rights.

Certain minority shareholders of the Bank may have connections to former shareholders who are currently the subject of investigations.

Samruk-Kazyna

Samruk-Kazyna currently holds a majority of the Shares in the Bank.

Samruk-Kazyna is wholly owned by the Government and is the national management holding company for substantially all state enterprises. Samruk-Kazyna was created in 2008 pursuant to the Presidential Edict No. 669, dated 13 October 2008, and the Resolution of the Government No. 962, dated 17 October 2008, by way of the merger of JSC "Kazakhstan Holding for Management of State Assets", "Samruk" and JSC "Sustainable Development Fund Kazyna". Samruk-Kazyna is a joint stock company whose shares are held by the Ministry of Finance's Committee of State Property and Privatisation on behalf of Kazakhstan.

Samruk-Kazyna's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long-term value and increasing the competitiveness of such entities in world markets.

The governance of Samruk-Kazyna's activities is subject to the general corporate governance rules applicable to all joint stock companies in Kazakhstan. Accordingly, the corporate governance structure of Samruk-Kazyna is as follows: the Government, as the sole shareholder, constitutes the supreme governing body, the board of directors constitutes the managing body, and the management board constitutes the executive body.

The members of Samruk-Kazyna's board of directors are appointed by the Government, and its members are, among others, the Minister of Economic Development and Trade, the Minister of Finance, the Minister of Oil and Gas, the Vice Prime Minister of Kazakhstan- Minister of Industry and New Technologies, Assistant to the President of Kazakhstan independent directors and the chairman of the Management Board of Samruk-Kazyna. In addition, the board of directors is chaired by the Prime Minister of Kazakhstan.

The registered office of Samruk-Kazyna is at 23 Kabanbay Batyr Avenue, 010000 Astana, Kazakhstan and the telephone number is: +7 7172 790 486.

RELATED PARTY TRANSACTIONS

The Bank has information that indicates that in the past certain customers and counterparties may not have been properly identified as related parties of the Bank. The Bank has been unable to determine with certainty whether certain outstanding transactions were undertaken with parties who were related parties of the Bank as at 31 December 2009. Therefore the disclosure included in this Prospectus may not necessarily present all transactions with related parties. See "Risk Factors — Risks Relating to the Bank — Transactions with unidentified parties related to the Bank's former management and former shareholders of BTA may cause future losses". To address these and other prior breaches of appropriate procedures, the Bank has determined to strengthen its internal controls. See "The Bank — Strategy — Phase I: Restructuring and Optimising Recovery on its Loan Portfolio — Enhance the Bank's corporate governance, internal controls and risk management."

For a description of the definition of related parties under IAS 24 "Related Party Disclosure" and for quantitative disclosure on transactions with related parties see Note 25 to the interim condensed consolidated financial statements for the period ending 31 December 2009 and Note 33 to the financial statements for the fiscal year ended 31 December 2008 included elsewhere in this Prospectus.

The following information describes the transactions between the Bank and related parties known to the Management of the Bank at the date of this Prospectus.

Loans to related parties

The Bank has made loans to related parties, including to companies affiliated with the Bank and to prior and current management personnel. As noted above under "The Bank – Business of the Bank", the Bank substantially discontinued its lending activities in 2008 following the global financial crisis. Prior to 2008, such loans to affiliated companies and Bank personnel were made in the normal course of business and on an arm's length basis, with some of the loans to Bank personnel providing slightly discounted interest rates. The Bank approved these loans using the same process and procedures as used for all other loans at that time.

Loans to Bank personnel totalled KZT 28 million and KZT 161 million as at 31 December 2009 and 31 December 2008, respectively. Loans to companies affiliated with the Bank totalled KZT 879 million and KZT 1,533 million as at 31 December 2009 and 31 December 2008, respectively. See "Management and Corporate Governance — Loans to the Board of Directors, Management Board and other Senior Officers" for a breakdown of the loans to management personnel as at 31 December 2009 and 31 December 2008.

Related Party Financial Assets

As at 31 December 2009, the Bank's financial assets at fair value through profit or loss included KZT 944 million (net of allowance for impairment) of securities issued by related parties, representing 9.2 per cent. of the Bank's total financial assets at fair value through profit or loss as at that date. These related party securities held by the Bank as at 31 December 2009 included (net of any allowance for impairment) KZT 509 million of bonds issued by BTA (the Bank's parent company as at the date of this Prospectus), KZT 412 million of bonds issued by BTA Ipoteka (a subsidiary of BTA, the Bank's parent company as at the date of this Prospectus), and KZT 23 million of ordinary shares of Kazakhtelecom (which is also controlled by Samruk-Kazyna).

The Bank acquired the bonds issued by BTA when a counterparty with whom the Bank entered into a reverse repurchase transaction on such bonds defaulted and the Bank retained the bonds issued by BTA as a result. BTA has now completed its financial restructuring and, under the terms of that restructuring, the Bank received BTA shares in full satisfaction of the KZT 509 million principal amount of such bonds. The Bank recognized a loss of KZT 4,589.4 million on such exchange.

The Bank acquired the bonds issued by BTA Ipoteka and the ordinary shares of Kazakhtelecom through purchases in the secondary market. The Bank has not recorded charges to allowance in respect of the bonds issued by BTA Ipoteka, but the Bank is monitoring the situation of BTA Ipoteka.

Loans to Temirleasing

As of 31 December 2009, the Bank no longer owned Temirleasing, which was sold to BTA in June 2008. For information on the Bank's sale of Temirleasing, see "Management's Discussion and Analysis of

Results of Operations and Financial Condition — Factors Affecting Results of Operations — Sale of Shares of Temirleasing". At that date, the Bank had KZT 879 million of loans extended to Temirleasing.

Funding

As at 31 December 2009, the Bank had KZT 12,532 million in liabilities to the Republic of Kazakhstan, principally to Samruk-Kazyna. Samruk-Kazyna had deposits with the Bank of KZT 11,936 million (including accrued interest), and its subsidiary, Damu Fund, had further deposits of approximately KZT 614 million in connection with the various state-sponsored financing programmes in which the Bank is participating. See "The Bank — Business of the Bank."

As at 31 December 2009, the Bank had KZT 55,660 million (including accrued interest) of deposits by BTA. The BTA deposits bear interest at varying rates ranging from 14-18 per cent., as set by BTA.

As at 31 December 2009, the Bank had customer deposit accounts with other related parties of KZT 120,063 million, representing 87.9 per cent. of the total amount of such customer accounts. These customer accounts are on substantially the same terms as for comparable customer accounts with unaffiliated third parties.

In addition, as at 31 December 2009, the Bank and BTA Ipoteka had entered into repurchase agreements aggregating KZT 1,292 million, representing 13.06 per cent. of the total amount of the Bank's repurchase agreements as at such date. The repurchase transactions were on arm's length terms comparable to the terms of such transactions with unaffiliated third parties.

TERMS AND CONDITIONS OF THE NOTES

The U.S.$60,750,000 14 per cent. Senior Notes due 2022 (the **Notes**, which expression includes any further notes issued pursuant to Condition 17 (Further Issues) and forming a single series therewith) of JSC Temirbank (the **Issuer**) are (a) constituted by, and subject to and have the benefit of a trust deed dated 30 June 2010 (as amended or supplemented from time to time, the **Trust Deed**) between the Issuer and BNY Corporate Trustee Services Limited as trustee (the **Trustee**, which expression includes all persons for the time being appointed as trustee or trustees for the holders of the Notes (the **Noteholders**) under the Trust Deed) and (b) is the subject of a paying agency agreement dated 30 June 2010 (as amended or supplemented from time to time, the **Paying Agency Agreement**) between the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the **Registrar**, which expression includes any successor registrar appointed from time to time in connection with the Notes) and The Bank of New York Mellon, London Branch as principal paying and transfer agent (the **Principal Paying and Transfer Agent**, which expression includes any successor principal paying agent or transfer agent appointed from time to time in connection with the Notes), the other paying and transfer agents named therein (together with the Principal Paying and Transfer Agent, the **Paying and Transfer Agents**, which expression includes any successor or additional paying or transfer agents appointed from time to time in connection with the Notes) and the Trustee.

Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and subject to their detailed terms. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Paying Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom. References herein to the **Agents** are to the Registrar, the Principal Paying and Transfer Agent, the Paying Agents and the Transfer Agents and any reference to an "Agent" is to any one of them.

1 Form, Denomination and Title

(a) *Form and Denomination*

The Notes are in registered form, without interest coupons attached, and shall be serially numbered. Notes shall be issued in denominations of U.S.$1,000 and integral multiples of U.S.$1 in excess thereof (each an **authorised denomination**).

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfers*). The holder (as defined below) of any Note shall (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 other interest therein, any writing thereon (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

In these Conditions, "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 "holders" and "Noteholders" shall be construed accordingly.

2 Registration

The Registrar will maintain a register (the Register) at the specified office of the Registrar in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. A certificate (each, a Note Certificate) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

3 Transfers

(a) Subject to Conditions 3(d) and 3(e), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the **Transfer Form**) duly completed, at the Specified Office of the Registrar or a Transfer Agent, together with such evidence as the Registrar or (as the case may be) such 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. Transfer Forms are available from any Transfer Agent, the Registrar and the Issuer upon the request of any holder. In the case of a transfer of only a portion of the Notes represented by a Note Certificate, neither the portion transferred nor the balance thereof not transferred may be less than the applicable authorised denomination, and a new Note Certificate in respect of such balance not so transferred will be issued to the transferor. Transfers will be made through the office of any Transfer Agent upon presentation and surrender of the Note Certificate.

(b) Within five business days of the surrender of a Note Certificate in accordance with Condition 3(a), the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3(b), "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(c) The transfer of a Note will be effected without charge by the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(d) Noteholders may not require transfers to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes.

(e) All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of the Notes scheduled to the Paying Agency Agreement, a copy of which will be made available as specified in the preamble to these Conditions. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4 Status

The Notes are direct, general, unconditional and (subject to Condition 5(a) (Negative Pledge)) unsecured obligations of the Issuer and will at all times rank pari passu among themselves. The payment obligations of the Issuer under the Notes will at all times rank at least pari passu in right of payment with all its other present and future unsecured and unsubordinated obligations, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5 Negative Pledge and Certain Covenants

(a) *Negative Pledge*

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money of any Subsidiary or other Person or any Indebtedness Guarantee in respect of any Indebtedness for Borrowed Money of any 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 the Noteholders or as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders.

(b) *Merger and Consolidation*

For so long as the Notes remain outstanding, 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 Person (if other than the Issuer) formed by or resulting from any such consolidation or merger shall be duly incorporated, or otherwise organised and existing, under the laws of Kazakhstan and shall assume the performance and observance of all of the Issuer's obligations under the Notes and the Trust Deed and (ii) at the relevant time there shall not have occurred and be continuing any Event of Default (as defined in Condition 12 (Events of Default)), or an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 12, become an Event of Default.

(c) *Limitations on Certain Transactions*

For so long as any Note remains outstanding, the Issuer shall not in any 12-month period, 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.$2,000,000, unless such transaction or series of transactions is or are at Fair Market Value.

(d) *Maintenance of Capital Adequacy*

The Issuer shall not permit its capital adequacy ratio (k2) to fall below the minimum regulatory requirements as determined by AFN and such calculation to be made by reference to the most recent compliance reports of the Issuer filed with the AFN and prepared in accordance with AFN Methodology.

(e) *Information and Financial Statements*

The Issuer shall:

(i) provide the Trustee with any notices, circulars and other communications addressed to the shareholders and creditors of the Issuer and upon request, so far as permitted by applicable law, give the Trustee such other information as it requires to perform its functions and discharge the duties, trusts, powers, authorities and discretions vested in it under the Trust Deed or by the operation of law; and

(ii) send to the Trustee:

(aa) at the time of their issue and, in any event, in the case of annual financial statements within 120 days of the end of each financial year, copies of its audited financial statements for such financial year in English, prepared in accordance with IFRS, together with the corresponding financial statements and accounts for the preceding period, and all such annual financial statements and accounts shall be accompanied by the report of its independent auditors thereon, and;

(bb) at the time of their issue, and in any event, in the case of semi-annual financial statements within 90 days of the end of each half year period, copies of its unaudited financial statements for such half year period in English, prepared in accordance with IFRS.

(f) *Definitions*

For the purposes of these Conditions:

AFN Methodology means International Financial Reporting Standards adjusted to reflect the AFNs requirements for preparation of financial statements for regulatory purposes.

Development Organisation means any of Asian 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 GmbH or any other development finance institution established or controlled by one or more states and any other person which is a, or is controlled by any, Kazakhstan governmental body acting on behalf of or funded in relation to the relevant Indebtedness for Borrowed Money by one or more of the foregoing development finance institutions.

Fair Market Value means, with respect to any 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 and a report of the Auditors (as defined in the Trust Deed) of the Issuer of the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties.

IFRS means International Financial Reporting Standards as in effect from time to time (formerly referred to as International Accounting Standards).

Indebtedness Guarantee means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness, including (without limitation) (a) any obligation to purchase such Indebtedness, (b) 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, (c) any indemnity against the consequences of a default in the payment of such Indebtedness and (d) any other agreement to be responsible for repayment of such Indebtedness, including bonds, standby letters of credit or bank guarantees or other similar instruments issued in connection with the performance of contracts.

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 (a) moneys borrowed; (b) amounts raised by acceptance under any acceptance credit facility; (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments; (d) amounts raised pursuant to any issue of shares of such Person, which are expressed to be redeemable; (e) 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; (f) 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 (g) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing.

Permitted Security Interest means any Security Interest:

(i) granted in favour of the Issuer by any Subsidiary to secure Indebtedness for Borrowed Money or other obligations owed by such Subsidiary to the Issuer;

(ii) being liens or rights of set-off 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 time deposits maintained with financial institutions and bankers' liens with respect to property of the Issuer held by financial institutions;

(iii) arising in the ordinary course of the Issuer's or a Subsidiary's business and (a) which is 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;

(iv) 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;

(v) 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 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 foreign exchange dealings or other proprietary trading activities, including, without limitation, Repos;

(vi) granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary 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 Indebtedness for Borrowed Money 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;

(vii) granted by the Issuer in favour of a Development Organisation to secure Indebtedness for Borrowed Money owed by the Issuer to such Development Organisation pursuant to any loan agreement or other credit facility entered into between the Issuer and such Development Organisation, provided, however, that (a) the amount of Indebtedness for Borrowed Money so secured pursuant to this clause (vii) shall not exceed in the aggregate an amount in any currency or currencies equivalent to 15 per cent. of the Issuer's loans and advances to customers before allowances for loan losses (calculated by reference to the most recent audited and, if available, consolidated, financial statements of the Issuer prepared in accordance with IFRS) and (b) the relevant Security Interest only extends to the asset financed by the relevant Indebtedness for Borrowed Money and/or any Security Interest or other claim held by the Issuer in relation thereto;

(viii) created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Issuer or any Subsidiary (a) 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 Indebtedness for Borrowed Money secured by such property or assets is limited to such property or assets or (b) comprising loans or advances to customers secured on the relevant customers' residences in connection with any offering of bonds, notes, debentures, loan stock or similar instruments, provided that the aggregate amount of Indebtedness for Borrowed Money so secured pursuant to (a) and (b) of this clause (viii) at anyone time shall not exceed, at the time such Indebtedness is incurred, an amount in any currency or currencies equivalent to 20 per cent. of the Issuer's loans and advances to customers before allowances for loan losses (calculated by reference to the most recent audited and, if available, consolidated, financial statements of the Issuer prepared in accordance with IFRS);

(ix) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money 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 Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest; and

(x) not included in any of the above exceptions, in aggregate securing Indebtedness for Borrowed Money or Indebtedness Guarantees in respect of Indebtedness for Borrowed Money with an aggregate principal amount at any time not exceeding U.S.$7,000,000 (or its equivalent in other currencies) at that time.

Person means any individual, company (including a business trust), corporation, firm, partnership, joint venture, association, organisation, trust (including any beneficiary thereof), state or agency of a state or other entity, whether or not having a separate legal personality.

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 for the foregoing and, for 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, the Government or agency or instrumentality thereof or any supranational, international or multilateral 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") (a) whose affairs and policies the first Person directly or indirectly controls or (b) 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.

The Trust Deed does not oblige the Trustee to monitor compliance by the Issuer with the Conditions (including Condition 5) but it does oblige the Issuer to furnish the Trustee, annually, with a certificate, on which the Trustee may rely, as to such compliance.

6 Interest

(a) *Interest Accrual*

Each Note bears interest on its outstanding principal amount (as accreted from time to time pursuant to Condition 7 (Accreted Principal Amount)) from 30 June 2010 (the Issue

Date) at the rate of 14 per cent. per annum (the Rate of Interest), payable in arrear on 30 June and 30 December in each year (each, an Interest Payment Date), subject as provided in Condition 8 (Payments).

Each period beginning on (and including) the Issue Date or any Interest Payment Date, as the case may be, and ending on (but excluding) the next Interest Payment Date is herein called an Interest Period.

(b) *Cessation of Interest*

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (i) 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 Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Calculation of Interest for an Interest Period*

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the Accreted Principal Amount of such Note during such Interest Period, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) *Calculation of Interest for any Other Period*

If interest is required to be calculated for any period other than an Interest Period, it will be calculated by applying the Rate of Interest to (i) where interest is required to be calculated after the first Interest Payment Date, the Accreted Principal Amount during such period of such Note as at the immediately preceding Interest Payment Date, or (ii) where interest is required to be calculated before the first Interest Payment Date, the initial principal amount of such Note and, in either case, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where "Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed).

The determination of the amount of interest payable under Condition 6(c) (Calculation of Interest for an Interest Period) and this Condition 6(d) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

7 Accreted Principal Amount

(a) *Calculation of Accreted Principal Amount*

On each Interest Payment Date, each U.S.$1,000 in principal amount of the Notes shall accrete in accordance with the following formula subject to the adjustments set out in Condition 7(b) (Adjustments to Accreted Principal Amount):

Accreted Principal Amount = Previous Accreted Principal Amount x 1.05375

The Issuer shall, not later than 5 banking days prior to the commencement of each Interest Period, determine the Accreted Principal Amount in respect of each U.S.$1,000 in principal amount of Notes in accordance with Condition 7(Accreted Principal Amount) for such Interest Period and shall notify the Principal Paying and Transfer Agent of such determination. Any such determination shall, in the absence of manifest or proven error, be binding on all parties.

For the purposes of this Condition 7(a) (Calculation of Accreted Principal Amount), "banking day" means any day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Almaty.

(b) *Adjustments to Accreted Principal Amount*

The accretion of each U.S.$1,000 in principal amount of the Notes pursuant to Condition 7(a) (Calculation of Accreted Principal Amount) shall be subject to the following conditions:

(i) the Accreted Principal Amount shall not exceed the Maximum Accreted Principal Amount; and

(ii) the accretion of principal pursuant to Condition 7(a) (Calculation of Accreted Principal Amount) shall cease on the earlier of:

(aa) the Accreted Principal Amount in respect of each U.S.$1,000 in principal amount of Notes reaching the Maximum Accreted Principal Amount; and

(bb) the day immediately following the fifth anniversary of the Issue Date of the Notes; and

(iii) if following such accretion the Issuer would be in breach of the Floor Capital Condition, then the accretion of principal amount on the relevant Interest Payment Date shall be restricted to the maximum amount which could be accreted pursuant to Condition 7(a) (Calculation of Accreted Principal Amount) and which would not result in a breach by the Issuer of the Floor Capital Condition. In determining whether the Issuer is or would be in compliance with the Floor Capital Condition on any Determination Date, the Issuer's Floor Capital Condition shall be determined on the basis of its most recent regulatory capital report filed with AFN prior to such Determination Date and after giving effect to the accretion otherwise required to be made on the relevant Interest Payment Date on a pro forma basis.

For the purposes of these Conditions, the following terms have the meanings set out below:

Accreted Principal Amount means, in respect of any Note, (i) the accreted principal amount of such Note determined pursuant to Condition 7 (Accreted Principal Amount) for any period on or after the first Interest Payment Date or (ii) the initial principal amount of such Note for any period prior to the first Interest Payment Date;

AFN means the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organisations;

Capital Regulations means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Kazakhstan in relation to banks registered as a bank by the relevant division of the Ministry of Justice of the Republic of Kazakhstan and licensed to conduct the business of a bank in the Republic of Kazakhstan under the Law of the Republic of Kazakhstan "On Banks and Banking Activity in the Republic of Kazakhstan";

Determination Date means any date upon which the Accreted Principal Amount falls to be determined in accordance with these Conditions;

Floor Capital Condition means, in respect of the Issuer, the condition that on any Determination Date its capital adequacy ratios are in each case at least 0.50 per cent. above the minimum requirements for the time being imposed by applicable Capital Regulations.

Previous Accreted Principal Amount means the Accreted Principal Amount in respect of the Interest Payment Date immediately preceding the Determination Date provided that for the purposes of determining the Accreted Principal Amount on or prior to the first Interest Payment Date, the Previous Accreted Principal Amount for each U.S.$1,000 in principal amount of Notes shall be U.S.$1,000;

Maximum Accreted Principal Amount means, in respect of each U.S.$1,000 in principal amount of Notes, an amount equal to U.S.$1,234.57;

8 **Payments**

(a) *Principal*

Payments of principal in respect of the Notes will be made to the Persons shown in the Register at the close of business on the relevant Record Date (as defined below) upon surrender or, in the case of part payment only upon endorsement of the relevant Note Certificates at the Specified Office of the Registrar or of any Paying Agent.

(b) *Interest*

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at the close of business on the Record Date for such Interest Payment Date, in the case of interest payable on redemption, upon surrender or, in the case of part payment only, upon endorsement of the relevant Note Certificates at the Specified Office of the Registrar or any Paying Agent. Payments of all amounts other than as provided in Condition 8(a) (Principal) and this Condition 8(b) will be made as provided in these Conditions.

(c) *Record Date*

Each payment in respect of a Note will be made to the Person shown as the holder in the Register at the opening of business (in the place of the 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 close of business on the relevant Record Date.

(d) *Payments*

Each payment in respect of the Notes pursuant to Conditions 8(a) (Principal) and 8(b) (Interest) 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 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 United States dollar account maintained by the payee with a bank in New York City.

Where payment is to be made by cheque, the cheque will be mailed, on the business day for payment or, in the case of payments referred to in Condition 8(a) (Principal), if later, on the business day on which the relevant Note is surrendered as specified in Condition 8(a) (Principal) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

(e) *Payments Subject to Fiscal Laws*

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) *Payment on a Business Day*

If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder thereof shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day or a cheque mailed in accordance with this Condition 8 (Payments) arriving after the due date for payment or being lost in the mail. In this Condition 8(f), "business day" means any day on which banks are open for business (including dealings in foreign currencies in London and New York City) and, in the case of redemption, surrender or, in the case of partial payment only, endorsement of a Note Certificate, in the place in which the Note Certificate is surrendered or, as the case may be, endorsed.

(g) *Partial Payment*

If a Paying Agent makes a partial payment in respect of any Note, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(h) *Paying Agents*

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying 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. The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a principal paying agent and registrar. In addition, the Issuer undertakes that it will ensure that it maintains a paying agent and transfer agent with a specified office in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 15 (Notices).

9 Redemption and Purchase

(a) *Scheduled Final Redemption*

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their Accreted Principal Amount on 30 June 2022, subject as provided in Condition 8 (Payments).

(b) *Redemption for Tax 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 Noteholders (which notice shall be irrevocable) at their Accreted Principal Amount, together with interest accrued but unpaid 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, on the next date on which any amount would be payable with respect to the Notes, additional amounts, as provided or referred to in Condition 10 (Taxation), to any greater extent than would have been required had such a payment been required to be made on 30 June 2010, as a result of any change in, or amendment to, the laws or regulations of the Republic 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, but excluding any such change or amendment which obliges the Issuer to pay additional amounts in respect of Notes held by or on behalf of a person resident, domiciled or organised in the Republic of Kazakhstan in respect of whom no additional amounts would be required to be paid in relation to a payment of interest on the Notes if it were required to be made on 30 June 2010), which change or amendment becomes effective on or after 30 June 2010 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 if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 9(b), the Issuer shall deliver or procure that there is delivered to the Trustee (x) 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 (y) 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 as a result of such change or amendment. The Trustee shall be entitled to accept, without further enquiry, such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event these shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption at the option of the Noteholders on the fifth anniversary of the Issue Date*

The Issuer shall, at the option of the holder of any Note, redeem such Note on 30 June 2015 (the Put Settlement Date) at a price equal to 100 per cent. of its Accreted Principal Amount together with interest accrued to such date. In order to exercise the option contained in this Condition 9(c), the holder of a Note must, not less than 180 nor more than 220 days before the Put Settlement Date, deposit with any Paying Agent the Note Certificate relating to such Note together with a duly completed put option notice (a Put Option Notice) in the form obtainable from any Paying and Transfer Agent.

No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(c), may be withdrawn; provided, however, that if, prior to the Put Settlement Date, the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any such Note Certificate on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned by the Paying and Transfer Agent to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Put Option Notice.

(d) *Redemption at the option of Noteholders on a Change of Control*

If a Change of Control occurs, the Issuer shall promptly and in any event within 14 calendar days thereafter, give notice of such Change of Control to the Noteholders (with a copy to the Trustee) (a Change of Control Notice) in accordance with Condition 15 (Notices). The Change of Control Notice shall specify the date (which shall be not less than 30 days nor more than 60 days after the date of the Change of Control Notice) (the Change of Control Put Settlement Date) upon which the Issuer shall, at the option of the holder of any Note, redeem such Note at a price equal to 100 per cent. of its Accreted Principal Amount together with interest accrued to such date.

In order to exercise the option contained in this Condition 9(d), the holder of a Note must, not less than 15 days before the Change of Control Put Settlement Date, deposit with any Paying and Transfer Agent the Note Certificate relating to such Note together with a duly completed put option notice (a Change of Control Put Option Notice) in the form obtainable from any Paying and Transfer Agent.

No Note Certificate, once deposited with a duly completed Change of Control Put Option Notice in accordance with this Condition 9(d), may be withdrawn; provided, however, that if, prior to the Change of Control Put Settlement Date, the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any such Note Certificate on the Change of Control Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned by the Paying and Transfer Agent to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Change of Control Put Option Notice.

(e) *Redemption at the Option of the Issuer Following a Partial Redemption of the Notes at the Option of Noteholders*

If 75 per cent. or, as the case may be, more of the aggregate principal amount of the Notes originally issued shall have been redeemed in accordance with the provisions of Condition 9(c) (Redemption at the Option of the Noteholders on the fifth anniversary of the Issue Date) or Condition 9(d) (Redemption at the option of Noteholders on a Change of Control), the Issuer may, having given not less than 30 or more than 60 days' notice to the Noteholders in accordance with Condition 15 (Notices) (which notice shall be irrevocable) (with a copy to the Trustee), redeem on the expiry date of such notice all (but not some only) of the Notes at their Accreted Principal Amount, together with interest accrued and unpaid to but excluding the date of such redemption.

(f) *Notice of Redemption; No Other Redemption*

All Notes in respect of which any notice of redemption is given under this Condition 9 shall be redeemed on the date specified in such notice in accordance with this Condition 9. The Issuer shall not be entitled to withdraw any notice of redemption or redeem the Notes otherwise than as provided in this Condition 9 (Redemption and Purchase).

(g) *Purchase*

The Issuer and any Subsidiary of the Issuer may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (provided that such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer, in compliance with Condition 9(g) (Cancellation of Notes). Any Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary of the Issuer, shall not entitle such holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at such meetings.

(h) *Cancellation of Notes*

All Notes which are redeemed or surrendered for cancellation pursuant to this Condition 9 shall be cancelled and may not be reissued or resold. So long as the Notes are admitted to trading on the London Stock Exchange or the Luxembourg Stock Exchange and the rules of such stock exchange so require, the Issuer shall notify the relevant stock exchange of any such cancellation.

(i) *Definitions*

As used in this Condition 9 (Redemption and Purchase):

Capital Stock means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

a **Change of Control** shall be deemed to have occurred if JSC National Welfare Fund Samruk-Kazyna and the government of the Republic of Kazakhstan (whether directly or indirectly through any Agency of or entity Controlled by the government of the Republic of Kazakhstan) jointly cease to own at least 51% of the Capital Stock of, or otherwise to

Control, the Issuer, unless the Person to which is transferred 51% or more of the Capital Stock (or other Control) of the Issuer is at the time of transfer a Permitted Transferee.

Control means the control exercised by any person, entity or undertaking over another undertaking by virtue of:

(i) holding a majority of the voting rights in the undertaking, or

(ii) being (directly or indirectly) a member, shareholder or participant (or equivalent) of the undertaking and having the right to appoint or remove a majority of its board of directors, or

(iii) having the right to exercise, or actually exercising, a dominant influence over the undertaking:

(aa) by virtue of provisions contained in the undertaking's charter (or equivalent), or

(bb) by virtue of any contract, or

(iv) being a member, shareholder or participant (or equivalent) of the undertaking and controlling, pursuant to an agreement with other members, shareholders or participants (or equivalents), a majority of the voting rights in the undertaking.

Minimum Rating Condition means a long-term debt rating from at least one Rating Agency of at least BBB (in respect of a rating by S&P) or the equivalent rating category from any other Rating Agency.

OECD Country means a country that is a signatory to or has subsequently ratified the Convention on the Organisation for Economic Co-operation and Development dated 14 December 1960.

Permitted Jurisdiction means any of the Russian Federation, People's Republic of China, Hong Kong Special Administrative Region, Republic of Singapore or an OECD Country

Permitted Transferee means

(a) a bank or other financial institution which is:

    (i) incorporated in and subject to banking and/or financial regulation in any of the Russian Federation, People's Republic of China, Hong Kong Special Administrative Region, Republic of Singapore or an OECD Country; and

    (ii) meets the Minimum Rating Condition; or

(b) a Sovereign Wealth Fund incorporated in a Permitted Jurisdiction provided that either such Sovereign Wealth Fund or such Permitted Jurisdiction meets the Minimum Rating Condition.

Rating Agency means Moody's Investors Service, Inc. or Standard & Poor's Rating Services, division of the McGraw-Hill Companies Inc. (S&P) or Fitch Ratings Ltd and any of their respective successors.

Sovereign Wealth Fund means a special purpose investment fund, vehicle or similar arrangement funded by foreign exchange assets and/or commodity export receipts and owned directly or indirectly by a sovereign state.

10 Taxation

(a) *Taxation*

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, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within The Republic of 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 withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required (i.e. a gross-up), except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of 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 such Note; or

(ii) presented (in the case of a payment of principal or interest on redemption) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC) or any law implementing or complying with, or introduced in order to conform to, such directive; or

(iv) presented (in the case of a payment of principal or interest on redemption) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union; or

(v) where 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 the event that the foregoing obligation to pay additional amounts is for any reason unenforceable against the Issuer the Issuer shall pay to any holder of a Note (subject to the exclusions set out in (i), (ii), (iii), (iv) and (v) above) which has received a payment subject to deduction or withholding as aforesaid, upon written request of such holder (subject to the exclusions set out in (i), (ii), (iii), (iv) and (v) above), and provided that reasonable supporting documentation is provided, an amount equal to the amount withheld or deducted, so that the net amount received by such holder after such payment would not be less than the net amount the holder would have received had such deduction or withholding not taken place. 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 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.

(b) *Relevant Date*

In these Conditions, Relevant Date means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in New York by the Principal Paying and Transfer Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

(c) *Additional Amounts*

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 10 (Taxation) or any undertaking given in addition to or in substitution of this Condition 10 (Taxation) pursuant to the Trust Deed.

(d) *Taxing Jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan, references in this Condition 10 (Taxation) to the Republic of Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction.

The Trust Deed provides that if and for so long as the Notes are represented by a Global Note, Condition 9(a)(i) will not apply to any of the Notes unless the Trustee agrees that such Condition shall apply.

11 **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

12 Events of Default

(a) 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 (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their Accreted Principal Amount together with accrued interest and without further action or formality if any of the following events (each, an Event of Default) occurs:

(i) *Non-Payment*

the Issuer fails to pay the principal of the Notes when the same becomes due and payable either at maturity, by declaration or notice or otherwise or the Issuer is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes and such default in respect of interest or additional amounts continues for a period of five business days; or

(ii) *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 12 (Events of Default) and, where such default or breach is, in the opinion of the Trustee, capable of remedy, such default or breach 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

(iii) *Cross Default*

(A) any Indebtedness for Borrowed Money of the Issuer or any Subsidiary of the Issuer becomes (or becomes capable of being declared) due and payable prior to the due date for the payment thereof by reason of default of the Issuer, or the relevant Subsidiary (as the case may be), or is not paid when due or within any originally applicable grace period; or (B) any Indebtedness Guarantee given by the Issuer or any Subsidiary of the Issuer in respect of Indebtedness for Borrowed Money of another Person is not honoured when due and called, provided that the amount of Indebtedness for Borrowed Money referred to in (A) above and/or the amount payable under any Indebtedness Guarantee referred to in (B) above individually or in the aggregate exceeds U.S.$5,000,000 (or its equivalent in any other currency or currencies (as determined by the Trustee)); or

(iv) *Judgment Default*

a judgment or order or arbitration award for the payment of an aggregate amount in excess of U.S.$5,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against the Issuer or any Subsidiary of the Issuer and continues unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or

(v) *Bankruptcy*

(A) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements in respect of the Issuer or any Material Subsidiary or all or substantially all of their respective properties 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 (B) 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 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, 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 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; or

(vi) *Substantial Change In Business*

the Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the opinion of the Trustee in its sole discretion) materially prejudicial to the interests of the Noteholders; or

(vii) *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 material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure 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

(viii) *Material Compliance with Applicable Laws*

the Issuer fails to comply in any (in the sole opinion of the Trustee) material 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 respective rights or perform or comply with its respective 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

(ix) *Invalidity or Unenforceability*

(A) the validity of the Notes, the Trust Deed or the Paying Agency Agreement is contested by the Issuer, or the Issuer shall deny 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 (B) it is or becomes unlawful for the Issuer to perform or comply with all or any of its respective obligations set out in the Notes, the Trust Deed or the Paying Agency Agreement (as the case may be); or (C) all or any of the obligations of the Issuer 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 12(a)(ix) (Invalidity or Unenforceability), the Trustee is of the opinion in its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(x) *Government Intervention*

(A) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Subsidiary is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government; or (B) the Issuer or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 12(a)(x) (Government Intervention), the Trustee is of the opinion in its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders. The ownership by JSC National Welfare Fund Samruk-Kazyna and the government of the Republic of Kazakhstan (whether directly or indirectly through any agency of or entity Controlled by the government of the Republic of Kazakhstan) of 51% or more of the Capital Stock of the Issuer and rules and regulations imposed by JSC National Welfare Fund Samruk-Kazyna in relation to such ownership shall not constitute an Event of Default under this Condition 12(a)(x). The terms "Control" and "Capital Stock" shall have the meanings ascribed to them in Condition 9 (Redemption and Purchase).

(b) For the purposes of this Condition 12 (Events of Default), the following terms have the meanings set out below:

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 5 per cent. of the consolidated gross assets or consolidated gross revenues or, as the case may be, the 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 and, if available, consolidated financial statements (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 then most recent audited and, if available, consolidated financial statements of the Issuer.

"**business day**" means any day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Almaty.

13 Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Transfer Agent in London, subject to all applicable laws and stock exchange 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 may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14 Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Issuer, or by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than one more than half of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a Reserved Matter)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

(b) *Written Resolution*

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed by or on behalf of persons holding three quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) *Modification Without Noteholders' Consent*

The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including these Conditions) or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed, which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. 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 15 (Notices).

15 Notices

(a) *To the Noteholders*

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are listed on the London Stock Exchange or Luxembourg Stock Exchange, notices to the Noteholders shall be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication.

(b) *To the Issuer*

Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at 68/74 Abai Ave., Almaty 050008, Kazakhstan and clearly marked on their exterior "Urgent – Attention: Chairman of the Management Board" (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 15(a)) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal offices, as applicable, are open for business.

(c) *To the Trustee and Agents*

Notices to the Trustee or any Agent will be deemed to have been validly given if delivered to the Specified Office, for the time being, of the Trustee or such Agent, as the case may be, and will be validly given when received by the Trustee or such Agent.

16 Trustee

(a) *Indemnification*

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances (including, but not limited to, relief from taking proceedings, unless indemnified and/or provided with security and/or pre-funded to its satisfaction) and to be paid its costs and expenses in priority to the claims of the 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'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 respective obligations under or in respect of the Notes and the Trust Deed, as applicable.

(b) *Exercise of Power and Discretion*

In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in these Conditions and the Trust Deed), 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 or taxing jurisdiction. 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.

(c) *Enforcement; Reliance*

The Trustee may at any time, at its discretion and without notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the holders of a least one fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. In particular, the Trust Deed provides that the Trustee may rely on certificates or reports from auditors whether or not such certificate or report or any engagement letter or other document entered into by the Issuer and the auditors contains any limit on liability (monetary or otherwise) of the auditors and provides further that nothing shall require the Trustee to enter into or to agree to be bound by the terms of any engagement letter or other document entered into by the Issuer and any such auditor. If such evidence is relied upon, the Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting or relying.

Until the Trustee has actual knowledge to the contrary, the Trustee may assume that no Event of Default or event or circumstance, which could with the giving of notice, lapse of time, issue of a certificate and/or fulfillment of any other requirement provided for in Condition 12 (Events of Default) become an Event of Default has occurred. The Trust Deed provides that the Issuer is required to deliver to the Trustee, pursuant to, and in the circumstances detailed in, the Trust Deed, a certificate signed by any two of its Directors that there has not been and is not continuing any Event of Default, any event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfillment of any other requirement provided for in Condition 12 (Events of Default) become an Event of Default, or any other breach of the Trust Deed. The Trustee shall be entitled to rely without liability on such certificates. The Trustee shall not be responsible for monitoring any of the covenants and obligations of the Issuer set out in these Conditions and shall be entitled to rely upon the information provided pursuant to these Conditions and the Trust Deed and to assume, unless it receives express notice to the contrary, that the Issuer is complying with all covenants and obligations imposed upon it, respectively, herein and therein.

(d) *Failure to Act*

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

(e) *Retirement and Removal*

Any Trustee may retire at any time on giving at least three months' written notice to the Issuer without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee, provided that the retirement or removal of a sole Trust Corporation will not be effective until a Trust Corporation is appointed as successor Trustee. If a sole Trust Corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another Trust Corporation be appointed as Trustee. In the event of any change of the Trustee, a notice shall be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times).

(f) *Substitution*

The Trust Deed contains provisions to the effect that the Trustee may (without the consent of the Noteholders) agree on such terms as it may specify to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer 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 relevant conditions of the Trust Deed having been complied with. 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 15 (Notices).

17 Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date and/or the first payment of interest on such further notes) so that such further issue is consolidated and forms a single series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other Notes issued pursuant to this Condition and forming a single series with the Notes. Such further Notes shall be constituted by a deed supplemental to the Trust Deed, which supplemental Trust Deed shall contain such provisions (corresponding to any provisions of the Trust Deed) as the Trustee may require. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

18 Currency Indemnity

If any sum due from the Issuer in respect of the Notes under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions, the Trust Deed or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in respect of the Notes or in respect thereof under the Trust Deed, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying and Transfer Agent or the Paying Agent having its Specified Office in London, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

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; Jurisdiction and Arbitration**

(a) *Governing Law*

The Trust Deed, the Notes and the Paying Agency Agreement and any non-contractual obligations arising out of or in connection with any of them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*

Subject to Condition 20(g) (Arbitration), the courts of England shall have, subject as follows in this Condition 20(b), 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 (respectively, Proceedings) and, for such purposes, the Issuer irrevocably submits to the jurisdiction of such courts. Nothing in this Condition 20(b) shall limit the right of the Trustee or the Noteholders to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings by the Trustee or the Noteholders in any one or more jurisdictions preclude the taking of Proceedings by the Trustee or the Noteholders in any other jurisdiction (whether concurrent or not) if and to the extent permitted by law.

(c) *Appropriate Forum*

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.

(d) *Agent for Service of Process*

The Issuer has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment.

Nothing herein shall affect the right to serve process in any other manner permitted by law.

(e) *Consent to Enforcement, etc.*

The Issuer has consented generally in respect of any Proceedings (or arbitration in accordance with Condition 20(g) (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 order or judgment which may be given in such Proceedings.

(f) *Waiver of Immunity*

To the extent that the Issuer may in respect of any Proceedings in any jurisdiction claim for itself or its respective assets or revenues immunity from suit from the jurisdiction of any court, from execution, attachment (whether in aid of execution of a judgment, before judgment or otherwise) or any other relief 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 respective assets or revenues, the Issuer has irrevocably agreed, in connection with any Proceedings, not to claim and has irrevocably waived such immunity to the fullest extent now or hereafter permitted by the laws of the jurisdiction in which such Proceedings are commenced.

(g) *Arbitration*

(i) Disputes

The Issuer has agreed that the Trustee or, if the Trustee, having become bound to take Proceedings, fails to do so, a Noteholder may elect, by notice in writing to the Issuer, to refer to arbitration in accordance with the provisions of this Condition 20(g) 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), except that before and at any time up to 60 days following the appointment of an arbitrator to determine all Disputes or a specific Dispute, the Trustee may by notice in writing to the Issuer, require that all such Disputes or such specific Dispute be heard by a court of law in accordance with Condition 20(b).

(ii) UNCITRAL Arbitration Rules

The Issuer has agreed, and hereby agrees, that (with respect to any Dispute subject to a notice of election in accordance with Condition 20(g)(i)), such Dispute may be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules (the "Rules") as at present in force (which are deemed incorporated into this Condition 20(g)) by a panel of three arbitrators appointed in accordance with the Rules. 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 President of 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(g).

DESCRIPTION OF THE NOTES WHILE IN GLOBAL FORM

Form of Notes

The Notes were issued only in fully registered form without coupons and only in denominations of $1,000 and integral multiples of $1.00 in excess thereof.

The Notes are initially in the form of one or more global notes (the "Global Notes"). The Global Notes have been deposited with the Trustee as custodian for the Depository Trust Company ("DTC"). Ownership of interests in the Global Notes, referred to in this description as "book entry interests," is be limited to Persons that have accounts with DTC or their respective participants. The terms of the Trust Deed provide for the issuance of definitive registered Notes in certain limited circumstances. Please see the section entitled "—Book Entry, Delivery and Form."

The registered Holder of a Note will be treated as the owner of it for all purposes.

Book-Entry, Delivery and Form

The Notes were offered and sold in the United States to qualified institutional buyers in reliance on Rule 144A ("Rule 144A Notes") and outside the United States in offshore transactions in reliance on Regulation S ("Regulation S Notes"). Notes were issued in registered, global form in minimum denominations of $1,000 and integral multiples of $1.00 in excess thereof.

Rule 144A Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the "Rule 144A Global Notes"). Regulation S Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Global Notes were deposited upon issuance with the custodian for The Depository Trust Company ("DTC") and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of this offering (such period through and including such 40th day, the "Distribution Compliance Period"), beneficial interests in the Regulation S Global Notes may be held only through Euroclear Bank, S.A./N.V as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") (as indirect participants in DTC), unless transferred to a Person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "— Exchanges Between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may be exchanged for Notes in certificated form. See "— Exchange of Global Notes for Certificated Notes."

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer as described herein. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Bank takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

The Bank understands that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Bank that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of Participants designated with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. Investors in the Regulation S Global Notes may hold their interests therein through Euroclear, Clearstream or DTC, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank, S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or "Holders" thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the Trust Deed. Under the terms of the Trust Deed, the Bank and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Bank, the Trustee nor any agent of the Bank or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Bank that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Bank. Neither the Bank nor the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and the Bank and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions applicable to the Notes, transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Bank that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Bank nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for definitive Notes in registered certificated form ("Certificated Notes") if:

(1) DTC (a) notifies the Bank that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act, and in each case the Bank fails to appoint a successor depositary;

(2) the Bank, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes (DTC has advised the Bank that, in such event, under its current practices, DTC would notify its participants of the Bank's request, but will only withdraw beneficial interests from a Global Note at the request of each DTC participant); or

(3) there will have occurred and be continuing a Default or Event of Default with respect to the Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Trust Deed. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend, unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Distribution Compliance Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that:

(1) the transfer of Notes is being made in accordance with Rule 144A; and

(2) the Notes are being transferred to a Person:

(a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(b) in accordance with all applicable securities laws of the states of the United States.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Paying Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available). If such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected in DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Distribution Compliance Period.

Same Day Settlement and Payment

The Bank will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, interest and Additional Interest, if any) by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. The Bank will make all payments of principal, interest and premium and Additional Interest, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such Holder’s registered address. The Notes represented by the Global Notes are expected to trade in DTC’s Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Bank expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Issuers that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC’s settlement date.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994, the Government has adhered to a strict macroeconomic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which have sharply reduced inflation and lowered interest rates.

Kazakhstan has a two-tier banking system with the central bank of Kazakhstan, 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 Kazakh FMSA (prior to 2004 this licensing role was carried out by the NBK).

The Government, the NBK and the Kazakh FMSA have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation in the banking sector and improving the overall stability 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 Kazakh FMSA show the continuation of asset quality deterioration in 2009, with NPLs in the banking sector increasing to 21.2 per cent. as at 31 December 2009 from 5.2 per cent. as at 31 December 2008. The banking sector overall showed a net loss of KZT 2,856 billion for first ten months of 2009 and assets of the banking sector also declined in that period.

The Government has taken a number of steps to support the Kazakhstan banking sector including significant capital injections. The IMF estimates that Kazakhstan's capital injections into its banking sector represented 4.1 per cent. of Kazakhstan's GDP in 2008, compared, for example, to the United Kingdom and the United States where capital injections represented 3.7 per cent. and 2.3 per cent., respectively. The total amount of capital injected into the Kazakhstan banking sector was U.S.$7,200 million as at 30 June 2009 and was distributed to the following banks: BTA (U.S.$5,700 million), Halyk Bank (U.S.$400 million) and Kazkommertsbank (U.S.$240 million).

For a discussion of various risks associated with the banking sector and banking regulation in Kazakhstan, see "Risk Factors – Risks 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 of Kazakhstan. 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 upon the proposal of the Chairman, to approve the annual report of the NBK, to approve the concept and design of the national currency, and to request information from the NBK. Mr. Grigoriy Marchenko was appointed as 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 chairperson 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, organise banking settlement systems, conduct currency regulation and control, assist in ensuring stability of the financial system and protect the interests of depositors with commercial banks. Following legislative changes in July 2003, the Kazakh FMSA was formed and, on 1 January 2004, took over responsibility for most of the supervisory and regulatory functions in the financial sector, which were previously performed by the NBK.

The Kazakh FMSA is an independent institution reporting directly to the President. The principal task of the Kazakh FMSA is to regulate and supervise Kazakhstan's financial markets and financial institutions, including banks, insurance companies, pension funds and pension asset management companies, as well as professional participants in the securities market. The Kazakh FMSA is empowered, among other things, to license financial institutions, to approve prudential standards for them, to approve, jointly with the NBK, the scope of financial reporting for financial institutions and to monitor the activities of, to apply sanctions to (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 Kazakh 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 purposes of regulated financial organisations are established jointly by the Competition Agency and the FMSA.

Banking Supervision

Capital Adequacy

The Kazakh FMSA refined its capital adequacy and credit exposure standards in September 2005, when it set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions. In November 2005, the regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represented a substantial step towards the implementation of the Basel Accord. In particular, these regulations introduced 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 included rules for calculating risk with respect to derivatives.

As at 1 July 2009, the Kazakh 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. of total assets (with the 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. of risk-weighted assets, compared with the BIS Guidelines' recommendation of 8.0 per cent. For banks with a bank holding company among their shareholders, state-controlled banks and banks in which the Government or a national management holding company has acquired at least a 10 per cent. stake as the result of a breach of prudential or regulatory requirements by such bank, the FMSA's K1-1 and K1-2 capital adequacy ratio requirement is reduced to 5.0 per cent. of total assets (with the K1-2 ratio increasing to 8.0 per cent. from 1 July 2011) while the K2 ratio is reduced to 10.0 per cent. of risk weighted assets.

The 2005 regulations establish the following capital adequacy ratios for banks which do not have amongst their shareholders an individual holding at least 10 per cent. of their shares: 7.0 per cent. for the K1-1 and K1-2 ratios (10 per cent. for the K1-2 ratio, starting from 1 July 2011) and 14.0 per cent. for the K2 ratio.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the Kazakh 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 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 Kazakh FMSA monitors compliance with capital adequacy standards (in accordance 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 Kazakh FMSA regulates 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. Minimum reserve requirements have been changed several times. Starting from 3 March 2009, the requirements were revised to 1.5 per cent. of total liabilities with respect to domestic liabilities and 2.5 per cent. of total liabilities with respect to foreign liabilities.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme, the KDIF, was established and as at 1 September 2009, 36 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal deposits in any currency 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. It is anticipated that participant banks will be called upon to make further contributions to the scheme as a result of payments made by the scheme to depositors of JSC Valut-Transit Bank as described below in "— Commercial Banks".

Acquisition of Interests in Kazakhstan Banks

Current legislation requires Kazakh FMSA approval of any acquisition of a shareholding of 10 per cent. or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity must obtain a credit rating from one of the rating agencies which are recognised by the Kazakh FMSA in order to hold 10 per cent. or more of a Kazakhstan bank. The rating of such an entity should be long term and should not be less than (i) Kazakhstan's sovereign rating (or equivalent); or (ii) if the entity is a financial institution, the rating should be not less than "BB-" (by S&P) or the equivalent, provided that the country in which the entity is domiciled has a rating of not less than "BB-" (by S&P) or the equivalent and the respective regulator has an agreement on information exchange with the FMSA.

Other Regulations

In addition, in June 2006 the Kazakh 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 to 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 concern about currency mismatches and more precisely, to manage banks' liquidity, the Kazakh FMSA also has tightened requirements regarding open/net currency positions and introduced various limits of currency liquidity.

In December 2006, and with effect from 1 April 2007, the Kazakh 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 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 Kazakh FMSA to demand that a bank increase its provisioning ratios.

Commercial Banks

The number of commercial banks has decreased from 184 in mid-1994 to 38 as at the end of 2002 and to 38 as at 31 December 2009. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of banks. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In November 2001, the Government divested its remaining 33.0 per cent. stake in Halyk Bank by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT 2,100 million. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the Kazakh FMSA and this bank has been in the process of liquidation since November 2005. On 24 December 2005, the Kazakh FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards. In December 2006, the Kazakh FMSA revoked the banking licence of JSC Valut-Transit Bank due to the violation of Kazakhstan laws, improper performance of contractual obligations and breach of prudential standards. A decision on the mandatory liquidation of JSC Valut-Transit Bank was adopted by the special inter-district economic court of Karaganda on 13 February 2007 and came into effect on 1 March 2007.

As at 20 January 2008, the KDIF reported total payments of KZT 13,800 million, of the expected KZT 16,000 million, to the depositors of JSC Valut-Transit Bank.

As at 31 December 2009, 30 of the 38 commercial banks (excluding the NBK and the DBK) had registered capital of over KZT 1,394 billion. Any bank whose equity (net worth) falls below KZT 500 million is required to apply to the Kazakh FMSA for voluntary reorganisation into an organisation performing only limited banking operations.

In 2001, the Government established the DBK to provide medium- and long-term financing for, and otherwise facilitate, industrial projects in Kazakhstan. The DBK was established with a charter capital of KZT 30,000 million. The DBK is not currently licensed to accept commercial or retail deposits or to provide corporate settlement services. However, the Bank expects that the DBK may become an important competitor in the corporate lending sector if it obtains the relevant licences. The DBK is not treated as a commercial bank for the purposes of market share data and ranking in this Prospectus.

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 otherwise participating in the banking and financial services sector. A foreign bank may not open a branch in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to operate as a bank in Kazakhstan.

While foreign-owned banks do not currently provide significant domestic competition and are not active in the retail banking sector, the Bank believes that in the long term 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 competitors in the corporate banking sector. Foreign banks also bring international experience in servicing customers and target the most attractive corporate customers of Kazakhstan's domestic banks as well as foreign companies operating in Kazakhstan.

As at 30 September 2008, there were 15 banks with foreign participation operating in Kazakhstan, including RBS Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan. Under relevant Kazakhstan legislation, a bank with foreign participation is defined as a bank with more than one-third direct or indirect foreign ownership. Banks with less than one-third direct or indirect foreign ownership are considered domestic banks. A number of foreign banks have opened representative offices in Kazakhstan, including JPMorgan Chase Bank N.A., Dresdner Bank AG, Deutsche Bank AG, American Express Bank Ltd., Commerzbank AG, ING Bank N.V., Bankgesellschaft Berlin and Société Générale.

Commercial banks had a total shareholders' deficit of KZT 979 billion as at 31 December 2009 compared to total shareholders' equity of KZT 1,453 billion as at 31 December 2008. During this period, total assets of banks marginally increased to KZT 11,557 billion as at 31 December 2009 compared to KZT 11.899 billion as at 31 December 2008. Aggregate liabilities increased to KZT 12,537 billion as at 31 December 2009 compared to KZT 10,437 billion as at 31 December 2008, while aggregate net loss for the year ended 2009 amounted to KZT 2,834 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. With a view to protecting the interests of banks' creditors and ensuring the stability of the Kazakhstan banking system, the legislation, inter alia, empowered the Government, with the agreement of the FMSA, in the event of a breach by a bank of capital adequacy or liquidity ratios or if any other prudential or other mandatory requirements are breached by a bank two or more times during 12 consecutive calendar months, to acquire, either directly or through a national management holding company, the authorised shares of such bank to the extent necessary to improve such bank's financial condition and ensure compliance with prudential and other mandatory requirements. The acquisition may not be for less than 10 per cent. of the total number of outstanding shares, including those to be acquired by the Government or a national management holding company. Any issues of shares and any acquisition thereof by the Government or by the national management holding company may be carried out without approval of the relevant bank or its shareholders and may over-ride pre-emption rights. 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. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

On 2 February 2009, the Government announced its decision to purchase approximately 78 per cent. of BTA, Kazakhstan's largest commercial bank and the majority shareholder in the Bank, for KZT 251,000 million. It was also reported that the Government is considering a potential sale of up to half of its controlling stake in BTA to Russia's Sberbank.

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 and the Bank defaulted on their debt in April 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 face 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 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 New Restructuring Law in Kazakhstan". As at the date of this Prospectus, the Kazakhstan banking system remains under stress with banks starting to de-leverage through partial repayments and debt restructurings.

The New Restructuring Law in Kazakhstan

Prior to July 2009, 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 Kazakh FMSA with respect to such restructuring. The bank submits a restructuring plan to the Kazakh 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, contain a pro forma balance sheet showing the bank's financial condition following the restructuring, and describe the bank's future activities and any limitations on them. 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 under agreements for the sale of assets and any financial commitments as either a lender (if the commitment carries any credit risk) or as a borrower, including contingent obligations such as guarantees, 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 Kazakh 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 new 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. However, as at the date of this Prospectus, the application of the new Restructuring Law has not been tested in practice. See "Risk Factors – Risks Relating to the Restructuring – The Restructuring Law has not been challenged by creditors in court and the outcome of any such legal challenge is uncertain. There can be no assurance that any restructuring affected under the Restructuring Law, including the Restructuring, will be recognized and effective".

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 Kazakh 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 timely filing of a written objection.

Stabilisation Banks

The new 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 Kazakh 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 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 one stabilisation bank can be used as a holding vehicle for "good" assets of several distressed banks.

FMSA's Compulsory Measures under the Banking Law

Under the Banking Law, the Kazakh 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 Kazakh FMSA to apply the following compulsory restrictive measures to second tier banks (commercial banks) in Kazakhstan:

- 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 of prudential requirements;
- instituting the Kazakh 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 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 a conservation; and
- forcing a bank into mandatory liquidation.

Where a bank's shareholders include another bank or a bank holding company, the Kazakh FMSA may require such shareholders to decrease their direct or indirect ownership of the relevant bank to less than 10 per cent. of the bank's voting shares in the case of a bank shareholder and less than 25 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 shareholders when a bank is in breach of the FMSA's prudential requirements or is not complying with the FMSA's mandatory instructions.

The Kazakh FMSA Special Regime

Article 45.2 of the Banking Law provides for "measures of early response" which the Kazakh FMSA may apply to a bank under certain circumstances. These are discretionary measures that the Kazakh 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 Kazakh FMSA may require such bank to develop and deliver to the Kazakh FMSA for approval a plan of action which the bank must undertake to improve its financial stability. If the Kazakh 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 Kazakh FMSA may require a bank to reorganise into a credit partnership if the bank's capital adequacy ratios fall to the level below 50 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 only allowed to carry out certain limited banking operations and services for its participants.

Mandatory Purchase of a Bank's Shares

The Banking Law provides that the Kazakh FMSA may, with the Government's consent, effect a mandatory purchase of all of a bank's shares (including shares underlying any global depositary receipts) from such bank's shareholders at a price determined by the Kazakh FMSA in the event the bank's own capital (net worth) is negative. According to the Banking Law, after such purchase the Kazakh FMSA must transfer the shares to a new investor which can procure an increase of the bank's capital (net worth) and restore the bank's normal operations.

Conservation

Conservation is a compulsory measure which may be applied by the Kazakh 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 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 Kazakh FMSA (for example suspending contingent liabilities of the bank). Under conservation the bank is granted statutory immunity from the decisions of the Kazakhstan courts and international arbitration awards. This immunity covers decisions and arbitral awards issued prior to the bank entering into conservation as well as those issued after the establishment of the conservation. Enforcement of court orders or arbitral awards against the bank in respect of its indebtedness (whether domestic or international) is not permitted. 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

If a creditor files a bankruptcy claim in Kazakhstan, the debtor may, within three months from the maturity date or the date the debt became due and payable (by acceleration or otherwise), make a court application to have the bankruptcy application rejected. The three month period is a statutory period set forth in the Bankruptcy Law. There are no filing requirements in Kazakhstan for a creditor to start the three month period. Bankruptcy proceedings can be initiated after the three month period has expired and the Kazakh FMSA would then have to advise the court as to whether the bank was insolvent or not. If the Kazakh 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 Kazakh 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 Kazakh 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 which is as follows:

- administrative and legal expenses of bankruptcy;
- payments for tort claims involving harm to life or health;
- payments due to employees as a result of their employment and related social security and mandatory pension payments;
- KDIF's claims related to insured deposits;
- claims of individual depositors relating to deposits and transfers, deposits made from pension fund assets and deposits of life insurance companies;
- claims of non-profit organisations;
- claims of legal entities, secured by pledge of the bank's property;
- tax liability settlements and repayment of borrowings from the state;
- unsecured claims of creditors; and
- subordinated unsecured claims.

ADDITIONAL INFORMATION

Documents Available for Inspection

Copies of certain documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Bank and on the Bank's website at www.temirbank.kz/info/investors/news/ (and its English language equivalent, en.temirbank.kz/investors).

These documents include:

(a) the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Bank;

(b) the audited financial statements of the Bank for the years ended 31 December 2008 and 31 December 2009;

(c) the Trust Deed relating to the Notes.

Clearing

The Notes have been accepted for clearance through the Depository Trust & Clearing Corporation (**DTC**). The Cusip number for the Notes initially offered and sold pursuant to Regulation S is Y8584LAA1 and the International Securities Identification Number is XS USY8584LAA18. The Cusip number for the Notes initially offered and sold in the U.S. pursuant to Rule 144A is 87971SAA8 and the International Securities Identification Number is US87971SAA87.

Change in the Bank's Prospects since 31 December 2009

Save as set out in "The Bank - History" on page 23, "The Bank - The Restructuring" on pages 23 and 24, "The Bank - Background to the Restructuring" on pages 24 to 26, "The Bank - The Role of Samruk-Kaznya" on page 27, and "Management's Discussion and Analysis of Results of Operations and Financial Condition - Recent Developments" on pages 60 to 62, since 31 December 2009 there has been no material adverse change in the prospects of the Bank and its subsidiaries.

No Significant Change in the Financial Position of the Bank

Save as set out in "The Bank - History" on page 23, "The Bank - The Restructuring" on pages 23 and 24, "The Bank - Background to the Restructuring" on pages 24 to 26, "The Bank - The Role of Samruk-Kaznya" on page 27, and "Management's Discussion and Analysis of Results of Operations and Financial Condition - Recent Developments" on pages 60 to 62, since 31 December 2009 there has been no significant change in the financial position of the Bank and its subsidiaries.

Trends affecting the Issuer's Prospects

Save as set out in the "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 60 to 94 of this Prospectus, there are no known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the Bank's prospects during the current financial year.

Material Contracts

There are no material contracts entered into by the Bank outside the ordinary course of its business which could have a material adverse effect on the Bank's ability to meet its obligations to Noteholders.

Authorisations

The Bank has obtained all necessary consents, approvals and authorisations in connection with the creation and issue of the Notes.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), and there have been no such proceedings during the 12 months preceding the date of the Prospectus, which may have, or have had in the recent past, significant effects on the Bank and its subsidiaries' financial position or profitability.

Auditors

The Bank's independent auditors are Ernst & Young LLP, a firm of chartered accountants and certified public accountants and has audited the Bank's consolidated financial statements for the years ended 31 December 2009, 2008 and 2007. Such audit reports are included in this Prospectus beginning on page F-1.

Ratings

The Bank currently has a long term rating of "B" by S&P and "B-" by Fitch. The Notes are currently rated "B" by S&P and "B-" by Fitch. See "The Bank — Background to the Restructuring".

INDEX TO FINANCIAL STATEMENTS

Audited financial statements as at and for the six months ended 30 June 2010:

Audited financial statements as at and for the years ended 31 December 2009 and 2008:

Audited financial statements as at and for the years ended 31 December 2008 and 2007:

JSC Temirbank

Interim Condensed Financial Statements

30 June 2010

Together with Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC Temirbank

We have audited the accompanying interim condensed financial statements of JSC Temirbank (the "Bank") as at 30 June 2010, which comprise the interim condensed statement of financial position as at 30 June 2010, and the interim condensed statements of comprehensive income, of changes in equity and of cash flows for the six month period then ended, and other explanatory notes.

Management's responsibility for the interim condensed financial statements

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of interim condensed 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.

Auditors' responsibility

Our responsibility is to express an opinion on these interim condensed financial statements based on our audit. We conducted our audit 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 interim condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the interim condensed 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 presentation of the interim condensed 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 interim condensed 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 interim condensed financial statements have been prepared in accordance with IAS 34.

Ernst & Young LLP

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on
15 July 2005

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

20 September 2010

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

(Thousands of Kazakh Tenge)

	Notes	***30 June 2010***	***31 December 2009***
Assets			
Cash and cash equivalents	5	**26,847,330**	8,540,605
Trading securities	6	**13,264,761**	12,752,840
Investment securities held-to-maturity	7	**4,225,420**	–
Amounts due from credit institutions	8	**552,254**	891,550
Loans to customers	9	**180,291,216**	197,286,085
Corporate income tax assets		**41,329**	123,988
Deferred corporate income tax assets	12	**3,677,065**	3,677,065
Derivative financial instruments	11	**247,259**	308,398
Property and equipment		**1,485,295**	1,795,800
Other assets		**1,520,936**	1,129,480
Total assets		**232,152,865**	226,505,811
Liabilities			
Amounts due to credit institutions	13	**70,241,652**	72,947,048
Amounts due to customers	14	**62,640,592**	47,996,546
Debt securities issued	15	**38,542,139**	34,917,390
Eurobonds issued	16	**8,967,148**	119,999,906
Derivatives financial instruments		**–**	3,179
Other liabilities		**535,348**	1,172,738
Total liabilities		**180,926,879**	277,036,807
Equity			
Share capital	17	**59,618,875**	34,461,415
- common stock		**59,183,173**	34,025,713
- preferred stock		**542,773**	542,773
- treasury preferred shares		**(107,071)**	(107,071)
Reserve for revaluation of available-for-sale securities		**131,036**	–
Accumulated deficit		**(8,523,925)**	(84,992,411)
Total equity		**51,225,986**	(50,530,996)
Total equity and liabilities		**232,152,865**	226,505,811

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

Yerzhan B. Shaikenov **Chairman of the Board**

Khalicha H. Abdrayeva **Chief Accountant**

20 September 2010

The accompanying notes on pages F-9 to F-44 are an integral part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

(Thousands of Kazakh Tenge)

		Six months ended 30 June	
	Notes	***2010***	***2009 (unaudited)***
Interest income			
Loans to customers		**12,884,371**	18,743,875
Trading securities		**485,717**	1,028,559
Amounts due from credit institutions		**51,915**	92,314
		13,422,003	19,864,748
Interest expense			
Eurobonds issued		**(6,076,222)**	(6,611,818)
Amounts due to credit institutions		**(6,117,377)**	(4,168,780)
Amounts due to customers		**(2,005,300)**	(2,445,646)
Debt securities issued		**(2,107,077)**	(1,839,409)
		(16,305,976)	(15,065,653)
Net interest (loss)/income		**(2,883,973)**	4,799,095
Allowance for impairment on interest bearing assets	10	**(11,419,468)**	(69,092,503)
Net interest loss after impairment charge		**(14,303,441)**	(64,293,408)
Fee and commission income	18	**708,497**	769,449
Fee and commission expenses	18	**(51,475)**	(32,543)
Fees and commissions		**657,022**	736,906
Net losses from trading securities	19	**(129,672)**	(9,253,641)
Net gains/(losses) from foreign currencies:			
- dealing		**45,902**	2,663,786
- translation differences		**756,046**	(9,712,955)
Loss from purchase of loan		**–**	(2,950,956)
Income from dividends on shares		**–**	136,935
Other income		**61,212**	75,021
Non-interest income / (expense)		**733,488**	(19,041,810)
Personnel costs	20	**(1,603,181)**	(1,925,763)
Administrative and other operational expenses	20	**(1,698,558)**	(2,255,712)
Deposits insurance costs		**(185,133)**	(132,994)
Depreciation and amortisation		**(342,169)**	(476,442)
Taxes other than income tax		**(156,346)**	(118,636)
Other provisions	10	**(401,461)**	(310,757)
Non-interest expenses		**(4,386,848)**	(5,220,304)
Income from restructuring of liabilities	2	**93,768,265**	–
Profit / (loss) before corporate income tax expense		**76,468,486**	(87,818,616)
Corporate income tax benefit	12	**–**	3,339,012
Net income/ (loss)		**76,468,486**	(84,479,604)
Other comprehensive income		**131,036**	–
Total comprehensive profit / (loss) for the period		**76,599,522**	(84,479,604)
Basic and diluted income/(loss) per share (in KZT)	21	**510.77**	(4,430.67)

The accompanying notes on pages F-9 to F-44 are an integral part of these interim condensed financial statements

INTERIM CONSENDED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

(Thousands of Kazakh Tenge)

	Share capital – common shares	*Share capital – Preferred shares*	*Treasury stock*	*Retained earnings*	*Reserve for revaluation of available-for-sale securities*	*Total*
31 December 2008	34,025,713	542,773	(107,071)	10,180,761	–	44,642,176
Total comprehensive loss for the period (unaudited)	–	–	–	(84,479,604)	–	(84,479,604)
30 June 2009 (unaudited)	34,025,713	542,773	(107,071)	(74,607,241)		(39,837,428)
31 December 2009	**34,025,713**	**542,773**	**(107,071)**	**(84,992,411)**	**–**	**(50,530,996)**
Issue of share capital (Note 17)	**25,157,460**	**–**	**–**	**–**	**–**	**25,157,460**
Total comprehensive income for the period	**–**	**–**	**–**	**76,468,486**	**131,036**	**76,599,522**
30 June 2010	**59,183,173**	**542,773**	**(107,071)**	**(8,523,925)**	**131,036**	**51,225,986**

The accompanying notes on pages F-9 to F-44 are an integral part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

(Thousands of Kazakh Tenge)

	Six months ended 30 June	
	2010	2009 (unaudited)
Cash flows from operating activities:		
Interest received	**8,088,269**	9,030,389
Interest paid	**(2,985,818)**	(12,455,459)
Income less losses from trading in foreign currencies	**45,902**	2,355,388
Loss from purchase of loan	**–**	(2,950,956)
Fees and commissions received	**710,594**	770,080
Fees and commissions paid	**(51,475)**	(32,543)
Other operating income received	**24,330**	462,632
Operating expenses paid	**(3,706,317)**	(4,560,004)
Corporate income tax paid	**(41,329)**	(123,988)
Cash flows from / (used in) operating activities before changes in operating assets and liabilities	**2,084,156**	(7,504,461)
Net (increase) / decrease in operating assets		
Trading securities	**(1,014,870)**	(1,957,576)
Amounts due from credit institutions	**307,365**	540,729
Loans to customers	**9,348,722**	(3,055,763)
Net decrease in corporate income tax assets	**–**	885,701
Other assets	**(174,213)**	(1,095,556)
Net increase / (decrease) in operating liabilities		
Amounts due to RK Government and NBRK	**–**	(69,481)
Amounts due to credit institutions	**(3,025,318)**	40,128,055
Amounts due to customers	**14,997,732**	(9,644,739)
Other liabilities	**(590,013)**	891,848
Net cash from operating activities	**21,933,561**	19,118,757
Cash flows from investing activities		
Dividends received	**–**	136,935
Proceeds from disposal of property and equipment	**31,831**	5,669
Purchase of intangible assets	**(8,218)**	(2,448)
Purchase of property and equipment	**(3,256)**	(28,608)
Purchase of investment securities held-to-maturity	**(4,215,760)**	–
Net cash (used in) / from investing activities	**(4,195,403)**	111,548
Cash flows from financing activities:		
Proceeds from issue of share capital	**23,488,175**	–
Proceeds from debt securities issued	**–**	673,210
Debt securities repaid	**–**	(6,150,238)
Issued Eurobonds repaid	**–**	(21,638,002)
Amounts paid to creditors	**(22,651,504)**	–
Net cash flow from / (used in) financing activities	**836,671**	(27,115,030)
Net increase / (decrease) in cash and cash equivalents	**18,574,829**	(7,884,725)
Effect of exchange rates changes on cash and cash equivalents	**(268,104)**	613,389
Net increase /(decrease) in cash and cash equivalents	**18,306,725**	(7,271,336)
Cash and cash equivalents, beginning of the period (Note 5)	**8,540,605**	15,085,407
Cash and cash equivalents, ending of the period (Note 5)	**26,847,330**	7,814,071
Non-cash transactions:		
Debt Restructuring		
Write off of Eurobonds issued including accrued interest	**92,729,966**	–
Conversion of Eurobonds issued into common shares	**1,669,285**	–
Increase in debt securities issued due to restructuring	**1,578,034**	–
Write off of amounts due to credit institutions	**2,608,697**	–

The accompanying notes on pages F-9 to F-44 are an integral part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

1. Principal activities

JSC Temirbank (the "Bank") was formed on 26 March 1992. The Bank possesses a banking license issued by the Financial Market Supervision Agency of the Republic of Kazakhstan (the "FMSA") to perform banking operations permitted by the banking legislation.

The National Welfare Fund Samruk-Kazyna (the "Parent") acquired a share in the Bank's capital. The share of the Parent in the Bank's capital as at 30 June 2010 is about 82.0%. The share of previous shareholder JSC "BTA Bank" decreased to less than 0.1%. Consequently the Bank was separated from JSC "BTA Bank".

In 2009, dividends on preferred shares have been accrued in the amount of KZT 286,031 thousand, but not paid due to losses incurred by the Bank in 2009 in accordance with the legislation of the Republic of Kazakhstan.

Common and preferred shares of the Bank are traded in the "Unlisted securities" sector of JSC "Kazakhstan Stock Exchange" ("KASE") (in accordance with decision of Listing Committee reflected in minutes of the meeting #11, dated 28 May 2008 common and preferred shares of the Bank were excluded from official list of KASE). The Bank has about 26,000 shareholders, 99.99% of which are current or former employees of National Railway Company "Kazakhstan Temir Zholy". Total share of these shareholders is not exceeding 0.01% of the Bank's outstanding stock total amount.

The following table provides information on common shareholders, amounting to over 5% of the total amount of the Bank's common shares as at 30 June 2010 and 31 December 2009, respectively.

Shareholders of the Bank:	***30 June 2010***	***31 December 2009***
JSC National welfare fund "Samruk-Kazyna"	**82.05**	–
JSC «BTA Bank»	**0.07**	69.85
Other shareholders own less - 5%	**17.88**	30.15
Total	**100.00**	100.00

2. Going Concern

There has been a significant deterioration in the Bank's financial position during 2009, principally resulting from loss events related to the loan portfolio. This has led to a breach, by the Bank, of certain ratios including those related to capital adequacy set by the FMSA. As a result of increased provisions against loans to customers and other assets the Bank's total liabilities as at 31 December 2009 exceeded its total assets by KZT 50,530,996 thousand and the Bank has reported a net loss amounting to KZT 95,173,172 thousand for the year then ended. These events also led to non-compliance with certain ratios, including capital adequacy as calculated in accordance with Basel Capital Accord 1988 requirements.

As at 31 December 2009, the amount drawn by the Bank under bond programs, including Eurobonds issued through Temir Capital BV and other loan facilities including deposits from large entities, amounted to KZT 212,910,666 thousand. As at 31 December 2009 the Bank was in breach of these capital adequacy and lending exposure covenants on bond programs, Eurobonds issued through Temircapital B.V. and certain loan facilities. Furthermore in November 2009 the credit ratings of the Bank from major international rating agencies have decreased to default levels. Accordingly certain credit facilities became callable by the lenders. The Bank's default under these conditions resulted in accelerations and cross default under the terms of the respective agreements.

Consequently, the Bank, with the Parent support, in 2009 started the process of restructuring its debts.

On 30 June 2010 the Bank has finished the procedures of debt restructuring in accordance with the Restructuring plan, which was approved by the majority of Restructured Creditors at the Creditors meeting on 31 March 2010. By the end of the debt restructuring, the Government represented by the Parent, acquired a share in the Bank's capital. The share of the Government as at 30 June 2010 was 82.0%. The remaining 18% was transferred to ownership of external investors. In general the Bank restructured about 1.5 billion US dollars in debts, including 830 million US dollars – international debts of Eurobonds issued; 205 million US dollars – domestic bonds; 75 million US dollars – placements of Parent; and 10 million US dollars – trade finance. The Bank has not written-off the debts related to domestic bonds since over 90% of their holders are pension funds of Kazakhstan. For domestic bonds the Bank only changed the types of debt, coupon rate and increased the maturity up to ten years.

The restructuring resulted in an increase in equity of the Bank as at 30 June 2010 up to KZT 51,225,986 thousand, and decrease in total liabilities from KZT 277,036,807 thousand as at 31 December 2009 to KZT 180,926,879 thousand as at 30 June 2010. The income as a result of restructuring amounted to KZT 93,768,265 thousand. The Bank as at 30 June 2010 is in compliance with all prudential ratios.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

3. Basis of preparation

General

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Accordingly, they do not include all of the information required by International Financial Reporting Standards ("IFRS") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and provisions) considered necessary for a fair presentation have been included. Operating results for the six-month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010.

These interim condensed financial statements are presented in thousands of Kazakh Tenge ("KZT"), except per share amounts and unless otherwise indicated. The KZT is utilized as the shareholders, the managers and the regulators measure the Bank's performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Bank. Significant foreign currency positions are maintained as they are necessary to meet customers' requirements, manage foreign currency risks and achieve a proper assets and liabilities structure for the Bank's statement of financial position. Transactions in other currencies are treated as transactions in foreign currencies.

These interim condensed financial statements should be read in conjunction with the complete financial statements as of 31 December 2009, considering the effect of the adoption of the new IFRSs and revision of the existing International Accounting Standards ("IAS").

4. Summary of accounting policy

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations as of 1 January 2010, noted in paragraph "Changes in accounting policies" below:

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Impairment of financial assets (continued)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Loans are written off against allowance for impairment losses in case of uncollectibility of loans issued, including through repossession of collateral. Loans are written off after management had exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral.

Changes in accounting policies

IAS 24 «Related Party Disclosures» (revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Bank has decided to early adopt the revised IAS 24 from 1 January 2009.

IFRS 3 "Business Combinations" (revised) and IAS 27 "Consolidated and Separate Financial Statements" (revised)

The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change has no impact on goodwill, nor it gives raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised IFRS 3 and IAS 27 are applied prospectively.

Improvements to IFRS

In April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in April 2009 did not have any impact on the accounting policies, financial position or performance of the Bank, except for the following amendment and resulting changes in accounting policy, as described below.

- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's chief operating decision maker does review segment assets and liabilities, the Bank continues to disclose this information.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

4. Summary of accounting policy (continued)

Changes in accounting policies (continued)

Improvements to IFRS (continued)

- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Bank as the annual impairment test is performed before aggregation.

The following new or revised standards and interpretations effective from 2010 did not have any impact on the accounting policies, financial position or performance of the Bank:

- Amendment to IAS 39 “Financial Instruments: recognition and measurement” - Eligible Hedged Items
- Amendment to IFRS 2 “Share-based Payment” - Group Cash-settled Share-based Payment Transactions
- IFRIC 17 “Distribution of Non-Cash Assets to Owners”

Foreign currency translation

The interim condensed financial statements are presented in Tenge, which is the Bank’s functional and presentation currency. 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 functional currency KASE exchange rate ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as net losses / gains from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at 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 exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

Below are the exchange rates at the 30 June 2010 and 31 December 2009 which have been used by the Bank when preparing financial statements:

	30 June 2010	*31 December 2009*
KZT/USD	**147.55**	148.46
KZT/EURO	**180.25**	213.95

5. Cash and cash equivalents

Cash and cash equivalents include the following:

	30 June 2010	*31 December 2009*
Amounts due from National Bank of the Republic of Kazakhstan	**21,170,895**	4,566,868
Cash on hand	**4,888,718**	3,444,862
Current accounts with other financial institutions	**787,717**	528,875
	26,847,330	8,540,605

As at 30 June 2010 and 31 December 2009 the Bank is in compliance with minimum reserve requirement for the second tier banks.

6. Trading securities

Trading securities comprise:

	30 June 2010	*31 December 2009*
Bonds of the Ministry of finance of Republic of Kazakhstan	**8,528,268**	7,502,380
Corporate bonds	**3,162,699**	3,709,265
Corporate shares	**1,573,794**	1,541,195
Trading securities	**13,264,761**	12,752,840

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

6. Trading securities (continued)

	30 June 2010	*31 December 2009*
Shares		
JSC Halyk Savings Bank	**1,463,489**	1,463,489
JSC Alliance Bank	**54,274**	–
JSC Bank Centercredit	**33,837**	50,166
JSC Kazakhtelecom	**18,054**	23,202
JSC Kazkommertsbank	**4,140**	4,338
	1,573,794	1,541,195

7. Investment securities held-to-maturity

As at 30 June 2010 investment securities held-to-maturity are comprised of bonds of Ministry of Finance of the Republic of Kazakhstan for the total amount of KZT 4,225,420 thousand with the interest rate 6.5-7.4% and maturity date 2013-2018 (2009: nil).

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2010	*31 December 2009*
Loans to credit institutions	**504,636**	863,482
Time deposits	**121,172**	89,703
Total	**625,808**	953,185
Less – allowance for impairment (*Note 9*)	**(73,554)**	(61,635)
Amounts due from credit institutions	**552,254**	891,550

9. Loans to customers

Loans to customers comprise:

	30 June 2010	*31 December 2009*
Loans to customers	**268,241,551**	285,128,697
Factoring	**2,642,967**	2,787,460
Overdrafts	**304,763**	105,452
Financial leasing	**8,167**	8,357
Total loans to customers	**271,197,448**	288,029,966
Less – allowance for loans impairment	**(90,906,232)**	(90,743,881)
Loans to customers	**180,291,216**	197,286,085

Loans have been extended to the following types of customers:

	30 June 2010	*31 December 2009*
Consumer loans	**88,528,361**	95,214,337
Mortgage loans	**65,567,284**	68,344,652
Corporate clients	**57,646,816**	61,606,334
Loans to small and medium business	**40,623,673**	42,910,316
Car loans	**6,641,814**	7,536,826
Other retail loans	**12,189,500**	12,417,501
Total loans to customers	**271,197,448**	288,029,966
Less – allowance for impairment	**(90,906,232)**	(90,743,881)
Loans to customers	**180,291,216**	197,286,085

As at 30 June 2010, the Bank had a concentration of loans represented by KZT 38,398,452 thousand due from 10 largest borrowers that comprised 14.2% of the total gross loan portfolio (31 December 2009 – KZT 37,239,721 thousand, 12.9%). As at 30 June 2010, a provision of KZT 24,095,112 thousand was formed against these loans (31 December 2009 – KZT 17,315,330 thousand).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

9. Loans to customers (continued)

Loans were made to the following economic sectors:

	30 June 2010	*%*	*31 December 2009*	*%*
Individuals	**172,926,959**	**63.76**	183,513,316	63.71
Construction	**42,961,308**	**15.84**	46,505,717	16.15
Real estate activities	**14,248,489**	**5.25**	16,020,279	5.56
Wholesale trade	**10,231,363**	**3.77**	10,728,907	3.72
Services rendered to enterprises	**8,212,166**	**3.03**	7,715,221	2.68
Retail trade	**4,272,880**	**1.58**	4,486,862	1.56
Mining industry	**3,326,403**	**1.23**	3,072,627	1.07
Hotel business and restaurants	**2,569,858**	**0.95**	2,213,122	0.77
Services rendered to individuals	**1,776,914**	**0.66**	2,152,090	0.75
Food industry	**1,724,387**	**0.64**	2,022,210	0.70
Transport	**1,458,382**	**0.54**	1,392,267	0.48
Financial services	**950,217**	**0.35**	1,210,484	0.42
Other	**6,538,122**	**2.40**	6,996,864	2.34
Loans to customers	271,197,448	100.00	288,029,966	100.00

Loans to individuals consisted of the following loan programs:

	30 June 2010	*31 December 2009*
Consumer loans	**88,528,361**	95,214,337
Mortgage loans	**65,567,284**	68,344,652
Car loans	**6,641,814**	7,536,826
Other	**12,189,500**	12,417,501
	172,926,959	183,513,316

Interest income accrued on impaired loans, for which impairment allowances have been recognized, as at 30 June 2010, comprised KZT 9,255,528 thousand (as at 31 December 2009 – KZT 9,689,732 thousand).

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending – collateral of real estate properties, inventory, cash, guarantees;
- for retail lending – collateral of residential properties, cars, cash, guarantees.

As at 30 June 2010, the fair value of collateral on impaired loans amounted to KZT 89,803,628 thousand (31 December 2009 – KZT 91,452,698 thousand). Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

9. Loans to customers (continued)

A reconciliation of the allowance for impairment of loans to customers by types is as follows:

	Corporate lending	*Small and medium business lending*	*Mortgage loans*	*Consumer loans*	*Car loans*	*Other retail loans*	*Total loan portfolio*
31 December 2008	7,504,471	3,420,221	1,782,632	4,412,243	460,543	842,363	18,422,473
Charges	24,185,644	7,403,258	14,684,331	19,579,137	809,878	2,352,152	69,014,400
Recoveries	–	20	749	2,786	364	1,362	5,281
Write-offs	–	–	(9,697)	(3,851)	(30,651)	(38,625)	(82,824)
Foreign currency revaluation	484,408	1,657,111	25,701	492,651	64,679	76,543	2,801,093
30 June 2009 (unaudited)	**32,174,523**	**12,480,610**	**16,483,716**	**24,482,966**	**1,304,813**	**3,233,795**	**90,160,423**
Individual impairment	28,009,216	9,430,158	15,435,672	22,818,565	1,168,832	3,060,831	79,923,274
Collective impairment	4,165,307	3,050,452	1,048,044	1,664,401	135,981	172,964	10,237,149
Total	**32,174,523**	**12,480,610**	**16,483,716**	**24,482,966**	**1,304,813**	**3,233,795**	**90,160,423**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**47,881,133**	**19,461,946**	**34,366,379**	**44,514,937**	**3,786,003**	**6,940,806**	**156,951,204**
Individual impairment	**20,766,190**	**7,828,657**	**16,634,775**	**24,973,732**	**1,144,973**	**3,768,342**	**75,116,669**
Collective impairment	**6,726,496**	**5,213,994**	**1,309,101**	**2,025,611**	**163,785**	**188,225**	**15,627,212**
31 December 2009	**27,492,686**	**13,042,651**	**17,943,876**	**26,999,343**	**1,308,758**	**3,956,567**	**90,743,881**
Charges / (Reversal)	5,795,704	5,237,225	203,626	(59,116)	(32,772)	245,123	11,389,790
Recoveries	24	9,640	–	930	147	264	11,005
Write-offs	(6,044,185)	(2,703,049)	(946,468)	(1,396,731)	(56,535)	(210,998)	(11,357,966)
Foreign currency revaluation	20,730	211,883	(30,859)	(64,798)	(4,213)	(13,221)	119,522
30 June 2010	**27,264,959**	**15,798,350**	**17,170,175**	**25,479,628**	**1,215,385**	**3,977,735**	**90,906,232**
Individual impairment	25,260,388	13,396,480	15,596,928	23,264,850	1,055,195	3,765,779	82,339,620
Collective impairment	2,004,571	2,401,870	1,573,247	2,214,778	160,190	211,956	8,566,612
30 June 2010	**27,264,959**	**15,798,350**	**17,170,175**	**25,479,628**	**1,215,385**	**3,977,735**	**90,906,232**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**44,770,693**	**21,470,612**	**34,272,821**	**45,462,217**	**3,455,348**	**7,973,369**	**157,405,060**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

10. Allowance for impairment and provisions

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

	Amounts due from credit institutions	*Loans to customers*	*Total*
31 December 2008	1,590	18,422,473	18,424,063
Charges	78,103	69,014,400	69,092,503
Recoveries	–	(82,824)	(82,824)
Write-offs	–	5,281	5,281
Foreign currency revaluation	359	2,801,093	2,801,452
30 June 2009 (unaudited)	80,052	90,160,423	90,240,475
31 December 2009	**61,635**	**90,743,881**	**90,805,516**
Charges	**29,678**	**11,389,790**	**11,419,468**
Write-offs	**17,619**	**(11,357,966)**	**(11,375,585)**
Recoveries	**–**	**11,005**	**11,005**
Foreign currency revaluation	**(140)**	**119,522**	**119,382**
30 June 2010	**73,554**	**90,906,232**	**90,979,786**

The movements in allowances for impairment of other assets and letters of credit and guarantees are as follows:

	Letters of credit and guarantees	*Other assets*	*Total*
31 December 2008	5,076	250,124	255,200
Impairment charge	2,974	307,783	310,757
Write-offs	–	(249,838)	(249,838)
Foreign currency revaluation	(3)	(1,690)	(1,693)
30 June 2009 (unaudited)	8,047	306,379	314,426
31 December 2009	**2,136**	**271,425**	**273,561**
Impairment charge	**3,167**	**398,294**	**401,461**
Foreign currency revaluation	**–**	**300**	**300**
30 June 2010	**5,303**	**670,019**	**675,322**

Allowances for letters of credit and guarantees are recorded in other liabilities.

11. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded in the interim condensed financial statements as assets or liabilities, together with their notional amounts.

	30 June 2010			*31 December2009*		
	Notional principal	*Fair value*		*Notional principal*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Options	**2,336,709**	**247,259**	**–**	2,336,947	308,398	–
Swaps	**–**	**–**	**–**	8,245,143	–	3,179
	2,336,709	**247,259**	**–**	10,582,090	308,398	3,179

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

As at 30 June 2010 and 31 December 2009 the Bank had certain loans that are foreign currency linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Bank has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the loans issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level.

The Bank believes that the above feature comprises an embedded foreign currency option which is an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

11. Derivative financial instruments (continued)

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

12. Taxation

Corporate income tax ("CIT") expenses comprise the following:

	Six month ended 30 June	
	2010	***2009 (unaudited)***
Current tax charge	–	–
Deferred tax benefit – origination and reversal of temporary differences	–	(3,339,012)
CIT benefit	–	(3,339,012)

	30 June 2010	***31 December 2009***
Deferred tax asset – gross	**9,471,087**	7,401,456
Unrecognised deferred tax asset	**(5,794,022)**	(3,724,391)
Net deferred tax asset	**3,677,065**	3,677,065

Deferred tax asset as at 30 June 2010 mainly comprised of tax losses carried forward. The Bank did not recognize a deferred tax asset to the extent of probable future profits, which can not be reliably measured.

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2010	***31 December 2009***
Loans from Kazakh banks and credit institutions	**9,483,987**	10,511,254
Loans from OECD based banks and credit institutions	**1,648,943**	1,250,626
Loans extended on Repo agreements	–	4,434,222
	11,132,930	16,196,102
Placements from JSC «BTA Bank»	**59,022,542**	56,191,189
Loro accounts	**86,180**	24,806
Shareholders' Loro accounts	–	534,951
	59,108,722	56,750,946
Amounts due to credit institutions	**70,241,652**	72,947,048

According to the terms of Restructuring Plan, mentioned in Note 2, the Bank restructured placements from JSC "BTA Bank". As at 30 June 2010 and 31 December 2009 interest rates for these placements amounted to 8% and 7-19%, respectively, with maturity dates of 2020 and 2009, respectively.

14. Amounts due to customers

The amounts due to customers included balances in customer current accounts, time deposits, and certain other liabilities, and include the following:

	30 June 2010	***31 December 2009***
Time deposits	**46,286,920**	36,040,868
Current accounts	**14,487,412**	10,096,151
Guarantees and restricted deposits	**1,866,260**	1,859,527
Amounts due to customers	**62,640,592**	47,996,546

As at 30 June 2010 and 31 December 2009, the Bank's ten largest customers accounted for approximately 38.2% and 37.73% respectively, of the total amounts due to customers.

As at 30 June 2010 and 31 December 2009, amounts due to customers comprise KZT 1,300,902 thousand and KZT 1,238,961 thousand, respectively, that represent collateral on granted loans.

As at 30 June 2010 and 31 December 2009, amounts due to customers comprise KZT 565,290 thousand and KZT 392,725 thousand respectively that act as security on issued letters of credit and guarantees.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

14. Amounts due to customers (continued)

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

	30 June 2010	*31 December 2009*
Time deposits:		
Individuals	**23,671,526**	19,603,122
Government entities	**17,771,751**	12,894,301
Commercial entities	**4,843,643**	3,543,445
	46,286,920	36,040,868
Current accounts:		
Commercial entities	**8,228,239**	5,476,101
Individuals	**4,107,636**	3,321,439
Government entities	**2,151,537**	1,298,611
	14,487,412	10,096,151
Guarantee and restricted deposits:		
Commercial entities	**1,580,789**	1,438,620
Individuals	**285,471**	420,907
	1,866,260	1,859,527
Amounts due to customers	**62,640,592**	47,996,546

As at 30 June 2010 customer accounts include deposits attracted from the Parent totaling KZT 17,676,265 thousand (as at 31 December 2009 – KZT 11,936,584 thousand).

An analysis of customer accounts by economic sector is as follows:

	30 June 2010		*31 December 2009*	
	Amount	*%*	*Amount*	*%*
Individuals	**28,064,633**	**44.80**	23,345,468	48.64
Government institutions	**18,110,269**	**28.91**	12,537,675	26.12
Non-credit financial organizations	**2,653,297**	**4.24**	2,398,883	5.00
Construction	**3,375,905**	**5.39**	2,251,974	4.69
Research and development	**1,122,681**	**1.79**	1,160,203	2.42
Wholesale trading	**1,590,404**	**2.54**	1,037,481	2.16
Services rendered to legal entities and individuals	**671,725**	**1.07**	929,133	1.94
Education	**666,647**	**1.06**	446,200	0.93
Transport	**432,103**	**0.69**	370,683	0.77
Mining	**357,718**	**0.57**	200,132	0.42
Agriculture	**216,884**	**0.35**	188,008	0.39
Real estate operations	**25,722**	**0.04**	23,659	0.05
Other	**5,352,604**	**8.55**	3,107,047	6.47
	62,640,592	**100.00**	47,996,546	100.00

15. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2010	*31 December 2009*
USD and KZT subordinated bonds	**26,925,340**	1,816,942
KZT bonds with floating rates	**6,873,281**	18,911,556
Preferred shares – liability component	**4,743,518**	4,743,518
KZT bonds with fixed rates	**–**	11,771,600
	38,542,139	37,323,616
Plus: unamortized premium	**–**	10,896
Less: unamortized discount	**–**	(2,417,122)
	–	(2,406,226)
Debt securities issued	**38,542,139**	34,917,390

In accordance with the terms of Restructuring plan debt securities in the amount of KZT 31,470,776 thousand issued by the Bank (excluding preferred shares) changed to new secured and not secured (subordinated) bonds for the total amount KZT 33,798,621 thousand with the maturity in 2020 and interest rate of 8%.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

16. Eurobonds issued

The Eurobonds issued as at 30 June 2010 comprised of debt securities issued in US dollars in the amount of KZT 8,967,148 thousand (2009: KZT 119,999,906 thousand). In accordance with the terms of Restructuring plan, discussed in Note 2, Eurobonds issued through Temir Capital BV were repaid in the amount of KZT 22,651,504 thousand, instead of which the Bank issued new Eurobonds in the amount of KZT 8,958,195 thousand with the interest rate 14% and maturity in 2022, additionally the Bank issued shares in the amount of KZT 1,669,285 thousand.

17. Equity

As at 30 June 2010 and 31 December 2009 the Bank's share capital comprised:

	30 June 2010		*31 December 2009*	
	Number of shares	*Thousand Tenge*	*Number of shares*	*Thousand Tenge*
Common shares	**19,472,482,000**	**59,183,173**	19,067,000	34,025,713
Preferred shares	**4,903,380**	**435,702**	4,903,380	435,702
Total share capital	**19,477,385,380**	**59,618,875**	23,970,380	34,461,415

On 18 May 2010 the General Meeting of Shareholders increased the number of common shares up to 20,000 million shares.

As at 30 June 2010 the number of registered common and preferred shares equals to 20,000,000,000 (as at 31 December 2009 – 95,000,000) and 5,000,000 .(as at 31 December 2009 – 5,000,000), respectively. As at 30 June 2010 19,472,482,000 common shares and 5,000,000 preferred shares were placed (96,620 of preferred shares have been repurchased by the Bank). On 30 June 2010 JSC "National Welfare Fund "Samruk-Kazyna" purchased 15,980,933,000 common shares of the Bank. In accordance with the terms of Restructuring plan the Bank should allocate 4,000,000,000 common shares between creditors of the Bank, which have registered their requests in accordance with the terms of restructuring, 527,518,000 common shares remained unallocated and not placed as at 30 June 2010.

Dividends on preferred shares are payable on a quarterly basis in the amount of 25 Tenge per share. Preferred shares will have voting rights in the case specified by the Law "On Joint Stock Companies".

18. Fees and commissions

Fee and commission income and expenses are as follows:

	Six month ended 30 June	
	2010	*2009 (unaudited)*
Cash operations	**292,778**	295,062
Settlement operations	**247,065**	227,249
Trust management services	**92,978**	118,639
Letters of credit and guarantees issued	**53,123**	90,141
Custodian services	**–**	19,826
Other	**22,553**	18,532
Fees and commission income	**708,497**	769,449
Payment cards services	**(29,637)**	(14,434)
Settlement operations	**(20,920)**	(16,759)
Cash operations	**(740)**	(1,034)
Other	**(178)**	(316)
Fee and commission expenses	**(51,475)**	(32,543)
Net fee and commission income	**657,022**	736,906

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

19. Net losses from trading securities

Net losses from trading securities comprise the following:

	Six month ended 30 June	
	2010	2009 (unaudited)
Trade profit from trading securities, net		
Corporate bonds	**144,866**	339,726
Corporate shares	**–**	16,422
	144,866	356,148
Fair value adjustment of trading securities, net		
Corporate bonds	**(197,601)**	(8,359,710)
Bonds of Ministry of Finance of the Republic of Kazakhstan	**(55,264)**	90,716
Corporate shares	**(21,673)**	(1,340,795)
	(274,538)	(9,609,789)
Total net loss from trading securities	**(129,672)**	(9,253,641)

20. Personnel and other operating expenses

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

	Six months period ended 30 June	
	2010	2009 (unaudited)
Salary and other payments to employees		
Salaries and bonuses	**(1,441,063)**	(1,718,543)
Social security costs	**(95,093)**	(134,144)
Other payments	**(67,025)**	(73,076)
	(1,603,181)	(1,925,763)
Administrative and other operating expenses		
Legal services and consultancy	**(535,637)**	(18,331)
Occupancy and rent	**(345,220)**	(425,971)
Communications	**(138,544)**	(149,016)
Security	**(136,377)**	(160,293)
State duty paid to the budget upon Bank's claims	**(95,371)**	(68,369)
Encashment	**(81,624)**	(76,536)
Repair and maintenance of property and equipment	**(81,202)**	(102,215)
Transportation expenses	**(39,242)**	(32,807)
Postal charges	**(21,870)**	(20,816)
Marketing and advertising	**(20,063)**	(86,961)
Business travel and related expenses	**(15,548)**	(12,151)
Office supplies	**(14,673)**	(16,265)
Agency services	**(9,043)**	(19,699)
Data processing	**(1,716)**	(1,597)
Insurance	**(896)**	(2,070)
Penalties	**(812)**	(887,207)
Other	**(160,720)**	(175,408)
	(1,698,558)	(2,255,712)

21. Earnings per share

	30 June 2010	30 June 2009 (unaudited)
Net income / (loss) attributable to common shareholders for basic and diluted earnings per share (in KZT thousands)	**76,468,486**	(84,479,604)
Weighted average number of common shares for basic and diluted earnings per share	**149,713,060**	19,067,000
Basic and diluted income/(loss) per share (KZT)	**510.77**	(4,430.67)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

22. Financial commitments and contingencies

Credit-related commitments

In the course of its activities the Bank in order to satisfy the customers needs uses financial instruments with off-balance sheet risks. These instruments with imbedded credit risks of various levels are not reflected in the statement of financial position.

The maximum exposure of the Bank to credit loss on contingent liabilities related to loan issuance in the event of a counterparty default, whereby all counter-claims and collateral being worthless, is represented by contractual amounts of these instruments.

The Bank uses the same policy of credit control and management in accepting both recognised and not recognised in the statement of financial position items.

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

	30 June 2010	*30 June 2009 (unaudited)*
Undrawn loan commitments	**28,983,065**	35,213,363
Guarantees	**1,918,380**	1,116,921
	30,901,445	36,330,284
Less: cash collateral	**(565,290)**	(392,725)
Less: provisions *(Note 10)*	**(5,303)**	(2,136)
Financial commitments and contingencies	**30,330,852**	35,935,423

The loan commitment agreement stipulates the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank arise, including change of the refinance rate, inflation, exchange rates and other.

The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the Bank, government's and international prime financial organisations' securities, and other assets.

Legal actions

The Bank is subject to various legal proceedings related to business operations. The Bank does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Bank's financial position or results of operations.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities mentioned above**.**

Taxation

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Bank believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Bank has accrued tax liabilities based on management's best estimate. The Bank's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 30 June 2010. Although such amounts are possible and may be material, it is the opinion of the Bank's management that these amounts are either not probable, not reasonably determinable, or both.

Pension benefits

In accordance with legislation of relevant countries all employees of the Bank has the right for the state pension coverage. As at 30 June 2010 and 31 December 2009 the Bank does not have liabilities to current and former employees regarding additional pension payments, payment for medical service upon retirement, insurance payments or other benefits upon retirement.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

23. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk controlling

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Bank. Each business group has a decentralised unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report on a quarterly basis which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions (Monitoring principle). Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating (Principle of limitation). Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letter of credits which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the guarantee and letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure is shown gross, exclusively of received collateral and other instruments that mitigate the credit risk.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives.

	30 June 2010	*31 December 2009*
Cash and cash equivalents (excluding cash on hand)	**21,958,612**	5,095,743
Trading securities (excluding equity securities)	**11,690,967**	11,211,645
Investments securities held-to-maturity	**4,225,420**	–
Amounts due from credit institutions	**552,254**	891,550
Loans to customers	**180,291,216**	197,286,085
Derivative financial assets	**247,259**	308,398
Other assets	**892,378**	89,246
Contingent liabilities		
Undrawn loan commitments	**28,983,065**	35,213,363
Issued guarantees	**1,918,380**	1,116,921
Total credit risk	**250,759,551**	251,212,951

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system.

Financial assets	*30 June 2010*					
	Not individually impaired				*Impaired*	*Total*
	High grade	*Standard grade*	*Substandard grade*	*including past due, but not impaired*		
Cash and cash equivalents (excluding cash on hand)	**21,958,612**	**–**	**–**	**–**	**–**	**21,958,612**
Total cash and cash equivalents	**21,958,612**	**–**	**–**	**–**	**–**	**21,958,612**
Trading securities	**8,528,267**	**1,720,028**	**1,442,672**	**–**	**–**	**11,690,967**
Total trading securities	**8,528,267**	**1,720,028**	**1,442,672**	**–**	**–**	**11,690,967**
Investments securities held-to-maturity	**4,225,420**	**–**	**–**	**–**	**–**	**4,225,420**
Total investment securities held-to-maturity	**4,225,420**	**–**	**–**	**–**	**–**	**4,225,420**
Amounts due from credit institutions	**–**	**610,494**	**–**	**–**	**15,314**	**625,808**
Total amounts due from credit institutions	**–**	**610,494**	**–**	**–**	**15,314**	**625,808**
Consumer loans	**–**	**43,066,144**	**–**	**5,288,294**	**45,462,217**	**88,528,361**
Mortgage loans	**–**	**31,294,463**	**–**	**2,980,548**	**34,272,821**	**65,567,284**
Corporate loans	**–**	**12,876,123**	**–**	**1,460,846**	**44,770,693**	**57,646,816**
Loans to small and medium business	**–**	**19,153,061**	**–**	**1,447,377**	**21,470,612**	**40,623,673**
Car loans	**–**	**3,186,466**	**–**	**578,317**	**3,455,348**	**6,641,814**
Other retail loans	**–**	**–**	**4,216,131**	**642,456**	**7,973,369**	**12,189,500**
Total credit portfolio	**–**	**109,576,257**	**4,216,131**	**12,397,838**	**157,405,060**	**271,197,448**
Derivative financial assets	**–**	**–**	**247,259**	**–**	**–**	**247,259**
Total derivative financial assets	**–**	**–**	**247,259**	**–**	**–**	**247,259**
Other financial assets	**–**	**–**	**644,692**	**–**	**667,705**	**1,312,397**
Total other financial assets	**–**	**–**	**644,692**	**–**	**667,705**	**1,312,397**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Credit quality per class of financial assets (continued)

Financial assets	*31 December 2009*					
	Not individually impaired				*Impaired*	*Total*
	High grade	*Standard grade*	*Substandard grade*	*including past due, but not impaired*		
Cash and cash equivalents	5,095,743	–	–	–	–	5,095,743
Total cash and cash equivalents	5,095,743	–	–	–	–	5,095,743
Trading securities	7,502,380	1,375,098	1,663,018	–	671,149	11,211,645
Total trading securities	7,502,380	1,375,098	1,663,018	–	671,149	11,211,645
Amounts due from credit institutions	937,776	–	–	–	15,409	953,185
Total amounts due from credit institutions	937,776	–	–	–	15,409	953,185
Consumer loans	–	47,578,878	–	4,943,507	47,635,459	95,214,337
Mortgage loans	–	32,882,726	–	1,840,148	35,461,926	68,344,652
Corporate loans	–	20,853,337	–	466,870	40,752,997	61,606,334
Loans to small and medium business	–	28,863,304	–	1,234,343	14,047,012	42,910,316
Car loans	–	3,847,092	–	505,515	3,689,734	7,536,826
Other retail loans	–	–	4,317,385	367,936	8,100,116	12,417,501
Total credit portfolio	–	134,025,337	4,317,385	9,358,319	149,687,244	288,029,966
Derivative financial assets	–	171,012	–	–	137,386	308,398
Total derivative financial assets	–	171,012	–	–	137,386	308,398
Other financial assets	–	–	89,246	–	177,033	266,279
Total other financial assets	–	–	89,246	–	177,033	266,279

Credit quality of assets

Past due but not impaired loans and advances include only those that are past due by 60 days. The majority of the past due loans are not considered to be impaired.

Aging analysis of past due but not impaired loans per class of financial assets is as follows.

	Less than 30 days	*31 to 60 days*	*Total*
30 June 2010			
Consumer loans	**3,819,005**	**1,469,289**	**5,288,294**
Mortgage loans	**2,092,919**	**887,629**	**2,980,548**
Corporate loans	**1,016,037**	**444,809**	**1,460,846**
Loans to small and medium business	**1,233,466**	**213,911**	**1,447,377**
Car loans	**410,242**	**168,075**	**578,317**
Other retail loans	**481,839**	**160,617**	**642,456**
Total credit portfolio	**9,053,508**	**3,344,330**	**12,397,838**
Fair value of collateral received by the Bank on past due but not impaired assets	**11,912,282**	**4,011,144**	**15,923,426**
31 December 2009			
Consumer loans	3,246,214	1,697,293	4,943,507
Mortgage loans	1,087,416	752,732	1,840,148
Corporate loans	455,380	11,490	466,870
Loans to small and medium business	601,304	633,039	1,234,343
Car loans	330,056	175,459	505,515
Other retail loans	59,640	308,296	367,936
Total credit portfolio	5,780,010	3,578,309	9,358,319
Fair value of collateral received by the Bank on past due but not impaired assets	7,671,037	3,713,784	11,384,821

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

23. Risk management (continued)

Credit quality per class of financial assets (continued)

An analysis of carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

Financial assets	*30 June 2010*	*31 December 2009*
Trading securities	–	671,150
Amounts due from credit institutions	**15,314**	15,409
Total	**15,314**	686,559
Corporate loans	**40,405,560**	38,821,724
Mortgage loans	**7,844,116**	12,644,512
Loans to small and medium business	**12,111,404**	11,572,107
Consumer loans	**8,805,359**	5,916,354
Car loans	**262,498**	139,200
Other retail loans	**2,455,351**	1,255,586
Total credit portfolio	**71,884,288**	70,349,483

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue more than 60 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts that are reflected in Risk management (monitoring principle) include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Credit quality per class of financial assets (continued)

The geographical concentration of Bank's monetary assets and liabilities is set out below:

30 June 2010	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Assets				
Cash and cash equivalents	**25,920,848**	**612,067**	**314,415**	**26,847,330**
Trading securities	**13,264,761**	**–**	**–**	**13,264,761**
Investment securities held-to-maturity	**4,225,420**	**–**	**–**	**4,225,420**
Amounts due from credit institutions	**537,499**	**14,755**	**–**	**552,254**
Loans to customers	**179,172,777**	**53,096**	**1,065,343**	**180,291,216**
Corporate income tax assets	**41,329**	**–**	**–**	**41,329**
Derivative financial instruments	**247,259**	**–**	**–**	**247,259**
Other financial assets	**729,992**	**159,061**	**3,325**	**892,378**
Total assets	**224,139,885**	**838,979**	**1,383,083**	**226,361,947**

30 June 2010	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Liabilities				
Amounts due to credit institutions	**68,507,036**	**1,648,944**	**85,672**	**70,241,652**
Amounts due to customers	**61,066,668**	**250,222**	**1,323,702**	**62,640,592**
Debt securities issued	**38,542,139**	**–**	**–**	**38,542,139**
Eurobonds issued	**–**	**8,967,148**	**–**	**8,967,148**
Other financial liabilities	**527,985**	**–**	**15**	**528,000**
Total liabilities	**168,643,828**	**10,866,314**	**1,409,389**	**180,919,531**
Net position on statement of financial position assets and liabilities	**55,496,057**	**(10,027,335)**	**(26,306)**	**45,442,416**

2009	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Assets				
Cash and cash equivalents	8,140,619	332,458	67,528	8,540,605
Trading securities	12,752,840	–	–	12,752,840
Amounts due from credit institutions	876,704	14,846	–	891,550
Loans to customers	195,304,204	–	1,981,881	197,286,085
Corporate income tax assets	123,988	–	–	123,988
Derivative financial instruments	308,398	–	–	308,398
Other financial assets	540,991	23,454	1,911	566,356
Total assets	218,047,744	370,758	2,051,320	220,469,822

2009	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Liabilities				
Amounts due to credit institutions	71,671,654	1,250,626	24,768	72,947,048
Amounts due to customers	46,579,085	84,940	1,332,521	47,996,546
Eurobonds issued	–	119,999,906	–	119,999,906
Debt securities issued	34,917,390	–	–	34,917,390
Derivative financial instruments	3,179	–	–	3,179
Other financial liabilities	1,168,783	–	–	1,168,783
Total liabilities	154,340,091	121,335,472	1,357,289	277,032,852
Net position on statement of financial position assets and liabilities	63,707,653	(120,964,714)	694,031	(56,563,030)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a cash deposit (obligatory reserve) with the National Bank of RK, the amount of which allows to meet liquidity needs and minimal reserve requirement.

As discussed in Note 2, there has been a significant deterioration in the Bank's financial position during 2009, principally resulting from loss events related to the loan portfolio of the Bank. This has led to a breach, by the Bank, of certain ratios including those related to capital adequacy set by the FMSA. As a result of increased provisions against loans to customers and other assets the Bank's total liabilities as at 31 December 2009 exceeded its total assets by KZT 50,530,996 thousand and the Bank has reported a net loss amounting to KZT 95,173,172 thousand for the year then ended. These events also led to non-compliance with certain ratios, including capital adequacy as calculated in accordance with Basel Capital Accord 1988 requirements.

As at 31 December 2009, the amount drawn by the Bank under bond programs, including Eurobonds issued through Temir Capital BV and other loan facilities including deposits from credit institutions, amounted to KZT 212,910,666 thousand. As at 31 December 2009 the Bank was in breach of these capital adequacy and lending exposure covenants on bond programs, including Eurobonds issued through Temircapital BV and certain loan facilities. Furthermore in November 2009 the credit ratings of the Bank from major international rating agencies have decreased to default levels. Accordingly certain credit facilities became callable by the lenders. The Bank's default under these conditions resulted in accelerations and cross default under the terms of the respective agreements.

Consequently, the Bank, with the Parent support started the process of restructuring its debts which is described in Note 2.

On 30 June 2010 the Bank finished the procedures of debt restructuring in accordance with the Restructuring plan, which was approved by the majority of Restructured Creditors at the Creditors meeting on 31 March 2010. By the end of the debt restructuring the Government of Republic of Kazakhstan represented by the Parent acquired a share in the Bank's capital. The share of the Government as at 30 June 2010 was 82.0%. The remaining 18% was transferred to ownership of external investors. In general the Bank restructured about 1.5 billion US dollars in debts, including 830 million US dollars – international debts on Eurobonds issued; 370 million US dollars – deposits from BTA Bank; 205 million US dollars – domestic bonds; 75 million US dollars – placements of Parent; and 10 million US dollars – trade finance. The Bank did not written-off the debts related to domestic bonds since that more 90% of their holders are – pension funds, which means the public of Kazakhstan. For domestic bonds the Bank only changed the types of debt, coupon rate and increased the maturity up to ten years.

The restructuring resulted in an increase in equity of the Bank as at 30 June 2010 up to KZT 51,225,986 thousand, and decrease in total liabilities from KZT 277,036,807 thousand as at 31 December 2009 to KZT 180,926,879 thousand as at 30 June 2010. The income as a result of restructuring amounted to KZT 93,768,265 thousand. The Bank as at 30 June 2010 is in compliance with prudential ratios.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 30 June 2010 and 31 December 2009 based on contractual undiscounted repayment obligations. Information on expected maturity profile is detailed in Note 25 "Maturity analysis of assets and liabilities". Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	30 June 2010					
Financial liabilities	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to credit institutions	**86,180**	**1,595,017**	**4,749,523**	**24,578,802**	**90,412,243**	**121,421,765**
Amounts due to customers	**14,158,070**	**4,514,088**	**9,607,069**	**35,772,804**	**11,876,329**	**75,928,360**
Eurobonds issued	**–**	**–**	**1,258,399**	**5,019,651**	**17,758,366**	**24,036,416**
Debt securities issued	**–**	**171,592**	**3,241,394**	**10,569,329**	**61,656,288**	**75,638,603**
Other financial liabilities	**–**	**467,074**	**54,885**	**6,041**	**–**	**528,000**
Total undiscounted financial liabilities	**14,244,250**	**6,747,771**	**18,911,270**	**75,946,627**	**181,703,226**	**297,553,144**

	31 December 2009					
	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to credit institutions	66,013,515	4,948,113	1,441,246	6,785,126	8,629,684	87,817,684
Amounts due to customers	31,743,884	2,379,173	2,611,481	23,952,244	3,362,348	64,049,130
Eurobonds issued	131,436,809	–	–	–	–	131,436,809
Debt securities issued	37,540,974	–	–	–	–	37,540,974
Derivative financial instruments	–	3,179	–	–	–	3,179
Other financial liabilities	–	1,165,476	–	3,307	–	1,168,783
Total undiscounted financial liabilities	266,735,182	8,495,941	4,052,727	30,740,677	11,992,032	322,016,559

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

23. Risk management (continued)

Liquidity risk and funding management

Financial liabilities by contractual maturities as at 30 June 2010 and 31 December 2009

The table below shows the contractual maturity of the Bank's financial commitments and contingencies.

	30 June 2010					
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Guarantees	**597,889**	**1,041,781**	**20,875**	**–**	**257,835**	**1,918,380**
Undrawn loan commitments	**253,664**	**1,059,814**	**3,676,207**	**2,018,518**	**21,974,861**	**28,983,064**
Total	**851,553**	**2,101,595**	**3,697,082**	**2,018,518**	**22,232,696**	**30,901,444**

	31 December 2009					
	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Guarantees	870,836	243,453	2,632	–	–	1,116,921
Undrawn loan commitments	205,053	981,543	5,027,551	3,142,022	25,857,194	35,213,363
Total	1,075,889	1,224,996	5,030,183	3,142,022	25,857,194	36,330,284

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading portfolio and non-trading positions are managed and monitored using other sensitivity analysis. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's financial position and cash flows are exposed to changes in foreign currency exchange rates.

The Asset and Liability Management Committee manages currency risk by defining open currency position based on assumed Tenge depreciation and other macroeconomic indicators, which allows the Bank to minimize losses from significant fluctuation of local and foreign currency exchange rates. The Treasury performs daily control over the Bank's open currency position in order to provide compliance with FMSA requirements.

The tables below indicate the currencies to which the Bank had significant exposure at 30 June 2010 on its certain monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities). The effect on equity does not differ from the effect on the statement of comprehensive income. All other variables are held constant. The negative amount in the table reflects a potential net reduction in statement of comprehensive income or equity, while a positive amount reflects a net potential increase.

	30 June 2010		31 December 2009	
Currency	Increase in currency rate in %	Effect on profit before tax	Increase in currency rate in %	Effect on profit before tax
USD	**7.0**	**2,409,339**	**19.5**	**(17,283,143)**
Euro	**11.9**	**(919)**	**21.8**	**(355,424)**

	30 June 2010		31 December 2009	
Currency	Decrease in currency rate in %	Effect on profit before tax	Decrease in currency rate in %	Effect on profit before tax
USD	**-7.0**	**(2,409,339)**	**-19.5**	**17,283,143**
Euro	**-11.9**	**919**	**-21.8**	**355,424**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

23. Risk management (continued)

Market risk (continued)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Bank's trading portfolio.

	30 June 2010		
Market index	***Positive change in index, in %***	***Effect on profit before tax, in KZT***	***Effect on profit before tax; in %***
KASE index	**32,31**	**340,224**	**25.91**
Total average weighted changes in indexes influencing trading portfolio	**32,31**	**340,224**	**25.91**

Market index	***Negative change in index, in %***	***Effect on profit before tax, in KZT***	***Effect on profit before tax; in %***
KASE index	**-32.31**	**-301,887**	**-22.99**
Total average weighted changes in indexes influencing trading portfolio	**-32.31**	**-301,887**	**-22.99**

	31 December 2009		
Market index	***Positive change in index, in %***	***Effect on profit before tax, in KZT***	***Effect on profit before tax; in %***
KASE index	95.70	840,805	46.97
Total average weighted changes in indexes influencing trading portfolio	95.70	840,805	46.97

Market index	***Negative change in index, in %***	***Effect on profit before tax, in KZT***	***Effect on profit before tax; in %***
KASE index	-95.70	(703,108)	-39.28
Total average weighted changes in indexes influencing trading portfolio	-95.70	(703,108)	-39.28

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

23. Risk management (continued)

Market risk (continued)
Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

24. Fair values of financial instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	30 June 2010			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Trading securities	**12,628,902**	**538,283**	**97,576**	**13,264,761**
Derivative financial instruments	**–**	**247,259**	**–**	**247,259**

	31 December 2009			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Trading securities	11,351,393	1,401,447	–	12,752,840
Derivative financial instruments	–	308,398	–	308,398
Financial liabilities				
Derivative financial instruments	–	3,179	–	3,179

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

25. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 30 June 2010 and 31 December 2009. See Note 26 "Risk management", "Liquidity risk" for the Bank's contractual undiscounted repayment obligations.

	30 June 2010							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Overdue*	*Total*
Assets:								
Cash and cash equivalents	26,847,330	–	–	–	–	–	–	26,847,330
Trading securities	12,423,274	–	–	–	–	–	841,487	13,264,761
Investment securities held-to-maturity	–	105,769	–	44,119	1,243,530	2,832,002	–	4,225,420
Amounts due from credit institutions	–	18,262	68,410	144,870	305,938	–	14,774	552,254
Loans to customers	–	3,169,874	5,125,455	25,420,357	38,224,919	89,874,878	18,475,733	180,291,216
Corporate income tax assets	–	–	–	41,329	–	–	–	41,329
Derivative financial instruments	–	–	–	–	–	247,259	–	247,259
Other assets	–	442,468	–	6,433	14,901	428,573	3	892,378
	39,270,604	3,736,373	5,193,865	25,657,108	39,789,288	93,382,712	19,331,997	226,361,947
Liabilities:								
Amounts due to credit institutions	86,180	66,874	122,168	549,755	1,466,014	67,950,661	–	70,241,652
Amounts due to customers	14,409,376	3,104,783	1,145,894	8,215,248	26,431,492	9,333,799	–	62,640,592
Eurobonds issued	–	–	–	3,486	–	8,963,662	–	8,967,148
Debt securities issued	–	14,872	156,720	599,062	–	37,771,485	–	38,542,139
Other liabilities	–	467,074	–	54,885	6,041	–	–	528,000
	14,495,556	3,653,603	1,424,782	9,422,436	27,903,547	124,019,607	–	180,919,531
Net position	24,775,048	82,770	3,769,083	16,234,672	11,885,741	(30,636,895)	19,331,997	45,442,416
Accumulated gap	24,775,048	24,857,818	28,626,901	44,861,573	56,747,314	26,110,419	45,442,416	
Contingent liabilities	–	–	486,303	1,153,368	20,875	257,834	–	1,918,380
Guarantees	–	–	486,303	1,153,368	20,875	257,834	–	1,918,380

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

25. Maturity analysis of financial assets and liabilities (continued)

	31 December 2009							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Overdue*	*Total*
Assets:								
Cash and cash equivalents	8,540,605	–	–	–	–	–	–	8,540,605
Trading securities	12,580,698	–	–	–	–	–	172,142	12,752,840
Amounts due from credit institutions	–	91,664	5,002	404,576	376,626	–	13,682	891,550
Loans to customers	–	7,354,385	3,008,369	15,122,615	31,300,622	102,492,393	38,007,701	197,286,085
Corporate income tax assets	–	–	–	123,988	–	–	–	123,988
Derivative financial instruments	–	–	–	–	–	308,398	–	308,398
Other assets	–	187,161	–	11,546	5,853	361,795	1	566,356
	21,121,303	7,633,210	3,013,371	15,662,725	31,683,101	103,162,586	38,193,526	220,469,822
Liabilities:								
Amounts due to credit institutions	57,993,370	4,519,683	130,143	585,643	1,569,918	8,148,291	–	72,947,048
Amounts due to customers	22,019,037	2,463,433	676,252	2,390,869	17,637,397	2,809,558	–	47,996,546
Eurobonds issued	119,999,906	–	–	–	–	–	–	119,999,906
Debt securities issued	34,917,390	–	–	–	–	–	–	34,917,390
Derivative financial instruments	–	3,179	–	–	–	–	–	3,179
Other liabilities	–	1,165,476	–	–	3,307	–	–	1,168,783
	234,929,703	8,151,771	806,395	2,976,512	19,210,622	10,957,849	–	277,032,852
Net position	(213,808,400)	(518,561)	2,206,976	12,686,213	12,472,479	92,204,737	38,193,526	(56,563,030)
Accumulated gap	(213,808,400)	(214,326,961)	(212,119,985)	(199,433,772)	(186,961,293)	(94,756,556)	(56,563,030)	
Contingent liabilities								
Guarantees	–	–	870,836	243,453	2,632	–	–	1,116,921
	–	–	870,836	243,453	2,632	–	–	1,116,921

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

26. Segmental information

The Bank is organised into four main operating segments, based on products and services:

Corporate banking – representing other than small and medium size legal entities direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Small and medium business – representing individual entrepreneurs and small and medium enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Investment activity – representing financial assets and liabilities used for trading or investment purposes, financing, and merger and acquisitions transaction support.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Segmental information (continued)

Operational segments

Segment information for the main reportable operating segments of the Bank as of and for the six month period ended 30 June 2010 and 2009 is set out below:

	30 June 2010					
	Corporate banking	*Small and medium business*	*Retail banking*	*Investment activities*	*Other*	*Total*
External interest income	2,841,161	1,987,189	8,056,021	537,632	–	13,422,003
Internal interest income	364,365	636,692	1,521,826	5,035,737	–	7,558,620
External interest expenses	(266,605)	(457,923)	(1,280,772)	(14,300,676)	–	(16,305,976)
Internal interest expenses	(1,464,275)	(1,026,700)	(4,375,618)	(483,807)	(208,220)	(7,558,620)
Net interest income before impairment	1,474,646	1,139,258	3,921,457	(9,211,114)	(208,220)	(2,883,973)
Impairment charge	(5,795,704)	(4,833,487)	(356,862)	(433,415)	–	(11,419,468)
Net interest income (loss) after impairment	(4,321,058)	(3,694,229)	3,564,595	(9,644,529)	(208,220)	(14,303,441)
Net commission and non-interest income	252,085	176,586	340,855	(272,250)	893,234	1,390,510
Income from restructuring of Bank's liabilities	–	–	–	93,768,265	–	93,768,265
Non-interest expenses	(415,488)	(449,366)	(1,479,376)	(1,311,728)	(329,429)	(3,985,387)
Other provisions	–	–	–	–	(401,461)	(401,461)
Income before income tax expense	(4,484,461)	(3,967,009)	2,426,074	82,539,758	(45,876)	76,468,486
Income tax expense	–	–	–	–	–	–
Net income after income tax	(4,484,461)	(3,967,009)	2,426,074	82,539,758	(45,876)	76,468,486
Total assets	30,381,856	25,076,630	125,084,035	18,042,435	33,567,909	232,152,865
Total liabilities	12,630,458	21,945,501	28,064,633	117,750,939	535,348	180,926,879

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Segmental information (continued)

Operational segments (continued)

	30 June 2009					
	Corporate banking	*Small and medium business*	*Retail banking*	*Investment activities*	*Other*	*Total*
External interest income	4,029,343	2,946,080	10,872,468	2,016,857	–	19,864,748
Internal interest income	459,384	947,201	1,681,419	12,620,007	–	15,708,011
External interest expenses	(334,875)	(695,248)	(1,415,522)	(12,620,007)	–	(15,065,652)
Internal interest expenses	(2,945,137)	(2,105,456)	(9,386,529)	(1,072,503)	(198,385)	(15,708,010)
Net interest income before impairment	1,208,715	1,092,577	1,751,836	944,354	(198,385)	4,799,097
Impairment charge	(24,264,677)	(8,403,258)	(36,346,465)	(78,103)	–	(69,092,503)
Net interest income after impairment	(23,055,962)	(7,310,681)	(34,594,629)	866,251	(198,385)	(64,293,406)
Net commission and non-interest income	337,373	220,719	434,634	(8,181,457)	(11,393,108)	(18,581,839)
Non-interest expenses	(413,593)	(519,357)	(1,574,038)	(2,257,122)	(176,902)	(4,941,012)
Other provisions	–	–	–	–	(310,757)	(310,757)
Income before income tax expense	(23,132,182)	(7,609,319)	(35,734,033)	(9,572,328)	(12,079,152)	(88,127,014)
Income tax expense	–	–	–	–	3,339,012	3,339,012
Net income after income tax	(23,132,182)	(7,609,319)	(35,734,033)	(9,572,328)	(8,740,140)	(84,788,002)
Total assets as at 31 December 2009	34,113,648	29,949,914	133,222,523	13,644,390	15,575,336	226,505,811
Total liabilities as at 31 December 2009	8,218,902	16,432,176	23,345,468	227,864,344	1,175,917	277,036,807

(Thousand of Kazakh Tenge)

27. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSA in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with statutory capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

During 2009 there has been a significant deterioration in the Bank's financial position, principally resulting from loss events related to the loan portfolio of the Bank. This has led to a breach, by the Bank, of certain ratios including those related to capital adequacy set by the FMSA. As a result of increased provisions against loans to customers and other assets the Bank's total liabilities as at 31 December 2009 exceeded its total assets by KZT 50,530,996 thousand and the Bank has reported a net loss amounting to KZT 95,173,172 thousand for the year then ended. These events also led to non-compliance with certain ratios, including capital adequacy as calculated in accordance with Basel Capital Accord 1988 requirements.

As at 31 December 2009 the Bank was in breach of these capital adequacy and lending exposure covenants on bond programs, including Eurobonds issued through Temircapital BV and certain loan facilities. Furthermore in November 2009 the credit ratings of the Bank from major international rating agencies have decreased to default levels. Accordingly certain credit facilities became callable by the lenders. The Bank's default under these conditions resulted in accelerations and cross default under the terms of the respective agreements.

Consequently, the Bank, with the Parent support started the process of restructuring its debts which is described in Note 2.

The Bank as at 30 June 2010 is in compliance with prudential ratios.

According to the requirements of FMSA, capital adequacy ratio of the Bank must be maintained at the level of 0.10 of risk-weighted assets, taking into account the risks, calculated in accordance with instructions on calculations of normative values and methods of prudential norms for the second tier banks. On 30 June 2010 and 31 December 2009 the Bank's capital adequacy ratio calculated according to the above rules, was as follows:

Capital	***30 June 2010***	***31 December 2009***
Main capital	**34,510,376**	(83,878,255)
Additional capital	**–**	–
	34,510,376	(83,878,255)
Risk weighted assets	**211,685,425**	275,585,786
Capital adequacy ratio	**0.163**	(0.304)

The liquidity position is assessed and managed by the Bank primarily, based on certain liquidity ratios established by the FMSA, those ratios are mandatory on an average per month.

(Thousand of Kazakh Tenge)

27. Capital adequacy (continued)

As at 30 June 2010 these ratios (average for June) were as follows:

	30 June 2010	*31 December 2009*
K4 current ratio (monthly average amount of marketable assets) / (monthly average amount of demand liabilities) **(minimum value is set to 0.3)**	**3.206**	**0.983**
K4-1 quick ratio (monthly average amount of marketable assets)/ (monthly average amount of liabilities with remaining maturity up to 7 days) **(minimum value is set to 1)**	**7.479**	**0.875**
K4-2 quick ratio (average assets with remaining maturities up to 1 month, including highly liquid assets) / (average liabilities with remaining maturities up to 1 month, including demand liabilities) **(minimum value is set to 0.9)**	**6.699**	**0.543**
K4-3 quick ratio (average assets with remaining maturities up to 3 months, including highly liquid assets) / (average liabilities with remaining maturities up to 3 months, including demand liabilities) **(minimum value is set to 0.8)**	**5.822**	**0.640**
K4-4 quick currency ratio (average amount of highly liquid assets in foreign currency) / (average liabilities with remaining maturities up to 7 days in foreign currency) **(minimum value is set to 1)**	**3.385 (USD)**	**0.244 (USD)**
K4-5 quick currency ratio (average assets with remaining maturities up to 1 month, including highly liquid assets in foreign currency) / (average liabilities with remaining maturities up to 1 month, including demand liabilities in foreign currency) **(minimum value is set to 0.9)**	**3.431 (USD)**	**0.105 (USD)**
K4-6 quick currency ratio (average assets with remaining maturities up to 3 months, including highly liquid assets in foreign currency) / (average liabilities with remaining maturities up to 3 months, including demand liabilities in foreign currency) **(minimum value is set to 0.8)**	**3.884 (USD)**	**0.172 (USD)**

28. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form, as required by IAS 24 "Related parties – disclosure".

The amount of related party transactions and balances as at 30 June 2010 and 31 December 2009 as well as the respective amounts of income and expenses for six months period ended 30 June 2010 and 2009 are as follows:

	30 June 2010			
	Shareholders	*Key management personnel*	*Companies under common control*	*Other related parties*
Cash and cash equivalents				
Accounts at 1 January	**–**	**–**	**31,269**	**–**
Accounts placed	**–**	**–**	**8,543,811**	**–**
Accounts withdrawn	**–**	**–**	**(8,528,411)**	**–**
Accounts at 30 June	**–**	**–**	**46,669**	**–**
Trading securities	**–**	**–**		**–**
Trading securities at 1 January	**–**	**–**	**943,352**	**–**
Trading securities acquired during the period	**–**	**–**	**2,684,594**	**–**
Negative correction of fair value	**–**	**–**	**(432,324)**	**–**
Trading securities sold during the period	**–**	**–**	**(2,917,669)**	**–**
Trading securities at 30 June	**–**	**–**	**277,953**	**–**
Interest income on trading securities	**–**	**–**	**198,335**	**–**
Loans outstanding at 1 January, gross	**–**	**27,582**	**–**	**70**
Loans issued	**–**	**1,957**	**–**	**1,394**
Loans repaid	**–**	**(1,557)**	**–**	**(1,022)**
Loans outstanding at 30 June, net	**–**	**27,982**	**–**	**442**
Interest income on loans	**–**	**1,957**	**–**	**407**

(Thousand of Kazakh Tenge)

28. Related party transactions (continued)

	30 June 2010			
	Shareholders	*Key management personnel*	*Companies under common control*	*Other related parties*
Amounts due from credit institutions (loans issued)	–	–	–	
Loans at 1 January	–	–	–	878,589
Loans received	–	–	–	177,540
Loans repaid	–	–	–	(583,349)
Loans at 30 June	–	–	–	472,780
Interest income on amounts due from credit institutions (deposits placed)	–	–	–	59,096
Amounts due to credit institutions (deposits obtained)	–	–		
Deposits at 1 January	–	–	56,772,947	–
Deposits received	–	–	111,692,578	–
Deposits paid	–	–	(108,760,378)	–
Deposits at 30 June	–	–	59,705,147	–
Interest expense on amounts due to credit institutions	–	–	15,326,181	–
Amounts due to customers (deposits obtained)				
Deposits at 1 January	12,532,040	12,218	750,896	51,912
Deposits received	5,625,010	27,996	13,759,834	1,106,269
Deposits paid	(480,785)	(30,870)	(12,075,098)	(1,016,462)
Deposits at 30 June	17,676,265	9,344	2,435,632	141,719
Interest expense on amounts due to customers	487,568	567	53,718	586
Eurobonds issued				
Eurobonds issued at 1 January	–	–	119,999,906	–
Eurobonds issued	–	–	22,622,888	–
Eurobonds redeemed	–	–	(142,622,794)	–
Eurobonds at 30 June	–	–	–	–
Interest expense on Eurobonds issued	–	–	6,076,222	–
Debt securities issued (preferred shares)				
Debt securities issued at 1 January	4,866,102	–	–	–
Dividends accrued on preferred shares	286,030	–	–	–
Debt securities issued at 30 June	5,152,132	–	–	–
Bonds at 1 January	–	–	–	–
Bonds issued during the period	–	–	1,278,321	–
Bonds redeemed during the period	–	–	(626,100)	–
Debt securities at 30 June	–	–	652,221	–
Interest expense on Eurobonds issued	–	–	14,871	–
Assets held in trust at 1 January	–	–	1,300,719	–
Repurchase	–	–	(766,518)	–
Repaid	–	–	342,967	–
Assets held in trust at 30 June 2010	–	–	877,168	–
Commitments and guarantees received	–	8,124	–	–
Fee and commission income	9	–	18,622	462
Other operating expenses	–	–	512	1,055

(Thousand of Kazakh Tenge)

28. Related party transactions (continued)

	31 December 2009				
	Shareholders	*Main participant in the parent company*	*Key management personnel*	*Companies under common control*	*Other related parties*
Cash and cash equivalents					
Deposits at 1 January	24,131	–	–	–	–
Deposits placed	39,168,870	–	–	3,175,107	–
Deposits withdrawn	(39,161,732)	–	–	(3,175,107)	–
Deposits at 31 December	31,269	–	–	–	–
Interest income on deposits (30 June 2009)	405	–	–	–	–
Trading securities					
Trading securities at 1 January	2,068,243	–	–	696,214	–
Trading securities acquired during the year	9,250,602	–	–	8,154,646	–
Positive correction of fair value	17	–	–	–	–
Negative correction of fair value	(3,024,160)	–	–	(3,963,019)	–
Securities sold during the year	(7,786,125)	–	–	(4,452,886)	–
Securities at 31 December	508,577	–	–	434,955	–
Interest income on trading securities (30 June 2009)	52,762			3,696	
Loans outstanding at 1 January, gross	–	–	120,501	–	40,675
Loans issued	–	–	18,035	–	2,534
Loans repaid	–	–	(112,102)	–	(44,143)
Revaluation	–	–	1,148	–	1,004
Loans outstanding at 31 December, net	–	–	27,582	–	70
Interest income on loans (30 June 2009)	–	–	3,862	–	2,974
Amounts due from credit institutions (loans issued)	–	–	–	–	
Loans at 1 January	–	–	–	–	1,532,494
Loans received	–	–	–	–	168,375
Loans repaid	–	–	–	–	(822,280)
Loans at 31 December	–	–	–	–	878,589
Interest income on amounts due from credit institutions (deposits placed) (30 June 2009)					85,559
Amounts due to credit institutions (deposits obtained)					
Deposits at 1 January	6,539,318	–	–	470	–
Deposits received	248,294,982	–	–	659,074	–
Loans paid	(198,640,910)	–	–	(79,987)	–
Loans at 31 December	56,193,390	–	–	579,557	–
Interest expense on amounts due to credit institutions (30 June 2009)	(2,363,535)	–	–	–	–
Amounts due to customers (deposits obtained)					
Deposits at 1 January	4,702,655	–	292,694	61,111	53,503
Deposits received	286,031	19,360,101	477,929	53,001,235	1,574,487
Deposits paid	(122,584)	(6,828,061)	(758,405)	(52,311,450)	(1,576,078)
Deposits at 31 December	4,866,102	12,532,040	12,218	750,896	51,912
Interest expense on amounts due to customers	–	(915,808)	(1,722)	(701,116)	(688)
Eurobonds issued					
Eurobonds issued at 1 January	–	–	–	112,908,789	–
Eurobonds issued	–	–	–	38,259,847	–
Eurobonds redeemed	–	–	–	(31,168,730)	–
Eurobonds at 31 December	–	–	–	119,999,906	–
Interest expense on Eurobonds issued	–	–	–	6,611,818	–
Assets held in trust at 1 January	–	–	–	1,839,966	–
Repurchase	–	–	–	(413,434)	–
Repaid	–	–	–	(125,813)	–
Assets held in trust at 31 December	–	–	–	1,300,719	–
Commitments and guarantees received	–	–	54,401	–	–
Fee and commission income	–	23	–	–	–
Other income	–	–	–	–	–
Fee and commission expense	–	–	–	240	–

Other operating expenses	–	30,029	–	–	4,644

28. Related party transactions (continued)

Included in the table above are the following transactions with related parties outstanding as at 30 June 2010 and 31 December 2009:

a) Transactions with the shareholders, including deposit placement and attraction;
b) Transactions with other related parties, including loan granting and deposit placement and attraction; and
c) Transactions with the key management personnel, including loan granting, deposit attraction, guarantee issue and receipt, general remuneration paid during the year.

The aggregate remuneration to the key management personnel paid during the six month period ended 30 June 2010 amounted to KZT 79,004 thousand (30 June 2009 – KZT 262,463 thousand).

Terms of the related party transactions

The above-mentioned balances have arisen in the normal course of business. Interest payable to the related parties and receivable therefrom is an amount charged at the standard market rates. Balances on the loans granted are secured as of the end of the six month period. For the six month period ended 30 June 2010 and 2009 the Bank did not form any reserve for doubtful debts against the related parties' debt.

29. Events after the balance sheet date

On July 7, 2010 the Financial Market Supervising Agency issued a Decision with description of actions according to Restructuring plan. On 19 July 2010 Specialized Financial Court of Almaty approved the completion of debt restructuring of the Bank.

On July 30, 2010 the Bank has paid dividends on preferred shares in the amount of KZT 322,838 thousand .

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Subsidiary of JSC BTA Bank,
JSC Temirbank

Financial Statements

31 December 2009

Together with Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Subsidiary of JSC BTA Bank, JSC Temirbank

We have audited the accompanying financial statements of Subsidiary of JSC BTA Bank, JSC Temirbank (the "Bank"), which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial statements which indicates that the Bank incurred a net loss amounting to KZT 95,173,172 thousand during the year ended 31 December 2009 and, as of that date, the Bank's total liabilities exceeded its total assets by KZT 50,530,996 thousand. These conditions, along with other matters described in Note 2, including current defaults under debt agreements, indicate the existence of a material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

/s/ EVGENY ZHEMALETDINOV

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on
15 July 2005

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

30 March 2010

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

(Thousand of Kazakh Tenge)

	Notes	31 December 2009	31 December 2008
Assets			
Cash and cash equivalents	5	**8,540,605**	15,085,407
Trading securities	6	**12,752,840**	22,043,711
Amounts due from credit institutions	7	**891,550**	2,260,863
Loans to customers	8	**197,286,085**	249,493,464
Current income tax asset		**123,988**	885,701
Deferred income tax asset	11	**3,677,065**	338,053
Derivative financial instruments	10	**308,398**	679,502
Property and equipment	12	**1,795,800**	2,571,508
Other assets	13	**1,129,480**	1,575,699
Total assets		226,505,811	294,933,908
Liabilities			
Amounts due to Government of RK and NBRK		–	69,852
Amounts due to credit institutions	14	**72,947,048**	35,309,932
Amounts due to customers	15	**47,996,546**	63,323,278
Eurobonds issued	17	**119,999,906**	112,908,789
Debt securities issued	16	**34,917,390**	38,371,233
Derivative financial liabilities	10	**3,179**	588
Other liabilities	13	**1,172,738**	308,060
Total liabilities		277,036,807	250,291,732
Equity			
Share capital	18	**34,461,415**	34,461,415
- common stock		**34,025,713**	34,025,713
- preferred stock		**542,773**	542,773
Treasury preferred shares		**(107,071)**	(107,071)
(Accumulated deficit)/retained earnings		**(84,992,411)**	10,180,761
(Deficit of equity)/total equity		(50,530,996)	44,642,176
Total equity and liabilities		226,505,811	294,933,908

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

Yerzhan B. Shaikenov — Chairman of the Board

Khalicha H. Abdrayeva — Chief Accountant

30 March 2009

The accompanying notes on pages F-52 to F-105 are an integral part of these interim condensed financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

(Thousands of Kazakh Tenge)

	Notes	*2009*	*2008*
Interest income			
Loans to customers		**32,982,969**	37,706,079
Trading securities		**1,894,983**	2,015,924
Amounts due from credit institutions		**148,102**	1,373,260
		35,026,054	41,095,263
Interest expense			
Eurobonds issued		**(12,497,286)**	(10,263,653)
Amounts due to credit institutions		**(9,373,938)**	(5,496,544)
Amounts due to customers		**(4,836,782)**	(5,926,765)
Debt securities issued		**(3,421,111)**	(5,426,485)
		(30,129,117)	(27,113,447)
Net interest income		**4,896,937**	13,981,816
Allowance for impairment on interest bearing assets	9	**(75,111,669)**	(8,289,274)
Net interest income after impairment charge		**(70,214,732)**	5,692,542
Fee and commission income	19	**1,512,840**	1,693,466
Fee and commission expenses	19	**(77,712)**	(67,857)
Fees and commissions		**1,435,128**	1,625,609
Loss from sale of shares of a subsidiary		**–**	(53,685)
Income from sale of shares of an associate		**–**	1,446,471
Net losses from trading securities	20	**(9,237,193)**	(1,810,948)
Net (losses) / gains from foreign currencies:			
- dealing		**1,728,989**	30,772
- translation differences		**(10,380,743)**	(348,007)
Loss from purchase of loan		**(2,950,956)**	–
Share of income in associates		**–**	37,538
Income from dividends on shares		**137,653**	155,689
Other income	21	**259,650**	74,035
Non-interest income		**(20,442,600)**	(468,135)
Personnel costs	22	**(3,816,339)**	(3,866,433)
Administrative and other operational expenses	22	**(3,650,825)**	(4,848,160)
Deposits insurance costs		**(313,313)**	(136,998)
Depreciation and amortisation		**(893,582)**	(1,010,424)
Taxes other than income tax	23	**(223,869)**	(332,454)
Other provisions	9	**(392,052)**	(77,746)
Operating expenses		**(9,289,980)**	(10,272,215)
Loss before income tax expense		**(98,512,184)**	(3,422,199)
Income tax benefit / (expense)	11	**3,339,012**	(231,280)
Net loss		**(95,173,172)**	(3,653,479)
Total comprehensive loss for the period		**(95,173,172)**	(3,653,479)
Basic and diluted loss per share (in KZT)	24	**(4,991.51)**	(191.61)

The accompanying notes on pages F-52 to F-105 are an integral part of these interim condensed financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

(Thousands of Kazakh Tenge)

	Share capital – common shares	*Share capital – Preferred shares*	*Treasury stock*	*Retained earnings*	*Total*
31 December 2007	34,025,713	542,773	(107,071)	13,834,240	48,295,655
Net comprehensive loss for the year	–	–	–	(3,653,479)	(3,653,479)
31 December 2008	34,025,713	542,773	(107,071)	10,180,761	44,642,176
Net comprehensive loss for the year	–	–	–	**(95,173,172)**	**(95,173,172)**
31 December 2009	**34,025,713**	**542,773**	**(107,071)**	**(84,992,411)**	**(50,530,996)**

The accompanying notes on pages F-52 to F-105 are an integral part of these interim condensed financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

(Thousands of Kazakh Tenge)

	2009	*2008*
Cash flows from operating activities:		
Interest received	**22,551,608**	35,554,123
Interest paid	**(19,934,340)**	(25,700,226)
Income less losses from trading in foreign currencies	**1,728,989**	(572,997)
Loss from purchase of loan	**(2,950,956)**	–
Fees and commissions received	**1,522,388**	1,693,215
Fees and commissions paid	**(77,712)**	(67,884)
Other operating income	**1,230,650**	967,745
Operating expenses paid	**(7,929,036)**	(9,192,818)
Income tax paid	**(123,988)**	(775,999)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**(3,982,397)**	1,905,159
Net decrease / (increase) in operating assets		
Trading securities	**(455,549)**	(889,608)
Amounts due from credit institutions	**(2,972,872)**	3,459,354
Loans to customers	**8,487,944**	18,698,860
Current corporate income tax	**885,701**	–
Other assets	**18,834**	594,833
Net decrease / (increase) in operating liabilities		
Amounts due to RK and NBRK	**(69,481)**	19,481
Amounts due to credit institutions	**36,207,779**	(38,630,809)
Due to customers	**(19,139,368)**	(6,318,519)
Other liabilities	**788,895**	(607,252)
Net cash from/(used in) operating activities	**19,769,486**	(21,768,501)
Cash flows from investing activities		
Dividends received	**137,653**	155,689
Proceeds from disposal of property and equipment	**11,573**	31,473
Purchase of intangible assets	**(15,518)**	(123,643)
Purchase of property and equipment	**(36,538)**	(317,799)
Proceeds from disposal of associate	**–**	1,921,539
Proceeds from sale of subsidiary's shares	**–**	370,288
Net cash from investing activities	**97,170**	2,037,547
Cash flows from financing activities:		
Debt securities issued proceeds	**772,867**	5,149,063
Debt securities redeemed or repurchased	**(6,151,275)**	(565,716)
Eurobonds repaid	**(21,638,002)**	–
Net cash flow (used in)/from financing activities	**(27,016,410)**	4,583,347
Net decrease in cash and cash equivalents	**(7,149,754)**	(15,147,607)
Effect of exchange rates changes on cash and cash equivalents	**604,952**	1,913,643
Net decrease in cash and cash equivalents	**(6,544,802)**	(13,233,964)
Cash and cash equivalents, beginning of the period (Note 5)	**15,085,407**	28,319,371
Cash and cash equivalents, ending of the period (Note 5)	**8,540,605**	15,085,407

The accompanying notes on pages F-52 to F-105 are an integral part of these interim condensed financial statements

NOTES TO FINANCIAL STATEMENTS
(Thousand of Kazakh Tenge)

1. Principal activities

Subsidiary of JSC BTA Bank, JSC Temirbank (the "Bank") was formed on 26 March 1992. The Bank possesses a banking license issued by the Financial Market Supervision Agency of the Republic of Kazakhstan (the "FMSA") to perform banking operations in tenge and foreign currency and other operations permitted by the banking legislation.

The legal registered address of the Bank is: 68/74 Abai ave., Almaty, 050008, Republic of Kazakhstan. In 2009, the Bank performs its activities through 21 branches and 94 centres of banking services located throughout Kazakhstan (2008 - 21 branches и 121 centres of banking services). The Bank provides general banking services to its clients, accepts deposits from legal entities and individuals, extends credits, provides broker/dealer services, transfer payments in Kazakhstan and abroad, exchanges currencies, performs transactions with precious metals and provides other banking services to its commercial and retail customers.

The Bank is the subsidiary of JSC BTA Bank (the "Parent company"). In accordance with the Law on financial liability, in February 2009 the FMSA made an offer to purchase a majority interest in Parent company. The purchase was carried out through an additional share issuance. As part of the share issuance, the Government, represented by the JSC National welfare fund Samruk-Kazyna (the "Ultimate shareholder"), purchased 25,246,343 shares at KZT 8,401 per share that resulted in KZT 212,094,000 thousand invested into the Parent company equity and the share of the Ultimate shareholder in the Parent company equity amounted to 75.10%.

Shareholders of the Bank, owning preferred shares, during the reporting period were paid dividends for the fourth quarter of 2008 in the amount of KZT 122,584 thousand. In 2009, dividends on preferred shares have been accrued in the amount of KZT 286,031 thousand, but not paid due to losses in accordance with the legislation of the Republic of Kazakhstan.

On 14 October 2009 the Parent company and Ultimate shareholder signed an Agreement on transfer of 13,318,319 ordinary shares of the Bank owned by Parent company under the trust management agreement.

The Bank's common and preferred shares are listed on the Kazakhstan Stock Exchange ("KASE") and included in the first category of the sector "Shares" of KASE official listing. The Bank has about 26,000 shareholders, which are mainly acting or former employees of National Railway Company "Kazakhstan Temir Zholy". These shareholders in aggregate have not more than 0.56% of the total amount of the Bank's outstanding shares.

The following table provides information on common shareholders, amounting to over 1% of the total amount of the Bank's common shares as at 31 December 2009 and 31 December 2008.

Shareholders of the Bank:	*31 December 2009*	*31 December 2008*
JSC BTA Bank	**69.85**	69.85
LLP Company EurasiaInvest	**4.90**	4.90
LLP NAK-LTD	**3.81**	3.81
LLP Premium Invest Company	**3.36**	3.36
JSC Investment group Alan	**1.23**	1.19
Other shareholders own less - 1%	**16.85**	16.89
Total	**100.00**	100.00

The following table shows all registered holders of preferred shares, amounting to over 5% of all preferred shares of the Bank as at 31 December 2009 and 31 December 2008:

Shareholders of the Bank:	*31 December 2009*	*31 December 2008*
LE MIRAGE INTER S.A.	**33.90**	–
LLP NAK-LTD	**28.30**	28.30
LLP Premium Invest	**19.02**	19.02
JSC Accumulative Pension Fund Capital	**5.13**	5.13
QVT Fund LP	**0.02**	33.90
Other	**13.63**	13.65
Total	**100.00**	100.00

In accordance with a written agreement concluded between the Bank and the FMSA, the Bank voluntarily returned license for custodial activities on the securities market (No.0407100254) with transfer of all customer's assets and documents.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

2. Going Concern

There has been a significant deterioration in the Bank's financial position during 2009, principally resulting from loss events related to the loan portfolio described in Note 7. This has led to a breach, by the Bank, of certain ratios including those related to capital adequacy set by the FMSA. As a result of increased provisions against loans to customers and other assets the Bank's total liabilities as at 31 December 2009 exceeded its total assets by KZT 50,530,996 thousand and the Bank has reported a net loss amounting to KZT 95,173,172 thousand for the year then ended. These events also led to non-compliance with certain ratios, including capital adequacy as calculated in accordance with Basel Capital Accord 1988 requirements.

As at 31 December 2009, the amount drawn by the Bank under bond programs, including Eurobonds issued through Temir Capital BV and other loan facilities, amounted to KZT 212,910,666 thousand. In accordance with the contractual terms of certain bond programs, Eurobonds issued through Temir Capital BV and loan facilities, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major international rating agencies.

As at 31 December 2009 the Bank was in breach of these capital adequacy and lending exposure covenants on bond programs, and certain loan facilities. Furthermore in November 2009 the credit ratings of the Bank from major international rating agencies have decreased to default levels. Accordingly certain credit facilities became callable by the lenders. The Bank's default under these conditions resulted in accelerations and cross default under the terms of the respective agreements.

Due to the Bank's inability to early repay all its debts as called by creditors, the Bank may not be able to meet all its obligations. Consequently, the Bank, with the Ultimate shareholder support, is in the process of restructuring its debts. The Ultimate shareholder together with the management of the Bank believes that the debts restructuring will be completed in the year 2010.

During 2009, the Parent company, Ultimate shareholder and management of the Bank have been executing several initiatives to improve liquidity in order to allow the Bank to continue its activities, including but not limited to the following:

a) During 2009 the Parent company has made deposits with the Bank in the amount of more than KZT 53 billion;
b) The Bank is an active participant in government programs. As part of a government anti-crisis program, the Bank has received KZT 12 billion, borrowed from the Ultimate shareholder. Principal funding was obtained for the completion of projects related to real estate and the refinancing of mortgage loans;
c) On 18 November 2009 FMSA and the Bank agreed the restructuring plan;
d) On 23 November 2009 a specialized financial court in Almaty approved the restructuring of the Bank's debts till 31 December 2009;
e) On 18 December 2009 the Bank agreed and signed the major preliminary terms of the restructuring with members of the Credit Committee;
f) On 29 December 2009 AFN approved the extension of the term of review and approval by creditors of debt restructuring of the Bank to 31 March 2010;

Because of the described negative events there is a material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern. Therefore, the Bank may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements of the Bank have been prepared on a going concern basis that contemplates the realization of restructuring of its long-term debt and continued adequate support from the shareholders.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary if the restructuring of debt is unsuccessful and adequate additional resources are not available, and the Bank is unable to continue as a going concern.

3. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by International Financial Reporting Standards committee and interpretations issued by International Financial reporting interpretation committee.

These financial statements are presented in thousands of Kazakh Tenge ("KZT"), except per share amounts and unless otherwise indicated.

These financial statements are prepared under the historical cost convention, except for certain financial instruments measured at fair value.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting policy

Changes in accounting policies

The Bank has adopted the following amended IFRS and new IFRIC Interpretations during the year. The principal effects of these changes are as follows:

Improvements to IFRS

In May 2008 the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in May 2008 "Improvements to IFRS" did not have any impact on the accounting policies, financial position or performance of the Bank, except for the amendment to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", as described below.

IAS 20 has been amended to require that loans received from the government that have a below-market rate of interest be recognized and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognised in the statement of financial position. This benefit is accounted for in accordance with IAS 20. The amendment is applied prospectively to government loans received on or after 1 January 2009. This amendment did not have any impact on the financial statements.

IAS 1 Presentation of Financial Statements (Revised)

A revised IAS 1 was issued in September 2007, and became effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Bank has elected to present comprehensive income in a single separate statement: statement of comprehensive income.

IFRS 7 "Financial Instruments: Disclosures"

The amendments to IFRS 7 were issued in March 2009, to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information has not been provided as permitted by the transition provisions of the amendment.

IAS 23 "Borrowing Costs"(Revised)

A revised IAS 23 Borrowing costs was issued in March 2007, and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Bank adopted this as a prospective change. No changes were made for borrowing costs incurred to 1 January 2009 that have been expensed.

IAS 24 "Related party disclosures" (Revised)

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Bank has decided to early adopt the revised IAS 24 from 1 January 2009.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Changes in accounting polices (continued)

Improvements to IFRS (continued)

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments were issued in February 2008, and became effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. These amendments did not have any impact on the Bank. The amendments resulted in participants' interests being classified as equity and not liabilities, and were applied retrospectively. This amendment did not have any impact on the financial position or performance of the Bank.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations

Amendment to IFRS 2 were issued in January 2008 and became effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. This amendment did not have any impact on the financial position or performance of the Bank.

IFRS 8 "Operating Segments"

IFRS 8 became effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Bank' operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Adoption of this Standard did not have any impact on the financial position or performance of the Bank. The Bank determined that the operating segments are the same as the business segments previously identified under *IAS 14 'Segment Reporting"*.

IFRIC 13 "Customer Loyalty Programmes"

IFRIC Interpretation 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation did not have any impact on the Bank's financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. This interpretation did not have any impact on the Bank's financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation did not have any impact on the Bank's financial statements.

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"

The amendments require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. The amendments are applicable for annual periods ending on or after 30 June 2009. The application of the amendment did not have a significant impact on the Bank's financial statements as no reclassifications were made for instruments that contained embedded derivatives.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Changes in accounting polices (continued)

Improvements to IFRS (continued)

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and becomes effective for transfers of assets from customers received on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. This interpretation did not have any impact on the financial position or performance of the Bank as the Bank has no transfers of assets from its customers.

Financial assets

Initial recognition and measurement of financial instruments

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments; or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition.

Date of recognition

All standard operations of purchases and sales of financial assets are recognized on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Trading securities

Financial assets classified as held for trading are included in the category 'trading securities'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Financial assets (continued)

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from National Bank of Republic Kazakhstan (NBRK), and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Amounts due from credit institutions

During everyday activity the Bank opens current accounts or places deposits on a different period of time to other banks. Amounts from credit institutions with fixed maturity are subsequently measured at amortized cost using an effective interest rate. Amounts without fixed maturity are carried at amortized cost based on expected maturity of such assets. Amounts due from credit institutions are recorded less any allowances for impairment.

Loans to customers

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or participating in syndicated loans.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus incurred operating costs directly attributable to the acquisition or creation of such financial assets. The difference between the fair value of the consideration given and the fair value of the loan is recorded in the income statement in case the fair value of the consideration given is not equal to the fair value of the loan, for example when loans are issued at the lower than market rate. Subsequently loans are recognized at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the balance sheet 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 agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price 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 balance sheet. Securities borrowed are not recorded in the balance sheet, unless these are sold to third parties, in which case the purchase and sale are recorded within losses less gains from financial assets are fair value in the income statement. The obligation to return them is recorded at fair value as a trading liability.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. 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. Gains and losses resulting from these instruments are included in the income statement as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies dealing, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the income statement.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank and Government, amounts due to credit institutions, amounts due to customers and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the income statement.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers (continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Loans are written off against allowance for impairment losses in case of uncollectibility of loans issued, including through repossession of collateral. Loans are written off after management had exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral.

Renegotiated loans

Where possible, the Bank 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.

Leases

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessee are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into administrative and other operating expenses.

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 derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank 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; and
- the Bank 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.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Taxation

Income tax expense is represented by the amount of current and deferred income tax.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current income tax is calculated using tax rates that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the 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 utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Kazakhstan also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of taxes other than income tax.

Property and equipment

The property and equipment and intangible assets are booked at initial cost less accumulated depreciation.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortization of improvements to leased property is charged over the useful life of corresponding leased assets. Costs related to maintenance and overhauls are recorded in income statement when incurred and included in operating expenses, unless they qualify for capitalization.

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:

	Rate per year
Buildings and other immovables	2,5%
Computer equipment	15-40%
Motor vehicles	25%
Other	15-25%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 2 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Provisions

Provisions are recognised when the Bank 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 amount of obligation can be made.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned, and are accounted in "Personnel expenses" in the income statement. The Bank makes social tax contributions to the budget of the Republic of Kazakhstan for its employees. The Bank has no post-retirement benefits or other compensated benefits requiring accrual.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. 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. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends on common shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event in accordance with IAS 10 "Subsequent events" and are appropriately disclosed.

Preferred shares

IAS 32 "Financial instruments: Presentation" requires that preferred shares or their components be classified as financial liabilities or equity instruments in accordance with the essence of contractual agreement and definitions of financial liability and equity instrument. Preferred shares which carry a mandatory dividend payment are classified as subordinated debt. The fair value of the debt is equivalent to the present value of the mandatory dividend obligations over the term of the preferred share discounted at the market interest rate for a similar instrument that does not retain a residual benefit to discretionary dividends.

Dividends on preferred shares are classified as an expense and are recognized in the income statement within interest expense.

Treasury shares

Where the Bank purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Small and medium businesses, Investment banking, and other.

Financial guarantees and letters of credit

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees and letters of credit are credit insurance that provides for specified payments to be made to reimburse the holder for loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequent to initial recognition the Bank's liability under each guarantee and letter of credit is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement. The premium received is recognised in the income statement on a straight-line basis over the life of the guarantee.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as trading, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

Foreign currency translation

The financial statements are presented in tenge, which is the Bank's functional and presentation currency. 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 functional currency KASE exchange rate ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as net losses / gains from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at 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 exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

Below are the exchange rates at the year end which have been used by the Bank when preparing financial statements:

	31 December 2009	*31 December 2008*
KZT/USD	**148.46**	120.79
KZT/EURO	**213.95**	170.24

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting polices (continued)

Related parties

IFRS 24 "Related parties – disclosure" defines the related parties or related party transactions as follows:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Bank that gives it significant influence over the Bank; or has joint control over the Bank

(b) the party is an associate, i.e. a company under significant control of the Bank, which is neither the investor's subsidiary, nor its joint venture;

(c) the party is a joint venture in which the Bank is a venturer;

(d) the party is a member of the key management personnel of the Bank or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items

The amendment to IAS 39 was issued in August 2008, and becomes effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. Management does not expect the amendment to IAS 39 to affect the Bank's financial statements as the Bank has not entered into any such hedges.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards must be applied prospectively and will affect only future acquisitions and transactions with minority interests.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions

The amendment to IFRS 2 was issued in June 2009 and become effective for financial years beginning on or after 1 January 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The Bank expects that this amendment will have no impact on the Bank's financial statements.

IFRIC 17 "Distribution of Non-Cash Assets to Owners"

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

4. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

Improvements to IFRSs

In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" will have no impact on the accounting policies, financial position or performance of the Bank, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The Bank expects that this amendment will have no impact on the Bank's financial statements.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's chief operating decision maker does review segment assets and liabilities, the Bank will continue to disclose this information.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment will have no impact on the Bank as the annual impairment test is performed before aggregation.

Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The Bank expects that this amendment will have no impact on the Bank's financial statements.

IFRS 9 "Financial Instruments"

In November 2009 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. Entities may adopt the first phase for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. The Bank now evaluates the impact of the adoption of new Standard and considers the initial application date.

Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

4. Summary of accounting policies (continued)

Significant accounting judgments and estimates (continued)

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in 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 the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 Bank uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Taxation

Kazakh tax, currency and customs legislation is 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. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2009 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

5. Cash and cash equivalents

Cash and cash equivalents include the following:

	2009	*2008*
Account in NBRK	**4,566,868**	2,909,869
Cash on hand	**3,444,862**	4,539,437
Current accounts with other financial institutions	**528,875**	851,881
Reverse repurchase agreements with contractual maturity of 90 days or less	**–**	6,683,930
Time deposits with contractual maturity of 90 days or less	**–**	100,290
	8,540,605	15,085,407

In 2008 in accordance with the financial markets stability program, the NBRK decreased obligatory reserve requirements from 6% to 2% for domestic liabilities, and from 8% to 3% for external debt. Furthermore, since 3 March 2009, minimum reserve requirement for the second tier banks were decreased from 2.0% to 1.5% for domestic liabilities, and from 3.0% to 2.5% for other liabilities.

As at 31 December 2009 and 31 December 2008 the Bank is in compliance with minimum reserve requirement for the second tier banks.

6. Trading securities

Trading securities comprise:

	2009	*2008*
Bonds of the Ministry of Finance of Republic of Kazakhstan	**7,502,380**	7,942,764
Corporate bonds	**3,709,265**	12,378,579
Corporate shares	**1,541,195**	1,722,368
Trading securities	**12,752,840**	22,043,711

Interest rates and maturities of these assets are:

	2009		*2008*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	**6.80-12.00**	**2010-2036**	7.00-15.00	2009-2036
Bonds of the Ministry of Finance of Republic of Kazakhstan	**4.05-8.75**	**2010-2015**	3.35-18.71	2009-2015

NOTES TO FINANCIAL STATEMENTS (continued)
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6. Trading securities (continued)

The Bank had the following equity securities:

	2009	*2008*
Shares		
JSC Halyk Savings Bank	**1,463,489**	1,083,496
JSC Bank Centercredit	**50,166**	35,660
JSC Kazakhtelecom	**23,202**	17,504
JSC Kazkommertsbank	**4,338**	1,692
JSC Exploration and Production KazMunaiGaz	**–**	444,179
JSC BTA Bank	**–**	98,909
JSC Kazzinc	**–**	40,928
	1,541,195	1,722,368

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2009	*2008*
Loans to credit institutions of RK	**863,482**	2,208,097
Time deposits	**89,703**	54,356
Total	**953,185**	2,262,453
Less – allowance for impairment (Note 9)	**(61,635)**	(1,590)
Amounts due to credit institutions	**891,550**	2,260,863

Interest rates and maturities of these assets follow:

	2009		*2008*	
	%	*Maturity*	*%*	*Maturity*
Loans to credit institutions	**13.00-20.00**	**2010-2012**	7.00-20.00	2009-2012
Time deposits	**–**	**2010**	–	2009

8. Loans to customers

During 2009 there was a significant deterioration in the Bank's financial position mostly resulting from losses on the loan portfolio. The increase in provisioning was due to several reasons:

- A significant part of the loan portfolio (45%) comprised of loans extended or denominated in US dollars. In connection with the devaluation of tenge by 25% on 4 February 2009 and due to the mismatch of the currency, in which loans were taken, with the currency in which the Bank's customers primarily receive their income (KZT) resulted in a deterioration of the repayment ability of the borrowers.

- A sharp decline in the construction industry started in 2008 and continued in 2009 which resulted in the growth of non-payments of the borrowers, who received loans for real estate operations and construction purposes. Moreover, the fall in prices on the real estate market has led to a decrease in the level of coverage of the loan portfolio collateral.

- Decrease in creditworthiness of clients due to reduction of income, because of loss of job or transfer to less paid job.

- Impairment of securities of organizations declared default which secured loans.

Loans to customers comprise:

	2009	*2008*
Loans to customers	**285,128,697**	267,218,130
Factoring	**2,787,460**	362,370
Financial leasing	**105,452**	326,797
Overdrafts	**8,357**	8,640
Total loans to customers	**288,029,966**	267,915,937
Less – allowance for impairment	**(90,743,881)**	(18,422,473)
Loans to customers	**197,286,085**	249,493,464

There are no loans to customers provided under reverse repurchase agreements as at 31 December 2009 (31 December 2008 – 1,407,790 thousand).

NOTES TO FINANCIAL STATEMENTS (continued)

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8. Loans to customers (continued)

Loans have been extended to the following types of customers:

	2009	*2008*
Individuals	**183,513,316**	180,011,232
Private companies	**104,490,578**	87,876,935
Individuals	**26,072**	27,770
Loans to customers	**288,029,966**	267,915,937

Below is the analysis by types of loans:

	2009	*2008*
Consumer loans	**95,214,337**	96,526,603
Mortgage loans	**68,344,652**	63,604,997
Corporate clients	**61,606,334**	50,508,259
Loans to small and medium business	**42,910,316**	37,396,446
Car loans	**7,536,826**	8,813,443
Other retail loans	**12,417,501**	11,066,189
Total loans to customers	**288,029,966**	267,915,937
Less – allowance for impairment	**(90,743,881)**	(18,422,473)
Loans to customers	**197,286,085**	249,493,464

As at 31 December 2009, the Bank had a concentration of loans represented by KZT 37,239,721 thousand due from 10 largest borrowers that comprised 12.9% of the total gross loan portfolio (31 December 2008 – KZT 29,007,258 thousand, 10.8%). As at 31 December 2009, a provision of KZT 17,315,330 thousand was formed against these loans (31 December 2008 – KZT 4,209,820 thousand).

Loans were made to the following economic sectors:

	2009	*%*	*2008*	*%*
Individuals	**183,513,316**	**63.71**	180,011,232	67.19
Construction	**46,505,717**	**16.15**	35,314,666	13.18
Real estate activities	**16,020,279**	**5.56**	12,599,245	4.70
Wholesale trade	**10,728,907**	**3.72**	11,712,428	4.37
Services rendered to enterprises	**7,715,221**	**2.68**	5,381,902	2.01
Retail trade	**4,486,862**	**1.56**	3,250,795	1.21
Mining industry	**3,072,627**	**1.07**	2,873,471	1.07
Hotel business and restaurants	**2,213,122**	**0.77**	1,876,868	0.70
Services rendered to individuals	**2,152,090**	**0.75**	1,914,361	0.71
Food industry	**2,022,210**	**0.70**	1,757,748	0.66
Transport	**1,392,267**	**0.48**	2,864,119	1.07
Financial services	**1,210,484**	**0.42**	3,039,976	1.13
Chemical industry	**263,041**	**0.09**	1,038,855	0.40
Other	**6,733,823**	**2.34**	4,280,271	1.60
Loans to customers	**288,029,966**	**100.00**	267,915,937	100.00

Loans to individuals consisted of the following:

	2009	*2008*
Consumer loans	**95,214,337**	96,526,603
Mortgage loans	**68,344,652**	63,604,997
Car loans	**7,536,826**	8,813,443
Other	**12,417,501**	11,066,189
Loans to customers	**183,513,316**	180,011,232

Net investment in finance leases consisted of the following:

	2009	*2008*
Minimal lease payments receivable	**8,357**	8,640
Less: unearned finance income	**(190)**	(473)
Net investments into financial leasing	**8,167**	8,167
Current portion of net investments into financial leasing	**8,357**	4,925
Non-current portion of net investments into financial leasing	**–**	3,715
Net investments into financial leasing	**8,357**	8,640

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

8. Loans to customers (continued)

Interest income accrued on impaired loans, for which impairment allowances have been recognized, as at 31 December 2009, comprised KZT 9,689,732 thousand (2008 – KZT 2,868,673 thousand).

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for reverse repurchase transactions – securities;
- for commercial lending – charges over real estate properties, inventory, cash, guarantees;
- for retail lending – mortgages over residential properties, cars, cash, guarantees;

As at 31 December 2009, the fair value of collateral on impaired loans amounted to KZT 91,452,698 thousand (31 December 2008 – KZT 23,122,138 thousand). Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Corporate lending	*Small and medium business lending*	*Mortgage*	*Consumer loans*	*Car loans*	*Other retail loans*	*Total loan portfolio*
31 December 2007	2,934,421	1,500,429	797,979	3,489,556	521,597	879,282	10,123,264
Charges / (Reversal)	4,545,055	1,910,658	984,039	928,234	(40,949)	(37,810)	8,289,227
Recoveries	–	3,987	–	5,306	5,633	142	15,068
Write-offs	–	(2,246)	–	(12,891)	(26,398)	–	(41,535)
Foreign currency revaluation	24,995	7,393	614	2,038	660	749	36,449
31 December 2008	7,504,471	3,420,221	1,782,632	4,412,243	460,543	842,363	18,422,473
Individual impairment	6,110,539	2,183,146	668,368	1,687,231	51,463	746,631	11,447,378
Collective impairment	1,393,932	1,237,075	1,114,264	2,725,012	409,080	95,732	6,975,095
Total	7,504,471	3,420,221	1,782,632	4,412,243	460,543	842,363	18,422,473
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance as at 31 December 2008	22,719,651	6,319,073	934,768	1,779,634	54,504	777,881	32,585,511
31 December 2008	7,504,471	3,420,221	1,782,632	4,412,243	460,543	842,363	18,422,473
Charges	**24,551,197**	**9,581,996**	**15,576,616**	**21,664,436**	**842,550**	**2,835,138**	**75,051,933**
Recoveries	**–**	**3,310**	**–**	**550**	**549**	**1,367**	**5,776**
Write-offs	**(4,609,307)**	**–**	**(11,644)**	**(31,428)**	**(46,053)**	**–**	**(4,698,432)**
Foreign currency revaluation	**46,325**	**37,124**	**596,272**	**953,542**	**51,169**	**277,699**	**1,962,131**
31 December 2009	**27,492,686**	**13,042,651**	**17,943,876**	**26,999,343**	**1,308,758**	**3,956,567**	**90,743,881**
Individual impairment	**20,766,190**	**7,828,657**	**16,634,775**	**24,973,732**	**1,144,973**	**3,768,342**	**75,116,669**
Collective impairment	**6,726,496**	**5,213,994**	**1,309,101**	**2,025,611**	**163,785**	**188,225**	**15,627,212**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance as at 31 December 2009	**40,752,997**	**14,047,012**	**35,461,926**	**47,635,459**	**3,689,734**	**8,100,116**	**149,687,244**

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

9. Allowance for impairment and provisions

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

	Amounts due from credit institutions	*Loans to customers*	*Total*
31 December 2007	1,540	10,123,264	10,124,804
Impairment charge	47	8,289,227	8,289,274
Write-offs	–	(41,535)	(41,535)
Recoveries	–	15,068	15,068
Foreign currency revaluation	3	36,449	36,452
31 December 2008	1,590	18,422,473	18,424,063
Impairment charge	**59,736**	**75,051,933**	**75,111,669**
Write-offs	–	**(4,698,432)**	**(4,698,432)**
Recoveries	–	**5,776**	**5,776**
Foreign currency revaluation	**309**	**1,962,131**	**1,962,440**
31 December 2009	**61,635**	**90,743,881**	**90,805,516**

The movements in allowances for impairment of other assets and contingent liabilities are as follows:

	Letters of credit and guarantees	*Other assets*	*Total*
31 December 2007	323,900	1,222	325,122
Impairment charge / (reversal)	(318,824)	396,570	77,746
Recoveries	–	(142,087)	(142,087)
Foreign currency revaluation	–	(5,581)	(5,581)
31 December 2008	5,076	250,124	255,200
Impairment charge / (reversal)	**(2,939)**	**394,991**	**392,052**
Recoveries	–	**(263,451)**	**(263,451)**
Foreign currency revaluation	**(1)**	**12,809**	**12,808**
31 December 2009	**2,136**	**394,473**	**396,609**

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

10. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	2009			*2008*		
		Fair value			*Fair value*	
	Notional principal	*Assets*	*Liabilities*	*Notional principal*	*Assets*	*Liabilities*
Option	**2,336,947**	**308,398**	–	–	–	–
Swaps	**8,245,143**	–	**3,179**	3,031,551	–	588
Forwards	–	–	–	25,005,201	679,502	–
	10,582,090	**308,398**	**3,179**	28,036,752	679,502	588

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

As at 31 December 2009 and 31 December 2008 the Bank had certain loans that are foreign currencies linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Bank has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the loans issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level.

The Bank believes that the above feature comprises an embedded foreign currency option which is an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the financial statements

Forwards and contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

NOTES TO FINANCIAL STATEMENTS (continued)

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Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

11. Taxation

Corporate income tax ("CIT") expenses comprise the following:

	2009	*2008*
CIT charge	–	64,614
Deferred CIT(benefit)/charge – origination and reversal of temporary differences	(3,339,012)	166,666
CIT (benefit)/charge	(3,339,012)	231,280

The Bank is subject to corporate income tax in the Republic of Kazakhstan. In accordance with applicable tax legislation, 20% corporate income tax rate applied. A reconciliation of the corporate income tax expense based on statutory rates with actual is as follows:

	2009	*2008*
Profit before taxation	**(98,512,184)**	(3,422,199)
Statutory tax rate	**20.00%**	30.00%
Theoretical corporate income tax expenses at the statutory tax rate	**(19,702,437)**	(1,026,660)
Commissions received for loan origination	**(16,494)**	–
Other non taxable income	**(431,180)**	(251,081)
Non taxable income from government and A, B listed securities	**2,031,748**	(340,841)
Non taxable income from sold shares in associates	–	(306,300)
Non taxable income from associates	**29,676**	–
Difference from the change in tax rate	**4,556,602**	191,684
Interest expense, non-deductible due to default	**1,238,950**	–
Non-deductible interest expense	**3,697,203**	–
Non-deductible business expenses	–	332,785
Income of subsidiaries taxed at different rates	–	25,244
Allowance on deferred tax asset	**3,724,391**	–
Other permanent differences	**1,532,529**	1,606,449
CIT (benefit)/expenses	**(3,339,012)**	231,280

Deferred corporate income tax reflects net tax effect of temporary differences between carrying amount of assets and liabilities for financial statements purposes and the amount to be determined for tax purposes. Tax effect of temporary differences as at 31 December 2009 and 2008, is as follows:

Tax effect of deductible temporary differences:	*2009*	*Origination and decrease of temporary differences*	*2008*	*Origination and decrease of temporary differences*	*2007*
Commissions received for loan origination	–	**(185,203)**	185,203	(331,865)	517,068
Tax loss carried forward	**15,115,280**	**14,792,273**	323,007	323,007	–
Losses from other securities that could be carried forward during the following 3 years	–	–	–	(145,444)	145,444
Other	**64,466**	**27,180**	37,286	(135,765)	173,051
Deferred tax assets	**15,179,746**	**14,634,250**	545,496	(290,067)	835,563
Tax effect of taxable temporary differences					
Loan provisions	**(7,690,613)**	**(7,690,613)**	–	–	–
Property and equipment and intangible assets	**(25,997)**	**60,693**	(86,690)	211,600	(298,290)
Securities	**(61,680)**	**59,073**	(120,753)	(120,753)	–
Intangible assets	–	–	–	32,544	(32,544)
Deferred tax liability	**(7,778,290)**	**(7,570,847)**	(207,443)	123,391	(330,834)
Total deferred tax asset	**7,401,456**	**7,063,403**	338,053	(166,676)	504,729
Deferred tax allowance	**(3,724,391)**	**(3,724,391)**	–	–	–
Total	**3,677,065**	**3,339,012**	338,053	(166,676)	504,729

NOTES TO FINANCIAL STATEMENTS (continued)

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Deferred tax asset as at 31 December 2009 mainly comprised of tax losses carried forward. The Bank provided for deferred tax assets to the extent of probable future profits on successful restructuring can not be reliably measured.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

12. Property and equipment

The movements in property and equipment were as follows:

	Buildings and other immovables	*Computer equipment*	*Motor vehicles*	*Other*	*Total*
Cost					
31 December 2007	914,033	2,122,943	192,729	1,322,244	4,551,949
Additions	32,912	156,185	13,568	121,152	323,817
Disposal	–	(81,599)	(25,929)	(78,681)	(186,209)
31 December 2008	946,945	2,197,529	180,368	1,364,715	4,689,557
Additions	**783**	**9,327**	**3,272**	**23,156**	**36,538**
Disposal	**(22)**	**(62,398)**	**(30,001)**	**(37,836)**	**(130,257)**
31 December 2009	**947,706**	**2,144,458**	**153,639**	**1,350,035**	**4,595,838**
Accumulated depreciation					
31 December 2007	42,519	724,460	101,347	483,486	1,351,812
Depreciation charge	21,776	599,339	36,045	265,943	923,103
Disposal	–	–	–	–	–
Disposal of subsidiary	–	(81,179)	(18,017)	(57,670)	(156,866)
31 December 2008	64,295	1,242,620	119,375	691,759	2,118,049
Depreciation charge	21,794	499,899	29,889	249,160	800,742
Additions	–	–	–	–	–
Disposal	–	(61,676)	(28,474)	(28,603)	(118,753)
31 December 2009	**86,089**	**1,680,843**	**120,790**	**912,316**	**2,800,038**
Net book value					
31 December 2009	**861,617**	**463,615**	**32,849**	**437,719**	**1,795,800**
31 December 2008	882,650	954,909	60,993	672,956	2,571,508

13. Other assets and other liabilities

Other assets comprise the following:

	2009	*2008*
Other investments	**420,585**	420,585
Office supplies and other inventory	**326,580**	657,668
Trade accounts receivable	**259,776**	197,051
Intangible assets	**236,544**	313,866
Capital investment debtors	**101,246**	113,815
Deferred expenses	**57,392**	46,461
Deferred taxes	**56,525**	5,348
Accrued commission	**6,387**	15,935
Due from employees	**6,503**	11,639
Other	**52,415**	43,455
	1,523,953	1,825,823
Less: impairment allowances *(Note 9)*	**(394,473)**	(250,124)
Other assets	**1,129,480**	1,575,699

Other liabilities comprise the following:

	2009	*2008*
Taxes payable, other than income tax	**780,690**	30,959
Salaries payable	**243,932**	110,050
Liabilities on contributions to Deposit guarantee fund	**89,010**	49,800
Accrued administrative expenses	**28,041**	86,544
Provision on guarantees and other liabilities *(Note 9)*	**2,136**	5,076
Other	**28,929**	25,631
Other liabilities	**1,172,738**	308,060

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2009	*2008*
Loans from Kazakh banks and credit institutions	**10,511,254**	14,212,154
Loans extended on Repo agreements	**4,434,222**	14,056,461
Loans from OECD based banks and credit institutions	**1,250,626**	1,062,498
	16,196,102	29,331,113
Placements from the Parent company	**56,191,189**	5,027,222
Shareholders' Loro accounts	**534,951**	14
Loro accounts	**24,806**	8,030
Placements from non OECD banks	**–**	242,192
Placements from Kazakh banks	**–**	701,361
	56,750,946	5,978,819
Amounts due to credit institutions	**72,947,048**	35,309,932

Interest rates and maturities of amounts due to credit institutions are as follows:

	2009		*2008*	
	%	*Maturity date*	*%*	*Maturity date*
Placements from Kazakh banks	**7.50-19.00**	**2010-2029**	7.50-20.56	2009-2028
Loans extended on Repo agreements	**1.60**	**2010**	6.00-13.00	2009
Loans from OECD based banks and credit institutions	**1.09-1.41**	**2009**	2.67-7.58	2009-2011
Placements from shareholders	**14.00-18.00**	**2009**	11.00-15.00	2009
Placements from non OECD banks	**–**	**–**	7.00	2009

The fair value of financial assets pledged under Repo agreements as at 31 December 2009 amounted to KZT 4,970,753 thousand (2008: KZT 14,515,004 thousand.)

15. Amounts due to customers

The amounts due to customers included balances in customer current accounts, time deposits, and certain other liabilities, and include the following:

	2009	*2008*
Time deposits	**36,040,868**	48,111,487
Current accounts	**10,096,151**	13,580,186
Guarantees and restricted deposits	**1,859,527**	1,631,605
Amounts due to customers	**47,996,546**	63,323,278

As at 31 December 2009 and 2008, the Bank's ten largest customers accounted for approximately 37.73% and 35.41% respectively, of the total amounts due to customers.

As at 31 December 2009 and 2008, amounts due to customers comprise KZT 1,238,961 thousand and KZT 1,221,841 thousand, respectively, that represent collateral on granted loans.

As at 31 December 2009 and 2008, amounts due to customers comprise KZT 392,725 thousand and KZT 409,764 thousand respectively that act as security on issued letters of credit and guarantees.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

15. Amounts due to customers (continued)

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

	2009	*2008*
Time deposits:		
Individuals	**19,603,122**	22,561,731
Government entities	**12,894,301**	12,417,050
Commercial entities	**3,543,445**	13,132,706
	36,040,868	48,111,487
Current accounts:		
Commercial entities	**5,476,101**	8,170,187
Individuals	**3,321,439**	3,077,186
Government entities	**1,298,611**	2,332,813
	10,096,151	13,580,186
Guarantee and restricted deposits:		
Commercial entities	**1,438,620**	1,163,981
Individuals	**420,907**	464,720
Government entities	**–**	2,904
	1,859,527	1,631,605
Amounts due to customers	**47,996,546**	63,323,278

As at 31 December 2009 customer accounts include deposits attracted from the Ultimate shareholder totalled to KZT 11,936,584 thousand (as at 31 December 2008 – KZT 4,903,788 thousand).

An analysis of customer accounts by economic sector is as follows:

	2009		*2008*	
	Amount	*%*	*Amount*	*%*
Individuals	**23,345,468**	**48.64**	26,103,637	41.22
Government institutions	**12,537,675**	**26.12**	5,108,962	8.07
Non-credit financial organizations	**2,398,883**	**5.00**	8,724,630	13.78
Construction	**2,251,974**	**4.69**	7,471,953	11.80
Research and development	**1,160,203**	**2.42**	3,172,429	5.01
Wholesale trading	**1,037,481**	**2.16**	2,391,720	3.78
Services rendered to legal entities and individuals	**929,133**	**1.94**	2,398,482	3.79
Education	**446,200**	**0.93**	2,179,601	3.44
Transport	**370,683**	**0.77**	532,897	0.84
Mining	**200,132**	**0.42**	147,453	0.23
Agriculture	**188,008**	**0.39**	721,120	1.14
Real estate operations	**23,659**	**0.05**	34,186	0.05
Other	**3,107,047**	**6.47**	4,336,208	6.85
	47,996,546	**100.00**	63,323,278	100.00

16. Debt securities issued

Debt securities issued consisted of the following:

	2009	*2008*
KZT bonds with floating rates	**20,628,836**	10,047,992
KZT bonds with fixed rates	**11,952,379**	26,336,905
Preferred shares – liability component	**4,743,518**	4,580,162
USD and KZT subordinated bonds	**1,816,942**	1,252,628
	39,141,675	42,217,687
Own KZT bonds held by the Bank	**(1,818,059)**	(1,579,820)
Plus: unamortized premium	**10,896**	16,319
Less: unamortized discount	**(2,417,122)**	(2,282,953)
	(2,406,226)	(2,266,634)
Debt securities issued	**34,917,390**	38,371,233

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

16. Debt securities issued (continued)

The interest rates and maturities of these debt securities issued are following:

	2009		2008	
	%	Maturity date	%	Maturity date
KZT bonds with floating rates	**6.80-10**	**2009**	9-11	2012-2015
KZT bonds with fixed rates	**8.5-9.0**	**2009**	8.5-9.75	2008-2021
Preferred shares	**10**	**Without maturity**	10	Without maturity
USD and KZT subordinated bonds	**9.5**	**2009**	9.5	2016

In accordance with the contractual terms of issued debt securities programs, the Bank is required to maintain certain financial ratios, particularly with regard to liquidity, capital adequacy, and lending exposure. Furthermore, the Bank must maintain a certain level of credit ratings from major international rating agencies. As at 31 December 2009 the Bank was in breach of these capital adequacy and lending exposure ratios. On 23 November 2009 the Bank declared default including domestic liabilities. As a result the Bank with the support of Ultimate shareholder is in the process of restructuring these debts.

In the first half of 2009 the Bank had repaid bonds with fixed rates by KZT 6,151,274 thousand.

17. Eurobonds issued

Eurobonds issued are the bonds issued through Temir Capital BV and amounted as at 31 December 2009 and 31 December 2008 to KZT 119,999,906 thousand and KZT 122,908,789 thousand, respectively. In March 2009 the Bank repaid Eurobonds in the amount of USD 151 million or KZT 22,743,979 thousand.

	%	Maturity date	%	Maturity date
Eurobonds in USD	*9-9.5*	*2009*	*9-9.5*	*2009-2014*

18. Equity

As at 31 December 2008 and 2007 the Bank share capital comprised:

	2009		2008	
	Number of shares	Thousand tenge	Number of shares	Thousand tenge
Ordinary shares	**19,067,000**	**34,025,713**	19,067,000	34,025,713
Preferred shares – Equity component	**4,903,380**	**435,702**	4,903,380	435,702
Total share capital	**23,970,380**	**34,461,415**	23,970,380	34,461,415

Nominal value of preferred shares is KZT 1,000. These shares do not have voting rights, but they have a priority over the common shares in the event of liquidation of the Bank. Minimum annual dividends on these shares amount to KZT 100 per share. Dividends are determined at the annual shareholders' meeting and depend upon annual financial results. These shares are not redeemable. If dividends are not declared, preferred shareholders will have voting rights as well as the common shareholders until dividends will be paid on preferred shares.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

19. Fees and commissions

Fee and commission income and expenses are as follows:

	2009	*2008*
Cash operations	**604,608**	833,779
Settlement operations	**486,212**	357,491
Trust management services	**222,024**	271,945
Letters of credit and guarantees issued	**132,069**	149,858
Custodian services	**23,410**	34,514
Other	**44,517**	45,879
Fee and commission income	**1,512,840**	1,693,466
Payment cards services	**(36,216)**	(27,214)
Settlement operations	**(37,333)**	(26,750)
Operations with foreign currency and securities	**–**	(1,282)
Cash operations	**(3,639)**	(2,395)
Other	**(524)**	(10,216)
Fee and commission expenses	**(77,712)**	(67,857)
Net fee and commission income	**1,435,128**	1,625,609

20. Net losses from trading securities

Net losses from trading securities comprise the following:

	Year ended December 31	
	2009	*2008*
Trade profit from trading securities, net		
Bonds	**954,578**	944,472
Shares	**16,422**	444
	971,000	944,916
Fair value adjustment of trading securities, net		
Bonds	**(8,802,127)**	(385,329)
Shares	**(1,406,066)**	(2,370,535)
	(10,208,193)	(2,755,864)
Total net loss from trading securities	**(9,237,193)**	(1,810,948)

Fair value adjustment of financial assets during the period from 1 January 2009 to 31 December 2009 includes a loss in the amount of KZT 8,931,436 thousand that the Bank incurred from a decrease in fair institutions which declared default in 2009.

21. Other income

	2009	*2008*
Amount received from Budget of earlier paid fine	**173,357**	–
Sale of stationary forms and other services rendered to customers	**20,288**	17,338
Proceeds from fixed assets disposal	**18,538**	2,129
Income from agency services	**8,442**	6,136
Safe services	**7,037**	6,789
Reimbursements of Bank's expenses by individuals	**5,233**	12,401
Income from agency services for insurance contracts issuance	**1,674**	6,619
Income from property and equipment received free of charge	**366**	6,018
Income from cash collection	**399**	30
Other	**24,316**	16,575
Total other income	**259,650**	74,035

In 2009 the Bank upon court order returned from budget earlier paid fine on tax payments.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

22. Personnel and administrative and other operating expenses

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

	2009	*2008*
Salary and other payments to employees		
Salaries and bonuses	**(3,427,791)**	(3,442,508)
Social security costs	**(241,279)**	(250,866)
Other payments	**(147,269)**	(173,059)
	(3,816,339)	(3,866,433)
Administrative and other operating expenses		
Penalties	**(907,211)**	(274,228)
Occupancy and rent	**(855,710)**	(1,209,446)
Communications	**(320,299)**	(390,411)
Security	**(298,167)**	(353,896)
Repair and maintenance of property and equipment	**(172,916)**	(238,361)
Encashment	**(161,329)**	(165,005)
Marketing and advertising	**(135,621)**	(857,070)
State duty paid to the budget upon Bank's claims	**(108,708)**	(289,656)
Agency services	**(77,663)**	(277,317)
Transportation expenses	**(59,994)**	(89,082)
Legal services and consultancy	**(43,785)**	(31,017)
Postal charges	**(43,474)**	(31,044)
Business travel and related expenses	**(34,443)**	(47,858)
Office supplies	**(30,971)**	(45,589)
Data processing	**(3,732)**	(11,496)
Insurance	**(3,068)**	(5,121)
Training	**(1,747)**	(15,355)
Representation	**–**	(7,068)
Participation in forums, seminars and conferences	**(412)**	(638)
Other	**(391,575)**	(508,502)
	(3,650,825)	(4,848,160)

Penalties include fine paid to LLP "Kazakhstanskoe Kollektorskoe Agentstvo" in the amount of KZT 871,510 thousand.

23. Taxes other than income tax

Taxes other than income tax comprise:

	2009	*2008*
VAT	**(185,344)**	(282,722)
Other	**(38,525)**	(49,732)
	(223,869)	(332,454)

24. Earnings per share

	2009	*2008*
Net (loss) / income attributable to common shareholders for basic and diluted earnings per share (in KZT thousands)	**(95,173,172)**	(3,653,479)
Weighted average number of common shares for basic and diluted earnings per share	**19,067,000**	19,067,000
Basic and diluted (loss) per share (KZT)	**(4,991.51)**	(191.61)

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

25. Financial commitments and contingencies

Credit-related commitments

In the course of its activities the Bank in order to satisfy the customers needs uses financial instruments with off-balance sheet risks. These instruments with imbedded credit risks of various levels are not reflected in the balance sheet.

The maximum exposure of the Bank to credit loss on contingent liabilities related to loan issuance in the event of a counterparty default, whereby all counter-claims and collateral being worthless, is represented by contractual amounts of these instruments.

The Bank uses the same policy of credit control and management in accepting off-balance sheet liabilities, which is used for balance sheet assets.

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

	2009	*2008*
Undrawn loan commitments	**35,213,363**	42,312,895
Guarantees	**1,116,921**	1,485,223
Commercial letters of credit	**–**	71,714
	36,330,284	43,869,832
Less: cash collateral	**(392,725)**	(409,764)
Less: provisions *(Note 9)*	**(2,136)**	(5,076)
Financial commitments and contingencies	**35,935,423**	43,454,992

Legal actions

The Bank is subject to various legal proceedings related to business operations. The Bank does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Bank's financial position or results of operations.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities mentioned above.

Taxation

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Bank believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Bank has accrued tax liabilities based on management's best estimate. The Bank's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 31 December 2009. Although such amounts are possible and may be material, it is the opinion of the Bank's management that these amounts are either not probable, not reasonably determinable, or both.

Pension benefits

In accordance with legislation of relevant countries all employees of the Bank has the right for the state pension coverage. As at 31 December 2009 and 2008 the Bank does not have liabilities to current and former employees regarding additional pension payments, payment for medical service upon retirement, insurance payments or other benefits upon retirement.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk controlling

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Bank.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Introduction

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities. Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report on a quarterly basis which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions (Monitoring principle). Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating (Principle of limitation). Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

Credit-related commitments risks

The Bank makes available to its customers guarantees and letter of credits which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the guarantee and letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure is shown gross, exclusively of received collateral and other instruments that mitigate the credit risk.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks (continued)

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives.

	2009	*2008*
Cash and cash equivalents (excluding cash on hand)	**5,095,743**	10,545,970
Trading securities (excluding shares)	**11,211,645**	20,321,343
Amounts due from credit institutions	**891,550**	2,260,863
Derivative financial assets	**308,398**	679,502
Loans to customers	**197,286,085**	249,493,464
Other assets	**89,246**	134,777
Contingent liabilities		
Undrawn loan commitments	**35,213,363**	42,312,895
Letters of credit	**–**	71,714
Issued guarantees	**1,116,921**	1,485,223
Total credit risk	**251,212,951**	327,305,751

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentration on the basis of maximum credit risk exposure

The Bank's financial assets and contingent liabilities, excluding received collateral and other instruments that mitigate the credit risk, could be analyzed by the following geographic regions:

	2009			
Geographical regions	***Banking***	***Trading activity***	***Other***	***Total***
Republic of Kazakhstan	**237,534,749**	**11,211,645**	**44,479**	**248,790,873**
British Virgin Islands	**1,249,335**	**–**	**–**	**1,249,335**
Republic of Kyrgyzstan	**729,219**	**–**	**–**	**729,219**
USA	**283,155**	**–**	**11,735**	**294,890**
Russian Federation	**72,677**	**–**	**–**	**72,677**
Germany	**61,011**	**–**	**–**	**61,011**
Belgium	**14,857**	**–**	**–**	**14,857**
Liechtenstein	**89**	**–**	**–**	**89**
Total credit risk	**239,945,092**	**11,211,645**	**56,214**	**251,212,951**

	2008			
Geographical regions	***Banking***	***Trading Activity***	***Other***	***Total***
Republic of Kazakhstan	303,246,636	20,230,002	136,157	323,612,795
Republic of Kyrgyzstan	1,351,945	–	–	1,351,945
British Virgin Islands	907,854	–	–	907,854
Latvia	598,252	–	–	598,252
USA	421,903	–	35,383	457,286
Germany	212,741	–	–	212,741
Netherlands	1,296	91,341	–	92,637
Russia	51,329	–	–	51,329
Belgium	20,912	–	–	20,912
Total credit risk	306,812,868	20,321,343	171,540	327,305,751

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system.

Financial assets	*2009* Standard: *High grade*	*Standard grade*	*Substandard grade*	*including past due, but not impaired*	*Impaired*	*Total*
Cash ans cash equivalents	5,095,743	–	–	–	–	5,095,743
Total cash and cash equivalents	**5,095,743**	–	–	–	–	**5,095,743**
Amounts due from credit institutions	937,776	–	–	–	15,409	953,185
Total amounts due from credit institutions	**937,776**	–	–	–	**15,409**	**953,185**
Consumer loans	–	47,578,878	–	4,943,507	47,635,459	95,214,337
Mortgage loans	–	32,882,726	–	1,840,148	35,461,926	68,344,652
Corporate loans	–	20,853,337	–	466,870	40,752,997	61,606,334
Loans to small and medium business	–	28,863,304	–	1,234,343	14,047,012	42,910,316
Car loans	–	3,847,092	–	505,515	3,689,734	7,536,826
Other retail loans	–	–	4,317,385	367,936	8,100,116	12,417,501
Total credit portfolio	–	**134,025,337**	**4,317,385**	**9,358,319**	**149,687,244**	**288,029,966**
Derivative financial assets	–	171,012	–	–	137,386	308,398
Total derivative financial assets	–	**171,012**	–	–	**137,386**	**308,398**
Other financial assets	–	–	89,246	–	177,033	266,279
Total other financial assets	–	–	**89,246**	–	**177,033**	**266,279**

	2008					
Cash and cash equivalents	3,862,040	6,683,930	–	–	–	10,545,970
Total cash and cash equivalents	3,862,040	6,683,930	–	–	–	10,545,970
Amounts due from credit institutions	2,246,341	–	–	6,429	16,112	2,262,453
Total amounts due from credit institutions	2,246,341	–	–	6,429	16,112	2,262,453
Corporate loans	–	26,380,818	–	1,277,961	22,719,651	49,100,469
Loans to small and medium business	–	31,077,373	–	2,006,156	6,319,073	37,396,446
Loans subject to reverse repurchase agreements	–	1,407,790	–	–	–	1,407,790
Consumer loans	–	94,746,969	–	4,096,513	1,779,634	96,526,603
Mortgage loans	–	62,670,229	–	517,187	934,768	63,604,997
Car loans	–	8,758,939	–	569,300	54,504	8,813,443
Other retail loans	–	–	10,288,308	193,023	777,881	11,066,189
Total credit portfolio	–	225,042,118	10,288,308	8,660,140	32,585,511	267,915,937
Derivative financial assets	–	679,502	–	–	–	679,502
Total derivative financial assets	–	679,502	–	–	–	679,502
Other financial assets	–	–	254,859	–	–	254,859
Total other financial assets	–	–	254,859	–	–	254,859

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

26. Risk management (continued)

Credit quality of assets

Past due loans and advances include only those that are past due by 60 days. The majority of the past due loans are not considered to be impaired.

Aging analysis of past due but not impaired loans per class of financial assets is as follows.

	Less than 30 days	*31 to 60 days*	*Total*
Consumer loans	**3,246,214**	**1,697,293**	**4,943,507**
Mortgage loans	**1,087,416**	**752,732**	**1,840,148**
Corporate loans	**455,380**	**11,490**	**466,870**
Loans to small and medium business	**601,304**	**633,039**	**1,234,343**
Car loans	**330,056**	**175,459**	**505,515**
Other retail loans	**59,640**	**308,296**	**367,936**
Total credit portfolio	**5,780,010**	**3,578,309**	**9,358,319**
Fair value of collateral received by the Bank on past due but not impaired assets	**7,671,037**	**3,713,784**	**11,384,821**
31 December 2008			
Amounts due from credit institutions	6,429	–	6,429
Total amounts due from credit institutions	6,429	–	6,429
Corporate loans	1,277,604	357	1,277,961
Loans to small and medium business	1,769,630	236,526	2,006,156
Consumer loans	4,035,227	61,286	4,096,513
Mortgage loans	500,791	16,396	517,187
Car loans	557,342	11,958	569,300
Other retail loans	183,630	9,393	193,023
Total credit portfolio	8,324,224	335,916	8,660,140
Fair value of collateral received by the Bank on past due but not impaired assets	9,633,312	3,132,717	12,766,029

An analysis of carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

Financial assets	*2009*	*2008*
Trading securities	**671,150**	–
Amounts due from credit institutions	**15,409**	
Total	**686,559**	–
Corporate loans	**38,821,724**	10,354,705
Mortgage loans	**12,644,512**	1,640,647
Loans to small and medium business	**11,572,107**	667,210
Consumer loans	**5,916,354**	144,256
Car loans	**139,200**	1,396
Other retail loans	**1,255,586**	130
Total credit portfolio	**70,349,483**	12,808,344

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Credit quality of assets (continued)

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts that are reflected in Risk management (monitoring principle) include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

Bank's geographical segments

The information relating to Bank's geographical segments for the years ended 31 December 2009 and 31 December 2008 is set out below:

2009	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Assets				
Cash and cash equivalents	8,140,619	332,458	67,528	8,540,605
Trading securities	12,752,840	–	–	12,752,840
Amounts due from credit institutions	876,704	14,846	–	891,550
Loans to customers	195,304,204	–	1,981,881	197,286,085
Corporate income tax assets	123,988	–	–	123,988
Derivative financial instruments	308,398	–	–	308,398
Other financial assets	540,991	23,454	1,911	566,356
Total assets	218,047,744	370,758	2,051,320	220,469,822

2009	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Liabilities				
Amounts due to credit institutions	71,671,654	1,250,626	24,768	72,947,048
Amounts due to customers	46,579,085	84,940	1,332,521	47,996,546
Eurobonds issued	–	119,999,906	–	119,999,906
Debt securities issued	34,917,390	–	–	34,917,390
Derivative financial instruments	3,179	–	–	3,179
Other financial liabilities	1,168,783	–	–	1,168,783
Total liabilities	154,340,091	121,335,472	1,357,289	277,032,852
Net position on balance sheet assets and liabilities	63,707,653	(120,964,714)	694,031	(56,563,030)

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Credit quality of assets (continued)

Bank's geographical segments

2008	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Assets				
Cash and cash equivalents	14,293,910	651,406	140,091	15,085,407
Trading securities	21,952,370	91,341	–	22,043,711
Amounts due from credit institutions	1,758,953	–	501,910	2,260,863
Loans to customers	247,775,860	–	1,717,604	249,493,464
Corporate income tax assets	885,701	–	–	885,701
Derivative financial instruments	679,502	–	–	679,502
Other financial assets	811,878	40,829	–	852,707
Total assets	288,158,174	783,576	2,359,605	291,301,355

2008	*Republic of Kazakhstan*	*OECD*	*Non-OECD countries*	*Total*
Liabilities				
Amounts due to Government of RK and NBRK	69,852	–	–	69,852
Amounts due to credit institutions	33,997,246	1,062,498	250,188	35,309,932
Amounts due to customers	62,037,147	380,442	905,689	63,323,278
Eurobonds issued	–	112,908,789	–	112,908,789
Debt securities issued	38,371,233	–	–	38,371,233
Derivative financial instruments	588	–	–	588
Other financial liabilities	307,594	–	466	308,060
Total liabilities	134,783,660	114,351,729	1,156,343	250,291,732
Net position on balance sheet assets and liabilities	152,930,933	(113,568,153)	1,203,262	41,009,623

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a cash deposit (obligatory reserve) with the National Bank of RK, the amount of which is allow to meet liquidity needs and minimal reserve requirement.

As discussed in Note 2, as at 31 December 2009, the amount drawn by the Bank under bond programs, including Eurobond's issued through Temir Capital BV and other loan facilities amounted to KZT 212,910,666 thousand. In accordance with the contractual terms of certain bond programs and loan facilities, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major international rating agencies.

The Bank was in breach of these capital adequacy and lending exposure covenants on bond programs, guarantee agreements and certain loan facilities as at 31 December 2009. In addition, in November 2009, the credit rating of the Bank from major international rating agencies has been decreased to default levels. Accordingly, certain credit facilities have become callable by the lenders. The Bank's default under these conditions resulted in accelerations and cross-default under the terms of the respective agreements.

Due to the Banks inability to early repay all its debts as called by creditors, the Bank may not able to meet all these obligations.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Liquidity risk (continued)

In that case if the creditors will continue to demand early repayment of loans and other creditors will seize the right to demand early repayment, according to the terms of loan agreements for early repayment and defaulted, the Bank will not be able to meet all the obligations.

The Bank, with support from the Government, is in the process of restructuring of these debts, and Ultimate shareholder, together with the Bank's management believes that restructuring of the debts listed above will be completed in 2010.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2009 and 31 December 2008 based on contractual undiscounted repayment obligations. Information on expected maturity profile is detailed in Note 28 "Maturity analysis of assets and liabilities". Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	2009					
Financial liabilities	***On demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	**66,013,515**	**4,948,113**	**1,441,246**	**6,785,126**	**8,629,684**	**87,817,684**
Amounts due to customers	**31,743,884**	**2,379,173**	**2,611,481**	**23,952,244**	**3,362,348**	**64,049,130**
Eurobonds issued	**131,436,809**	**–**	**–**	**–**	**–**	**131,436,809**
Debt securities issued	**37,540,974**	**–**	**–**	**–**	**–**	**37,540,974**
Derivative financial instruments	**–**	**3,179**	**–**	**–**	**–**	**3,179**
Other liabilities	**–**	**1,165,476**	**–**	**3,307**	**–**	**1,168,783**
Total undiscounted financial liabilities	**266,735,182**	**8,495,941**	**4,052,727**	**30,740,677**	**11,992,032**	**322,016,559**

	2008					
Due to the NBRK and Government	–	70,502	–	–	–	70,502
Amounts due to credit institutions	8,044	19,451,762	4,714,524	8,404,623	18,379,980	50,958,933
Amounts due to customers	13,992,799	11,733,245	12,882,131	33,326,027	353,606	72,287,808
Eurobonds issued	–	18,667,735	10,171,401	67,202,647	62,549,745	158,591,528
Debt securities issued	–	3,281,138	5,842,547	19,729,724	27,756,953	56,610,362
Derivative financial instruments	–	588	–	–	–	588
Other liabilities	–	304,662	–	3,961	25	308,648
Total undiscounted financial liabilities	14,000,843	53,509,632	33,610,603	128,666,982	109,040,309	338,828,369

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Liquidity risk and funding management

Financial liabilities by contractual maturities as at 31 December 2009 and 31 December 2008.

The table below shows the contractual maturity of the Bank's financial commitments and contingencies.

	2009					
	Less than 3 months	*3 to 12 months*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Total*
Guarantees	**870,836**	**243,453**	**2,632**	**–**	**–**	**1,116,921**
Undrawn loan commitments	**205,053**	**981,543**	**5,027,551**	**3,142,022**	**25,857,194**	**35,213,363**
Total	**1,075,889**	**1,224,996**	**5,030,183**	**3,142,022**	**25,857,194**	**36,330,284**

	2008					
	Less than 3 months	*3 to 12 months*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Total*
Guarantees	693,646	742,194	14,309	35,074	–	1,485,223
Undrawn loan commitments	718,055	2,475,158	8,958,370	3,447,217	26,714,095	42,312,895
Letters of credit	56,696	15,018	–	–	–	71,714
Total	1,468,397	3,232,370	8,972,679	3,482,291	26,714,095	43,869,832

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading portfolio and non-trading positions are managed and monitored using other sensitivity analysis. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on interest rate gap for predetermined periods. Positions are monitored on a monthly basis, and hedging strategy is used to maintain risks within the established limits. The sensitivity of interest income to probable changes in interest rates is the effect of the assumed changes in interest rates on the net interest income for one year, based on the financial assets and financial liabilities with floating interest rates.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

		2009	
Currency	***Increase by %***	***Sensitivity of net interest income***	***Sensitivity of equity***
Inflation			
Tenge	**3.20**	**534,893**	**534,893**
Currency	***Decrease by %***	***Sensitivity of net interest income***	***Sensitivity of equity***
Inflation			
Tenge	**-3.20**	**(140,290)**	**(140,290)**

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Market risk (coninued)

		2008	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
Inflation			
Tenge	1.50	327,068	327,068
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
Inflation			
Tenge	-1.50	(96,663)	(96,663)

		2009	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR			
USD	**1.00**	**(13,858)**	**(13,858)**
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR			
USD	**-0.25**	**3,465**	**3,465**

		2008	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR			
USD	0.85	(2,264)	(2,264)
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR			
USD	-0.85	2,264	2,264

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's financial position and cash flows are exposed to changes in foreign currency exchange rates.

The Asset and Liability Management Committee manages currency risk by defining open currency position based on assumed tenge depreciation and other macroeconomic indicators, which allows the Bank to minimize losses from significant fluctuation of local and foreign currency exchange rates. The Treasury performs daily control over the Bank's open currency position in order to provide compliance with FMSA requirements.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Market Risk (continued)

Below is the information on the Bank's currency risk level:

	2009			
	Tenge	*Freely convertible*	*Non-convertible*	*Total*
Assets				
Cash and cash equivalents	6,877,933	1,509,025	153,647	8,540,605
Trading securities	12,008,071	744,769	–	12,752,840
Amounts due from credit institutions	672,478	219,072	–	891,550
Loans to customers	118,294,845	78,991,240	–	197,286,085
Corporate income tax assets	123,988	–	–	123,988
Deferred corporate income tax assets	3,677,065	–	–	3,677,065
Derivative financial instruments	308,398	–	–	308,398
Other assets	526,450	37,458	2,448	566,356
	142,489,228	81,501,564	156,095	224,146,887
Liabilities:				
Amounts due to credit institutions	43,499,768	29,447,280	–	72,947,048
Amounts due to customers	38,429,389	9,516,943	50,214	47,996,546
Eurobonds issued	–	119,999,906	–	119,999,906
Debt securities issued	27,772,562	7,144,828	–	34,917,390
Derivative financial instruments	3,179	–	–	3,179
Other liabilities	411,329	757,453	1	1,168,783
	110,116,227	166,866,410	50,215	277,032,852
Net balance sheet position	32,373,001	(85,364,846)	105,880	(52,885,965)
Amounts receivable on derivative contracts	–	11,214,344	–	11,214,344
Amounts payable on derivative contracts	11,214,344	–	–	11,214,344
Net off-balance sheet position	(11,214,344)	11,214,344	–	–
Total open position	21,158,657	(74,150,502)	105,880	(52,885,965)

	2008			
	Tenge	*Freely convertible*	*Non-convertable*	*Total*
Assets				
Cash and cash equivalents	11,523,564	3,424,317	137,526	15,085,407
Trading securities	20,994,240	1,049,471	–	22,043,711
Amounts due from credit institutions	1,766,009	494,854	–	2,260,863
Loans to customers	154,389,071	95,104,393	–	249,493,464
Corporate income tax assets	885,701	–	–	885,701
Deferred corporate income tax assets	338,053	–	–	338,053
Derivative financial instruments	679,502	–	–	679,502
Other assets	795,232	56,448	1,027	852,707
	191,371,372	100,129,483	138,553	291,639,408
Liabilities:				
Amounts due to the Government and NBRK	69,852	–	–	69,852
Amounts due to credit institutions	34,004,582	1,305,350	–	35,309,932
Amounts due to customers	53,222,811	10,069,404	31,063	63,323,278
Eurobonds issued	–	112,908,789	–	112,908,789
Debt securities issued	33,210,639	5,160,594	–	38,371,233
Derivative financial instruments	588	–	–	588
Other liabilities	269,767	38,292	1	308,060
	120,778,239	129,482,429	31,064	250,291,732
Net balance sheet position	70,593,133	(29,352,946)	107,489	41,347,676
Amounts receivable on derivative contracts	–	28,036,752	–	28,036,752
Amounts payable on derivative contracts	28,036,752	–	–	28,036,752
Net off-balance sheet position	(28,036,752)	28,036,752	–	–
Total open position	42,556,381	(1,316,194)	107,489	41,347,676

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

26. Risk management (continued)

Market Risk (continued)

Currency risk

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2009 on its certain monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). The effect on equity does not differ from the effect on the income statement. All other variable held constant. The negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

	2009		*2008*	
Currency	*Increase in currency rate in %*	*Effect on profit before tax*	*Increase in currency rate in %*	*Effect on profit before tax*
USD	**19.5**	**(17,283,143)**	29.8	(2,027,615)
Euro	**21.8**	**(355,424)**	20.0	(26,574)

	2009		*2008*	
Currency	*Increase in currency rate in %*	*Effect on profit before tax*	*Increase in currency rate in %*	*Effect on profit before tax*
USD	**-19.5**	**17,283,143**	-1.1	75,030
Euro	**-21.8**	**355,424**	-2.3	2,306

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Bank's trading portfolio.

	2009		
Market index	*Positive change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
KASE index	**95.70**	**840,805**	**46.97**
Total average weighted changes in indexes influencing investment portfolio	**95.70**	**840,805**	**46.97**
Market index	*Negative change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
KASE index	**-95.70**	**(703,108)**	**-39.28**
Total average weighted changes in indexes influencing investment portfolio	**-95.70**	**(703,108)**	**-39.28**

	2008		
Market index	*Positive change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
KASE index	66.49	198,407	11.52
MSCI World Index	39.61	150,131	8.72
Total average weighted changes in indexes influencing investment portfolio	60.53	348,538	20.24
Market index	*Negative change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
KASE index	-66.49	(198,407)	-11.52
MSCI World Index	-39.61	(150,131)	-8.72
Total average weighted changes in indexes influencing investment portfolio	-60.53	(348,538)	-20.24

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

26. Risk management (continued)

Market risk (continued)

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The Bank uses models to project the impact of varying levels of prepayment on its net interest income. The model is back tested against actual outcomes.

The effect on net interest income and on profit before tax for one year, assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Effect on net interest income
31 December 2009	**(4,386,831)**
31 December 2008	(4,356,625)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

27. Fair values of financial instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2009			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Derivative financial instruments	**–**	**308,398**	**–**	**308,398**
Trading securities	**11,351,393**	**1,401,447**	**–**	**12,752,840**
Financial liabilities				
Derivative financial instruments	**–**	**3,179**	**–**	**3,179**

	2008			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Derivative financial instruments	–	679,502	–	679,502
Trading securities	22,002,783	40,928	–	22,043,711
Financial liabilities				
Derivative financial instruments	–	588	–	588

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

27. Fair values of financial instruments (continued)

Transfers between level 1 and 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value during the year ended 31 December 2009:

	Transfers from level 1 to level 2
Financial assets	
Derivative financial instruments	**1,401,447**

The above financial assets were transferred from level 1 to level 2 as they ceased to be actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs. There has been transfer from level 2 in the amount of 40,928 into other assets in 2009.

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2009	*Fair value 2009*	*Unrecognised gain/(loss) 2009*	*Carrying value 2008*	*Fair value 2008*	*Unrecognised gain/(loss) 2008*
Financial assets						
Cash and cash equivalents	**8,540,605**	**8,540,605**	**–**	15,085,407	15,085,407	–
Amounts due from credit institutions	**891,550**	**891,550**	**–**	2,260,863	2,201,884	(58,979)
Loans to customers	**197,286,085**	**206,955,239**	**9,669,154**	249,493,464	248,196,887	(1,296,577)
Financial liabilities						
Amounts due to the Government and NBRK	**–**	**–**	**–**	69,852	69,797	55
Amounts due to credit institutions	**72,947,048**	**72,966,122**	**(19,074)**	21,253,471	21,348,608	(95,137)
Amounts due to customers	**47,996,546**	**55,270,916**	**(7,274,370)**	63,323,278	63,710,689	(387,411)
Eurobonds issued	**119,999,906**	**29,599,940**	**90,399,966**	112,908,789	32,442,942	80,465,847
Debt securities issued	**34,917,390**	**20,174,502**	**14,742,888**	38,371,233	37,913,647	457,586
Total unrecognised change in unrealised fair value			**107,518,564**			79,085,384

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

28. Maturity analysis of financial assets and liabilities

In accordance with the terms of the debt securities issued the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major international rating agencies.

In 2009 losses from the credit portfolio and securities of the Bank had led to breaches which are stated below.

As at 31 December 2009 the Bank was in breach of capital adequacy, lending exposure covenants and cross-defaults on debt securities issued, Eurobonds issued through Temir Capital BV and certain loan facilities. Due to breach of covenants described above, debt securities issued, as well as Eurobonds issued through Temir Capital BV and certain credit facilities have become current in the total amount of KZT 212,910,666 thousand. As discussed in Note 2, the Bank is in the process of restructuring these debts.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

28. Maturity analysis of financial assets and liabilities (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2009 and 2008. See Note 26 "Risk management" "Liquidity risk" for the Bank's contractual undiscounted repayment obligations.

	2009							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Overdue*	*Total*
Assets:								
Cash and cash equivalents	8,540,605	–	–	–	–	–	–	8,540,605
Trading securities	12,580,698	–	–	–	–	–	172,142	12,752,840
Amounts due from credit institutions	–	91,664	5,002	404,576	376,626	–	13,682	891,550
Loans to customers	–	7,354,385	3,008,369	15,122,615	31,300,622	102,492,393	38,007,701	197,286,085
Corporate income tax assets	–	–	–	123,988	–	–	–	123,988
Derivative financial instrument	–	–	–	–	–	308,398	–	308,398
Other assets	–	187,161	–	11,546	5,853	361,795	1	566,356
	21,121,303	7,633,210	3,013,371	15,662,725	31,683,101	103,162,586	38,193,526	220,469,822
Liabilities:								
Amounts due to credit institutions	57,993,370	4,519,683	130,143	585,643	1,569,918	8,148,291	–	72,947,048
Amounts due to customers	22,019,037	2,463,433	676,252	2,390,869	17,637,397	2,809,558	–	47,996,546
Eurobonds issued	119,999,906	–	–	–	–	–	–	119,999,906
Debt securities issued	34,917,390	–	–	–	–	–	–	34,917,390
Derivative financial instruments	–	3,179	–	–	–	–	–	3,179
Other liabilities	–	1,165,476	–	–	3,307	–	–	1,168,783
	234,929,703	8,151,771	806,395	2,976,512	19,210,622	10,957,849	–	277,032,852
Net position	(213,808,400)	(518,561)	2,206,976	12,686,213	12,472,479	92,204,737	38,193,526	(56,563,030)
Accumulated gap	(213,808,400)	(214,326,961)	(212,119,985)	(199,433,772)	(186,961,293)	(94,756,556)	(56,563,030)	
Contingent liabilities								
Guarantees	–	–	870,836	243,453	2,632	–	–	1,116,921
	–	–	870,836	243,453	2,632	–	–	1,116,921

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

28. Maturity analysis of financial assets and liabilities (continued)

	2008							
	On demand	*Less than 1 month*	*1 to 3 month*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Overdue*	*Total*
Assets:								
Cash and cash equivalents	8,301,187	3,576,425	3,207,795	–	–	–	–	15,085,407
Trading securities	22,043,711	–	–	–	–	–	–	22,043,711
Amounts due from credit institutions	–	–	3,155	361,764	1,653,636	235,320	6,988	2,260,863
Loans to customers	–	2,153,035	5,627,453	26,468,625	42,301,477	150,226,062	22,716,812	249,493,464
Corporate income tax assets	–	679,502	–	–	–	–	–	679,502
Derivative financial instrument	–	885,701	–	–	–	–	–	885,701
Other assets	248,542	532,951	–	1,422	69,769	–	23	852,707
	30,593,440	7,827,614	8,838,403	26,831,811	44,024,882	150,461,382	22,723,823	291,301,355
Liabilities:								
Amounts due to the Government and NBRK	–	371	69,481	–	–	–	–	69,852
Amounts due to credit institutions	8,044	17,248,953	1,468,365	2,969,159	1,004,090	12,611,321	–	35,309,932
Amounts due to customers	13,524,527	3,800,501	7,948,351	12,122,282	23,549,235	2,378,382	–	63,323,278
Eurobonds issued	–	–	18,416,499	–	34,246,862	60,245,428	–	112,908,789
Debt securities issued	–	3,131,463	–	3,016,960	2,431,930	29,790,880	–	38,371,233
Derivative financial instruments	–	588	–	–	–	–	–	588
Other liabilities	–	304,074	–	–	3,541	445	–	308,060
	13,532,571	24,485,950	27,902,696	18,108,401	61,235,658	105,026,456	–	250,291,732
Net position	17,060,869	(16,658,336)	(19,064,293)	8,723,410	(17,210,776)	45,434,926	22,723,823	41,009,623
Accumulated gap	17,060,869	402,533	(18,661,760)	(9,938,350)	(27,149,126)	18,285,800	41,009,623	
Contingent liabilities								
Letters of credit	–	–	56,696	15,018	–	–	–	71,714
Guarantees	–	–	693,646	742,194	14,309	35,074	–	1,485,223
	–	–	750,342	757,212	14,309	35,074	–	1,556,937

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

29. Segmental information

For management purposes, the Bank is organised into five business segments:

Corporate banking – representing other than small and medium size legal entities direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Small and medium business – representing individual entrepreneurs and small and medium enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Investment activity – representing financial assets and liabilities used for trading or investment purposes, financing, and merger and acquisitions transaction support.

Other - other functions of centralized management.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Primary segment information – business segments

The following tables present income and profit and certain asset and liability information regarding the Bank's business segments for the years ended 31 December 2009 and 2008.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

29. Segmental information (continued)

Operational segments

Segment information for the main reportable business segments of the Bank for the years ended 31 December 2009 and 2008 is set out below:

	2009					
	Corporate banking	*Small and medium business*	*Retail banking*	*Investment activities*	*Other*	*Total*
External interest income	8,049,183	5,684,494	19,249,292	2,043,085	–	35,026,054
Internal interest income	3,011,026	494,671	2,561,311	20,772,634	1,928,773	28,768,415
External interest expenses	(731,359)	(1,462,217)	(2,643,206)	(25,292,335)	–	(30,129,117)
Internal interest expenses	(5,314,640)	(4,015,125)	(17,088,959)	(2,349,691)	–	(28,768,415)
Net interest income before impairment	5,014,210	701,823	2,078,438	(4,826,307)	1,928,773	4,896,937
Impairment charge	(24,551,197)	(9,581,996)	(40,918,740)	(59,736)	–	(75,111,669)
Net interest income after impairment	(19,536,987)	(8,880,173)	(38,840,302)	(4,886,043)	1,928,773	(70,214,732)
Net commission and non-interest income	641,073	433,569	811,490	(7,318,920)	(13,574,684)	(19,007,472)
Non-interest expenses	(750,339)	(828,046)	(2,762,606)	(4,261,365)	(295,572)	(8,897,928)
Other provisions	–	–	–	–	(392,052)	(392,052)
Income / (loss) before income tax expense	(19,646,253)	(9,274,650)	(40,791,418)	(16,466,328)	(12,333,535)	(98,512,184)
Income tax expense	–	–	–	–	3,339,012	3,339,012
Net income / (loss) after income tax	(19,646,253)	(9,274,650)	(40,791,418)	(16,466,328)	(8,994,523)	(95,173,172)
Total assets	34,113,648	29,949,914	133,222,523	13,644,390	15,575,336	226,505,811
Total liabilities	8,218,902	16,432,176	23,345,468	227,864,344	1,175,917	277,036,807

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

29. Segmental information (continued)

Operational segments (continued)

	2008					
	Corporate banking	*Small and medium business*	*Retail banking*	*Investment activities*	*Other*	*Total*
External interest income	5,957,975	4,112,869	27,635,235	3,389,184	–	41,095,263
Internal interest income	5,353,548	2,735,705	3,672,693	17,625,290	–	29,387,236
External interest expenses	(13,131,124)	(577,382)	(2,481,912)	(10,923,029)	–	(27,113,447)
Internal interest expenses	(3,455,961)	(4,506,857)	(17,872,219)	(3,552,199)	–	(29,387,236)
Net interest income before impairment	(5,275,562)	1,764,335	10,953,797	6,539,246	–	13,981,816
Impairment charge	(3,373,277)	(3,281,059)	(1,634,891)	(47)	–	(8,289,274)
Net interest income after impairment	(8,648,839)	(1,516,724)	9,318,906	6,539,199	–	5,692,542
Net commission and non-interest income	739,009	263,852	727,996	1,548,475	(2,159,396)	1,119,936
Non-interest expenses	(3,031,822)	(1,357,739)	(3,594,138)	(1,685,645)	(525,125)	(10,194,469)
Other provisions	–	–	–	–	(77,746)	(77,746)
Income from associates	–	–	–	37,538	–	37,538
Income / (loss) before income tax expense	(10,941,652)	(2,610,611)	6,452,764	6,439,567	(2,762,267)	(3,422,199)
Income tax expense	–	–	–	–	(231,280)	(231,280)
Net income / (loss) after income tax	(10,941,652)	(2,610,611)	6,452,764	6,439,567	(2,993,547)	(3,653,479)
Total assets	44,175,566	32,605,824	172,712,074	23,527,887	21,912,557	294,933,908
Total liabilities	12,057,011	25,162,630	26,103,637	185,883,119	1,085,335	250,291,732

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

29. Segmental information (continued)

Secondary segment information – geographical segments

The Bank operates in three geographical markets: Kazakhstan, OECD, and non -OECD countries. The following tables show the distribution of the Bank's external income, total assets and capital expenditure by geographical segment, allocated based on the location of the Bank's assets, for the years ended 31 December 2009 and 2008:

	Kazakhstan	*OECD countries*	*Non OECD countries*	*Total*
2009				
Segment assets	**224,083,733**	**370,758**	**2,051,320**	**226,505,811**
External revenues	**43,415,325**	**587**	**220,758**	**43,636,670**
Capital expenditure	**(52,057)**	**–**	**–**	**(52,057)**
2008				
Segment assets	290,689,339	1,774,904	2,469,665	294,933,908
External revenues	41,473,807	437,581	409,206	42,320,594
Capital expenditure	(441,442)	–	–	(441,442)

30. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSA in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with statutory capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

In accordance with the terms of the debt securities issued the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major international rating agencies.

In 2009 losses from the credit portfolio and securities of the Bank had led to breaches which are stated below.

As at 31 October 2009 the Bank was in breach of capital adequacy, lending exposure covenants and cross-defaults on debt securities issued, Eurobonds issued through Temir Capital BV and certain loan facilities. Due to breach of covenants described above, debt securities issued, as well as Eurobonds issued through Temir Capital BV and certain credit facilities have become current in the total amount of KZT 212,910,666 thousand became current. As discussed in Note 2, the Bank is in the process of the restructuring of these debts.

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

31. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form, as required by IFRS 24 "Related parties – disclosure".

The amount of related party transactions and balances as of 31 December 2009 and 2008 as well as the respective amounts of income and expenses for the years ended 31 December 2009 and 2008 are as follows:

	2009				
	Shareholders	*Main participant in the parent company*	*Key management personnel*	*Companies under common control*	*Other related parties*
Cash and cash equivalents					
Deposits at 1 January	24,131	–	–	–	–
Deposits placed	39,168,870	–	–	3,175,107	–
Deposits withdrawn	(39,161,732)	–	–	(3,175,107)	–
Deposits at 31 December	31,269	–	–	–	–
Interest income on deposits	600	–	–	–	–
Trading securities					
Trading securities at 1 January	2,068,243	–		696,214	–
Trading securities acquired during the year	9,250,602	–		8,154,646	–
Positive correction	17	–		–	–
Negative correction	(3,024,160)	–		(3,963,019)	–
Trading securities sold during the year	(7,786,125)	–		(4,452,886)	–
Trading securities at 31 December	508,577	–		434,955	–
Interest income on trading securities	86,119			81,993	
Loans outstanding at 1 January, gross	–	–	120,501	–	40,675
Loans issued	–	–	18,035	–	2,534
Loans repaid	–	–	(112,102)	–	(44,143)
Revaluation	–	–	1,148	–	1,004
Loans outstanding at 31 December, net	–	–	27,582	–	70
Interest income on loans	–	–	4,942	–	2,494
Amounts due from credit institutions (loans issued)	–	–		–	
Loans at 1 January	–	–	–	–	1,532,494
Loans received	–	–	–	–	168,375
Loans repaid	–	–	–	–	(822,280)
Loans at 31 December	–	–	–	–	878,589
Interest income on loans					155,401
Amounts due to credit institutions (deposits obtained)					
Deposits at 1 January	6,539,318	–	–	470	–
Deposits received	248,294,982	–	–	659,074	–
Deposits paid	(198,640,910)	–	–	(79,987)	–
Deposits at 31 December	56,193,390	–	–	579,557	–
Interest expense on deposits	(10,397,901)	–	–	(53,227)	–
Amounts due to customers (deposits obtained)					
Deposits at 1 January	4,702,655	–	292,694	61,111	53,503
Deposits received	286,031	19,360,101	477,929	53,001,235	1,574,487
Deposits paid	(122,584)	(6,828,061)	(758,405)	(52,311,450)	(1,576,078)
Deposits at 31 December	4,866,102	12,532,040	12,218	750,896	51,912
Interest expense on deposits	–	(915,808)	(1,722)	(701,116)	(688)

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

31. Related party transactions (continued)

	2009				
	Shareholders	*Main participant in the parent company*	*Key management personnel*	*Companies under common control*	*Other related parties*
Eurobonds issued					
Eurobonds issued at 1 January	–	–	–	112,908,789	–
Eurobonds issued	–	–	–	38,259,847	–
Eurobonds redeemed	–	–	–	(31,168,730)	–
Eurobonds at 31 December	–	–	–	119,999,906	–
Interest expense Eurobonds issued	–	–	–	12,497,286	–
Assets held in trust at 1 January	–	–	–	1,839,966	–
Repurchase	–	–	–	(413,434)	–
Repaid	–	–	–	(125,813)	–
Assets held in trust at 31 December	–	–	–	1,300,719	–
Commitments and guarantees issued	–	–	–	–	–
Commitments and guarantees received	–	–	54,401	–	–
Loss from purchase of loan	2,950,956	–	–	–	–
Fee and commission income	–	23	–	74,634	726
Other income	–	–	–	26	3
Fee and commission expense	–	–	–	447	–
Other operating expenses	–	–	–	8,259	60,579

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousand of Kazakh Tenge)

31. Related party transactions (continued)

	2008			
	Shareholders	*Associates*	*Key management personnel*	*Other related parties*
Cash and cash equivalents				
Deposits at 1 January	18,548	–	–	–
Deposits placed	5,583	–	–	1,665,131
Deposits withdrawn	–	–	–	1,665,131
Deposits at 31 December	24,131	–	–	–
Interest income on deposits	–	–	–	–
Trading securities				
Trading securities at 1 January	1,583,582	–	–	596,321
Trading securities acquired during the year	1,164,932	–	–	99,911
Positive correction	–	–	–	–
Negative correction	(81,678)	–	–	(46,482)
Trading securities sold during the year	(598,593)	–	–	(75,102)
Trading securities at 31 December	2,068,243	–	–	574,648
Interest income on trading securities	24,247			69,489
Loans outstanding at 1 January, gross	–	–	146,864	41,499
Loans issued	–	–	17,185	8,610
Loans repayment	–	–	(42,526)	(9,434)
Revaluation gains	–	–	(1,022)	–
Loans outstanding at 31 December, net	–	–	120,501	40,675
Interest income on loans	–	–	21,524	6,410
Amounts due to credit institutions (deposits)				
Deposits at 1 January	24,131	2,254,174	–	–
Reclassification	–	(2,254,174)	–	2,254,174
Deposits placed	11,762,124	–	–	2,157,379
Deposits withdrawn	(11,762,124)	–	–	(2,879,059)
Deposits at 31 December	24,131	–	–	1,532,494
Interest expense on due to credit institutions	1,460	–	–	247,517
Amounts due to credit institution (loans received)				
Loans at 1 January	14,848,488	625	–	–
Movements	–	(625)	–	625
Loans received	134,873,749	–	–	517,904
Loans repaid	(143,182,919)	–	–	(518,059)
Loans at 31 December	6,539,318	–	–	470
Interest expense on due to credit institutions	(2,562,485)	–	–	–
Amounts due to customers (deposits obtained)				
Deposits at 1 January	4,580,071	63,913	355,801	42,940
Deposits placed	–	(63,913)	–	63,913
Deposits withdrawn	490,336	–	730,057	4,583,780
Deposits at 31 December	(367,752)	–	(793,164)	(4,627,925)
Interest expense on deposits	4,702,655	–	292,694	62,708
Amounts due to customers (deposits obtained)	–	–	(15,806)	(5,318)
Eurobonds issued	–	–		
Eurobonds issued at 1 January	–	–	–	114,306,916
Eurobonds issued	–	–	–	24,650,597
Eurobonds redeemed	–	–	–	(26,048,724)
Eurobonds at 31 December	–	–	–	112,908,789
Interest expense Eurobonds issued	–	–	–	10,263,653
Commitments and guarantees issued	–	–	2,295	–
Commitments and guarantees received	–	–	54,401	–
Fee and commission income	–	–	–	120,698
Other income	–	–	–	50
Other operating expenses	–	–	–	65,567

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousand of Kazakh Tenge)

31. Related party transactions (continued)

	2008			
	Shareholders	*Associates*	*Key management personnel*	*Other related parties*
Investments	–	–	–	
Investments at 1 January	–	–	–	–
Investments acquired during the year	–	–	–	796,248
Share in income of associate	–	–	–	37,538
Dividends received	–	–	–	–
Investment sold during the years	–	–	–	(475,066)
Transfer to other assets	–	–	–	(358,720)
Investments at 31 December	–	–	–	–
	–	–	–	
Assets held in trust at 1 January	–	–	–	2,834,339
Repurchase	–	–	–	(763,997)
Repaid	–	–	–	(230,376)
Assets held in trust at 31 December	–	–	–	1,839,966

Included in the table above are the following transactions with related parties outstanding as at 31 December 2008 and 2007:

a) Transactions with the shareholders, including deposit placement and attraction;
b) Transactions with the associates, including loan granting and deposit placement and attraction; and
c) Transactions with the key management personnel, including loan granting, deposit attraction, guarantee issue and receipt, general remuneration paid during the year.

The aggregate remuneration to the key management personnel paid in 2008 amounted to KZT 340,231 thousand (2008 – KZT 258,848 thousand).

Terms of the related party transactions

The above-mentioned balances have arisen in the normal course of business. Interest payable to the related parties and receivable therefrom is an amount charged at the standard market rates. Balances on the loans granted are secured as of the end of the year. For the year ended 31 December 2009 and 31 December 2008 the Bank did not form any reserve for doubtful debts against the related parties' debt.

32. Events after the balance sheet date

According to the decision of Specialized Financial Court of Almaty dated 11 January 2010 the period of Bank's debt restructuring was prolonged to 1 April 2010.

On 22 February 2010 the Bank has issued an Information Memorandum, which describes basic terms of a modified restructuring proposal. All retail and commercial deposits (except for certain deposits of related parties) and other Bank's operational liabilities shall be included into restructuring. Deposits shall be serviced according to the previous schedule and will not be discounted or corrected as the result of restructuring.

The Bank has also published the notification on calling together the holders of Eurobonds on 31 March 2010. In the event of successful close of restructuring, the Ultimate shareholder shall provide the Bank with capital investments and become the main shareholder of the Bank. Final settlement is expected to be carried out in the third quarter of 2010 after receiving final approval from the FMSA and Specialized Financial Court of Almaty.

Subsidiary of JSC BTA Bank,
JSC Temirbank

Financial Statements

31 December 2008

Together with Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Subsidiary of JSC BTA Bank, JSC Temirbank

We have audited the accompanying financial statements of Subsidiary of JSC BTA Bank, JSC Temirbank (the "Bank"), which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Bank, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

/s/ EVGENY ZHEMALETDINOV

Evgeny Zhemaletdinov
Auditor/General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

31 March 2009

BALANCE SHEET

AS AT 31 DECEMBER 2008

(Thousands of Kazakhstani Tenge)

	Note	*31 December 2008*	*31 December 2007*
Assets			
Cash and cash equivalents	5	**15,085,407**	28,319,371
Financial assets at fair value through profit or loss	6	**22,043,711**	23,914,692
Amounts due from credit institutions	7	**2,260,863**	5,515,450
Loans to customers	8	**249,493,464**	269,631,385
Derivative financial instruments	10	**679,502**	224,013
Investments in associates	11	**–**	796,248
Property and equipment	13	**2,571,508**	3,200,137
Current income tax asset		**885,701**	109,702
Deferred income tax asset	12	**338,053**	504,719
Other assets	14	**1,575,699**	1,567,286
Total assets		**294,933,908**	333,783,003
Liabilities			
Amounts due to Government of RK and NBRK		**69,852**	50,270
Amounts due to credit institutions	15	**35,309,932**	72,566,499
Amounts due to customers	16	**63,323,278**	64,106,388
Eurobonds issued		**112,908,789**	114,306,916
Debt securities issued	17	**38,371,233**	33,684,332
Derivative financial liabilities	10	**588**	148,868
Other liabilities	18	**308,060**	624,075
Total liabilities		**250,291,732**	285,487,348
Equity			
Share capital	19	**34,461,415**	34,461,415
- common stock		**34,025,713**	34,025,713
- preferred stock		**542,773**	542,773
Treasury preferred shares			
- preferred shares		**(107,071)**	(107,071)
Retained earnings		**10,180,761**	13,834,240
Total equity		**44,642,176**	48,295,655
Total equity and liabilities		**294,933,908**	333,783,003

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

Yerzhan B. Shaikenov — Acting Chairman of the Board

Khalicha H. Abdrayeva — Chief Accountant

31 March 2009

The accompanying notes on pages F-113 to F-172 are an integral part of these interim condensed financial statements

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

(Thousands of Kazakhstani Tenge)

	Note	Year ended 31 December 2008	2007
Interest income			
Loans		37,706,079	41,025,318
Trading securities		2,015,924	1,818,543
Amounts due from credit institutions		1,373,260	1,484,209
		41,095,263	44,328,070
Interest expense			
Debt securities issued		(5,426,485)	(2,912,100)
Amounts due to customers		(5,926,765)	(5,516,858)
Eurobonds issued		(10,263,653)	(8,598,185)
Amounts due to credit institutions		(5,496,544)	(6,199,346)
		(27,113,447)	(23,226,489)
Net interest income before impairment		13,981,816	21,101,581
Allowance for impairment	9	(8,289,274)	(5,555,190)
Net interest income		5,692,542	15,546,391
Fee and commission income	20	1,693,466	2,540,031
Fee and commission expenses	20	(67,857)	(84,175)
Fees and commissions		1,625,609	2,455,856
Loss from sale of shares of a subsidiary	25	(53,685)	(19,817)
Income from sale of shares of an associate		1,446,471	–
Losses less gains from financial assets at fair value through profit or loss	21	(1,810,948)	(646,356)
Net (losses) / gains from foreign currencies:			
- dealing		30,772	91,369
- translation differences		(348,007)	715,610
Share of income in associates	11	37,538	215,411
Income from dividends on shares		155,689	23,867
Other income	22	74,035	77,257
Non-interest (expenses) / income		(468,135)	457,341
Salaries and personnel costs	23	(3,866,433)	(4,742,350)
Administrative and other operational expenses	23	(4,848,160)	(4,141,777)
Deposits insurance costs		(136,998)	(244,650)
Depreciation and amortisation	13	(1,010,424)	(666,684)
Taxes other than income tax	24	(332,454)	(289,251)
Other provisions	9	(77,746)	(323,134)
Operating expenses		(10,272,215)	(10,407,846)
(Loss) / profit before income tax expense		(3,422,199)	8,051,742
Income tax expense	12	(231,280)	(660,566)
Net (loss) / profit after income tax expense		(3,653,479)	7,391,176
Basic and diluted (loss) / earnings per share (in KZT)	26	(191.61)	412.97

The accompanying notes on pages F-113 to F-172 are an integral part of these interim condensed financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

(Thousands of Kazakhstani Tenge)

	Share capital – common shares	*Share capital – Preferred shares*	*Treasury stock*	*Additional paid in capital*	*Property and equipment revaluation reserve*	*Retained earnings*	*Total*
31 December 2006	14,998,098	542,773	(107,071)	21,113	2,373	6,440,691	21,897,977
Common stock issue	19,006,502	–	–	–	–	–	19,006,502
Property and equipment revaluation reserve write off	–	–	–	–	(2,373)	2,373	–
Transfer	21,113	–	–	(21,113)	–	–	–
Profit for the year	–	–	–	–	–	7,391,176	7,391,176
31 December 2007	34,025,713	542,773	(107,071)	–	–	13,834,240	48,295,655
Loss for the year	–	–	–	–	–	(3,653,479)	(3,653,479)
31 December 2008	**34,025,713**	**542,773**	**(107,071)**	**–**	**–**	**10,180,761**	**44,642,176**

The accompanying notes on pages F-113 to F-172 are an integral part of these interim condensed financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

(Thousands of Kazakhstani Tenge)

	Note	Year ended 31 December 2008	2007
Cash flows from operating activities:			
Interest received		35,554,123	41,316,528
Interest paid		(25,700,226)	(21,446,381)
Income less losses from trading in foreign currencies		(572,997)	(166,274)
Fees and commissions received		1,693,215	2,549,692
Fees and commissions paid		(67,884)	(84,175)
Other operating income		967,745	509,796
Operating expenses paid		(9,192,818)	(9,374,196)
Income tax paid		(775,999)	(1,102,015)
Cash flows from operating activities before changes in operating assets and liabilities		1,905,159	12,202,975
Net decrease / (increase) in operating assets and liabilities			
Obligatory reserves		12,379,535	(1,818,860)
Financial assets at fair value through profit or loss		(889,608)	(10,555,343)
Amounts due from credit institutions		3,459,354	(5,384,375)
Loans to customers		18,698,860	(110,938,144)
Other assets		594,833	17,186
Due to Government of RK and NBRK		19,481	(38,573)
Amounts due to credit institutions		(38,630,809)	16,583,825
Due to customers		(6,318,519)	10,177,242
Other liabilities		(607,252)	13,748
Net cash used in operating activities		(9,388,966)	(89,740,319)
Cash flows from investing activities			
Investments in associates	11	–	(1,566,042)
Proceeds from disposal of associate	2	1,921,539	2,455,116
Proceeds from sale of subsidiary's shares	25	370,288	45,950
Purchase of property and equipment	13	(317,799)	(2,166,257)
Purchase of intangible assets		(123,643)	(222,095)
Proceeds from disposal of property and equipment		31,473	18,452
Dividends received		155,689	145,736
Net cash (used in) / from investing activities		2,037,547	(1,289,140)
Cash flows from financing activities:			
Proceeds from issue of stock		–	19,006,502
Proceeds from debt securities issued		4,113,353	10,244,454
Proceeds from Eurobonds issued		–	58,928,420
Redemption of debt securities		(71,270)	(801,455)
Proceeds from subordinated debt issued		1,035,710	28,142
Redemption of subordinated debt		(494,446)	(33,825)
Net cash flow from financing activities		4,583,347	87,372,238
Net cash and cash equivalents		(2,768,072)	(3,657,221)
Effect of exchange rates changes on cash and cash equivalents		1,913,643	(1,310,517)
Net cash and cash equivalents used		(854,429)	(4,967,738)
Cash and cash equivalents, beginning of the year	5	13,029,967	17,997,705
Cash and cash equivalents, ending of the year	5	12,175,538	13,029,967

The accompanying notes on pages F-113 to F-172 are an integral part of these interim condensed financial statements

NOTES TO FINANCIAL STATEMENTS
(Thousands of Kazakhstani Tenge)

1. Principal activities

Subsidiary of JSC BTA Bank, JSC Temirbank (the "Bank") was formed on 26 March 1992 as the specialized bank rendering services to railway industry of the Republic of Kazakhstan. On 21 March 1996 the Bank was reregistered as a joint stock company. The Bank possesses a banking license issued by the Financial Market Supervision Agency of the Republic of Kazakhstan ("FMSA") to perform banking operations in tenge and foreign currency. In addition, the Bank has the right to provide bank-custodian services and broker/dealer services.

The legal registered address of the Bank is: 68/74 Abai ave., Almaty, 050008, Republic of Kazakhstan. The Bank performs its activities through 21 branches and 121 centers of banking services located throughout Kazakhstan in 2008 (2007: 21 branches and 119 centers of banking services). The Bank provides general banking services to its clients, accepts deposits from legal entities and individuals, extends credits, provides bank-custodian services, broker/dealer services, transfer payments in Kazakhstan and abroad, exchanges currencies, performs transactions with precious metals and provides other banking services to its commercial and retail customers.

The Bank is member of system of obligatory insurance of deposits starting from 10 December 2002. The system is managed by the FMSA.

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Bank and its counterparties, which could affect the Bank's financial position, results of operations and business prospects.

Also, deterioration of liquidity could affect the Bank's borrowers that in return could make an impact on its ability to settle the debt to the Bank. Due to the fall in prices in global and Kazakhstani securities markets, the Bank may face a significant decrease in the fair value of securities pledged as collateral against loans extended by the Bank. To the extent that information is available, the Bank has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Bank's results and financial position in a manner not currently determinable.

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements are presented in thousands of tenge ("KZT"), unless otherwise indicated. These financial statements are prepared under the historical cost convention, except for certain financial instruments measured at fair value.

The preparation of financial statements in accordance with IFRS requires management of the Bank to make estimates and assumptions that affect amounts of reported assets and liabilities of the Bank, disclosure of contingent assets and contingent liabilities as at the reporting date and amounts of income and expenses for the reporting period. Actual results, therefore, could differ from these estimates. The most significant estimates with regards to those financial statements relate to the allowances for impairment and measuring of fair value of financial instruments.

In December 2006 the Bank became a subsidiary of JSC BTA Bank. In order to comply with current legislation of the Republic of Kazakhstan, which does not allow the Bank to have its own subsidiaries, the Bank sold 100% of shares in its subsidiary Temir Capital BV. for KZT 370,288 thousand in December 2008. Shares were sold to the parent of the Bank, JSC BTA Bank.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

2. Basis of preparation (continued)

General (continued)

In June 2008 the Bank sold on the secondary securities market 118,647 shares of an associate JSC Temirleasing comprising 7.71 % of the shareholders' capital for KZT 5,057 per share which were purchased by clients of JSC BTA Bank subsidiary, BTA Securities. In August 2008, the Bank sold on the secondary securities market 261,329 shares or 17% of the shareholders' capital of its associate, JSC Temirleasing, for KZT 5,057 per a share. Shares were sold to the parent of the Bank, JSC BTA Bank. The profit from the sale of JSC Temirleasing shares amounted to KZT 1,446,471 thousand and was recorded in the income statement. Due to the loss of control over JSC Temirleasing, investments into this company of KZT 358,720 thousand are recorded within "Other assets".

Name	*Type of activities*	*Country*	*Holding share at 31 December 2008*	*Holding share at 31 December 2007*
«Temir Capital BV»	Raising funds on international financial markets	Netherlands	–	100%

Dividends were paid to the shareholders of the Bank who own the preferred shares during the reporting period for the 4th quarter of 2007 and for the 1st - 3rd quarters of 2008:

№	*Period of payment*	*Accrued*	*Withholding tax*	*Paid*
1	Total IV quarter 2007	122,584	(6,472)	116,112
2	Total I-III quarter 2008	367,754	(19,425)	348,329
	Total	**490,338**	**(25,897)**	**464,441**

The Bank's common and preferred shares are listed on the Kazakhstan Stock Exchange ("KASE") and included in Listing A. The Bank has over 25,000 shareholders, of which 99.99% are minority shareholders and mainly represent acting or former employees of National Railway Company Kazakhstan Temir Zholy. These shareholders in aggregate have not more than 0.56% of the total amount of the Bank's outstanding shares.

As at 31 December 2008 there are no nominee common shareholders.

The following table provides information on common shareholders, amounting to over 5% of total amount of the Bank's common shares as at 31 December 2008 and 2007:

Shareholders of the Bank: (First level shareholders)	*31 December 2008*	*31 December 2007*
JSC BTA Bank	**69.85**	64.32
LLP Company EurasiaInvest	**4.90**	6.23
JSC Investment group Alan	**1.19**	5.38
LLP NAK-LTD	**3.81**	3.81
LLP Premium Invest Company	**3.36**	3.18
Other shareholders own less- 5%	**16.89**	17.08
Total	**100.00**	100.00

The following table shows all registered holders of preferred shares, amounting to over 5% of all preferred shares of the Bank as at 31 December 2008 and 2007:

Shareholders of the Bank: (preferred shares)	*31 December 2008*	*31 December 2007*
QVT Fund LP	**33.90**	33.64
LLP NAK-LTD	**28.30**	23.52
LLP Premium Invest	**19.02**	16.63
JSC Accumulative Pension Fund Capital	**5.13**	5.05
Other	**13.65**	21.16
Total	**100.00**	100.00

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

2. Basis of preparation (continued)

Reclassifications

The following reclassifications have been made to 2007 balances to conform to the 2008 presentation:

31 December 2008	*As previously reported*	*Reclassification*	*As reported herein*	*Comments*
Assets:				
Due from credit institutions	10,479,642	(4,964,192)	5,515,450	Reclassification of loans issued to non-financial organizations into loans to customers.
Loans to customers	264,667,193	4,964,192	269,631,385	
Interest income:				
Due from credit institutions	1,765,676	(281,467)	1,484,209	
Loans	40,743,851	281,467	41,025,318	

3. Summary of accounting policies

Consolidation principles

Subsidiaries, which are the entities in which the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases.

Where necessary, financial statements of the subsidiary have been changed to ensure consistency with the policies adopted by the Bank.

During preparation of financial statements all material balances and transactions between the Bank and its subsidiary as well as income and expenses resulting from these transactions are eliminated except where an existing transaction is indicative of impairment of a transferred asset.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the financial statements, the Bank follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and the following procedures are done:

- Assets and liabilities both monetary and non-monetary, of the foreign entity are translated at the exchange rate at the end of the reporting period;
- Income and expense items of the foreign entity are translated at the average weighted annual exchange rate;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the income statement.

Acquisition of subsidiaries

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

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

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Acquisition of subsidiaries (continued)

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

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Bank.

Investments in associates

Associates are entities in which the Bank generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Bank's share of net assets of the associate. The Bank's share of its associates' profits or losses is recognised in the income statement, and its share of movements in reserves is recognised in equity. However, when the Bank's share of losses in an associate equals or exceeds its interest in the associate, the Bank does not recognise further losses, unless the Bank is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial assets

Initial recognition and measurement of financial instruments

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments; or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition.

Date of recognition

All standard operations of purchases and sales of financial assets are recognized on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Determination of fair value

The fair value for financial instruments traded in active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, in comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from National Bank of Republic Kazakhstan (NBRK), and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Financial assets (continued)

Obligatory reserves

Obligatory reserves represent necessary reserved deposits and amounts which can be used by the Bank to finance their activities and are reflected in "cash and cash equivalents" in the balance sheet, however are not included in cash and cash equivalents item in the statement of cash flows.

Amounts due from credit institutions

During everyday activity the Bank opens current accounts or places deposits on different period of time to other banks. Amounts from credit institutions with fixed maturity are subsequently measured at amortized cost using an effective interest rate. Amounts without fixed maturity are carried at amortized cost based on expected maturity of such assets. Amounts due from credit institutions are recorded less any allowances for impairment.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the income statement.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the balance sheet 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 agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price 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 balance sheet. Securities borrowed are not recorded in the balance sheet, unless these are sold to third parties, in which case the purchase and sale are recorded within losses less gains from financial assets are fair value in the income statement. The obligation to return them is recorded at fair value as a trading liability.

Loans to customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not intended for an immediate sale or purchase in the near term and are not classified as trading securities or investment securities available for sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or participating in syndicated loans.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus incurred operating costs directly attributable to the acquisition or creation of such financial assets. The difference between the fair value of the consideration given and the fair value of the loan is recorded in income statement in case the fair value of the consideration given is not equal to the fair value of the loan, for example when loans are issued at the lower than market rate. Subsequently loans are recognized at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards and swaps in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recognised at fair value. 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. Gains and losses resulting from these instruments are included in the income statement within net gains / (losses) from foreign currencies (dealing).

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to NBRK and the Government, credit institutions, amounts due to customers and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers (continued)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Loans are written off against allowance for impairment losses in case of uncollectibility of loans issued, including through repossession of collateral. Loans are written off after management had exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral.

Renegotiated loans

Where possible, the Bank 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.

Leases

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessee are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into administrative and other operating expenses.

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 derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank 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; and
- the Bank 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.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Property and equipment and intangible assets

The property and equipment and intangible assets are booked at initial cost less accumulated depreciation and accumulated impairment (if applicable).

Amortization of improvements to leased property is charged over the useful life of corresponding leased assets. Costs related to maintenance and overhauls are recorded in income statement when incurred and included in operating expenses, unless they qualify for capitalization.

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:

	%
Buildings and constructions	2.5%
Furniture and computers	15-40%
Vehicles	25%
Intangible assets	20-50%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in administrative and other operating expenses, unless they qualify for capitalization.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current income tax is calculated using tax rates that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the 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 utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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.

Kazakhstan also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of taxes other than income tax.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Provisions

Provisions are recognised when the Bank 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 amount of obligation can be made.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned, and are accounted in "Salary and related expenses" in the income statement. The Bank makes social tax contributions to the budget of the Republic of Kazakhstan for its employees. The Bank has no post-retirement benefits or other compensated benefits requiring accrual.

Financial guarantees and letters of credit

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees and letters of credit are credit insurance that provides for specified payments to be made to reimburse the holder for loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequent to initial recognition the Bank's liability under each guarantee and letter of credit is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement. The premium received is recognised in the income statement on a straight-line basis over the life of the guarantee.

Share capital

Share capital is recognized at cost.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on common shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event in accordance with IAS 10 "Subsequent events" and are appropriately disclosed.

Preferred shares

IAS 32 "Financial instruments: Presentation" requires that preferred shares or their components be classified as financial liabilities or equity instruments in accordance with the essence of contractual agreement and definitions of financial liability and equity instrument. Preferred shares which carry a mandatory dividend payment are classified as subordinated debt. The fair value of the debt is equivalent to the present value of the mandatory dividend obligations over the term of the preferred share discounted at the market interest rate for a similar instrument that does not retain a residual benefit to discretionary dividends.

Dividends on preferred shares are classified as an expense and are recognized in the income statement within interest expense.

Treasury shares

Where the Bank purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Contingencies

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as trading, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

- *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Foreign currency translation

The financial statements are presented in tenge, which is the Bank's functional and presentation currency. 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 functional currency KASE exchange rate ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as net losses / gains from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at 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 exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

Below are the exchange rates at the year end which have been used by the Bank when preparing financial statements:

	31 December 2008	*31 December 2007*
KZT/USD	**120.79**	120.30
KZT/EURO	**170.24**	177.17

Related parties

IFRS 24 "Related parties – disclosure" defines the related parties or related party transactions as follows:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Bank that gives it significant influence over the Bank; or has joint control over the Bank
(b) the party is an associate, i.e. a company under significant control of the Bank, which is neither the investor's subsidiary, nor its joint venture;
(c) the party is a joint venture in which the Bank is a venturer;
(d) the party is a member of the key management personnel of the Bank or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the entity.

Segment reporting

A segment is a distinguishable component of the Bank 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. The information on segments, whose major part of profit related to third parties, and volume of revenue, financial results and assets equal to 10% or more from all segments, were represented separately.

Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Adoption of new and revised International Financial Reporting Standards

The following interpretations and amendments were applied in relation to the Bank in 2008:

IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions"

IFRIC Interpretation 11 became effective for annual periods beginning on or after 1 March 2007 and requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. This Interpretation has no impact on the Bank.

IFRIC 12 "Service Concession Arrangements"

IFRIC Interpretation 12 was issued in November 2006 and became effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousands of Kazakhstani Tenge)

undertaken and rights received in service concession arrangements. No member of the Bank is an operator and hence this Interpretation does not have any impact on the Bank.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 14 was issued in July 2007 and became effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. This Interpretation has no impact on the financial position or performance of the Bank.

Adoption of new and revised International Financial Reporting Standards (continued)

Reclassification of Financial Assets – Amendments to IAS 39 "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures"

Amendments to IAS 39 and IFRS 7 were issued on 13 October 2008 and allow reclassification of non-derivative financial assets out of the held for trading category in particular circumstances. The amendments also allow transfer of certain financial assets from the available for sale category to loans and receivables category. The effective date of those amendments is 1 July 2008. Any reclassification made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The Bank did not reclassify any financial assets from held for trading or available for sale categories and hence these amendments did not have any impact on the financial position or performance of the Bank.

Standards and interpretations issued but not yet effective

Improvements to IFRS

In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The Bank is currently evaluating the potential impact that the adoption of the amendments will have on its financial statements.

IAS 1 Presentation of Financial Statements (Revised)

A revised IAS 1 was issued in September 2007 and became effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Bank is still evaluating whether it will have one or two statements.

IAS 23 "Borrowing Costs" (Revised)

A revised IAS 23 Borrowing costs was issued in March 2007 and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Bank will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

3. Summary of accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments were issued in February 2008, and became effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. The Bank does not expect that these amendments will have an impact on the Bank's financial statements.

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items.

The amendment to IAS 39 was issued in August 2008 and became effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Bank does not expect the amendment to IAS 39 will affect the Bank's financial statements as the Bank has not entered into any such hedges.

Amendments to IFRS 1 "First-time Adoption of IFRSs" and IAS 27 "Consolidated and Separate Financial Statements" - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

These amendments were issued in May 2008 and became effective for annual periods beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The amendments to IFRS 1 allow an entity to determine the cost of investments in a subsidiary, jointly controlled entity or associate as at the date of transition to IFRS in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. The new requirements affect only the separate financial statements and do not have an impact on the financial statements.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations

These amendments were issued in January 2008 and became effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Bank did not enter into such type of transactions; accordingly, these amendments have no impact on the financial statements of the Bank.

IFRS 3 "Business Combinations" (revised) and IAS 27 "Consolidated and Separate Financial Statements" (revised)

The revised IFRS 3 and IAS 27 were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised IFRS 3 and IAS 27 must be applied prospectively and will affect only future acquisitions and transactions with minority interests.

IFRS 8 "Operating Segments"

IFRS 8 becomes effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Bank's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Application of this standard will not have any impact on financial position or performance of the Bank. The Bank has determined that operational segments will match business segments in accordance with IAS 14 "Segment Reporting".

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

3. Summary of accounting policies (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

IFRIC 13 "Customer Loyalty Programmes"

IFRIC Interpretation 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Bank expects that this interpretation will have no impact on the Bank's financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

IFRIC 17 "Distribution of Non-Cash Assets to Owners"

IFRIC 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. This interpretation applies to pro rata distributions of non-cash assets to owners except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

4. Significant accounting judgements and estimates (continued)

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in 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 the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 Bank uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Taxation

Kazakh tax, currency and customs legislation is 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. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2008 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

5. Cash and cash equivalents

Cash and cash equivalents include the following:

	31 December 2008	*31 December 2007*
Cash on hand	**4,539,437**	6,398,296
Reverse repurchase agreements with contractual maturity of 90 days or less	**6,683,930**	3,811,018
Current accounts with other financial institutions	**851,881**	2,676,293
Time deposits with contractual maturity of 90 days or less	**100,290**	144,360
	12,175,538	13,029,967
Account in NBRK	**2,909,869**	15,289,404
	15,085,407	28,319,371

The Bank had entered into reverse repurchase agreements with less than 90 days contractual maturity with two credit institutions. The subject of pledge of these agreements are shares and bonds issued by Kazakh companies with a fair value of KZT 6,392,000 thousand (2007: KZT 3,808,206 thousand).

At 31 December 2008 KZT 651,406 thousand (31 December 2007 - KZT 2,313,624 thousand) was placed on current accounts and inter-bank deposits with internationally recognised OECD banks, who are the main counterparties of the Bank in performing international settlements.

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the NBRK, the amount of which depends on the amount of internal and external liabilities - 2% of the amount of internal liabilities and 3% of the amount of external liabilities (at 31 December 2007: 6% and 8% respectively). Minimal reserve liability the Bank maintains both by the abovementioned deposit account in NBRK and petty cash account. At 31 December 2008 KZT 2,909,869 thousand (31 December 2007 – KZT 15,289,404 thousand) was placed with the NBRK as security for open commitments. The Bank's ability to withdraw such deposit is restricted by the statutory legislation.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

6. Financial assets at fair value through profit or loss

As at 31 December 2008 and 2007, the cost of financial assets at fair value through profit and loss includes accrued interest income on debt securities totalling KZT 441,133 thousand and KZT 462,006 thousand, respectively.

	31 December 2008	*31 December 2007*
Corporate bonds	**12,378,579**	15,094,654
Bonds of the Ministry of Finance of Republic of Kazakhstan (MFRK)	**7,942,764**	6,928,645
Corporate shares	**1,722,368**	1,891,393
	22,043,711	23,914,692

Interest rates and maturities of these assets are:

	31 December 2008		*31 December 2007*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	**7.00-15.00**	**2009-2036**	7.00-12.00	2008-2036
Bonds of MFRK	**3.35-18.71**	**2009-2015**	4.05-6.75	2008-2011

The Bank had the following securities:

	31 December 2008	*31 December 2007*
Shares		
JSC Halyk Savings Bank	**1,083,496**	1,001,550
JSC Exploration and Production KazMunaiGaz	**444,179**	472,097
JSC BTA Bank	**98,909**	220,029
JSC Bank Centercredit	**35,660**	84,866
JSC Kazzinc	**40,928**	54,447
JSC Kazakhtelecom	**17,504**	45,486
JSC Kazkommertsbank	**1,692**	12,918
	1,722,368	1,891,393

As at 31 December 2008 and 2007 the Bank financial assets at fair value through profit or loss comprised of held for trading securities.

7. Amounts due from credit institutions

As at 31 December 2008 and 2007, loans and funds granted to banks include accrued interest amounting to KZT 15,691 thousand and KZT 72,092 thousand, respectively.

Amounts due from credit institutions comprise:

	31 December 2008	*31 December 2007*
Loans to credit institutions	**2,208,097**	5,259,915
Time deposits	**54,356**	257,075
Total	**2,262,453**	5,516,990
Less – allowance for impairment *(Note 9)*	**(1,590)**	(1,540)
	2,260,863	5,515,450

Interest rates and maturities of these assets follow:

	31 December 2008		*31 December 2007*	
	%	*Maturity*	*%*	*Maturity*
Loans to credit institutions	**7.00-20.00**	**2009-2012**	7.00 – 18.00	2008-2017
Time deposits	–	**2009**	6.20	2008

As at 31 December 2008 there were no amounts due from credit institutions provided under reverse repurchase agreements (31 December 2007 – KZT 1,534,520 thousand).

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

8. Loans to customers

Loans to customers comprise:

	31 December 2008	*31 December 2007*
Loans to customers	**267,218,130**	279,630,389
Factoring	**362,370**	–
Overdrafts	**326,797**	113,847
Financial leasing	**8,640**	10,413
Gross loans to customers	**267,915,937**	279,754,649
Less – allowance for impairment *(Note 9)*	**(18,422,473)**	(10,123,264)
Total loans to customers	**249,493,464**	269,631,385

As at 31 December 2008 and 2007 accrued interest income included in loans to customers amounted to KZT 8,885,901 thousand and KZT 5,320,147 thousand respectively.

As at 31 December 2008, the annual interest rates ranged from 5.0% to 45.0% per annum for KZT-denominated loans (31 December 2007 – from 5.9% to 45.0%), and from 10.0% to 25.0% per annum for loans denominated in US Dollars (31 December 2007 – from 10.0% to 25.0%).

Loans to customers provided under reverse repurchase agreements with non credit institutions as at 31 December 2008, amounted to KZT 1,407,790 thousand (31 December 2007 – KZT 1,349,842 thousand). The Bank had entered into reverse repurchase agreements with one non credit institution. The subject of these agreements are shares issued by Kazakh companies with a fair value of KZT 697,183 thousand at 31 December 2008 (2007: KZT 948,004 thousand).

Loans have been extended to the following types of customers:

	31 December 2008	*31 December 2007*
Individuals	**180,011,232**	203,853,533
Private companies	**87,876,935**	75,482,942
State companies and authorities	**–**	392,970
Other	**27,770**	25,204
Gross loans to customers	**267,915,937**	279,754,649

Below is the analysis by types of loans:

	31 December 2008	*31 December 2007*
Consumer loans	**96,526,603**	108,811,109
Mortgage loans	**63,604,997**	69,585,305
Corporate clients	**50,508,259**	22,760,073
Loans to small business	**37,396,446**	53,141,043
Car loans	**8,813,443**	11,128,615
Other retail loans	**11,066,189**	14,328,504
Gross loans to customers	**267,915,937**	279,754,649
Less – allowance for impairment *(Note 9)*	**(18,422,473)**	(10,123,264)
Total loans to customers	**249,493,464**	269,631,385

As at 31 December 2008 the Bank had a concentration of loans represented by KZT 28,275,347 thousand due from 10 largest borrowers that comprised 11.33% of the total gross loan portfolio (31 December 2007 – KZT 63,577,741 thousand and 23.58% of the total gross loan portfolio). As at 31 December 2008, a provision of KZT 5,086,904 thousand was formed against these loans (31 December 2007 – KZT 264,660 thousand).

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

8. Loans to customers (continued)

Loans were made to the following economy sectors:

	31 December 2008	%	*31 December 2007*	%
Individuals	**180,011,232**	**67.19**	203,853,533	72.87
Construction	**33,891,864**	**12.65**	24,832,404	8.88
Real estate activities	**12,599,245**	**4.70**	10,584,444	3.78
Wholesale trade	**11,712,428**	**4.37**	11,028,409	3.94
Retail trade	**8,167,439**	**3.05**	7,848,881	2.81
Services rendered to enterprises	**4,389,333**	**1.64**	2,932,040	1.05
Fnancial service	**3,039,976**	**1.13**	2,986,751	1.07
Transport	**2,864,119**	**1.07**	3,109,816	1.11
Farming	**1,914,361**	**0.71**	1,744,431	0.62
Hotel business and restaurants	**1,876,868**	**0.70**	3,267,021	1.17
Food industry	**1,757,748**	**0.66**	2,065,460	0.74
Chemical industry	**1,038,855**	**0.39**	866,576	0.31
Water-supply and energy	**84,608**	**0.03**	80,220	0.02
Other	**4,567,861**	**1.71**	4,554,663	1.63
Gross loans to customers	**267,915,937**	**100.00**	279,754,649	100.00

Net investments into financial leasing comprise:

	31 December 2008	*31 December 2007*
Minimal lease payments receivable	**8,640**	10,413
Less: unearned finance income	**(473)**	(178)
Net investments into financial leasing	**8,167**	10,235
Provision for overdue minimal lease payments receivable	**–**	–
	8,167	10,235
Current portion of net investments into financial leasing	**4,925**	5,950
Non-current portion of net investments into financial leasing	**3,715**	4,463
	8,640	10,413

Significant amount of loans (99% of the total credit portfolio) is provided to customers operating in Kazakhstan, which represents significant geographical concentration within one region.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

8. Loans to customers (continued)

Below is the reconciliation of loans impairment provision by classes:

	Corporate loans	*Loans to small business*	*Mortgage*	*Consumer loans*	*Car Loans*	*Other retail loans*	*Total loan portfolio*
31 December 2006	1,252,519	1,025,737	523,772	903,020	180,768	562,049	4,447,865
Charge for the year	1,610,178	474,692	274,207	2,540,092	340,829	317,233	5,557,231
Recoveries	113,337	–	–	52,111	–	–	165,448
Write-offs	(41,613)	–	–	(5,667)	–	–	(47,280)
31 December 2007	2,934,421	1,500,429	797,979	3,489,556	521,597	879,282	10,123,264
Individual impairment	2,934,421	1,318,792	760,234	3,319,043	504,195	856,876	9,693,561
Collective impairment	–	181,637	37,745	170,513	17,402	22,406	429,703
Total	2,934,421	1,500,429	797,979	3,489,556	521,597	879,282	10,123,264
Total amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	4,429,708	7,947,547	1,285,261	8,173,854	869,921	1,428,940	24,135,231
31 December 2007	2,934,421	1,500,429	797,979	3,489,556	521,597	879,282	10,123,264
Charge for the year	4,545,055	1,910,658	984,039	928,234	(40,949)	(37,810)	8,289,227
Recoveries	–	3,987	–	5,306	5,633	142	15,068
Write-offs	–	(2,246)	–	(12,891)	(26,398)	–	(41,535)
Other (foreign exchange difference)	24,995	7,393	614	2,038	660	749	36,449
31 December 2008	7,504,471	3,420,221	1,782,632	4,412,243	460,543	842,363	18,422,473
Individual impairment	6,110,539	2,183,146	668,368	1,687,231	51,463	746,631	11,447,378
Collective impairment	1,393,932	1,237,075	1,114,264	2,725,012	409,080	95,732	6,975,095
Total	7,504,471	3,420,221	1,782,632	4,412,243	460,543	842,363	18,422,473
Total amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	22,719,651	6,319,073	934,768	1,779,634	54,504	777,881	32,585,511

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

8. Loans to customers (continued)

Individually impaired loans

Interest income accrued on loans, for which individual impairment allowances have been recognized, as at 31 December 2008, comprised KZT 2,868,673 thousand (2007 – KZT 1,108,863 thousand).

The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at 31 December 2008 amounts to KZT 23,122,138 thousand (2007 - KZT 21,072,237 thousand). Collateral includes cash, securities, guarantees and real estate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
for reverse repurchase transactions – securities;
for commercial lending – charges over real estate properties, inventory, cash, guarantees;
for retail lending – mortgages over residential properties, cars, cash, guarantees.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

Derecognition of a loan portfolio

In 2008, the Bank sold the rights to 100% of the cash flows arising on a portfolio of fixed rate loans carried at KZT 3,144,690 thousand to a third party for KZT 3,144,690 thousand. The Bank has determined that not substantially all the risks and rewards of the portfolio have been transferred. Therefore the Bank continues to recognise the assets sold in 2008 and in previous years at its continuing involvement in the transferred assets in total amount of KTZ 12,106,826 thousand with a corresponding liability for KZT 12,106,826 thousand.

9. Allowances for impairment and provisions

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

	Amounts due from credit institutions	*Loans to customers*	*Total*
31 December 2006	52,695	4,447,865	4,500,560
Impairment charge / (reversal)	(2,041)	5,557,231	5,555,190
Write-offs	(49,114)	(47,280)	(96,394)
Recoveries	–	165,448	165,448
31 December 2007	1,540	10,123,264	10,124,804
Impairment charge	**47**	**8,289,227**	**8,289,274**
Write-offs	–	**(41,535)**	**(41,535)**
Recoveries	–	**15,068**	**15,068**
Foreign currency allowance revaluation	**3**	**36,449**	**36,452**
31 December 2008	**1,590**	**18,422,473**	**18,424,063**

The movements in allowances for impairment of other assets and contingent liabilities are as follows:

	Letters of credit and guarantees	*Other assets*	*Total*
31 December 2006	725	3,193	3,918
Impairment charge /(reversal)	323,175	(41)	323,134
Write-offs	–	(1,930)	(1,930)
31 December 2007	323,900	1,222	325,122
(Reversal) / impairment charge	**(318,824)**	**396,570**	**77,746**
Write-offs	–	**(142,087)**	**(142,087)**
Foreign currency allowance revaluation	–	**(5,581)**	**(5,581)**
31 December 2008	**5,076**	**250,124**	**255,200**

Provisions for letters of credit and guarantees are recorded within other liabilities. Foreign currency allowance revaluation is shown in the net losses /gains from foreign currencies within income statement.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

10. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	31 December 2008			*31 December 2007*		
	Notional principal	*Fair values*		*Notional principal*	*Fair values*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange purchase / sale contracts						
Forwards	**25,005,201**	**679,502**	**–**	46,592,630	224,013	–
Swaps	**3,031,551**	**–**	**588**	22,405,922	–	148,868
	28,036,752	**679,502**	**588**	68,998,552	224,013	148,868

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange movements in foreign currency rates based on specified notional amounts.

11. Investments in associates

The following companies are accounted for under the equity method:

	31 December 2008		*31 December 2007*	
	Share	*in thousand tenge*	*Share*	*in thousand tenge*
JSC Temirleasing	–	–	43.87%	796,248
		–		796,248

Movements in investments in associates are as follows:

	2008	*2007*
As at January 1	**796,248**	1,615,623
Acquisition costs	–	1,566,066
Share of income in associates	**37,538**	215,411
Dividends from participation in associates	–	(145,736)
Disposals of investments	**(475,066)**	(2,455,116)
Transfer into other assets	**(358,720)**	–
As at December 31	–	796,248

The following table illustrates summarised financial information of the associates:

	31 December 2008	*31 December 2007*
Aggregated assets and liabilities of associates		
Assets	–	7,643,393
Liabilities	–	(3,032,269)
Net assets	–	4,611,124

	Year ended 31 December	
	2008	*2007*
Profit	–	146,657

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

12. Taxation

Corporate income tax expenses comprise the following:

	Year ended 31 December	
	2008	***2007***
Corporate income tax charge	**64,614**	1,099,220
Deferred corporate income tax charge – origination and reversal of temporary differences	**166,666**	(438,654)
Corporate income tax expenses	**231,280**	660,566

At 31 December 2008, the Bank is subject to corporate income tax in the Republic of Kazakhstan. In accordance with applicable tax legislation, at 31 December 2008, 30% corporate income tax rate applied will be reduced to 20.0%, 17.5%, 15.0% in 2009, 2010 and 2011, respectively. In 2008 interest income on mortgage loans became taxable. A reconciliation of the corporate income tax expense based on statutory rates with actual is as follows:

	2008	***2007***
Profit before taxation	**(3,422,199)**	8,051,742
Statutory tax rate	**30.00%**	30.00%
Theoretical corporate income tax expenses at the statutory tax rate	**(1,026,660)**	2,415,523
Non taxable income on individual mortgage lending	**–**	(2,338,454)
Non taxable income from government and A, B listed securities	**(340,841)**	(374,537)
Non taxable income from associates	**–**	(19,310)
Non taxable income from sold shares in associates	**(306,300)**	–
Other non taxable income	**(251,081)**	(156,286)
Commissions received for loan origination	**11,249**	306,587
Non-deductible business expenses	**334,005**	81,803
Income of subsidiaries taxed at different rates	**24,907**	59,048
Difference from the change in tax rate	**191,684**	–
Unrealized loss from revaluation of securities and loss from government and A, B listed securities	**1,100,477**	290,776
Other permanent differences	**493,840**	395,416
Corporate income tax expenses	**231,280**	660,566

Deferred corporate income tax reflects net tax effect of temporary differences between carrying amount of assets and liabilities for financial statements purposes and the amount to be determined for tax purposes. Tax effect of temporary differences as of 31 December 2008 and 2007, is as follows:

Tax effect of deductible temporary differences:	***2008***	***2007***
Commissions received for loan origination	**185,203**	517,068
Losses from other securities that could be carried forward during the following 3 years	**–**	145,444
Tax loss carried forward	**323,007**	–
Impairment provisions	**–**	128,911
Other	**37,286**	44,140
Deferred tax assets	**545,496**	835,563
Tax effect of taxable temporary differences		
Property and equipment and intangible assets	**(86,690)**	(298,290)
Securities	**(120,753)**	(32,554)
Deferred tax liability	**(207,443)**	(330,844)
Total deferred tax asset	**338,053**	504,719

The Bank has available KZT 1,845,757 thousand of tax losses carried forward. In this connection, management of the Bank assesses that there is a probability that in future it will have a taxable income against which it will realize temporary difference and tax loss carried forward will be utilised.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

13. Property and equipment

The movements in property and equipment were as follows:

	Buildings and other immovables	*Computer equipment*	*Motor vehicles*	*Other*	*Total*
Cost					
31 December 2006	807,587	849,064	174,826	756,254	2,587,731
Additions	107,673	1,310,094	134,327	614,163	2,166,257
Disposal	(1,227)	(36,215)	(116,424)	(48,173)	(202,039)
31 December 2007	914,033	2,122,943	192,729	1,322,244	4,551,949
Additions	**32,912**	**156,185**	**13,568**	**121,152**	**323,817**
Disposal	**–**	**(81,599)**	**(25,929)**	**(78,681)**	**(186,209)**
31 December 2008	**946,945**	**2,197,529**	**180,368**	**1,364,715**	**4,689,557**
Accumulated depreciation					
31 December 2006	19,798	415,593	75,240	307,817	818,448
Depreciation charge	22,721	343,868	50,118	209,216	625,923
Disposal	–	(34,345)	(24,011)	(32,898)	(91,254)
Disposal of subsidiary	–	(656)	–	(649)	(1,305)
31 December 2007	42,519	724,460	101,347	483,486	1,351,812
Depreciation charge	**21,776**	**599,339**	**36,045**	**265,943**	**923,103**
Disposal	**–**	**(81,179)**	**(18,017)**	**(57,670)**	**(156,866)**
31 December 2008	**64,295**	**1,242,620**	**119,375**	**691,759**	**2,118,049**
Net book value					
31 December 2008	**882,650**	**954,909**	**60,993**	**672,956**	**2,571,508**
31 December 2007	871,514	1,398,483	91,382	838,758	3,200,137

Depreciation and amortization for 2008 also comprises amortization of intangibles assets (included into other assets) of KZT 87,321 thousand (2007: KZT 40,761 thousand) in income statement.

14. Other assets

	31 December 2008	*31 December 2007*
Office supplies and other inventory	**657,668**	598,898
Other investments	**420,585**	61,865
Intangible assets	**313,866**	277,544
Trade accounts receivable	**197,051**	206,189
Capital investment debtors	**113,815**	131,361
Deferred expenses	**46,461**	191,680
Accrued commission	**15,935**	15,661
Due from employees	**11,639**	18,485
Deferred taxes	**5,348**	9,679
Other	**43,455**	57,146
	1,825,823	1,568,508
Less: impairment allowances *(Note 9)*	**(250,124)**	(1,222)
Total other assets	**1,575,699**	1,567,286

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

15. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2008	*31 December 2007*
Loans from Kazakh banks and credit institutions	**14,212,154**	10,126,506
Loans extended on Repo agreements	**14,056,461**	14,751,490
Loans from OECD based banks and credit institutions	**1,062,498**	16,591,584
	29,331,113	41,469,580
Placements from Kazakh banks	**5,728,583**	28,697,317
Placements from non OECD banks	**242,192**	2,158,534
Loro accounts	**8,044**	241,068
	5,978,819	31,096,919
	35,309,932	72,566,499

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2008		*31 December 2007*	
	%	*Maturity date*	*%*	*Maturity date*
Placements from Kazakh banks	**11.00-15.00**	**2009**	6.00-14.00	2008
Loans extended on Repo agreements	**6.00-13.00**	**2009**	8.50-12.0	2008
Loans from OECD based banks and credit institutions	**2.67-7.58**	**2009-2011**	7.98-8.89	2008-2009
Loans from Kazakh banks and credit institutions	**7.50-20.56**	**2009-2028**	12.00-19.00	2027
Placements from non OECD banks	**7.00**	**2009**	7.00	2008

As at 31 December 2008 and 2007, loans and amounts due to banks include accrued interest expenses in the amount of KZT 88,342 thousand and KZT 760,824 thousand respectively.

In September 2007 the Bank repaid a syndicated loan in full.

As at 31 December 2008 placements from Kazakh banks comprise two deposits from JSC BTA Bank in the amount of KZT 5,000,000 thousand bearing interest at the rate of 14% and maturity in January and July 2009. At 31 December 2007 placements from banks included a deposit from JSC BTA Bank in the amount of KZT 12,811,950 thousand bearing interest at the rate of 14% and maturity in March 2008.

The fair value of financial assets pledged under Repo agreements as at 31 December 2008 amounted to KZT 14,515,004 thousand (2007: KZT 14,620,519 thousand.)

16. Amounts due to customers

The amounts due to customers included balances in customer current accounts, time deposits, and certain other liabilities, and include the following:

	31 December 2008	*31 December 2007*
Time deposits	**48,111,487**	51,376,719
Current accounts	**13,580,186**	11,826,196
Guarantees and restricted deposits	**1,631,605**	903,473
	63,323,278	64,106,388

As at 31 December 2008 and 2007, accrued interest expenses included in amounts due to customers amounted to KZT 793,686 thousand and KZT 1,051,397 thousand, respectively. The fair value of financial assets pledged under Repo agreements as at 31 December 2007 amounted to KZT 2,060,100 thousand,

As at 31 December 2008 and 2007, the Bank's ten largest customers accounted for approximately 35.41% and 40.09% respectively, of the total amounts due to customers.

As at 31 December 2008 and 2007, amounts due to customers comprise KZT 1,221,841 thousand and KZT 538,382 thousand, respectively, that represent collateral on granted loans.

As at 31 December 2008 and 2007, amounts due to customers comprise KZT 409,764 thousand and KZT 365,091 thousand respectively that act as security on issued letters of credit and guarantees.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

16. Amounts due to customers (continued)

As at 31 December 2008 there were no amounts due to customers received under repurchase agreements (31 December 2007 - KZT 1,980,622 thousand).

Included in time deposits are deposits of individuals in the amount of KZT 22,561,731 thousand (2007 – KZT 18,538,812 thousand). In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is not paid or is paid based on a significantly lower interest rate, depending on terms and conditions specified in the agreement.

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

	31 December 2008	*31 December 2007*
Time deposits:		
Commercial entities	**13,132,706**	28,733,417
Individuals	**22,561,731**	18,538,812
Government entities	**12,417,050**	4,104,490
	48,111,487	51,376,719
Current accounts:		
Commercial entities	**8,170,187**	8,348,975
Individuals	**3,077,186**	2,821,834
Government entities	**2,332,813**	655,387
	13,580,186	11,826,196
Guarantee and other restricted deposits:		
Commercial entities	**1,163,981**	685,478
Individuals	**464,720**	217,995
Government entities	**2,904**	–
	1,631,605	903,473
	63,323,278	64,106,388

An analysis of customer accounts by economy sector is as follows:

	31 December 2008		*31 December 2007*	
	2008	*%*	*2007*	*%*
Individuals	**26,103,637**	**41.22**	21,578,641	33.66
Non-credit financial organizations	**8,724,630**	**13.78**	19,352,677	30.19
Construction	**7,471,953**	**11.80**	10,116,138	15.78
Research and development	**3,172,429**	**5.01**	152,939	0.24
Services rendered to legal entities and individuals	**2,398,482**	**3.79**	2,557,096	3.99
Whole sale trading	**2,391,720**	**3.78**	1,210,513	1.89
Education	**2,179,601**	**3.44**	1,450,654	2.26
Agriculture	**721,120**	**1.14**	845,717	1.32
Transport	**532,897**	**0.84**	392,769	0.61
Mining	**147,453**	**0.23**	330,266	0.52
Real estate	**34,186**	**0.05**	58,416	0.09
Other	**9,445,170**	**14.92**	6,060,562	9.45
	63,323,278	100.00	64,106,388	100.00

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

17. Debt securities issued

Debt securities issued consisted of the following:

	31 December 2008	*31 December 2007*
KZT bonds with fixed rates	**26,336,905**	24,161,134
KZT bonds with floating rates	**10,047,992**	7,005,409
Preferred shares	**4,580,162**	4,580,071
USD and KZT subordinated bonds	**1,252,628**	725,376
	42,217,687	36,471,990
Own KZT bonds held by the Bank	**(1,579,820)**	(1,739,252)
Plus: unamortized premium	**16,319**	24,172
Less: unamortized discount	**(2,282,953)**	(1,072,578)
	(2,266,634)	(1,048,406)
	38,371,233	33,684,332

The interest rates and maturities of these debt securities issued are following:

	31 December 2008		*31 December 2007*	
	%	*Maturity date*	*%*	*Maturity date*
KZT bonds with fixed rates	**8.50-9.75**	**2008-2021**	8.50-9.75	2008-2021
KZT bonds with floating rates	**4.00*-11.00***	**2012-2015**	4.00*-11.00*	2012-2015
Preferred shares	**10.00**	**Without maturity**	10.00	Without maturity
USD and KZT subordinated bonds	**9.50**	**2016**	11.00	2008

* The rate may be regularly revised by the Board of Directors depending on the agreement as well as the level of inflation, but not higher than above.

The 6 bond issue on the local market within the framework of the second bond issuance program allowed is as follows:

Issue	*Date of issue*	*Currency*	*Maturity*	*Interest rate*	*Number of bonds (thousand)*	*Nominal value*
I	14.04.2007	KZT	14.04.2010	9.0%	8,000	8,000,000
II	14.04.2007	KZT	14.04.2012	9.0%	8,000	8,000,000
III	14.04.2007	KZT	14.04.2016	9.5%	6,000	6,000,000
IV	14.04.2007	KZT	14.04.2016	9.5%	6,000	6,000,000
V	14.04.2007	KZT	14.04.2017	8.5%	6,000	6,000,000
VI	14.04.2007	KZT	14.04.2017	8.5%	6,000	6,000,000
Total					40,000	40,000,000

As at 31 December 2008 the Bank placed bonds of KZT 4,549,911 thousand (31 December 2007 – KZT 4,835,017 thousand) from these issues.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

18. Other liabilities

	31 December 2008	*31 December 2007*
Salaries payable	**110,050**	131,594
Accrued administrative expenses	**86,544**	72,050
Liabilities on contributions to Deposit guarantee fund	**49,800**	46,000
Taxes payable, other than income tax	**30,959**	11,928
Provision on guarantees and other liabilities (*Note 9*)	**5,076**	323,900
Advances received	–	10,710
Other	**25,631**	27,893
Total other liabilities	**308,060**	624,075

19. Equity

As at 31 December 2008 and 2007 the Bank share capital comprised:

	31 December 2008		*31 December 2007*	
	Number of shares	*Thousand tenge*	*Number of shares*	*Thousand tenge*
Ordinary shares	**19,067,000**	**34,025,713**	19,067,000	34,025,713
Preferred shares	**4,903,380**	**435,702**	4,903,380	435,702
Total share capital	**23,970,380**	**34,461,415**	23,970,380	34,461,415

At 31 December 2008 the number of authorised ordinary and preferred shares are 95,000,000 (2007: 95,000,000) and 5,000,000 (2007: 5,000,000), respectively. At 31 December 2008, 19,067,000 ordinary shares and 5,000,000 preferred share were placed. At 31 December 2008 JSC BTA Bank held 13,318,319 ordinary shares of the Bank (2007: 12.263.024 ordinary shares of the Bank).

Preferred shares do not have voting rights, but they have a priority over the common shares in the event of liquidation of the Bank. Minimum annual dividends on these shares amount to KZT 100 per shares. Should dividends not be declared, preferred shareholders will have the voting rights as well as the common shareholders until dividends will be paid on preferred shares. Interests on dividends are determined on annual shareholders' meeting and depend upon annual financial results. These shares are not redeemable.

IAS 32 "Financial instruments: Presentation" requires that preferred shares or their components be classified as financial liabilities or equity instruments in accordance with the essence of contractual agreement and definitions of financial liability and equity instrument.

20. Fees and commissions

Fee and commission income and expenses are as follows:

	Year ended December 31	
	2008	*2007*
Cash operations	**833,779**	1,623,026
Settlement operations	**357,491**	420,983
Trust management services	**271,945**	218,559
Letters of credit and guarantees issued	**149,858**	180,497
Custodian services	**34,514**	40,324
Other	**45,879**	56,642
Fee and commission income	**1,693,466**	2,540,031
Payment cards services	**(27,214)**	(36,965)
Settlement operations	**(26,750)**	(20,429)
Cash operations	**(2,395)**	(9,880)
Operations with foreign currency and securities	**(1,282)**	(12,207)
Other	**(10,216)**	(4,694)
Fee and commission expenses	**(67,857)**	(84,175)
Net fee and commission income	**1,625,609**	2,455,856

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

21. Losses less gains from financial assets at fair value through profit or loss

Net losses from financial assets at fair value through profit or loss in trading portfolio comprise the following:

	Year ended December 31	
	2008	*2007*
Trade profit from financial assets at fair value through profit or loss, net		
Shares	**444**	442,057
Bonds	**944,472**	4,444
	944,916	446,501
Fair value adjustment of financial assets at fair value through profit or loss, net		
Shares	**(2,370,535)**	(213,838)
Bonds	**(385,329)**	(879,019)
	(2,755,864)	(1,092,857)
Total net profit from financial assets at fair value through profit or loss	**(1,810,948)**	(646,356)

22. Other income

	Year ended December 31	
	2008	*2007*
Sale of stationary forms and other services rendered to customers	**17,338**	26,838
Reimbursements of Bank's expenses by individuals	**12,401**	12,198
Safe services	**6,789**	7,743
Income from agency services for insurance contracts issuance	**6,619**	–
Income from agency services	**6,136**	–
Income from property and equipment received free of charge	**6,018**	–
Proceeds from fixed assets disposal	**2,129**	–
Proceeds from projects evaluation	**136**	12,898
Income from cash collection	**30**	3,708
Other	**16,439**	13,872
Total other income	**74,035**	77,257

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

23. Salaries and administrative and other operating expenses

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

	Year ended 31 December	
	2008	2007
Salary and other payments to employees		
Salaries and bonuses	**(3,442,508)**	(4,128,099)
Social security costs	**(250,866)**	(437,479)
Other payments	**(173,059)**	(176,772)
	(3,866,433)	(4,742,350)
Administrative and other operating expenses		
Occupancy and rent	**(1,209,446)**	(943,141)
Marketing and advertising	**(857,070)**	(987,221)
Communications	**(390,411)**	(366,538)
Security	**(353,896)**	(214,696)
State duty paid to the budget upon Bank's claims	**(289,656)**	(66,116)
Agency services	**(277,317)**	(101,599)
Penalties	**(274,228)**	(13,231)
Repair and maintenance of property and equipment	**(238,361)**	(436,120)
Encashment	**(165,005)**	(83,362)
Transportation expenses	**(89,082)**	(92,602)
Business travel and related expenses	**(47,858)**	(86,695)
Office supplies	**(45,589)**	(76,725)
Postal charges	**(31,044)**	(23,941)
Legal services and consultancy	**(31,017)**	(95,582)
Trainings	**(15,355)**	(7,474)
Data processing	**(11,496)**	(25,285)
Representation	**(7,068)**	(20,372)
Insurance	**(5,121)**	(37,815)
Participation in forums, seminars and conferences	**(638)**	(7,053)
Other	**(508,502)**	(456,209)
	(4,848,160)	(4,141,777)

24. Taxes other than income tax

Taxes other than income tax comprise:

	Year ended 31 December	
	2008	2007
VAT	**(282,722)**	(248,007)
Other	**(49,732)**	(41,244)
	(332,454)	(289,251)

25. Loss from disposal of subsidiary

On 24 January 2008 the Bank sold 100% of common stock of its subsidiary Temir Capital BV for KZT 370,288 thousand to BTA Bank JSC. Loss from disposal amounted to KZT 53,685 thousand.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

25. Loss from disposal of subsidiary (continued)

	31 December 2008	*31 December 2007*
Assets		
Cash and cash equivalents	**67,364**	1,700
Amounts due from credit institutions	**117,253,821**	–
Financial assets at fair value through profit and loss	–	17,233
Property and equipment (less accumulated depreciation)	–	1,679
Other assets	**102**	4,920
Total assets	**117,321,287**	25,532
Liabilities		
Other liabilities	**(3,245)**	(2,557)
Debt securities issued	**(116,894,069)**	–
Total liabilities	**(116,897,314)**	(2,557)
Parent's share in net assets	**423,973**	22,975
Total reimbursement	**(370,288)**	(3,158)
Loss from disposal	**(53,685)**	(19,817)
Cash	**370,288**	45,950
Accounts receivable (Financial assets at fair value through profit or loss)	–	(42,792)
Liabilities on disposal	**370,288**	3,158

In February 2007, the Bank sold 45,950 shares of its subsidiary JSC First Broker House for KZT 1,000 per 1 share (nominal value is KZT 1,000) for the total amount of KZT 45,950 thousand on over-the-counter market to a legal entity Super – Accord LLP. The loss from disposal amounted to KZT 19,817 thousand.

26. Earnings per share

	31 December 2008	*31 December 2007*
Net (loss) / income attributable to common shareholders for basic and diluted earnings per share (in KZT thousands)	**(3,653,479)**	7,391,176
Weighted average number of common shares for basic earnings per share	**19,067,000**	17,897,711
Weighted average number of common shares for diluted earnings per share	**19,067,000**	17,897,711
Basic and diluted (loss) / earnings per share (KZT)	**(191.61)**	412.97

27. Financial commitments and contingencies

Credit-related commitments

In the course of its activities the Bank in order to satisfy the customers needs uses financial instruments with off-balance sheet risks. These instruments with imbedded credit risks of various levels are not reflected in the balance sheet.

The maximum exposure of the Bank to credit loss on contingent liabilities related to loan issuance in the event of a counterparty default, whereby all counter-claims and collateral being worthless, is represented by contractual amounts of these instruments.

The Bank uses the same policy of credit control and management in accepting off-balance sheet liabilities, which is used for balance sheet assets.

As at 31 December 2008 and 2007, provision for losses on letters of credits and guarantees amounted to KZT 5,076 thousand and KZT 323,900 thousand, respectively. (Note 9)

Risk adjusted amount is defined via credit risk ratio and counterparty risk ratio in accordance with principles established by Basel Committee.

As at 31 December 2008 the Bank renegotiated rent agreements for one-year term with previous lessors. Aggregate prospective minimal rent payments upon concluded operational lease agreements amount to KZT 947,328 thousand. In 2008, rent expenses considered by the Bank amounted to KZT 1,209,446 thousand (2007: KZT 943,141 thousand).

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

27. Financial commitments and contingencies (continued)

Credit-related commitments (continued)

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

	31 December 2008	*31 December 2007*
Guarantees	**1,485,223**	1,810,395
Undrawn loan commitments	**42,312,895**	52,959,812
Commercial letters of credit	**71,714**	5,690,242
	43,869,832	60,460,449
Less: cash collateral	**(409,764)**	(365,091)
Less: provisions *(Note 9)*	**(5,076)**	(323,900)
	43,454,992	59,771,458

The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavorable to the Bank arise, including change of the refinance rate, inflation, exchange rates and others.

As at 31 December 2008 and 2007, nominal amounts or contractual amounts, and risk weighted amounts comprised:

	31 December 2008		*31 December 2007*	
	Nominal amount	*Risk Weighted amount*	*Nominal mount*	*Risk weighted amount*
Contingent liabilities				
Issued guarantees and similar liabilities	**1,485,223**	**2,226,552**	1,810,395	1,082,338
Undrawn loan commitments	**42,312,895**	**30,024,106**	52,959,812	20,203,667
Letters of credits and other contingent liabilities related to settlement operations	**71,714**	**101,532**	5,690,242	2,844,177
Total contingent liabilities	**43,869,832**	**32,352,190**	60,460,449	24,130,182

Fiduciary activities

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank. Nominal amount shown below generally differs from the fair value of relevant securities. Fiduciary assets fall under the following categories with respect to the nominal amount:

	31 December 2008	*31 December2007*
Corporate securities purchased by pension funds in custody of the Bank	**716,757,311**	103,116,481
State securities purchased by pension funds in custody in the Bank	**34,078,633**	34,245,158
Customers' assets under management	**12,297,427**	10,444,059
Pension funds deposits with other banks in custody in the Bank	**7,118,209**	2,675,643
Total fiduciary assets	**770,251,580**	150,481,341

Legal actions

The Bank is subject to various legal proceedings related to business operations. The Bank does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Bank's financial position or results of operations.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities mentioned above.

27. Financial commitments and contingencies (continued)

Taxation

Current tax assets for the current period are estimated by the amount supposed to be reimbursed by tax authorities. Tax rates and tax legislation applied for calculation of the amount are actually effective as at reporting date.

The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Bank believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Bank has accrued tax liabilities based on management's best estimate. The Bank's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 31 December 2008. Although such amounts are possible and may be material, it is the opinion of the Bank's management that these amounts are either not probable, not reasonably determinable, or both.

Pension benefits

In accordance with legislation of relevant countries all employees of the Bank has the right for the state pension coverage. As at 31 December 2008 and 2007 the Bank does not have liabilities to current and former employees regarding additional pension payments, payment for medical service upon retirement, insurance payments or other benefits upon retirement.

28. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk controlling

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Bank.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Introduction (continued)

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a month which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions (Monitoring principle). Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating (Principle of limitation). Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Credit risk (continued)

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure is shown gross, exclusively of received collateral and other instruments that mitigate the credit risk.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives.

	Gross maximum exposure 2008	*Gross maximum exposure 2007*
Cash and cash equivalents (excluding cash on hand)	10,545,970	21,921,075
Financial assets at fair value through profit and loss	20,321,343	22,023,299
Amounts due from credit institutions	2,260,863	5,515,450
Derivative financial assets	679,502	224,013
Loans to customers	249,493,464	269,631,385
Other assets	134,777	565,708
Contingent liabilities		
Letters of credit	71,714	5,690,242
Issued guarantees	1,485,223	1,810,395
Undrawn loan commitments	42,312,895	52,959,812
Total credit risk	327,305,751	380,341,379

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentration on the basis of maximum credit risk exposure

The Bank's financial assets and contingent liabilities, excluding received collateral and other instruments that mitigate the credit risk, could be analyzed by the following geographic regions:

	31 December 2008			
Geographical regions	***Banking***	***Trading activity***	***Other***	***Total***
Republic of Kazakhstan	302,145,248	20,230,002	136,157	322,511,407
USA	1,413,231	–	35,383	1,448,614
Kyrgyzstan	1,351,945	–	–	1,351,945
Virgin Islands	907,854	–	–	907,854
Latvia	598,252	–	–	598,252
Germany	212,741	–	–	212,741
Russian Federation	161,389	–	–	161,389
Netherlands	1,296	91,341	–	92,637
Belgium	20,912	–	–	20,912
Total credit risk	306,812,868	20,321,343	171,540	327,305,751

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Credit risk (continued)

Risk concentration on the basis of maximum credit risk exposure (continued)

	31 December 2007			
Geographical regions	*Banking*	*Trading activity*	*Other*	*Total*
Republic of Kazakhstan	351,391,411	22,023,299	148,255	373,562,965
USA	3,847,535	–	20,283	3,867,818
Kyrgyzstan	1,405,516	–	–	1,405,516
Latvia	571,337	–	–	571,337
Ireland	411,838	–	–	411,838
Germany	218,133	–	–	218,133
Russian Federation	217,666	–	–	217,666
Netherlands	69,642	–	–	69,642
Belgium	16,063	–	–	16,063
Denmark	317	–	–	317
Liechtenstein	84	–	–	84
Total credit risk	358,149,542	22,023,299	168,538	380,341,379

The Bank's financial assets, excluding received collateral and other instruments that mitigate the credit risk, could be analyzed by industries as follows:

	31 December 2008	*31 December 2007*
Loans to individuals	**192,682,106**	217,839,038
Housing construction	**31,945,472**	41,564,728
Financial intermediation	**29,316,167**	45,052,344
Wholesale trade	**15,985,792**	20,399,591
Real estate operations	**12,901,888**	11,676,952
Retail trade	**7,270,402**	7,822,227
Hospitality	**2,762,049**	3,968,570
Food industry	**1,945,486**	2,546,383
Oil and gas production	**1,315,060**	1,430,519
Agriculture	**1,008,732**	1,107,065
Transport	**964,066**	1,501,360
Chemical industry	**961,568**	670,396
Textile and leather industry	**829,116**	970,525
Mining industry	**424,015**	441,774
Production of rubber and plastic articles	**411,228**	373,784
Energy	**161,314**	416,068
Manufacturing of machinery and equipment	**147,655**	223,144
Publishing	**129,605**	96,491
Telecommunications	**71,284**	81,832
Research and development	**66,583**	71,240
Metallurgical industry	**53,764**	72,097
Other	**25,952,399**	22,015,251
Total	**327,305,751**	380,341,379

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system.

Financial assets	*31 December 2008*					
	Standard				*Impaired*	*Total*
	High grade	*Standard grade*	*Substandard grade*	*including past due, but not impaired*		
Amounts due from credit institutions	2,246,341	–	–	6,429	16,112	2,262,453
Total amounts due from credit institutions	**2,246,341**	**–**	**–**	**6,429**	**16,112**	**2,262,453**
Corporate loans	–	**26,380,818**	–	**1,277,961**	**22,719,651**	**49,100,469**
Loans to small business	–	**31,077,373**	–	**2,006,156**	**6,319,073**	**37,396,446**
Loans subject to reverse repurchase agreements	–	**1,407,790**	–	–	–	**1,407,790**
Consumer loans	–	**94,746,969**	–	**4,096,513**	**1,779,634**	**96,526,603**
Mortgage loans	–	**62,670,229**	–	**517,187**	**934,768**	**63,604,997**
Car loans	–	**8,758,939**	–	**569,300**	**54,504**	**8,813,443**
Other retail loans	–	–	**10,288,308**	**193,023**	**777,881**	**11,066,189**
Total credit portfolio	**2,246,341**	**225,042,118**	**10,288,308**	**8,660,140**	**32,585,511**	**267,915,937**
	31 December 2007					
Amounts due from credit institutions	5,485,774	–	–	398	31,216	5,516,990
Total amounts due from credit institutions	5,485,774	–	–	398	31,216	5,516,990
Corporate loans	–	18,330,365	–	24,243	4,429,708	22,760,073
Loans to small business	–	43,843,654	–	231,654	7,947,547	51,791,201
Loans subject to reverse repurchase agreements	–	1,349,842	–	–	–	1,349,842
Consumer loans	–	100,637,255	–	405,465	8,173,854	108,811,109
Mortgage loans	–	68,300,044	–	219,699	1,285,261	69,585,305
Car loans	–	10,258,694	–	49,114	869,921	11,128,615
Other retail loans	–	–	11,883,549	65,985	1,428,940	14,328,504
Total credit portfolio		242,719,854	11,883,549	996,160	24,135,231	279,754,649

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Credit quality of assets

Past due loans and advances include those that are only past due by 60 days. The majority of the past due loans are not considered to be impaired.

Aging analysis of past due but not impaired loans per class of financial assets is as follows:

	Less than 30 days	*31 to 60 days*	*Total*
31 December 2008			
Amounts due from credit institutions	6,429	–	6,429
Total amounts due from credit institutions	**6,429**	**–**	**6,429**
Corporate loans	**1,277,604**	**357**	**1,277,961**
Loans to small and medium business	**1,769,630**	**236,526**	**2,006,156**
Consumer loans	**4,035,227**	**61,286**	**4,096,513**
Mortgage loans	**500,791**	**16,396**	**517,187**
Car loans	**557,342**	**11,958**	**569,300**
Other retail loans	**183,630**	**9,393**	**193,023**
Total credit portfolio	**8,324,224**	**335,916**	**8,660,140**
Fair value of collateral received by the Bank on past due but not impaired assets	**9,633,312**	**3,132,717**	**12,766,029**
31 December 2007			
Amounts due from credit institutions	398	–	398
Total amounts due from credit institutions	398	–	398
Corporate loans	23,637	606	24,243
Loans to small and medium business	216,488	15,166	231,654
Consumer loans	218,704	186,761	405,465
Mortgage loans	153,341	66,358	219,699
Car loans	29,203	19,911	49,114
Other retail loans	49,088	16,897	65,985
Total credit portfolio	690,461	305,699	996,160
Fair value of collateral received by the Bank on past due but not impaired assets	89,325	57,008	146,333

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Credit quality of assets (continued)

Analysis of impaired assets

Below is the analysis of impaired assets by classes of financial assets. Interest accrued on impaired financial assets as at 31 December 2008 amounted to KZT 2,868,673 thousand (in 2007 - KZT 1,108,863 thousand). See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

	31 December 2008			
Financial assets	*Carrying value before impairment*	*Amount of impairment provisions*	*Interest accrued on individually impaired financial assets*	*Fair value of collateral*
Amounts due from credit institutions	**16,112**	**1,590**	**213**	**70,052**
Total amounts due from credit institutions	**16,112**	**1,590**	**213**	**70,052**
Corporate loans	**22,719,651**	**7,504,471**	**2,102,589**	**15,836,000**
Loans to small business	**6,319,073**	**3,420,221**	**552,605**	**4,422,272**
Consumer loans	**1,779,634**	**4,412,243**	**86,610**	**1,272,749**
Mortgage loans	**934,768**	**1,782,632**	**92,578**	**939,183**
Car loans	**54,504**	**460,543**	**3,041**	**42,789**
Other retail loans	**777,881**	**842,363**	**31,250**	**609,145**
Total credit portfolio	32,585,511	18,422,473	2,868,673	23,122,138

	31 December 2007			
Financial assets	*Carrying value before impairment*	*Amount of impairment provisions*	*Interest accrued on individually impaired financial assets*	*Fair value of collateral*
Amounts due from credit institutions	31,216	1,540	412	69,768
Total amounts due from credit institutions	31,216	1,540	412	69,768
Corporate loans	4,429,708	2,934,421	174,483	5,304,787
Loans to small business	7,947,547	1,500,429	246,781	7,447,035
Consumer loans	8,173,854	3,489,556	512,782	3,889,167
Mortgage loans	1,285,261	797,979	91,791	1,222,813
Car loans	869,921	521,597	38,084	690,259
Other retail loans	1,428,940	879,282	44,942	1,168,334
Total credit portfolio	24,135,231	10,123,264	1,108,863	21,072,237

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Credit quality of assets (continued)

An analysis of carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

Financial assets	*31 December 2008*	*31 December 2007*
Corporate loans	**10,354,705**	1,158,248
Mortgage loans	**1,640,647**	19,280,010
Loans to small business	**667,210**	17,684,826
Consumer loans	**144,256**	27,763,547
Car loans	**1,396**	3,871,562
Other retail loans	**130**	2,048,891
Total credit portfolio	12,808,344	71,807,084

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts that are reflected in Risk management (monitoring principle) include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Bank's geographical segments

The information relating to Bank's geographical segments for the years ended 31 December 2008 and 2007 is set out below:

	Republic of Kazakhstan	*OECD*	*Non-OECD countries*	*31 December 2008 Total*
Assets				
Cash and cash equivalents	14,293,910	651,406	140,091	15,085,407
Financial assets at fair value through profit and loss	21,952,370	91,341	–	22,043,711
Amounts due from credit institutions	1,758,953	–	501,910	2,260,863
Loans to customers	247,775,860	–	1,717,604	249,493,464
Derivative financial instruments	679,502	–	–	679,502
Corporate income tax assets	885,701	–	–	885,701
Deferred corporate income tax assets	338,053	–	–	338,053
Other assets	1,221,004	40,829	–	1,261,833
Total assets	288,905,353	783,576	2,359,605	292,048,534

	Republic of Kazakhstan	*OECD*	*Non-OECD countries*	*31 December 2008 Total*
Liabilities				
Amounts due to Government of RK and NBRK	69,852	–	–	69,852
Amounts due to credit institutions	33,997,246	1,062,498	250,188	35,309,932
Amounts due to customers	62,037,147	113,289,231	905,689	63,323,278
Eurobonds issued	–	112,908,789	–	112,908,789
Debt securities issued	38,371,233	–	–	38,371,233
Derivative financial instruments	588	–	–	588
Other liabilities	307,594	–	466	308,060
Total liabilities	134,783,660	114,351,729	1,156,343	250,291,732
Net position on balance sheet assets and liabilities	154,121,693	(113,568,153)	1,203,262	41,756,802

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Bank's geographical segments

	Republic of Kazakhstan	*OECD*	*Non-OECD countries*	*31 December 2007 Total*
Assets				
Cash and cash equivalents	25,691,692	2,313,624	314,055	28,319,371
Financial assets at fair value through profit and loss	23,914,692	–	–	23,914,692
Amounts due from credit institutions	5,072,542	–	442,908	5,515,450
Loans to customers	268,714,119	411,838	505,428	269,631,385
Derivative financial instruments	224,013	–	–	224,013
Investments in associates	796,248	–	–	796,248
Corporate income tax assets	109,702	–	–	109,702
Deferred corporate income tax assets	504,719	–	–	504,719
Other assets	1,247,499	38,607	3,636	1,289,742
Total assets	326,275,226	2,764,069	1,266,027	330,305,322

	Republic of Kazakhstan	*OECD*	*Non-OECD countries*	*31 December 2007 Total*
Liabilities				
Amounts due to Government of RK and NBRK	50,270	–	–	50,270
Amounts due to credit institutions	55,579,656	16,591,584	395,259	72,566,499
Amounts due to customers	63,376,010	571,878	158,500	64,106,388
Eurobonds issued	–	114,306,916	–	114,306,916
Debt securities issued	33,684,332	–	–	33,684,332
Derivative financial instruments	148,868	–	–	148,868
Other liabilities	619,852	664	3,559	624,075
Total liabilities	153,458,988	131,471,042	557,318	285,487,348
Net position on balance sheet assets and liabilities	172,816,238	(128,706,973)	708,709	44,817,974

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit with the NBRK that it can access to meet short term liquidity needs. In addition, the Bank maintains correspondent accounts with the NBRK in Tenge and in foreign currencies the amount of which apart from maintaining the liquidity level is the source of compliance with minimum reserve requirements limits.

The liquidity position is assessed and managed by the Bank primarily, based on certain liquidity ratios established by the FMSA, those ratios are mandatory on an average per month.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Liquidity risk (continued)

As at 31 December 2008 and 2007 these ratios (average for December) were as follows:

	2008
K4-1 quick ratio (minimum value is set to 1.0)	**1.242**
K4-2 quick ratio (minimum value is set to 0.9)	**1.113**
K4-3 quick ratio (minimum value is set to 0.8)	**0.957**
K4-4 quick currency ratio	
1) for foreign currencies of countries with at least "A" sovereign credit rating as per Standard&Poor's or similar rating in one of rating agencies, in EUR (stating amount/ratio for present currencies group in total):	
1) USD	
(minimum value is set to 1.0)	**4.531**
K4-5 quick currency ratio	
1) for foreign currencies of countries with at least "A" sovereign credit rating as per Standard&Poor's or similar rating in one of rating agencies, in EUR (stating amount/ratio for present currencies group in total):	
1) USD	
(minimum value is set to 0.9)	**3.747**
K4-6 Liabilities for quick currency ratio calculation	
1) for foreign currencies of countries with at least "A" sovereign credit rating as per Standard&Poor's or similar rating in one of rating agencies, in EUR (stating amount/ratio for present currencies group in total):	
1) USD	
(minimum value is set to 0.8)	**0.844**

	2007
K4 current ratio (monthly average amount of marketable assets) / (monthly average amount of demand liabilities)	
(minimum value is set to 0.3)	1.56
K5 short-term liquidity ratio (monthly average amount of assets with maturity of 3 months or less, including marketable assets) / (monthly average amount of liabilities with remaining maturity of 3 months or less, including demand liabilities)	
(minimum value is set to 0.5)	0.73
Limit of current currency liquidity (monthly average amount of marketable assets in foreign currency) / (monthly average amount of demand liabilities in the same foreign currency)	6.51
(minimum value is set to 0.9)	(USD)
Limit of short-term currency liquidity (monthly average amount of assets with remaining maturity of 3 months or less in foreign currency) / (monthly average amount of liabilities with remaining maturity of 3 months or less, in the same foreign currency)	1.06
(minimum value is set to 0.8)	(USD)
Limit of medium-term currency liquidity (monthly average amount of assets with remaining maturity up to 1 year in foreign currency) / (monthly average amount of liabilities with remaining maturity up to one year in the same foreign currency)	0.66
(minimum value is set to 0.6)	(USD)

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Liquidity risk (continued)

Term currency liquidity ratios are calculated as at the first day of a month for each foreign currency, monthly average amount of liabilities in this currency for the previous reporting month is no less than 1% of monthly average amount of the Bank's liabilities for the previous reporting month.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted repayment obligations. Information on expected maturity profile is detailed in Note 30 "Maturity analysis of assets and liabilities". Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	31 December 2008					
Financial liabilities	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Due to the NBRK and Government	–	70,502	–	–	–	70,502
Amounts due to credit institutions	8,044	19,451,762	4,714,524	8,404,623	18,379,980	50,958,933
Amounts due to customers	13,992,799	11,733,245	12,882,131	33,326,027	353,606	72,287,808
Eurobonds issued	–	18,667,735	10,171,401	67,202,647	62,549,745	158,591,528
Debt securities issued	–	3,281,138	5,842,547	19,729,724	27,756,953	56,610,362
Derivative financial instruments	–	588	–	–	–	588
Other liabilities	–	304,662	–	3,961	25	308,648
Total undiscounted financial liabilities	14,000,843	53,509,632	33,610,603	128,666,982	109,040,309	338,828,369

	31 December 2007					
Due to the NBRK and Government	–	–	52,748	–	5,937	58,685
Amounts due to credit institutions	2,158,533	46,802,106	16,457,655	177,125	–	65,595,419
Amounts due to customers	11,659,295	23,056,255	20,788,086	11,795,866	161,288	67,460,790
Eurobonds issued	–	975,292	11,331,672	91,896,586	69,045,251	173,248,802
Debt securities issued	–	50,501	6,148,290	20,246,771	19,087,554	45,533,116
Derivative financial instruments	–	148,868	–	–	–	148,868
Other liabilities	–	1,572,920	1,461	40,787	663	1,615,831
Total undiscounted financial liabilities	13,817,828	72,605,942	54,779,912	124,157,135	88,300,693	353,661,510

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Financial liabilities by contractual maturities as at 31 December 2008 and 2007

Liquidity risk and funding management

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies.

	31 December 2008					
	Less than 3 months	*3 to 12 months*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Total*
Guarantees	693,646	742,194	14,309	35,074	–	1,485,223
Undrawn loan commitments	718,055	2,475,158	8,958,370	3,447,217	26,714,095	42,312,895
Letters of credit	56,696	15,018	–	–	–	71,714
Total	1,486,397	3,232,370	8,972,679	3,482,291	26,714,095	43,869,664

	31 December 2007					
	Less than 3 months	*3 to 12 months*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Total*
Guarantees	532,961	840,062	207,100	38,387	191,885	1,810,395
Undrawn loan commitments	9,068,649	2,824,257	13,211,615	5,848,783	22,006,508	52,959,812
Letters of credit	37,603	1,396,125	4,256,514	–	–	5,690,242
Total	9,639,213	5,060,444	17,675,229	5,887,170	22,198,393	60,460,449

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading portfolio and non-trading positions are managed and monitored using other sensitivity analysis. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on interest rate gap for predetermined periods. Positions are monitored on a monthly basis, and hedging strategy is used to maintain risks within the established limits. The sensitivity of interest income to probable changes in interest rates is the effect of the assumed changes in interest rates on the net interest income for one year, based on the financial assets and financial liabilities with floating interest rates.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Market risk (continued)

Interest rate risk

		31 December 2008	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
Inflation:			
Tenge	**1.50**	**327,068**	**–**
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
Inflation :			
Tenge	**-1.50**	**96,633**	**–**

		31 December 2007	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
Inflation :			
Tenge	8.80	5,883,984	–
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
Inflation :			
Tenge	-8.80	(1,266,213)	–

		31 December 2008	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR:			
USD	**0.85**	**(2,264)**	**–**
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR :			
USD	**-0.85**	**2,264**	**–**

		31 December 2007	
Currency	*Increase by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR :			
USD	0.35	55,891	–
Currency	*Decrease by %*	*Sensitivity of net interest income*	*Sensitivity of equity*
LIBOR :			
USD	-0.35	(55,891)	–

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's financial position and cash flows are exposed to changes in foreign currency exchange rates.

The Asset and Liability Management Committee (ALMC) manages currency risk by defining open currency position based on assumed tenge depreciation and other macroeconomic indicators, which allows the Bank to minimize losses from significant fluctuation of local and foreign currency exchange rates. The Treasury performs daily control over the Bank's open currency position in order to provide compliance with FMSA requirements.

Below is the information on the Bank's currency risk level:

	31 December 2008			
	Tenge	*Freely convertible*	*Non-convertible*	*Total*
Assets				
Cash and cash equivalents	11,523,564	3,424,317	137,526	15,085,407
Financial assets at fair value through profit and loss	20,994,240	1,049,471	–	22,043,711
Amounts due from credit institutions	1,766,009	494,854	–	2,260,863
Loans to customers	154,389,071	95,104,393	–	249,493,464
Derivative financial instruments	679,502	–	–	679,502
Corporate income tax assets	885,701	–	–	885,701
Deferred corporate income tax assets	338,053	–	–	338,053
Other assets	1,204,358	56,448	1,027	1,261,833
	191,780,498	100,129,483	138,553	292,048,534
Liabilities:				
Amounts due to the Government and NBRK	69,852	–	–	69,852
Amounts due to credit institutions	34,004,582	1,305,350	–	35,309,932
Amounts due to customers	53,222,811	10,069,404	31,063	63,323,278
Eurobonds issued	–	112,908,789	–	112,908,789
Debt securities issued	38,371,233	–	–	38,371,233
Derivative financial instruments	588	–	–	588
Other liabilities	269,767	38,292	1	308,060
	125,938,833	124,321,835	31,064	250,291,732
Net balance sheet position	65,841,665	(24,192,352)	107,489	41,756,802
Amounts receivable on derivative contracts	–	28,036,752	–	28,036,752
Amounts payable on derivative contracts	28,036,752	–	–	28,036,752
Net off-balance sheet position	(28,036,752)	28,036,752	–	–
Total open position	37,804,913	3,844,400	107,489	41,756,802

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Market risk (continued)

Currency risk (continued)

	31 December 2007			
	Tenge	*Freely convertible*	*Non-convertible*	*Total*
Assets				
Cash and cash equivalents	15,550,310	12,577,532	191,529	28,319,371
Financial assets at fair value through profit and loss	22,967,053	947,639	–	23,914,692
Amounts due from credit institutions	4,994,895	520,555	–	5,515,450
Loans to customers	186,996,148	82,635,237	–	269,631,385
Derivative financial instruments	224,013	–	–	224,013
Investments in associates	796,248	–	–	796,248
Corporate income tax assets	109,702	–	–	109,702
Deferred corporate income tax assets	504,719	–	–	504,719
Other assets	1,235,036	52,976	1,730	1,289,742
	233,378,124	96,733,939	193,259	330,305,322
Liabilities:				
Amounts due to the Government and NBRK	50,270	–	–	50,270
Amounts due to credit institutions	42,053,490	30,513,009	–	72,566,499
Amounts due to customers	56,362,350	7,697,670	46,368	64,106,388
Eurobonds issued	–	114,306,916	–	114,306,916
Debt securities issued	33,192,718	491,614	–	33,384,332
Derivative financial instruments	148,868	–	–	148,868
Other liabilities	282,574	341,501	–	624,075
	132,090,270	153,350,710	46,368	285,487,348
Net balance sheet position	101,287,854	(56,616,771)	146,891	44,817,974
Amounts receivable on derivative contracts	–	68,998,552	–	68,998,552
Amounts payable on derivative contracts	68,998,552	–	–	68,998,552
Net off-balance sheet position	(68,998,552)	68,998,552	–	–
Total open position	32,289,302	12,381,781	146,891	44,817,974

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2008 on its certain monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive monetary assets and liabilities). The effect on equity does not differ from the effect on the income statement. All other variable held constant. The negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

	31 December 2008		*31 December 2007*	
Currency	*Decrease in currency rate in %*	*Effect on profit before tax*	*Increase in currency rate in %*	*Effect on profit before tax*
USD	**-24.18**	**(5,665,741)**	4.25	2,394,674
Euro	**-11.61**	**(88,536)**	6.96	40,826

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Market risk (continued)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Bank's trading portfolio.

Market index	*Positive change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
	31 December 2008		
KASE index	**66.49**	**198,407**	**11.52**
MSCI World Index	**39.61**	**150,131**	**8.72**
Total average weighted changes in indexes influencing investment portfolio		**348,538**	**20.24**

Market index	*Negative change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
	31 December 2008		
KASE index	**-66.49**	**(34,993)**	-2.03
MSCI World Index	**-39.61**	**(138,251)**	-8.03
Total average weighted changes in indexes influencing investment portfolio		**(173,244)**	**-10.06**

Market index	*Positive change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
	31 December 2007		
KASE index	9.57	110,251	5.83
MSCI World Index	2.83	33,810	1.79
Total average weighted changes in indexes influencing investment portfolio		144,061	7.62

Market index	*Negative change in index, in %*	*Effect on profit before tax, in KZT*	*Effect on profit before tax; in %*
	31 December 2007		
KASE index	-9.57	65,223	3.45
MSCI World Index	-2.83	32,361	1.71
Total average weighted changes in indexes influencing investment portfolio		97,585	5.16

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The Bank uses models to project the impact of varying levels of prepayment on its net interest income. The model is back tested against actual outcomes.

The effect on net interest income and on profit before tax for one year, assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Effect on net interest income
31 December 2008	**(4,356,625)**
31 December 2007	(4,590,973)

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

28. Risk management (continued)

Market risk (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

29. Fair values of financial instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosures". 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 Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

Set out below is a comparison of the carrying amounts and fair values of the Bank's financial assets and liabilities:

	31 December 2008			*31 December 2007*		
	Carrying value	*Fair value*	*Unrecognisd gain/(loss)*	*Carrying value*	*Fair value*	*Unrecognised gain/(loss)*
Cash and cash equivalents	**15,085,407**	**15,085,407**	**–**	28,319,371	28,319,371	–
Amounts due from credit institutions	**2,260,863**	**2,201,884**	**(58,979)**	5,515,450	5,782,881	267,431
Financial assets at fair value through profit and loss	**22,043,711**	**22,043,711**	**–**	23,914,692	23,914,692	–
Loans subject to reverse repurchase agreements	**1,407,790**	**697,183**	**(710,607)**	1,349,842	948,004	(401,838)
Loans to customers	**248,085,674**	**247,499,704**	**(585,970)**	268,281,543	332,100,158	63,818,615
Derivative financial instruments	**679,502**	**679,502**	**–**	224,013	224,013	–
Amounts due to Government of RK and NBRK	**69,852**	**69,797**	**55**	50,270	48,607	1,663
Amounts due to credit institutions	**21,253,471**	**21,348,608**	**(95,137)**	70,585,877	71,806,247	(1,220,370)
REPO operations with securities	**14,056,461**	**14,067,032**	**(10,571)**	1,980,622	1,986,214	(5,592)
Amounts due to customers	**63,323,278**	**63,710,689**	**(387.411)**	64,106,388	68,950,234	(4,843,846)
Eurobonds issued	**112,908,789**	**32,442,942**	**80,465,847**	114,306,916	114,306,916	–
Debt securities issued	**38,371,233**	**37,913,647**	**457,586**	33,684,332	37,945,813	(4,261,481)
Derivative financial instruments	**588**	**588**	**–**	148,868	148,868	–
Total unrecognized change in unrealised fair value			**79,074,813**			53,354,582

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

29. Fair values of financial instruments (continued)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to current accounts, demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value, by the following categories:

- instruments whose fair value is based on quoted market prices;
- instruments whose fair value was determined using the valuation techniques involves the use of non-market observable inputs.

	2008		
	Quoted market price	*Valuation techniques – non-market observable inputs*	*Total*
Financial assets			
Derivative financial instruments	–	679,502	679,502
Financial assets at fair value through profit and loss	22,002,783	40,928	22,043,711
Financial liabilities			
Derivative financial instruments	–	588	588

	2007		
	Quoted market price	*Valuation techniques – non-market observable inputs*	*Total*
Financial assets			
Derivative financial instruments	–	224,013	224,013
Financial assets at fair value through profit and loss	23,860,246	54,446	23,914,692
Financial liabilities			
Derivative financial instruments	–	148,868	148,868

For financial instruments whose fair value is estimated using valuation techniques with non-market observable inputs, the net unrealised gain recorded in 2008 income statement due to changes in the inputs amounts to KZT 587,251 thousand (in 2007 - loss of KZT 75,145 thousand).

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

30. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2008 and 2007. See Note 28 "Risk management" "Liquidity risk" for the Bank's contractual undiscounted repayment obligations.

	31 December 2008							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Past due*	*Total*
Assets:								
Cash and cash equivalents	8,301,187	3,576,425	3,207,795	–	–	–	–	15,085,407
Financial assets at fair value through profit and loss	22,043,711	–	–	–	–	–	–	22,043,711
Amounts due from credit institutions	–	–	3,155	361,764	1,653,636	235,320	6,988	2,260,863
Loans to customers	–	2,153,035	5,627,453	26,468,625	42,301,477	150,226,062	22,716,812	249,493,464
Derivative financial instruments	–	679,502	–	–	–	–	–	679,502
Corporate income tax assets	–	885,701	–	–	–	–	–	885,701
Other assets	657,668	532,951	–	1,422	69,769	–	23	1,261,833
	31,002,566	7,827,614	8,838,403	26,831,811	44,024,882	150,461,382	22,723,823	291,710,481
Liabilities:								
Amounts due to the Government and NBRK	–	371	69,481	–	–	–	–	69,852
Amounts due to credit institutions	8,044	17,248,953	1,468,365	2,969,159	1,004,090	12,611,321	–	35,309,932
Amounts due to customers	13,524,527	3,800,501	7,948,351	12,122,282	23,549,235	2,378,382	–	63,323,278
Eurobonds issued	–	–	18,416,499	–	34,246,862	60,245,428	–	112,908,789
Debt securities issued	–	3,131,463	–	3,016,960	2,431,930	29,790,880	–	38,371,233
Derivative financial instruments	–	588	–	–	–	–	–	588
Other liabilities	–	304,074	–	–	3,541	445	–	308,060
	13,532,571	24,485,950	27,902,696	18,108,401	61,235,658	105,026,456	–	250,291,732
Net position	17,469,995	(16,658,336)	(19,064,293)	8,723,410	(17,210,776)	45,434,926	22,723,823	41,418,749
Accumulated gap	17,469,995	811,659	(18,252,634)	(9,529,224)	(26,740,000)	18,694,926	41,418,749	
Contingent liabilities								
Letters of credit	–	–	56,696	15,018	–	–	–	71,714
Guarantees	–	–	693,646	742,194	14,309	35,074	–	1,485,233
			750,342	757,212	14,309	35,074	–	1,556,947

NOTES TO FINANCIAL STATEMENTS (continued)

(Thousands of Kazakhstani Tenge)

30. Maturity analysis of financial assets and liabilities (continued)

	31 December 2007							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Past due*	*Total*
Assets:								
Cash and cash equivalents	24,363,993	144,360	3,811,018	–	–	–	–	28,319,371
Financial assets at fair value through profit and loss	–	23,914,692	–	–	–	–	–	23,914,692
Amounts due from credit institutions	–	710	1,535,906	330,592	2,632,701	1,015,143	398	5,515,450
Loans to customers	–	5,459,822	7,892,602	32,024,882	42,023,649	177,418,726	4,811,704	269,631,385
Derivative financial instruments	–	224,013	–	–	–	–	–	224,013
Investments in associates	–	–	–	–	–	796,248	–	796,248
Corporate income tax assets	–	109,702	–	–	–	–	–	109,702
Deferred corporate income tax assets	–	504,719	–	–	–	–	–	504,719
Other assets	–	1,213,470	–	9,930	6,613	59,665	64	1,289,742
	24,363,993	31,571,488	13,239,526	32,365,404	44,662,963	179,289,782	4,812,166	330,305,322
Liabilities:								
Amounts due to the Government and NBRK	–	–	–	50,270	–	–	–	50,270
Amounts due to credit institutions	2,158,534	20,029,312	23,660,562	16,283,998	326,953	10,107,140	–	72,566,499
Amounts due to customers	11,634,863	4,186,989	3,046,647	23,882,948	18,298,520	3,056,421	–	64,106,388
Eurobonds issued	–	–	–	–	17,903,243	96,403,673		114,306,916
Debt securities issued	–	–	–	491,614	7,033,019	26,159,699	–	33,684,332
Derivative financial instruments	–	148,868	–	–	–	–	–	148,868
Other liabilities	–	620,291	–	433	2,689	662	–	624,075
	13,793,397	24,985,460	26,707,209	40,709,263	43,564,424	135,727,595	–	285,487,348
Net position	10,570,596	6,586,028	(13,467,683)	(8,343,859)	1,098,539	43,562,187	4,812,166	44,817,974
Accumulated gap	10,570,596	17,156,624	3,688,941	(4,654,918)	(3,556,379)	40,005,508	44,817,974	
Contingent liabilities								
Letters of credit	–	32,035	1,301,198	4,300,317	–	56,692	–	5,690,242
Guarantees	–	257,443	325,035	66,811	1,161,106	–	–	1,810,395
	–	289,478	1,626,233	4,367,128	1,161,106	56,692	–	7,500,637

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

31. Segmental information

The primary segment reporting format is determined to be business segments as the Bank's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

For management purposes, the Bank is organised into five business segments:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Corporate banking – representing other than small and medium size legal entities direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Small and medium business – representing individual entrepreneurs and small and medium enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Investment activity – representing financial assets and liabilities used for trading or investment purposes, financing, and merger and acquisitions transaction support.

Other - other functions of centralized management.

For the purpose of segment reporting, interest is allocated based on an average weighted rate determined by the Department of financial analysis and planning based on the Bank's cost of borrowing.

The Bank's geographical segments are based on the location of the Bank's assets. Income from external customers disclosed by geographical segments is based on the geographical location of its customers.

Primary segment information – business segments

The following tables present income and profit and certain asset and liability information regarding the Bank's business segments for the years ended 31 December 2008 and 2007.

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

31. Segmental information (continued)

Business segments

Segment information for the main reportable business segments of the Bank for the years ended 31 December 2008 and 2007 is set out below:

2008	*Corporate banking*	*Small and medium business*	*Retail banking*	*Investment activity*	*Other*	*Total*
External interest income	5,957,975	4,112,869	27,635,235	3,389,184	–	41,095,263
Internal interest income	5,353,548	2,735,705	3,672,693	17,625,290	–	29,387,236
External interest expenses	(13,131,124)	(577,382)	(2,481,912)	(10,923,029)	–	(27,113,447)
Internal interest expenses	(3,455,961)	(4,506,857)	(17,872,219)	(3,552,199)	–	(29,387,236)
Net interest income before impairment	(5,275,562)	1,764,335	10,953,797	6,539,246	–	13,981,816
Impairment charge	(3,373,277)	(3,281,059)	(1,634,891)	(47)	–	(8,289,274)
Net interest income after impairment	(8,648,839)	(1,516,724)	9,318,906	6,539,199	–	5,692,542
Net commission and non-interest income	739,009	263,852	727,996	1,548,475	(2,159,396)	1,119,936
Non-interest expenses	(3,031,822)	(1,357,739)	(3,594,138)	(1,685,645)	(525,125)	(10,194,469)
Other provisions	–	–	–	–	(77,746)	(77,746)
Income from associates	–	–	–	37,538	–	37,538
Income / (loss) before income tax expense	(10,941,652)	(2,610,611)	6,452,764	6,439,567	(2,762,267)	(3,422,199)
Income tax expense	–	–	–	(231,280)	–	(231,280)
Net income / (loss) after income tax	(10,941,652)	(2,610,611)	6,452,764	6,208,287	(2,762,267)	(3,653,479)
Total assets	44,175,566	32,605,824	172,712,074	23,527,887	21,912,557	294,933,908
Total liabilities	10,215,300	25,162,630	26,103,637	187,724,830	1,085,335	250,291,732

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

31. Segmental information (continued)

Business segments (continued)

2007	*Corporate banking*	*Small and mediumbusiness*	*Retail banking*	*Investment activity*	*Other*	*Total*
External interest income	2,757,715	6,779,446	31,488,157	3,302,752	–	44,328,070
Internal interest income	934,669	2,445,108	2,138,340	16,976,993	–	22,495,110
External interest expenses	(985,041)	(2,393,546)	(2,138,271)	(17,709,631)	–	(23,226,489)
Internal interest expenses	(2,385,999)	(2,826,606)	(13,659,753)	(3,622,752)	–	(22,495,110)
Net interest income before impairment	321,344	4,004,402	17,828,473	(1,052,638)	–	21,101,581
Impairment charge	(1,610,178)	(474,692)	(3,472,361)	2,041	–	(5,555,190)
Net interest income after impairment	(1,288,834)	3,529,710	14,356,112	(1,050,597)	–	15,546,391
Net commission and non-interest income	336,724	824,296	1,414,376	4,050	118,340	2,697,786
Non-interest expenses	(473,209)	(1,356,793)	(3,691,418)	(3,978,100)	(585,192)	(10,084,712)
Other provisions					(323,134)	(323,134)
Income from associates	–	–	–	215,411	–	215,411
Income / (loss) before income tax expense	(1,425,319)	2,997,213	12,079,070	(4,809,236)	(789,986)	8,051,742
Income tax expense	–	–	–	–	(660,566)	(660,566)
Net income / (loss) after income tax	(1,425,319)	2,997,213	12,079,070	(4,809,236)	(1,450,552)	7,391,176
Total assets	18,676,539	51,627,011	198,165,119	30,075,368	35,238,966	333,783,003
Total liabilities	12,392,171	30,081,698	21,632,519	220,456,995	923,965	285,487,348

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

31. Segmental information (continued)

Secondary segment information – geographical segments

The Bank operates in three geographical markets: Kazakhstan, OECD, and non -OECD countries. The following tables show the distribution of the Bank's external income, total assets and capital expenditure by geographical segment, allocated based on the location of the Bank's assets, for the years ended 31 December 2008 and 2007:

	Kazakhstan	*OECD countries*	*Non OECD countries*	*Total*
2008				
Segment assets	**290,689,339**	**1,774,904**	**2,469,665**	**294,933,908**
External revenues	**41,473,807**	**437,581**	**409,206**	**42,320,594**
Capital expenditure	**(447,459)**	–	–	**(447,459)**
2007				
Segment assets	327,905,015	4,583,811	1,294,177	333,783,003
External revenues	46,853,742	213,205	278,311	47,345,258
Capital expenditure	(2,388,352)	–	–	(2,388,352)

32. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSA RK in supervising the Bank.

The

primary objectives of the Bank's capital management are to ensure that the Bank complies with statutory capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The FMSA RK requires banks to maintain a capital adequacy ratio 12.0% of risk-weighted assets, computed based on the Instruction on the Normative Values and Methods of Calculation of the Prudential Norms for the Second-Tier Banks. As of 31 December 2008 and 2007, the Bank's capital adequacy ratio on this basis was as follows:

Capital	*2008*	*2007*
Main capital	**53,312,470**	54,107,916
Risk weighted assets	**357,737,057**	385,247,237
Capital adequacy ratio	**14.9%**	14.1%

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

32. Capital adequacy (continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 31 December 2008 and 2007, comprised:

	2008	*2007*
Tier 1 capital	**44,642,176**	48,295,655
Tier 2 capital	**999,637**	–
Less: deductions from capital (capital investment)	**–**	(796,248)
Total capital	**45,641,813**	47,499,407
Risk weighted assets	**243,826,146**	265,665,147
Tier 1 capital adequacy ratio	**18.31%**	18.18%
Total capital adequacy ratio	**18.72%**	17.88%

33. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form, as required by IFRS 24 "Related parties – disclosure".

The amount of related party transactions and balances as of 31 December 2008 and 2007 as well as the respective amounts of income and expenses for the years ended 31 December 2008 and 2007 are as follows:

(Thousands of Kazakhstani Tenge)

33. Related party transactions (continued)

	Year ended 31 December 2008				Year ended 31 December 2007			
	Shareholders	*Associates*	*Key management personnel*	*Other related parties*	*Shareholders*	*Associates*	*Key management personnel*	*Other related parties*
Loans outstanding at the beginning of the period, gross	–	–	146,864	41,499	–	1,906,243	282,453	–
Loans issued	–	–	17,185	8,610	–	–	40,008	81,234
Loans repayment	–	–	(42,526)	(9,434)	–	(1,906,243)	(173,505)	(43,385)
Revaluation gains from changes in exchange rates	–	–	469	–	–	–	4,587	5,370
Revaluation losses from changes in exchange rates	–	–	(1,491)	–	–	–	(6,679)	(1,720)
Loans outstanding at the end of the period, gross	–	–	120,501	40,675	–	–	146,864	41,499
Loans outstanding at the end of the period, net	–	–	120,501	40,675	–	–	146,864	41,499
Interest income on loans	–	–	21,524	6,410	–	–	31,036	39,391
Deposits at the beginning of the period	24,131	2,254,174	–	–	–	970,280	–	–
Transfers	–	(2,254,174)	–	2,254,174	–	–	–	–
Deposits placed	11,762,124	–	–	2,157,379	22,944,507	8,417,984	–	5,719,787
Deposits withdrawn	(11,762,124)	–	–	(2,879,059)	(22,920,376)	(7,134,090)	–	(5,719,787)
Deposits at the end of the period	24,131	–	–	1,532,494	24,131	2,254,174	–	–
Interest income on due from credit institutions (deposits placed)	1,460	–	–	247,517	583	423,173	–	4,660
Loans at the beginning of the period	14,848,488	625	–	–	13,021,645	283,132	–	–
Transfers	–	(625)	–	625	–	–	–	–
Loans received	134,873,749	–	–	517,904	356,040,030	861,495	–	4,562,246
Loans repaid	(143,182,919)	–	–	(518,059)	(354,213,187)	(1,144,002)	–	(4,562,246)
Loans at the end of the period	6,539,318	–	–	470	14,848,488	625	–	–
Interest expense on due to credit institutions (loans received)	2,562,485	–	–	–	2,110,293	–	–	4,136

(Thousands of Kazakhstani Tenge)

33. Related party transactions (continued)

	Year ended 31 December 2008				*Year ended 31 December 2007*			
	Shareholders	*Associates*	*Key management personnel*	*Other related parties*	*Shareholders*	*Associates*	*Key management personnel*	*Other related parties*
Deposits at the beginning of the period	4,580,071	63,913	355,801	42,940	–	122,300	210,863	1,346,368
Transfers		(63,913)		63,913				
Deposits placed	490,336	–	730,057	4,583,780	5,070,409	8,010,878	1,728,927	567,387
Deposits withdrawn	(367,752)	–	(793,164)	(4,627,925)	(490,338)	(8,069,265)	(1,583,989)	(1,870,815)
Deposits at the end of the period	4,702,655	–	292,694	62,708	4,580,071	63,913	355,801	42,940
Interest expense on due to the clients (deposits received)	–	–	15,806	5,318	–	21,741	20,969	2,200
Commitments and guarantees issued	–	–	2,295	–	–	–	12,391	–
Commitments and guarantees received	–	–	54,401	–	–	–	8,124	46,277
Fee and commission income	–	–	–	120,698	–	5,183	98	161,835
Other income	–	–	–	50	–	40,440	7	30
Fee and commission expense	–	–	–	–	–	–	82	–
Other operating expenses	–	–	–	65,567	50,880	–	–	57,638
Investments								
Investments at 1 January	–	–	–	–		883,719	–	–
Acquisition costs during year	–	–	–	796,248		1,566,066	–	–
Share of income	–	–	–	37,538		151,067	–	–
Dividends received	–	–	–	–		(145,736)	–	–
Investments sold during year	–	–	–	(475,066)	2,455,116	(2,455,116)	–	–
Transfer into other assets	–	–	–	(358,720)	–	–	–	–
Investments at 31 December	–	–	–	–	–	–	–	–
Amounts due to credit institutions								
Amounts due to credit institutions at 1 January	–	–	–	2,834,339	–	–	–	2,836,987
Amounts due to credit institutions received during the year	–	–	–		–	–	–	1,987,784
Repurchase	–	–	–	(763,997)	–	–	–	(709,629)
Repaid	–	–	–	(230,376)	–	–	–	(1,280,803)
Amounts due to credit institutions at 31 December	–	–	–	1,839,966	–	–	–	2,834,339

NOTES TO FINANCIAL STATEMENTS (continued)
(Thousands of Kazakhstani Tenge)

33. Related party transactions (continued)

Included in the table above are the following transactions with related parties outstanding as at 31 December 2008 and 2007:

a) Transactions with the shareholders, including deposit placement and attraction;
b) Transactions with the associates, including loan granting and deposit placement and attraction; and
c) Transactions with the key management personnel, including loan granting, deposit attraction, guarantee issue and receipt, general remuneration paid during the year.

The aggregate remuneration to the key management personnel paid in 2008 amounted to KZT 258,848 thousand (2007 – KZT 464,529 thousand).

Terms of the related party transactions

The above-mentioned balances have arisen in the normal course of business. Interest payable to the related parties and receivable therefrom is an amount charged at the standard market rates. Balances on the loans granted are secured as of the end of the year. For the year ended 31 December 2008 the Bank did not form any reserve for doubtful debts against the related parties' debt (31 December 2007 – nil).

34. Events after the balance sheet date

On 4 February 2009, the Tenge / USD exchange rate was decreased by 25%. Hence, the Bank incurred losses approximately KZT 7,000 million from the revaluation of foreign currency denominated balances.

In accordance with Law on financial liability in February 2009 FMSA made an offer to purchase of majority interest in BTA Bank JSC. The purchase was carried out through additional emission. As part of this emission, the Government presented by JSC "Sovereign Wealth Fund "Samruk-Kazyna" purchased 25,246,343 shares at the price of KZT 8,401 per share that resulted in KZT 212,094 million were invested to the Bank's equity and the share of JSC "Sovereign Wealth Fund "Samruk-Kazyna" in the Bank's equity amounted to 75.10%.

On 19 March 2009 the Bank, from funds partly received from the Parent, repaid Eurobonds of USD 151 million KZT equivalent of 22,743 million. The funds received from the Parent are due in 2010.