

Prospectus



## ***JPMORGAN CHASE BANK, NATIONAL ASSOCIATION***

acting through its London Branch

### **KZT13,200,000,000 Inflation-Linked Notes due 2016**

### **Issue price 100%**

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange (the "Market") and trade on the Regulated Market "*Bourse de Luxembourg*". The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EEC. Application has been made for this Prospectus to be approved by the CSSF in its capacity as competent authority in Luxembourg for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). After issuance of the Notes, application will be also be made to the Kazakhstan Stock Exchange ("KASE") for the Notes to be admitted to trading on KASE.

Interest on the Notes is payable semi-annually in arrear on 14 February and 14 August in each year, commencing on 14 August 2006 subject to adjustment as described below and as set forth in "Terms and Conditions of the Notes — Interest". If any deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of any Taxing Jurisdiction (as defined in "Terms and Conditions of the Notes — Taxation") shall at any time be required to be made by the Issuer in respect of any amounts to be paid by the Issuer in respect of the Notes, then such payment shall be made subject to and after such deduction or withholding and the Issuer shall not be required to pay any additional amounts in respect thereof.

Interest will initially be payable in Kazakhstan Tenge at a rate calculated with reference to the Kazakhstan Inflation Rate (as defined herein). On the occurrence of a Relevant Event (as defined herein), the Issuer may, in its sole discretion, elect to pay interest in U.S. dollars at a floating rate calculated as set forth in "Terms and Conditions of the Notes — Interest", although it is under no obligation to do so.

The Notes mature on 14 February 2016, subject to adjustment as set forth in "Terms and Conditions of the Notes — Redemption and Purchase". See "Terms and Conditions of the Notes — Redemption and Purchase".

**Investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.**

The Notes will be issued in denominations of KZT10,000,000 and integral multiples of KZT1,000,000 thereafter. The Notes are being offered and sold in an "offshore transaction" within the meaning of Regulation S ("Regulation S") under the U.S. Securities Act of 1933 (the "Securities Act") and will initially be represented by interests in a temporary global certificate in registered form (the "Temporary Global Certificate"), without interest coupons, which will be deposited with, and registered in the name of, a nominee for a common depositary of Euroclear and Clearstream, Luxembourg on 14 February 2006 (the "Issue Date"). Not earlier than 40 days after the later of the commencement of the offering of the Notes (the "Offering") and the closing date of the Offering (the "Distribution Compliance Period"), upon certification by the beneficial owner of an interest in the Notes that such beneficial owner (i) is not a "U.S. Person" as such term is used in Regulation S or (ii) is a U.S. Person who purchased its interest in the Notes in a transaction that did not require registration of the Notes under the Securities Act, beneficial interests in the Temporary Global Certificate will be exchangeable for beneficial interests in a permanent global certificate in registered form (the "Permanent Global Certificate" and, together with the Temporary Global Certificate, the "Global Certificates") which will be deposited with, and registered in the name of, a nominee for a common depositary of Euroclear and Clearstream, Luxembourg on its issue date. As at the Issue Date, the Notes will not be accepted in the book-entry system of Euroclear. JSC Central Securities Depository (the "Kazakhstan Central Depository") holds, and will maintain, an account at Clearstream, Luxembourg, and investors in the Notes will hold accounts at the Kazakhstan Central Depository. Beneficial interests in a Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, the Kazakhstan Central Depository. See "Form of Notes and Clearing and Settlement" herein. Individual certificates ("Certificates") will only be available in certain limited circumstances as described herein.

*Local Arranger and Subscription Agent*  
**KazInvestBank JSC**

*Local Arranger, Sub-Subscription Agent and  
Market Maker*

**Kazkommerts Invest JSC**

*Local Arranger*

**JSC TuranAlem Securities**

*The Issuer (whose registered office appears on the back page of this Prospectus) declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information and the Issuer accepts responsibility accordingly.*

*This Prospectus comprises a prospectus for the purposes of Article 5 of the Prospectus Directive and has been prepared, inter alia, for the purpose of giving information with regard to JPMorgan Chase Bank, National Association (acting through its London Branch) (the “Issuer”) and the KZT13,200,000,000 Inflation-Linked Notes due 2016 (the “Notes”) described herein.*

*Any information contained herein relating to the Kazakhstan Inflation Rate (as defined in “Terms and Conditions of the Notes — Interest” below) and Kazakhstan exchange rates and exchange controls only consists of extracts from, or summaries of, information contained in information released publicly by the Statistics Agency of the Republic of Kazakhstan or the National Bank of the Republic of Kazakhstan. The Issuer accepts responsibility for accurately reproducing such extracts or summaries but the Issuer does not accept any further or other responsibility in respect of such information.*

*Where information has been sourced from a third party, this information has been accurately reproduced, and as far as the Issuer is aware and is able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference” below). This Prospectus shall be read and construed on the basis that such documents are incorporated herein and form part of this Prospectus.*

*No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Agents (as defined in “Subscription and Sale” below).*

*The Agents (as defined in “Subscription and Sale”) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Agent as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer. No Agent accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes.*

*Neither this Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Agents that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the Kazakhstan Inflation Rate and its own appraisal of the creditworthiness, financial condition and affairs of the Issuer. Each person receiving this Prospectus acknowledges that such person has not relied on the Agents or the Issuer in connection with its investigation of the accuracy of such information or its investment decision.*

*Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Agents expressly do not undertake to review the financial condition or affairs of the Issuer or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase the Notes. The Issuer does not intend to provide any post-issuance information in relation to the Kazakhstan Inflation Rate (as defined in “Terms and Conditions of the Notes”) and the Issuer does not intend to provide any post-issuance information of any kind other than supplements to this Prospectus which it is required to publish by law.*

*None of the Agents or the Issuer or any of their respective affiliates or agents makes any representation about the legality of the purchase of the Notes by an investor under applicable investment or similar laws. Each prospective investor is advised to consult its own counsel and business adviser as to legal, business and related matters concerning the purchase of the Notes. The contents of this Prospectus are not to be construed as legal, business or tax advice.*

*Each prospective investor in the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Agents or the Issuer or any of their respective affiliates or agents shall have any responsibility therefor.*

*The Issuer may withdraw this offering at any time, and the Issuer and the Agents reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of Notes sought by such investor. The Agents and certain related entities may acquire a portion of the Notes for their own accounts.*

*Unless otherwise specified or the context requires, references to “dollars”, “U.S. dollars” and “U.S.\$” are to United States dollars and references to “KZT” are to Kazakhstani Tenge.*

*THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).*

*THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S. THIS PROSPECTUS HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES AND FOR THE LISTING OF THE NOTES ON THE REGULATED MARKET OF THE LUXEMBOURG STOCK EXCHANGE. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.*

*This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Agents do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Agents which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom and Kazakhstan (see “Subscription and Sale” below).*

*Notes may be sold by the Issuer and/or any Agent at such times and at such prices as the Issuer and/or the Agents may select. There is no obligation on the Issuer or any Agent to sell all of the Notes. The Notes may be offered or sold from time to time in one or more transactions at the discretion of the Issuer and/or the Agents, as the case may be. No representation or warranty or other assurance is given as to the number of the Notes issued or outstanding at any time.*

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## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the documents incorporated by reference herein. The following documents are hereby incorporated by reference and deemed to be a part hereof:

- (a) the audited consolidated financial statements of the Issuer as of December 31, 2004 and 2003, and for each of the two years in the period ended December 31, 2004;
- (b) the Consolidated Reports of Condition and Income for the first, second and third quarters of 2005 filed by the Issuer with the U.S. Office of the Comptroller of the Currency;
- (c) the Annual Report on Form 10-K for the year ended December 31, 2004 filed by JPMorgan Chase & Co. with the U.S. Securities and Exchange Commission (“SEC”) (for information purposes only);
- (d) the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005 filed by JPMorgan Chase & Co. with the SEC (for information purposes only);
- (e) the Current Reports on Form 8-K dated March 1, 2004 and May 14, 2004 filed by JPMorgan Chase & Co. with the SEC (for information purposes only); and
- (f) the Current Reports on Form 8-K/A dated July 1, 2004 and October 1, 2005 filed by JPMorgan Chase & Co. with the SEC (for information purposes only).

The Consolidated Reports of Condition and Income for the first, second and third quarters of 2005 referred to above are included for information purposes only. Any statement contained in any document incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that such statement is inconsistent with a statement contained in this Prospectus.

Any information included in any document incorporated by reference above which is not listed in the “Information Incorporated by Reference” table below or does not cover any regulatory requirement is given for information purposes only.

The information incorporated by reference above is available as follows:

| <u>Information Incorporated by Reference</u>   | <u>Reference</u> |
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| <i>Audited Consolidated Financial Statements of the Issuer as of 31 December 2004 and 2003</i> |                  |
| Statutory Auditor’s Report of the Consolidated Financial Statements                            | Page 1           |
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| <i>Annual Report on Form 10-K for the year ended 31 December 2004</i>                          |                  |
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| <i>Quarterly Report on Form 10-Q for the quarter ended 31 March 2005</i>   |   |
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| Consolidated balance sheets (unaudited) at March 31, 2005, and December 31, 2004   | Page 56   |
| Consolidated statements of changes in stockholders’ equity (unaudited) for the three months ended March 31, 2005, and March 31, 2004 | Page 57   |
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| Glossary of Terms and Line of Business Metrics   | Pages 77 – 81                                       |
| Management’s Discussion and Analysis of Financial Condition and Results of Operations  | Pages 3, 4, 6, 8, 10, 13, 34, 35, 38, 39, 52 and 53 |
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| Consolidated statements of cash flows (unaudited) for the six months ended June 30, 2005, and June 30, 2004   | Page 67  |
| Notes to consolidated financial statements (unaudited)  | Pages 68 – 88  |
| Consolidated average balance sheet, interest and rates (unaudited) for the three and six months ended June 30, 2005, and June 30, 2004  | Page 89  |
| Glossary of Terms and Line of Business Metrics  | Pages 91 – 95  |
| Management's Discussion and Analysis of Financial Condition and Results of Operations   | Pages 3, 4, 6, 8, 10, 4, 41, 42, 44, 45, 61, 62 and 63 |
| Quantitative and Qualitative Disclosures About Market Risk  | Page 95  |
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| <i>Current Report on Form 8-K dated 1 March 2004</i>  |  |
| Bank One Corporation ("Bank One") management's discussion and analysis of the financial condition and results of operations for Bank One prepared by Bank One and included in its Annual Report on Form 10-K for the year ended December 31, 2003 | Pages 1 – 86   |
| Combined Pro Forma Financial Information  | Pages 87 – 97  |
| <i>Current Report on Form 8-K dated 14 May 2004</i>   |  |
| Bank One management's discussion and analysis of the financial condition and results of operations for Bank One prepared by Bank One and included in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2004                       | Pages 1 – 65   |
| Combined Pro Forma Financial Information  | Pages 66 – 85  |
| <i>Current Report on Form 8-K/A dated 13 August 2004</i>  |  |
| Financial information relating to Bank One  | Pages 1 – 5  |
| <i>Current Report on Form 8-K/A dated 19 January 2005</i>   |  |
| Financial Information on the Issuer following completion of the merger with Bank One  | Pages 1 – 4  |
| <i>Quarterly Report on Form 10-Q for the quarter ended September 30, 2005</i>   |  |
| Consolidated statements of income (unaudited) for the three and nine months ended September 30, 2005 and September 30, 2004   | Page 65  |
| Consolidated balance sheets (unaudited) at September 30, 2005 and December 31, 2004   | Page 66  |
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| Consolidated statements of cash flows (unaudited) for the nine months ended September 30, 2005 and September 30, 2004   | Page 68  |
| Notes to consolidated financial statements (unaudited)  | Pages 69 – 88  |
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| Glossary of Terms and Line of Business Metrics  | Pages 91 – 95 |
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| <i>Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices — FFIEC 031 Report at the close of Business September 30, 2005</i> |               |
| Contact Information for the Reports of Condition and Income . . . . .   | Page 3, 4     |
| Report of Income . . . . .  | Pages 5 – 12  |
| Report of Condition . . . . .   | Pages 13 – 46 |

Consolidated Reports of Condition and Income (“Call Reports”) are prepared in accordance with regulatory instructions issued by the U.S. Federal Financial Institutions Examinations Council. Because of the special supervisory, regulatory and economic policy needs served by Call Reports, such regulatory instructions do not in all cases follow generally accepted accounting principles or the opinions and statements of the Accounting Principles Board or the Financial Accounting Standards Board. Nevertheless, Call Reports do provide important information concerning the financial condition of the Issuer. Call Reports are available to the public over the Internet at the internet site of the U.S. Federal Deposit Insurance Corporation (“FDIC”) at <http://www.fdic.gov/>. Investors may also read and copy Call Reports at the FDIC’s Public Information Center in Washington, D.C. Please call the FDIC at 001-800-276-6003 for further information on its Public Information Center. Investors who have not previously reviewed the information contained in the above documents should do so in connection with their evaluation of any securities issued by the Issuer.

Copies of the documents incorporated by reference in this Prospectus will be available free of charge at the offices of the Paying Agent in Luxembourg. Any person receiving a copy of this Prospectus may obtain, without charge, upon written or oral request, a copy of any document incorporated by reference herein, except for the exhibits to such documents (unless such exhibits are specifically incorporated by reference).



## **RISK FACTORS**

*The purchase of the Notes may involve substantial risks including, but not limited to, those set out below and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus and, in particular, the risk factors set forth below (which the Issuer, in its reasonable opinion, believes represents or may represent the risk factors known to it which may affect the Issuer's ability to fulfil its obligations under the Notes). Prospective purchasers should make such inquiries as they deem necessary without relying on the Issuer or any Agent.*

*The risk factors described below as well as the other information included or incorporated by reference in this Prospectus may be material for the purpose of assessing (i) the business risks that may affect the Issuer's business and profitability and (ii) the market risks associated with the Notes. The business, financial condition or results of operations of the Issuer could be materially adversely affected by any of these risks. In addition, please read "Important factors that may affect future results" in the Annual Report on Form 10-K of JPMorgan Chase & Co. for the year ended December 31, 2004, which is incorporated by reference in this Prospectus and where additional uncertainties associated with the Issuer's business that may affect the Issuer's ability to achieve the results described in its forward-looking statements are discussed. The following risk factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Terms used in this section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".*

### **Risks Applicable to the Issuer's Business**

This section sets forth certain risks and uncertainties that the Issuer believes could adversely affect the Issuer's results. However, other factors besides those listed below or discussed herein could adversely affect the Issuer's results and prospective investors should not consider any such list of factors to be a complete list of all potential risks or uncertainties:

#### ***Risks Related to the Merger of the Issuer and Bank One***

There are significant risks and uncertainties associated with the merger of Bank One, National Association (Chicago, Illinois) and Bank One, National Association (Columbus, Ohio) with the Issuer. For example, the Issuer may fail to realise the growth opportunities and cost savings anticipated to be derived from the merger. In addition, it is possible that the integration process could result in the loss of key employees, or that the disruption of ongoing business from the merger could adversely affect the Issuer's ability to maintain relationships with clients or suppliers.

#### ***Business Conditions and General Economy Risks***

The profitability of the Issuer could be affected by general economic conditions in the United States or elsewhere. In the event of a market downturn, the Issuer's businesses may be adversely affected in several ways as further described below. Even in the absence of a market downturn, the Issuer may be exposed to substantial risk of loss due to market fluctuations and volatility.

Factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation, and the availability and cost of credit could significantly affect the size, number and timing of transactions involving the Issuer's investment banking business. A recurrence of a market downturn would likely lead to a decline in trading revenues and spreads. Higher interest rates or continued weakness in the market also could affect the willingness of financial investors to participate in loan syndications or underwritings managed by the Issuer. The Issuer generally maintains large trading portfolios in the fixed income and currency markets. The revenues derived from mark-to-market values of the Issuer's business are affected by many factors, including its credit standing; its success in proprietary positioning; volatility in interest rates and in equity and debt markets; and the economic, political and business factors described below. The Issuer anticipates that these revenues will fluctuate over time.

The fees that the Issuer earns for asset and wealth management and treasury and securities services are also dependent upon general economic conditions.

The credit quality of the Issuer's on-balance sheet and off-balance sheet assets may be affected by business conditions. In a poor economic environment there is a greater likelihood that more of the Issuer's customers or counterparties could become delinquent on their loans or other obligations to the Issuer, which, in turn, could result in higher levels of charge-offs and provision for credit losses, all of which would adversely affect its earnings.

The Issuer's retail financial services businesses are particularly affected by domestic economic conditions, including U.S. interest rates, the rate of unemployment, the level of consumer confidence, changes in consumer spending and the number of personal bankruptcies, as these factors will affect the level of consumer loans and credit quality.

### ***Competition Risks***

The Issuer operates in a highly competitive environment and expects various factors to cause competitive conditions to continue to intensify. The Issuer expects competition to intensify as continued merger activity in the financial services industry produces larger, better-capitalised companies that are capable of offering a wider array of financial products and services and geographic diversity, and at more competitive prices or which may have a stronger local presence in certain geographies. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. The Issuer's ability to compete effectively depends on the relative performance of its products, the degree to which the features of its products appeal to customers, and the extent to which the Issuer is able to meet its clients' objectives or needs. The Issuer's ability to compete also depends on its ability to attract and retain its professional and other personnel, and on its reputation.

### ***Non-U.S. Operations and Trading in Non-U.S. Securities Risks***

The Issuer does business throughout the world, including in developing regions of the world commonly known as emerging markets. The Issuer's businesses and revenues derived from non-U.S. operations are subject to risk of loss from unfavourable political and diplomatic developments, currency fluctuations, social instability, changes in governmental policies or policies of central banks, expropriation, nationalisation, confiscation of assets, price controls and changes in legislation relating to non-U.S. ownership and other restrictive governmental action. Revenues from the trading of non-U.S. securities also may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be accentuated, because generally, non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets.

### ***Operational Risks***

The Issuer, like all large institutions, is exposed to many types of operational risk, including the risk of fraud by employees or outsiders, unauthorised transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Given the high volume of transactions at the Issuer, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Issuer's necessary dependence upon its vendors or automated systems to record and process its transaction volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Issuer may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunications outages), which may give rise to losses in service to customers and to loss or liability to the Issuer.

The Issuer also faces the risk that the design of the Issuer's (or its vendors') business continuity and data security systems or controls and procedures prove inadequate or are circumvented, thereby causing delays in detection or errors in information. Although the Issuer maintains a system of controls designed to keep operational risk at appropriate levels, there can be no assurance that the Issuer will not suffer losses from operational risks in the future that may be material in amount.

### ***Government Monetary Policies and Economic Controls Risks***

The Issuer's businesses and earnings are affected by the fiscal or other policies that are adopted by various regulatory authorities of the United States, non-U.S. governments and international agencies. For example, policies and regulations of the Board of Governors of the U.S. Federal Reserve System (the "Fed") influence, directly and indirectly, the rate of interest paid by commercial banks on their interest-bearing deposits and also

may affect the value of financial instruments held by the Issuer. The actions of the Fed also determine to a significant degree the Issuer's cost of funds for lending and investing. The nature and impact of future changes in economic and market conditions and fiscal policies are uncertain and are beyond the Issuer's control. In addition, these policies and conditions can affect the Issuer's customers and counterparties, both in the United States and abroad, which may increase the risk that such customers or counterparties default on their obligations to the Issuer.

### ***Legal and Regulatory Risks***

The Issuer is subject to extensive regulation. Significant regulatory action or legal liability against the Issuer may have a material adverse effect on its businesses or results of operations or cause significant reputational harm that may adversely affect its future business prospects. These risks of potential liability include, but are not limited to, appropriately dealing with potential conflicts of interest; legal and regulatory requirements; ethical issues; money-laundering; privacy; record-keeping; sales and trading practices; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in its products. Failure to address appropriately these issues could also give rise to additional legal risk to the Issuer, which, in turn, could increase the size and number of litigation claims and damages asserted against the Issuer or subject the Issuer to enforcement actions, fines and penalties. In addition, the regulatory restrictions to which the Issuer is subject may have the effect of limiting certain of its business activities, making it more difficult for the Issuer to compete with other non-regulated entities, or potentially subject it to significant penalties or fines.

### ***Credit, Market and Liquidity Risks***

The Issuer's revenues also are dependent upon the extent to which management can successfully achieve its business strategies within a disciplined risk environment. To the extent any of the instruments and strategies the Issuer uses to hedge or otherwise manage its exposure to market or credit risk are not effective, the Issuer may not be able to mitigate effectively its risk exposures in particular market environments or against particular types of risk. The Issuer's earnings will also be dependent upon how effectively its critical accounting estimates prove accurate and upon how effectively it determines and assesses the cost of credit and manages its risk concentrations. To the extent its assessments of migrations in credit quality and of risk concentrations, or its assumptions or estimates used in establishing valuation models for the fair value of assets and liabilities or for loan loss reserves, prove inaccurate or not predictive of actual results, the Issuer could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing the Issuer's liquidity risk, as evaluation by rating agencies of the management of these risks affects their determinations as to the Issuer's credit ratings and, therefore, its cost of funds.

### **Risk Factors relating to the Notes**

An investment in the Notes entails significant risks not associated with investments in a conventional debt security, including the risks set out below.

#### ***Risks relating to the Notes whilst the interest rate is based on the Kazakhstan Inflation Rate***

Interest on the Notes will, save as set out below, be determined by reference to the Kazakhstan Inflation Rate. Potential investors should be aware that:

- (i) the market price of the Notes may be volatile, especially in an environment of low inflation and high interest rates;
- (ii) interest payments could reduce to zero in certain market conditions, such as deflation;
- (iii) payment of interest may be subject to withholding or deduction for or on account of any taxes or other charges imposed by any tax jurisdiction;
- (iv) the Kazakhstan Inflation Rate may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and
- (v) the timing of changes in the Kazakhstan Inflation Rate may affect the actual yield to investors, even if the average level is consistent with their expectations.

The value of the Notes prior to maturity will be influenced by many unpredictable factors including the expected volatility of the Kazakhstan Inflation Rate, time to maturity, interest and yield rates generally in the market, the creditworthiness of the Issuer and economic, political, regulatory and other factors. It is not possible to predict the

aggregate effect of all or any combination of these factors or the future performance of the Kazakhstan Inflation Rate based on the historical performance of such rate.

***Risks relating to the Notes whilst the interest rate is based on U.S. dollar LIBOR***

The US Dollar Rate of Interest includes provisions pursuant to which the rate of interest received will be reduced proportionately to each day in the relevant interest period where the offered rate for six-month U.S. dollar deposits fixes above 7.50%. To the extent that such offered rate rises above 7.50% for a period of time during any interest period, investors will receive less interest than would otherwise have been payable.

***Payments relating to the Notes may be made in U.S. dollars if a Relevant Event occurs***

If the Issuer has not received a scheduled payment from the Ministry of Finance of the Republic of Kazakhstan under the Relevant Hedging Transaction (as defined in “Terms and Condition of the Notes — Interest”) or the Relevant Hedging Transaction has otherwise terminated or a notice of termination has been delivered and, accordingly, a Relevant Event (as defined in “Terms and Condition of the Notes — Interest”) has occurred, the Issuer may, in its sole discretion, opt to pay interest in U.S. dollars at the US Dollar Rate of Interest (as defined in “Terms and Condition of the Notes — Interest”).

In such event, the US Dollar Rate of Interest may be less than the previously applicable Kazakhstan Inflation Rate, and investors will receive interest in U.S. dollars rather than Tenge. It is possible, therefore, that a Relevant Event may adversely affect the return that investors in the Notes would otherwise receive and accordingly the value of the Notes, either as a result of the change in the calculation of the interest rate or as a result of the applicable U.S dollar/Kazakhstan Tenge exchange rate on each Interest Payment Date (as defined in “Terms and Conditions of the Notes — Interest”).

***Payments relating to the Notes may be made in Kazakhstan Tenge***

Payments of principal and related additional amounts relating to the Notes will be made in all cases, and payments of interest and related additional amounts relating to the Notes will, save for the option of the Issuer after a Relevant Event described above, be made in Kazakhstan Tenge.

The Tenge is convertible for current account transactions, although it is not a fully convertible currency outside Kazakhstan. Between 1991, when Kazakhstan began its transition to a market based economy, and April 1999, the National Bank of the Republic of Kazakhstan (the “NBK”) maintained a managed exchange rate policy which, although permitting the general trend in the exchange rate to reflect market conditions, involved official intervention aimed at limiting fluctuations.

Depressed export markets in 1998 and early 1999, however, caused considerable pressure on Kazakhstan’s managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the authorities instituted a number of expenditure cuts and took revenue increasing measures and, in April 1999, the NBK floated the Tenge. The Tenge fell by 64.6 per cent. against the U.S. Dollar in the year ended 31 December 1999, compared to a decline of 10.7 per cent. in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge has been generally stable against the U.S. Dollar during 2001 and 2002, with an annual depreciation of between 3.8 per cent. and 3.3 per cent, respectively. In 2003 and 2004, the Tenge strengthened against the U.S. Dollar and appreciated by 7 per cent. and 10 per cent., respectively. According to NBK, during the first half of 2005, the Tenge depreciated by 4 per cent. against the U.S. Dollar.

***Less Developed Securities Markets***

An organised securities market was established in Kazakhstan only relatively recently and procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, 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 less well developed in Kazakhstan, and less strictly enforced, than in the United Kingdom, the United States and other western European countries and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement.

### ***Settlement, Clearing Systems and Payment Mechanics***

Initial settlement, settlement of all trades and all payments in respect of the Notes will be through the Kazakhstan Central Depositary.

Until such time as the Kazakhstan Tenge is fully accepted by Euroclear and/or Clearstream, Luxembourg as a currency in which payments can be settled, the Notes must be held by each investor through their accounts in the Kazakhstan Central Depositary, which will maintain a custodial account with Clearstream, Luxembourg.

As at the Issue Date, the Notes will not be accepted in the book-entry system of Euroclear.

### ***Kazakhstan Central Depositary***

The Kazakhstan Central Depositary will be responsible for making payments of interest and principal under the Notes to the Noteholders and for effecting transfers of Notes from one investor to another. Its obligations to make such payments and transfers are contained in the individual agreements with each investor and in the rules and regulations of the Kazakhstan Central Depositary. It is unclear whether the Kazakhstan Central Depositary has the requisite capacity and experience to perform these roles efficiently or at all. Since investors can only be paid principal and interest under the Notes by, and transfer Notes only through, the Kazakhstan Central Depositary, investors may not receive payments due under the Notes, and may be prevented from transferring Notes, in a timely fashion or at all. The Issuer is not responsible for any failure by the Kazakhstan Central Depositary to carry out its obligations with respect to the Notes.

Each of the persons shown in the records of the Kazakhstan Central Depositary as the beneficial holder of a particular nominal amount of Notes represented by the Permanent Global Certificate must look solely to the Kazakhstan Central Depositary for his share of each payment made by the Issuer to, or to the order of, the holder of the Permanent Global Certificate.

### ***Modification and Waivers***

The Agency Agreement contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Certain modifications and amendments to the Agency Agreement and to the Terms and Conditions to the Notes may be made without the consent of Noteholders in accordance with the Agency Agreement, including those which the Issuer and the Agent party to the Agency Agreement may deem necessary or desirable and which will not materially adversely affect the interest of the Noteholders.

### ***Taxation***

Potential purchasers of Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred. The summary relating to taxation herein is limited and potential investors should seek their own tax advice. Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisors. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

If any tax has to be withheld or deducted from interest or any other payment under the Notes, the Issuer will not gross up the payment to compensate Noteholders for that tax.

### ***Integral multiples of less than KZT10,000,000***

Although the Notes have a minimum denomination of KZT10,000,000, it is possible that the Notes may be traded in the Kazakhstan Central Depositary or any other clearing system in amounts in excess of KZT10,000,000 that are not integral multiples of KZT10,000,000. In such a case, should definitive Certificates be required to be issued, a holder who has at the time a holding of less than KZT10,000,000 in his account with the relevant clearing system at the relevant time will not receive his entitlement in the form of definitive Certificates, unless and until such time as his holding becomes at least KZT10,000,000.



### ***Secondary Market and Market Value of the Notes***

Notwithstanding the role that KKI will play as market-maker following the issuance of the Notes and subsequent listing on KASE, there can be no assurance as to whether any Notes will trade in the secondary market or whether such market will be liquid or illiquid. Application has been made to list the Notes on the Luxembourg Stock Exchange and, after issuance, on KASE. No assurance can be given that there will be a market for any Notes. If the Notes are not traded on any stock exchange, pricing information for such Notes may be more difficult to obtain, and the liquidity and market prices of such Notes may be adversely affected.

The Notes are not designed to be short-term trading instruments. The price at which investors will be able to sell their Notes prior to maturity may be at a substantial discount from the nominal amount of the Notes.

### ***Unsecured Obligations***

The obligations of the Issuer under the Notes are not, and will not be, secured and investors in the Notes will have no rights against, or interests in, any specific assets or property of the Issuer in the event that the Issuer defaults on its obligations under the Notes for any reason, including its insolvency or other inability to pay its debts except to the extent that they are delivered to any investor as provided in the Notes. Payments in respect of the Notes shall be the sole responsibility of the Issuer. The obligations of the Issuer under the Notes are not guaranteed or otherwise supported by J.P. Morgan Chase & Co., the parent of the Issuer, or any of its affiliates.

The Notes do not evidence deposits of the Issuer and are not guaranteed or insured by the United States Federal Deposit Insurance Corporation (FDIC) or any other government entity in the United States or in any other jurisdiction and holders of the Notes will not be entitled to a preference in right of payment of certain claims realized in liquidation or other resolution of the Issuer.

An investor in the Notes will be an unsecured creditor of the Issuer and will have no recourse against J.P. Morgan Chase & Co. or any of its affiliates in the event of partial or total loss of its investment due to the Issuer's failure to perform any of its obligations under the Notes.

### ***Potential Conflicts of Interest***

Associates of, or companies connected to, the Issuer hold other roles in connection with the issue of Notes. Such roles include, without limitation, those of Paying Agent and Listing Agent. In addition, the Issuer will act as its own Calculation Agent. Potential conflicts of interest may exist between such associates of, or companies connected to, the Issuer and Noteholders. In the case of the Calculation Agent, potential conflicts of interest may exist with respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon redemption of the Notes.

***THIS LIST OF RISKS IS NOT EXHAUSTIVE AND DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD READ THE PROSPECTUS, RESEARCH THE KAZAKHSTAN INFLATION RATE AND THE KAZAKHSTAN TENGE AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO INVEST IN THE NOTES. SUCH INVESTORS SHOULD REACH AN INVESTMENT DECISION ONLY AFTER CAREFULLY CONSIDERING THE SUITABILITY OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.***



## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions substantially in the form in which they will be endorsed on the Notes:*

The issue of the Notes was authorised by JPMorgan Chase Bank, National Association, acting through its London Branch (the “Issuer”) on 13 February 2006. An agency agreement dated 14 February 2006 (the “Agency Agreement”) has been entered into in relation to the Notes between the Issuer, SB “HSBC Bank Kazakhstan” JSC as principal paying agent and as custodian, JPMorgan Chase Bank, National Association, acting through its London Branch as calculation agent, HSBC Bank Plc as registrar and the other agents named in it. The principal paying agent, the calculation agent, the registrar and the paying agents for the time being are referred to below respectively as the “Agent”, the “Calculation Agent”, the “Registrar” and the “Paying Agents” (which expression shall include the Agent). The Agency Agreement includes the form of the Notes.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean the person(s) in whose name the Notes are registered and shall, in relation to any Notes registered in the name of a nominee for the common depositary of Euroclear and/or Clearstream, Luxembourg (each as defined below) and represented by a Global Certificate (as defined below), be construed as provided below.

The Noteholders are entitled to the benefit of a Deed of Covenant (the “Deed of Covenant”) dated 14 February 2006 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement. Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

### **1. Form, Denomination, Title and Register and Transfer**

#### *(a) Form and Denomination:*

The Notes are in registered form in the denomination of KZT10,000,000 each and integral multiples of KZT1,000,000 thereafter. The Notes are being offered and sold in an “offshore transaction” within the meaning of Regulation S (“Regulation S”) under the U.S. Securities Act of 1933 (the “Securities Act”) and will initially be represented by interests in a temporary global certificate (the “Temporary Global Certificate”), without interest coupons, which will be deposited with, and registered in the name of, a nominee for the common depositary of Euroclear and/or Clearstream, Luxembourg (both as defined in Condition 1(b)). Not earlier than 40 days after the later of the commencement of the offering of the Notes (the “Offering”) and the closing date of the Offering (the “Distribution Compliance Period”), upon certification by the beneficial owner of an interest in the Notes that such beneficial owner (i) is not a “U.S. Person” as such term is used in Regulation S or (ii) is a U.S. Person who purchased its interest in the Notes in a transaction that did not require registration of the Notes under the Securities Act, beneficial interests in the Temporary Global Certificate are exchangeable for beneficial interests in a permanent global certificate (the “Permanent Global Certificate” and, together with the Temporary Global Certificate, the “Global Certificates”), which will be deposited with, and registered in the name of, a nominee for the common depositary of Euroclear and/or Clearstream, Luxembourg on its issue date. So long as the Notes are represented by a Global Certificate and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least KZT10,000,000 and integral multiples of KZT1,000,000 in excess thereof. The Notes are represented by registered certificates (“Certificates” which term shall, save where otherwise provided, include the Global Certificates) and, save as provided in Condition 1(c), each Certificate shall represent the entire holding of Notes by the same holder.

#### *(b) Title and Register:*

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing on the Certificate representing it or notice of any previous loss or theft of the Certificate representing it) for all purposes but, in the case of any Global Certificate, without prejudice to the provisions set out in paragraph (c). Subject to the next succeeding sentence, for so long as any Note is represented by a Global Certificate registered in the name of a nominee for the common depositary of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or

Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the nominee for the common depository of Euroclear and/or Clearstream, Luxembourg in whose name the relevant Global Certificate is registered shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Certificate. However, for so long as JSC Central Securities Depository (the “Kazakhstan Central Depository”) is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of the Notes, each person who is for the time being shown in the records of the Kazakhstan Central Depository as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by the Kazakhstan Central Depository as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes. The expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg and, as long as Notes are traded on the Kazakhstan Central Depository, the Kazakhstan Central Depository.

*As at the Issue Date, the Notes will not be accepted in the book entry system of Euroclear.*

*(c) Transfer:*

One or more Notes may be transferred upon the surrender (at the specified office of any Paying Agent) of the Certificate representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Paying Agent or the Kazakhstan Central Depository may reasonably require. In the case of a transfer of part only of a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available free of charge by the Registrar and the Paying Agents at their specified office to any Noteholder upon request.

*(d) Certificates:*

Each new Certificate to be issued pursuant to Condition 1(c) shall be available for delivery within three business days (or 21 business days if the transfer, exchange or redemption is of Notes represented by a Global Certificate where all or some of such Notes are to be represented by a Certificate (other than a Global Certificate)) of receipt of the request for exchange or form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the office of the Paying Agent to whom delivery or surrender of such request for exchange, form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Paying Agent at the time of such delivery or surrender the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 1(d), “business day” means any day which is (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and Almaty.

*(e) Exchange and Transfer Free of Charge:*

Exchange and transfer of Notes and Certificates on registration or transfer shall be effected without charge by or on behalf of the Issuer or the Paying Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Paying Agent may require).

*(f) Closed Periods:*

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) after any such Note has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

## **2. Status**

The Notes are direct, unconditional and unsecured general obligations of the Issuer. The Notes do not evidence deposits of the Issuer and are not insured by the United States Federal Deposit Insurance Corporation or any other government agency. The obligations evidenced by the Notes rank equally with all other unsecured and unsubordinated indebtedness of the Issuer, except obligations that are subject to any priorities or preferences.

## **3. Interest**

*(a) Interest Payment Dates:*

Subject to the provisions of paragraph (d) below the Notes bear interest from 14 February 2006 at the Rate of Interest (a defined in paragraph (c) below), payable semi-annually in arrear on 14 February and 14 August in each year (each an “Interest Payment Date”).

*(b) Interest Payments:*

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after 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 seven days after the Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

*(c) Rate of Interest:*

Subject to the provisions of paragraph (d) below, the rate of interest from time to time in respect of the Notes (the “Rate of Interest”) will be determined by the Calculation Agent on the following basis:

(i) On or before the tenth business day before the end of each Interest Period (the “Interest Determination Date”) the Calculation Agent will determine the Kazakhstan Inflation Rate (as defined below) expressed as a percentage on the Interest Determination Date in question.

(ii) “Kazakhstan Inflation Rate” means  $\{(I_1/100 * I_2/100 * I_3/100 * I_4/100 * I_5/100 * I_6/100) - 1\}$ , provided always, however, that if the Kazakhstan Inflation Rate with respect to any Interest Period is less than 0 per cent, then the Kazakhstan Inflation Rate for that Interest Period shall be deemed to equal 0 per cent. The Rate of Interest for each Interest Period shall, subject as provided below, be the Kazakhstan Inflation Rate relevant to such Interest Period expressed as a percentage, as determined by the Calculation Agent.

(iii) “ $I_n$ ” means, in respect of an Interest Period, the Kazakhstan Consumer Price Index for the month falling three months prior to the relevant Determination Month as published or announced monthly by the NSA and determined in accordance with the provisions of this Condition 3.

“Determination Month” means each sequential calendar month within a relevant Interest Period where “n” shall be equal to 1 with respect to the calendar month in which the relevant Interest Period begins and 6 with respect to the calendar month preceding the calendar month in which the relevant Interest Period ends.

“Kazakhstan Consumer Price Index” means, in respect of a month, the index specified as such and published in the monthly bulletin on the website ([www.stat.kz](http://www.stat.kz)) by the NSA.

“NSA” means the National Statistics Agency of the Republic of Kazakhstan.

*The following table provides an illustration of Condition 3(c)(iii) above and does not form part of the Conditions:*

| <u>KCPI Month</u>  | <u>14 February Interest Payment Dates</u> | <u>14 August Interest Payment Dates</u> |
|--------------------|---|---|
| KCPI Month 1 ..... | May of preceding year                     | November of preceding year              |
| KCPI Month 2 ..... | June of preceding year                    | December of preceding year              |
| KCPI Month 3 ..... | July of preceding year                    | January of same year                    |
| KCPI Month 4 ..... | August of preceding year                  | February of same year                   |
| KCPI Month 5 ..... | September of preceding year               | March of same year                      |
| KCPI Month 6 ..... | October of preceding year                 | April of same year                      |

(iv) In respect of each Interest Period, the Calculation Agent shall notify the Agent of its determination of the Kazakhstan Inflation Rate within 10 business days of the publication or determination of all information required to determine the Kazakhstan Inflation Rate, but in any event by no later than as required under Condition 3(f).

(v) If a notice is given or an announcement is made by the NSA (directly or through an agent) specifying that (a) the Kazakhstan Consumer Price Index will no longer be published or announced by the NSA on or prior to any date on which it is required for the purposes of performing any calculation hereunder but is calculated and announced by a successor agency which has become the agency or authority having jurisdiction to measure the specific type of inflation that was measured by the Kazakhstan Consumer Price Index or is an entity that is otherwise acceptable to the Calculation Agent, in its sole discretion (and references to NSA herein shall be to such successor) or (b) the Kazakhstan Consumer Price Index will no longer be published or announced but that it will be superseded by a replacement index specified by the NSA or successor and the Calculation Agent, in its sole discretion, determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Kazakhstan Consumer Price Index, then the Kazakhstan Consumer Price Index will be deemed to be the index so calculated and announced by that successor agency or that successor index, as the case may be.

(vi) If the NSA otherwise fails to calculate and publish the Kazakhstan Consumer Price Index on or before the tenth Business Day following the end of the calendar month in which  $I_6$  falls, then the Calculation Agent shall calculate the level of the Kazakhstan Consumer Price Index using the Kazakhstan Consumer Price Index for the most recent month in respect of which such index was published as contemplated by this paragraph (c).

(vii) If, in relation to an Interest Period, the Kazakhstan Consumer Price Index is unavailable for all six calendar months in which  $I_1$ ,  $I_2$ ,  $I_3$ ,  $I_4$ ,  $I_5$  and  $I_6$  fall the Rate of Interest for such Interest Period shall, subject as provided below, be the Rate of Interest in effect for the last preceding Interest Period to which one of the preceding subparagraphs of this paragraph (c) shall have applied.

(viii) In the event that the NSA fails to calculate and publish or announce the Kazakhstan Consumer Price Index for a period of seven consecutive months or more, then the NSA shall be deemed to have ceased publication of the Kazakhstan Consumer Price Index altogether and the Relevant Hedging Transaction shall, at the option of the Issuer, terminate and a Relevant Event (as defined below) shall be deemed to have occurred.

(ix) Notwithstanding that the level of the Kazakhstan Consumer Price Index published in respect of any date is subsequently revised (including any revision due to the original level being a provisional level), the Calculation Agent shall make any determination required in connection with the Notes (including determining any amount of interest that is payable) using the level published prior to any such revision except where such revision is made within thirty days of publication in order to correct a manifest error in the publication of such index (as determined by the Calculation Agent in its sole discretion), in which event the Calculation Agent shall use the level as so corrected.

(x) If the Kazakhstan Consumer Price Index is rebased at any time (the “Rebased Kazakhstan Consumer Price Index”), the Rebased Kazakhstan Consumer Price Index will be used for the purposes of determining the Kazakhstan Consumer Price Index; provided however, that the Calculation Agent shall make adjustments to the past fixings of the Rebased Kazakhstan Consumer Price Index so that the Rebased Kazakhstan Consumer Price Index reflects the same rate of inflation as the Kazakhstan Consumer Price Index before it was rebased. Any such rebasing shall not affect any prior payments hereunder.

(xi) If: (1) on or prior to the publication of the Kazakhstan Consumer Price Index, the NSA makes a material change in the formula for, or the method of calculating, the Kazakhstan Consumer Price Index or in any other way materially modifies the Kazakhstan Consumer Price Index (other than in a way which would constitute (a) a rebasing of the Kazakhstan Consumer Price Index (as described above) or (b) a modification prescribed in that formula or method to maintain the Kazakhstan Consumer Price Index in the event of changes in constituent prices

or items and other routine events); or (2) there should occur any circumstance in relation to the Kazakhstan Consumer Price Index which prevents the Calculation Agent from determining the level of the Kazakhstan Consumer Price Index for the purposes of performing any calculation hereunder; or (3) the Kazakhstan Consumer Price Index ceases to be calculated and published altogether by the NSA, and in each case, such occurrence, circumstance or cessation is not covered by the provisions above, the Calculation Agent will, with reference to independent third party advice, use any substitute index or formula and may make such amendments, adjustments and corrections to any such index, formulae or any applicable criteria as it shall in its sole discretion deem appropriate in order to calculate the amounts payable hereunder. If the Calculation Agent does not consider any amendments, adjustments or corrections to be appropriate, then the Relevant Hedging Transaction shall, at the option of the Issuer, terminate and a Relevant Event shall be deemed to have occurred.

(xii) In this paragraph (c), the expression “business day” means a day upon which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York City and Almaty.

*(d) Conversion of Rate of Interest and Currency of Payment of Interest in a Relevant Event:*

If the Issuer determines, in its sole discretion, that a Relevant Event has occurred, the Issuer may, at its sole discretion, elect (a “Rate of Interest Conversion Election”) that, with respect to the whole Interest Period in which the Rate of Interest Conversion Election is made, (i) the Rate of Interest ceases to be calculated as set out in paragraph (c) above and instead be calculated as determined by the Calculation Agent on the following basis and (ii) the currency of payment of such interest shall be U.S. dollars and not Kazakhstan Tenge (the “US Dollar Rate of Interest”):

(i) On the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London before the beginning of each Interest Period (the “USD Interest Determination Date”) the Calculation Agent will determine the rate for six-month U.S. dollar deposits as at 11.00 a.m. (London time) on the USD Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page “3750” on Bridge’s Telerate Service (or such other page as may replace that page on that service as may be nominated as the information vendor, for the purpose of displaying London interbank offered rates of major banks for U.S. dollar deposits) (“Telerate”). The Rate of Interest for such Interest Period shall, subject as provided below, be the aggregate of 0.50 per cent per annum and the rate which so appears (or if no rate appears, the rate determined in accordance with sub-paragraph (ii) below), as determined by the Calculation Agent, multiplied by  $n/N$ , where “n” means the number of days in the relevant Interest Period on which the fixing of the Reference Rate is greater than or equal to 0.00 per cent. per annum and less than or equal to the Barrier, “N” means the number of calendar days in the relevant Interest Period and “Barrier” means 7.50 per cent. per annum.

“Reference Rate” means the rate for six-month U.S. dollar deposits as determined in accordance with the foregoing on each day in the Interest Period (with, for such purpose, such day being the Interest Determination Date). If a day in the Interest Period is not a London and New York business day, the Reference Rate for such day shall be equal to the Reference Rate for the immediately preceding day that was a London and New York business day.

“London and New York business day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York.

(ii) If such rate does not appear on Telerate page 3750, the Calculation Agent will determine the rate for U.S. dollar deposits on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market (the “Reference Banks”) at approximately 11:00 a.m., London time, on the USD Interest Determination Date in question to prime banks in the London interbank market for a period of six months commencing at the beginning of the relevant Interest Period and in a representative amount. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that Interest Period will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that Interest Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the first day of the Interest Period for loans in U.S. dollars to leading European banks for a period of six months commencing on the first day of the Interest Period and in a representative amount.



(iii) In the event of a Rate of Interest Conversion Election, the Notes will bear interest from 14 February 2006 and such interest will be payable on each 14 February and 14 August in each year, commencing on 14 August 2006 (each an “Interest Payment Date”). If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. The period beginning on 14 February 2006 and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an “Interest Period”.

(iv) In this paragraph (d), unless indicated to the contrary, the expression “business day” means a day upon which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York City and Almaty.

(v) “Relevant Hedging Transaction” means a swap transaction which became effective on or around the issue date of the Notes between the Issuer and the Ministry of Finance of Kazakhstan (the “Counterparty”) in an amount and duration corresponding to the principal amount and duration of the Notes, in relation to interest payments under the Notes, whereby the Issuer will pay to the Counterparty amounts in U.S. dollars based on rates for six-month U.S. dollar deposits and the Counterparty will pay to the Issuer amounts in Kazakhstan Tenge based on the Kazakhstan Inflation Rate.

(vi) “Relevant Event” means the failure by the Counterparty to make a payment in full when due under the Relevant Hedging Transaction or the Relevant Hedging Transaction has otherwise terminated or a notice of termination has been delivered.

(vii) If Notes are represented by Certificates other than a Global Certificate, in order for a Rate of Interest Conversion Election to be valid, notice thereof must be given to Noteholders by the Issuer no later than 10 days prior to the relevant Record Date (as defined below) in accordance with Condition 13.

*(e) Determination of Rate of Interest and calculation of Interest Amount:*

The Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date or USD Interest Determination Date, as the case may be, determine the Rate of Interest or the US Dollar Rate of Interest, as the case may be, and calculate the amount of interest payable on the aggregate principal amount of Notes outstanding (the “Interest Amount”) for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest to the aggregate principal amount of Notes outstanding or, as the case may be, by applying the US Dollar Rate of Interest to U.S.\$100,000,000, as reduced, if applicable, pro rata to any cancellations in accordance with Condition 4(d), multiplying such product by the applicable Day Count Fraction and rounding the resulting figure to the nearest two decimal places in the currency unit (half a currency unit being rounded upwards). The determination of the Rate of Interest or the US Dollar Rate of Interest, as the case may be, and the Interest Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties. “Day Count Fraction” means, (a) in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last, whether or not constituting an Interest Period, the “Calculation Period”) by reference to the Rate of Interest, divided by 1 and (b) in respect of the calculation of an amount of interest on any Note for an Interest Period by reference to the US Dollar Rate of Interest, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

*(f) Publication of Rate of Interest and Interest Amount:*

The Calculation Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Agent and the Registrar on which the Notes are for the time being listed and to be notified to Noteholders as soon as possible after their determination but in no event later than the fourth business day thereafter. The Interest Amount and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 7, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made.



*(g) Calculation Agent:*

The Issuer will procure that, so long as any Note is outstanding, there shall at all times be a Calculation Agent for the purposes of the Notes. If any bank (acting through its relevant office) is unable or unwilling to continue to act as the Calculation Agent, or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount, the Issuer shall appoint some other leading bank to act as such in its place. The Calculation Agent may not resign its duties without a successor having been so appointed.

#### **4. Redemption and Purchase**

*(a) Final redemption:*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount in Kazakhstan Tenge on 14 February 2016 or, in the event of a Rate of Interest Conversion Election, the Interest Payment Date falling on, or nearest to, 14 February 2016. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

*(b) Redemption for taxation reasons:*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time or, in the event of a Rate of Interest Conversion Election, on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption (if any)), if a Tax Event (as defined in the ISDA 2002 Master Agreement published by the International Swaps and Derivatives Association, Inc.) occurs under the Relevant Hedging Transaction, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Agent a certificate signed by two authorised signatories 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 an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obligated to pay such additional amounts as a result of such change or amendment.

*(c) Purchase:*

The Issuer or any subsidiary of the Issuer may at any time purchase Notes at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

*(d) Cancellation:*

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (c) above shall be forwarded to the Registrar and cannot be reissued or resold.

#### **5. Payments**

*(a) Method of Payment:*

Subject as provided below, payments will be made by credit or transfer to an account in the relevant currency maintained by the payee with, or, at the option of the payee, by a cheque in such currency drawn on, a bank in the principal financial centre of the country of such currency.

*(b) Payments in respect of Notes represented by Certificates (other than a Global Certificate):*

Interest on Notes represented by Certificates (other than a Global Certificate) shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (or, for so long as the Global Certificate is held by the Kazakhstan Central Depository's account with Clearstream, Luxembourg, such number of days as the Kazakhstan Central Depository shall require) (the "Record Date"). Payments of principal in respect of Notes represented by Certificates (other than a Global Certificate) will (subject as provided below) be made in the manner provided in the first sentence of this paragraph (b) only against surrender of the relevant Certificate at the specified office of the Agent.

*(c) Payments in respect of Notes represented by Global Certificates:*

Interest on Notes represented by any Global Certificate shall be paid to the person shown on the Register at the close of business on the Record Date. For purposes of the previous sentence only, for so long as the Kazakhstan Central Depositary holds the Notes in its Clearstream, Luxembourg account, “person” shall mean the Kazakhstan Central Depositary. Payments of principal in respect of Notes represented by any Global Certificate will (subject as provided below) be made in the manner specified above in relation to Notes represented by Certificates (other than a Global Certificate) and otherwise in the manner specified in the relevant Global Certificate against surrender of such Global Certificate at the specified office of any Paying Agent.

*(d) General provisions applicable to payments:*

The holder of a Global Certificate shall be the only person entitled to receive payments in respect of Notes represented by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. For purposes of the previous sentence only, for so long as the Kazakhstan Central Depositary holds the Notes in its Clearstream, Luxembourg account, “person” or “holder” shall mean the Kazakhstan Central Depositary. Each of the persons shown in the records of the Kazakhstan Central Depositary as the beneficial holder of a particular nominal amount of Notes represented by such Global Certificate must look solely to the Kazakhstan Central Depositary for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Certificate.

*(e) Payments subject to fiscal laws:*

All payments are subject in all cases to any applicable laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

*(f) Payments on business days:*

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “Payment Day” means any day which (subject to Condition 8) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of payment, London, Almaty and New York.

*(g) Paying Agents:*

The names of the initial Agent, Registrar and Paying Agents and their initial specified offices are set out below. The Issuer is entitled to vary or terminate the appointment of the Agent, the Registrar or any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which the Agent, the Registrar or any Paying Agent acts, provided that (i) there will at all times be an Agent, (ii) there will at all times be a Registrar, (iii) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange and (iv) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the United Kingdom. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Noteholders in accordance with Condition 13. In acting under the Agency Agreement, the Agent, the Registrar and the other Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which the Agent, the Registrar or any Transfer Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent, registrar, transfer agent or exchange agent, as the case may be.

## **6. Taxation**

All payments of principal and interest in respect of the Notes by the Issuer will be made without deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge, of whatever nature, imposed or levied or collected by or within any tax jurisdiction or by or within any political subdivision or taxing authority thereof or therein, except as required by law. If any deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of any taxing jurisdiction shall at any time be required to be made by the Issuer in respect of any amounts to be paid by the

Issuer in respect of the Notes, then such payment shall be made subject to and after such deduction or withholding and the Issuer shall not be required to pay any additional amounts in respect thereof.

## **7. Events of Default**

If any one or more of the following events (each an “Event of Default”) shall occur and be continuing:

- (i) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 30 days; or
- (ii) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of the Noteholders,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at their principal, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

## **8. Prescription**

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within five years from the appropriate Relevant Date in respect of them.

## **9. Replacement of Certificates**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, a replacement Certificate may be obtained from the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Certificate must be surrendered before a replacement will be issued.

## **10. Meetings of Noteholders and Modification**

### **(a) Meetings of Noteholders:**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10% in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on or to vary the method of calculating the rate of interest on (other than a variation pursuant to Condition 3(d)), the Notes (iii) to change the currency of payment of the Notes (other than a variation pursuant to Condition 3(d)), or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

### **(b) Modification of Agency Agreement:**

The Agent and the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Notes or Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

## **11. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

## **12. Substitution of the Issuer or Change of Branch**

### **(a) Substitution**

(i) The Issuer may, without the consent of the Noteholders, be replaced and substituted by any Affiliate (as defined below) as principal debtor (the “Substituted Debtor”) in respect of the Notes provided that in relation to such Notes:

(A) the creditworthiness of the Substituted Debtor at such time is at least equal to the creditworthiness of the Issuer in the sole and absolute opinion of the Agent;

(B) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor as may be necessary to give full effect to the substitution (together the “Documents”) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed Poll as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement and the Deed Poll as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute);

(C) the Luxembourg Stock Exchange shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes will continue to be listed on such stock exchange; and

(D) the Substituted Debtor shall, if appropriate, have appointed a person with an office in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

(ii) Upon execution of the Documents as referred to in paragraph (i) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

(iii) The Documents shall be deposited with and held by the Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged.

(iv) Not later than 21 days before any intended substitution pursuant to this Condition, the Issuer shall give notice thereof to the Noteholders in accordance with Condition 13.

(v) At any time after a substitution pursuant to paragraph (i) above, the Substituted Debtor may, without the consent of the Noteholders, effect a further substitution provided that all the provisions specified in paragraphs (i), (ii), (iii) and (iv) above shall apply, *mutatis mutandis*, and, without limitation, references in these Terms and Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.

(vi) As used above, “Affiliate” means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than 50% of the voting stock, membership interests or other equity interests, as applicable, is owned or controlled, directly or indirectly, by JPMorgan Chase & Co. (or its successors or assigns).

(b) *Change of Branch:*

The Issuer shall have the right upon notice to the Noteholders in accordance with Condition 13 to change the branch through which it is acting for the purpose of the Notes, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

**13. Notices**

Notices to the Noteholders shall be mailed to them at their respective addresses in the Register. In addition, if and for so long as the Notes are listed on the Luxembourg Stock Exchange and for so long as the rules of the Luxembourg Stock Exchange so require, notices regarding the Notes shall be published on the website of the Luxembourg Stock Exchange or in a daily newspaper of general circulation in Luxembourg, which is expected to be *d'Wort*. Any such notice will be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note represented by a Certificate (other than a Global Certificate)) with the related Certificate, with the Agent or any Paying Agent. Whilst any of the Notes are represented by a Global Certificate, such notice may be given by any holder of a Note to the Agent through Euroclear or Clearstream, Luxembourg, in such manner as the Agent and Euroclear or Clearstream, Luxembourg may approve for this purpose.

**14. 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.

**15. Governing Law and Submission to Jurisdiction**

(a) *Governing Law:*

The Agency Agreement, the Deed of Covenant and the Notes are governed by, and shall be construed in accordance with, English law.

(b) *Submission to Jurisdiction:*

The Issuer irrevocably agrees, for the exclusive benefit of the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Notes may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

(c) *Other documents:*

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts in terms substantially similar to those set out above.

## FORM OF NOTES, CLEARING AND SETTLEMENT

*The Global Certificates contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:*

*The Notes will initially be represented by interests in a Temporary Global Certificate, without interest coupons, deposited with, and registered in the name of, a nominee for a common depositary of Euroclear and Clearstream, Luxembourg on 14 February 2006. Not earlier than the expiration of the Distribution Compliance Period, upon certification by the beneficial owner of an interest in the Notes that such beneficial owner (i) is not a “U.S. Person” as such term is used in Regulation S or (ii) is a U.S. Person who purchased its interest in the Notes in a transaction that did not require registration of the Notes under the Securities Act, beneficial interests in the Temporary Global Certificate are exchangeable for beneficial interests in the Permanent Global Certificate, which will be deposited with, and registered in the name of, a nominee for a common depositary of Euroclear and Clearstream, Luxembourg on its issue date. As at the Issue Date, the Notes will not be accepted in the book-entry system of Euroclear.*

### **Meetings and Notices**

So long as the Notes are represented by a Global Certificate and the relevant Clearing System(s) so permit, there shall be one vote in respect of each KZT1,000,000 in principal amount of Notes.

The Kazakhstan Central Depositary communicates notices to its customers in accordance with its internal rules and procedures and each individual nominee agreement it enters into with each customer.

### **Trading Amounts**

So long as the Notes are represented by a Global Certificate and the relevant clearing system(s) so permit, the Notes shall be tradeable in a minimum principal amount of KZT10,000,000 and integral multiples of KZT1,000,000 thereafter.

### **Book-Entry Ownership**

The Issuer will make an application to Clearstream, Luxembourg for acceptance in its book-entry system in respect of the Notes. Each Global Certificate will have an ISIN and a Common Code. Investors in Notes may hold their interests in a Global Certificate only through their accounts with the Kazakhstan Central Depositary, which will maintain an account in respect of the Notes with Clearstream, Luxembourg. As at the Issue Date, the Notes will not be accepted in the book-entry system of Euroclear.

### **Certificates**

Registration of title to Notes in a name other than a depositary or its nominee for Euroclear and/or Clearstream, Luxembourg will not be permitted unless the Issuer has been notified that each of Euroclear (if at the time the Notes are accepted in its book-entry system) and Clearstream, Luxembourg and the Kazakhstan Central Depositary have been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or an Event of Default has occurred and is continuing (each such event, an “Exchange Event”).

Upon the occurrence of an Exchange Event, the Issuer will give notice to the Noteholders in accordance with Condition 13 and will cause sufficient Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar and the Agent with a written order containing instructions and such other information as the Issuer, the Agent and the Registrar may require to complete, execute and deliver such Certificates.

Upon receipt of the documents referred to above, the Registrar shall arrange for the execution of a Certificate registered in the name or names requested in the order referred above and shall (a) make such Certificate available free of charge to the person or persons named in such order at the specified office of the Registrar or at the specified office of any Paying Agent, or (b) deliver such Certificate free of charge to or to the order of such person or persons, in each case in accordance with the instructions set out in the order referred to in (i) above.



### ***Transfers of Notes***

Transfers of interests in Global Certificates within Euroclear and Clearstream, Luxembourg and the Kazakhstan Central Depository will be in accordance with the usual rules and operating procedures of the relevant clearing system. The Kazakhstan Central Depository will maintain an account with Clearstream, Luxembourg. For so long as any of the Notes is represented by a Global Certificate registered in the name of a nominee for the common depositary (the “Common Depositary”) of Euroclear and/or Clearstream, Luxembourg and for so long as the Kazakhstan Central Depository is for the time being shown in the records of Clearstream, Luxembourg as the holder of the Notes with Clearstream, Luxembourg, each person who is for the time being shown in the records of the Kazakhstan Central Depository as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by the Kazakhstan Central Depository as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes and Notes will be transferable only in accordance with the rules and procedures for the time being of the Kazakhstan Central Depository.

### ***Settlement***

It is expected that delivery of Notes will be made against payment therefor on 14 February 2006. Initially, the Notes shall be deposited with the Kazakhstan Central Depository’s account with Clearstream, Luxembourg. The Issuer shall deliver the Notes in accordance with the rules and procedures of the Kazakhstan Central Depository against payment by purchasers of the Notes of the purchase price by transfer to the Issuer’s account with SB “HSBC Bank Kazakhstan” JSC.

### ***Payments***

Initial settlement, settlement of all trades and all payments in respect of the Notes will be through the Kazakhstan Central Depository. Until such time as the Kazakhstan Tenge is fully accepted by Euroclear and/or Clearstream, Luxembourg as a currency in which payments can be settled or until payments are made in U.S. dollars in accordance with Condition 3(d) (from which time in either case payments may be made through Euroclear and/or Clearstream, Luxembourg), the Notes must be held by each investor through their accounts in the Kazakhstan Central Depository, which will maintain an account with Clearstream, Luxembourg.

Following the calculation by the Calculation Agent of the Interest Amount in accordance with Condition 3(e), the Issuer shall transfer sufficient funds to satisfy the obligation to pay the Interest Amount to the Agent which shall promptly pay such funds to the Kazakhstan Central Depository for distribution in accordance with the paragraph below.

Interest and principal payments under the Notes may be made outside Euroclear and Clearstream, Luxembourg. Noteholders will be required to collect information regarding such payments from the Issuer or its agents and to disseminate such information to any subsequent investors or Noteholders. Each of the persons shown in the records of the Kazakhstan Central Depository as the beneficial holder of a particular nominal amount of Notes represented by a Global Certificate must look solely to the Kazakhstan Central Depository for his share of each payment made by the Issuer to, or to the order of, the holder of a Global Certificate. Neither Euroclear nor Clearstream, Luxembourg shall incur any liability for any damages or losses sustained by any Noteholder in the event that the Kazakhstan Central Depository does not pay any amount due under the Notes.

### **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to approximately KZT13,120,000,000, will be used for general corporate purposes.

The total expenses related to the admission to trading are expected to amount to KZT80,000,000.

## **JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

### **History and Development of the Issuer**

JPMorgan Chase Bank, National Association is a wholly owned bank subsidiary of JPMorgan Chase & Co. (“JPMorgan Chase”). The Issuer is supervised by the U.S. Office of the Comptroller of the Currency (the “OCC”), and its registered office is located at 1111 Polaris Parkway, Columbus, Ohio, 43271, United States of America. The Issuer has an office at 270 Park Avenue, New York, New York 10017, United States of America (telephone number +1 212 270 6000). The Issuer’s Federal Reserve Bank identification number is 852218. The Issuer is a commercial bank offering a wide range of banking services to its customers both domestically and internationally.

The Issuer was organised in the legal form of a banking corporation under the laws of the State of New York on 26 November 1968. On 13 November 2004:

(d) the Issuer converted from a banking corporation organised under the laws of the State of New York into a national banking association organised under the laws of the United States of America;

(e) the Issuer’s name was changed to JPMorgan Chase Bank, National Association; and

(f) Bank One, National Association (Chicago, Illinois) and Bank One, National Association (Columbus, Ohio) merged into the Issuer, with the Issuer being the surviving legal entity.

In connection with becoming a U.S. national banking association, the Issuer is regulated and examined primarily by the OCC, which is the supervisory and regulatory authority of national banks in the United States of America.

The Issuer is a member of the U.S. Federal Reserve System and its deposits are insured by the U.S. Federal Deposit Insurance Corporation. Its Federal Reserve Bank Identification Number is 852218.

### **Principal Business Activities**

The Issuer is one of the principal banking subsidiaries of JPMorgan Chase, the business activities of which are, for management reporting purposes, organised into six major business segments (as well as Corporate). The wholesale businesses are comprised of the Investment Bank, Commercial Banking, Treasury & Securities Services and Asset & Wealth Management. The consumer businesses are comprised of Retail Financial Services and Card Services. A description of the business segments, and the products and services they provide to their respective client bases, follows:

#### **Investment Bank**

The Investment Bank is one of the world’s leading investment banks, as evidenced by the breadth of its client relationships and product capabilities. The Investment Bank has extensive relationships with corporations, financial institutions, governments and institutional investors worldwide. The Investment Bank provides a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital raising in equity and debt markets, sophisticated risk management, and market-making in cash securities and derivative instruments. The Investment Bank also commits JPMorgan Chase’s own capital to proprietary investing and trading activities.

#### **Retail Financial Services**

Retail Financial Services includes Home Finance, Consumer & Small Business Banking, Auto & Education Finance and Insurance. Through this group of businesses, Retail Financial Services provides consumers and small businesses with a broad range of financial products and services including deposits, investments, loans and insurance. Home Finance is a leading provider of consumer real estate loan products and is an originator and servicer of home mortgages. Consumer & Small Business Banking has a broad branch network in the United States. Auto & Education Finance originates automobile loans and provides loans for college students in the United States. Through its Insurance operations, Retail Financial Services sells and underwrites an extensive range of financial protection products and investment alternatives, including life insurance, annuities and debt protection products.

## **Card Services**

Card Services offers a wide variety of products to satisfy the needs of its cardmembers, including cards issued on behalf of many well-known partners, such as major airlines, hotels, universities, retailers and other financial institutions.

## **Commercial Banking**

Commercial Banking serves more than 25,000 clients including corporations, municipalities, financial institutions and not-for-profit entities, with annual revenues generally ranging from U.S.\$10 million to U.S.\$2 billion. A local market presence and a strong customer service model, coupled with a focus on risk management, provide a solid infrastructure for Commercial Banking to provide JPMorgan Chase's complete product set — lending, treasury services, investment banking and investment management.

## **Treasury & Securities Services**

Treasury & Securities Services provides transaction, investment and information services to support the needs of corporations, issuers and institutional investors worldwide. Treasury & Securities Services also provides cash management and custody services. The Treasury Services business provides clients with a broad range of capabilities, including U.S. dollar and multi-currency clearing, Automated Clearing House (ACH) transfers, trade, and short-term liquidity and working capital tools. The Investor Services business provides a wide range of capabilities, including custody, funds services, securities lending, and performance measurement and execution products. The Institutional Trust Services business provides trustee, depository and administrative services for debt and equity issuers. Treasury Services partners with the Commercial Banking, Consumer & Small Business Banking and Asset & Wealth Management segments to serve clients firmwide. As a result, certain Treasury Services revenues are included in other segments' results. Treasury & Securities Services has combined the management of the Investor Services and Institutional Trust Services businesses under the name Worldwide Securities Services to create an integrated franchise which will provide custody and investor services as well as securities clearance and trust services to clients globally.

## **Asset & Wealth Management**

Asset & Wealth Management provides investment management to retail and institutional investors, financial intermediaries and high-net-worth families and individuals globally. For retail investors, Asset & Wealth Management provides investment management products and services, including a global mutual fund franchise, retirement plan administration, and brokerage services. Asset & Wealth Management delivers investment management to institutional investors across all asset classes. The Private Bank and Private Client Services businesses provide integrated wealth management services to ultra-high-net-worth and high-net-worth clients, respectively.

## **Corporate**

The Corporate Sector is comprised of Private Equity, Treasury and corporate staff and other centrally managed expenses. Private Equity currently includes the JPMorgan Partners LLC and ONE Equity Partners businesses. On March 1, 2005, JPMorgan Chase announced that the management team of JPMorgan Partners LLC, a private equity unit of JPMorgan Chase, will become independent when it completes the investment of the current U.S.\$6.5 billion Global Fund which it advises. The independent management team intends to raise a new fund as a successor to the Global Fund. JPMorgan Chase has committed to invest 24.9% of the limited partnership interests, up to U.S.\$1 billion, in the new fund. Treasury manages the structural interest rate risk and investment portfolio for JPMorgan Chase. The corporate staff areas include Central Technology and Operations, Internal Audit, Executive Office, Finance, General Services, Human Resources, Marketing & Communications, Office of the General Counsel, Real Estate and Business Services, Risk Management, and Strategy and Development. JPMorgan Chase's centrally managed expenses include items such as its occupancy and pension expense, net of allocations to the business.

## **Organisational Structure**

The Issuer is one of the principal, wholly-owned bank subsidiaries of JPMorgan Chase & Co., a company incorporated in the State of Delaware in the United States of America. The ordinary shares of JPMorgan Chase & Co. are listed on the New York Stock Exchange with ticker "JPM" and they are also listed on the London and Tokyo Stock Exchanges. The ordinary shares of JPMorgan Chase & Co. form part of the Dow Jones Industrial Average index of the New York Stock Exchange. Financial and legal information on JPMorgan Chase & Co.,

including the Annual Report on Form 10-K for the year ended 31 December 2004 and additional annual, quarterly and current reports filed with the U.S. Securities and Exchange Commission (“SEC”) by JPMorgan Chase & Co., as they become available, may be obtained by any interested party from (1) the SEC’s website at <http://www.sec.gov> and (2) JPMorgan Chase & Co.’s website at [www.jpmorganchase.com](http://www.jpmorganchase.com). References to web addresses in this Prospectus are included as inactive textual references only. Except as specifically incorporated by reference into this Prospectus, information on these websites is not part of this Prospectus.

## Management

### *Directors of the Issuer*

The members of the Board of Directors of the Issuer as at the date of this Prospectus, and their respective offices and principal outside activities are as follows:

| <u>Name</u>              | <u>Office</u>                     | <u>Principal Activities outside JPMorgan Chase Bank, National Association</u> |
|--------------------------|-----------------------------------|---|
| William B. Harrison, Jr. | Director, Chairman of the Board   | Chairman of the Board of JPMorgan Chase & Co.                                 |
| James Dimon              | Director, Chief Executive Officer | Chief Executive Officer of JPMorgan Chase & Co.                               |
| Michael J. Cavanagh      | Director                          | Chief Financial Officer of JPMorgan Chase & Co.                               |
| Charles W. Scharf        | Director                          | Head, Retail Financial Services of JPMorgan Chase & Co.                       |
| Don M. Wilson III        | Director                          | Chief Risk Officer of JPMorgan Chase & Co.                                    |

The business address of each Director is 270 Park Avenue, New York, NY 10017, United States of America. Mr. Harrison is also a director of Merck & Co. Inc. Subject to his duties to JPMorgan Chase & Co., there are no actual or potential conflicts of interest between any duties owed to the Issuer by the directors of the Issuer identified above and their private interests and/or outside duties.

### *Executive Officers of the Issuer*

The executives and other persons involved in the high-level management of the Issuer and their respective roles as at the date of this Prospectus are as follows:

| <u>Name</u>              | <u>Office</u>   |
|--------------------------|---|
| William B. Harrison, Jr. | Chairman of the Board                                   |
| James Dimon              | Chief Executive Officer                                 |
| Austin A. Adams          | Chief Information Officer                               |
| Frank Bisignano          | Chief Administrative Officer                            |
| Steven D. Black          | Co-Chief Executive Officer, Investment Bank             |
| John F. Bradley          | Director of Human Resources                             |
| Michael J. Cavanagh      | Chief Financial Officer                                 |
| Ina R. Drew              | Chief Investment Officer                                |
| Joan Guggenheimer        | Co-General Counsel                                      |
| Samuel Todd Maclin       | Head, Commercial Banking                                |
| Jay Mandelbaum           | Head, Strategy and Business Development                 |
| William H. McDavie       | Co-General Counsel                                      |
| Heidi Miller             | Chief Executive Officer, Treasury & Securities Services |
| Charles W. Scharf        | Head, Retail Financial Services                         |
| Richard J. Srednicki     | Chief Executive Officer, Card Services                  |
| James E. Staley          | Global Head, Asset and Wealth Management                |
| Don M. Wilson III        | Chief Risk Officer                                      |
| William T. Winters       | Co-Chief Executive Officer, Investment Bank             |

The business address of each of the executive officers set out above is 270 Park Avenue, New York, New York 10017, United States of America.

## Financial Information Concerning the Issuer

The audited consolidated financial statements of the Issuer for the years ended 31 December 2004 and 2003 are incorporated by reference into this Prospectus. Such financial statements were audited by PricewaterhouseCoopers LLP of 300 Madison Avenue, New York, New York 10017, United States of America, without qualification.

The accounting and financial reporting policies of the Issuer and its subsidiaries conform to U.S. generally accepted accounting principles and prevailing industry practices. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by U.S. bank regulatory authorities.

The Issuer's consolidated financial statements include the accounts of the Issuer and its majority-owned subsidiaries after eliminating intercompany balances and transactions.



## Selected Financial Data of JPMorgan Chase Bank, National Association

The following data has been taken from the audited consolidated financial statements of the Issuer for the years ended 31 December 2004 and 2003 and is given without the notes to the consolidated financial statements.

Consolidated Balance Sheet, as at 31 December 2004 and 31 December 2003

| (in millions, except share data)  | At December 31,      |                      |
|---|----------------------|----------------------|
|   | 2004                 | 2003(a)              |
| <b>Assets</b>   |                      |                      |
| Cash and due from banks   | U.S.\$ 33,880        | U.S.\$ 19,429        |
| Deposits with banks   | 32,628               | 9,602                |
| Federal funds sold and securities purchased under resale agreements   | 114,685              | 86,431               |
| Securities borrowed   | 23,646               | 19,735               |
| Trading assets (including assets pledged of U.S.\$55,050 at December 31, 2004 and U.S.\$57,059 at December 31, 2003)  | 236,768              | 197,197              |
| Securities:   |                      |                      |
| Available-for-sale (including assets pledged of U.S.\$26,881 at December 31, 2004, and U.S.\$31,639 at December 31, 2003)   | 80,923               | 54,186               |
| Held-to-maturity (fair value: U.S.\$117 at December 31, 2004, and U.S.\$186 at December 31, 2003)   | 110                  | 176                  |
| Interests in purchased receivables  | 31,722               | 4,752                |
| Loans   | 334,323              | 179,471              |
| Allowance for loan losses   | (5,313)              | (3,151)              |
| Loans, net of Allowance for loan losses   | 329,010              | 176,320              |
| Private equity investments  | 475                  | 794                  |
| Accrued interest and accounts receivable  | 16,169               | 9,675                |
| Premises and equipment  | 7,994                | 6,010                |
| Goodwill  | 23,120               | 2,315                |
| Other intangible assets:  |                      |                      |
| Mortgage servicing rights   | 5,080                | 4,781                |
| All other intangibles   | 4,791                | 216                  |
| Other assets  | 26,364               | 37,043               |
| <b>Total assets</b>   | <b>U.S.\$967,365</b> | <b>U.S.\$628,662</b> |
| <b>Liabilities</b>  |                      |                      |
| Deposits:   |                      |                      |
| U.S. offices:   |                      |                      |
| Non interest-bearing  | U.S.\$133,284        | U.S.\$ 74,112        |
| Interest-bearing  | 234,581              | 116,137              |
| Non-U.S. offices:   |                      |                      |
| Non Interest-bearing  | 7,002                | 6,355                |
| Interest-bearing  | 142,843              | 130,141              |
| Total deposits  | 517,710              | 326,745              |
| Federal funds purchased and securities sold under repurchase agreements   | 86,136               | 76,634               |
| Other borrowed funds  | 4,944                | 5,571                |
| Trading liabilities:  | 140,576              | 128,738              |
| Accounts payable, accrued expenses and other liabilities (including the Allowance for lending-related commitments of U.S.\$491 at December 31, 2004 and U.S.\$324 at December 31, 2003) | 44,611               | 27,530               |
| Beneficial interests issued by consolidated VIEs  | 45,742               | 9,946                |
| Guaranteed capital debt securities issued to nonbank affiliate  | 600                  | —                    |
| Long-term debt  | 46,406               | 16,007               |
| <b>Total liabilities</b>  | <b>886,725</b>       | <b>591,171</b>       |
| Commitments and contingencies   |                      |                      |
| <b>Stockholder's equity</b>   |                      |                      |
| Preferred stock (U.S.\$1 par value; authorised 15,000,000 shares; no shares outstanding)  | —                    | —                    |
| Common stock (U.S.\$12 par value; 148,765,000 shares; outstanding 148,761,243 shares)   | 1,785                | 1,785                |
| Capital surplus   | 58,290               | 16,318               |
| Retained earnings   | 20,968               | 19,590               |
| Accumulated other comprehensive loss  | (403)                | (202)                |
| <b>Total stockholder's equity</b>   | <b>80,640</b>        | <b>37,491</b>        |
| <b>Total liabilities and stockholder's equity</b>   | <b>U.S.\$967,365</b> | <b>U.S.\$628,662</b> |

(a) Heritage JPMorgan Chase Bank only.

## KAZAKHSTAN INFLATION RATE

*The information contained in this section relating to the Kazakhstan Consumer Price Index (“KCPI”) consists of extracts from, or summaries of, information released publicly by the National Statistics Agency of the Republic of Kazakhstan (the “NSA”). The Issuer confirms that such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the NSA, no facts have been omitted which would render the reproduced information inaccurate or misleading. Neither the Issuer nor the Agents accepts any further responsibility in respect of such information.*

### **General**

The Consumer Price Index Base 2000 is a monthly statistical measurement of the evolution of the set of prices of goods and services that the resident population in family dwellings in Kazakhstan consumes.

The Statistics Agency publishes the KCPI on a monthly basis in the monthly press release of the Statistics Agency “On Inflation Rate in the Republic of Kazakhstan” which is provided on request free of charge (in Kazakh and Russian) by the Department of Publishing of Statistical Information of the Statistics Agency (125 Abay Ave., 050008, Almaty, Kazakhstan; phone: +7 3272 616645; fax: + 7 3272 420824; e-mail: stat@mail.online.kz).

A document setting out detailed methodology — “Methodological Provisions on Statistics” (the “Methodology”) — for the calculation of the KCPI is also available by request in hardcopy at a price set by the Statistics Agency. Investors in the Notes should refer to that document for a detailed description of the manner in which the KCPI is calculated.

The KCPI is based on a set of goods and services that households consume. Not included are expenses on investment goods, self-consumption, self-supplies, imputed rents or expenses subsidised by the Government. Certain taxes have not been included, nor have certain expenses such as those related to lotteries and gambling. The goods and services are classified according to the harmonized COICOP classification (Classification of Individual Consumption by Purpose). The determination of the composition of the basket of items referenced by the KCPI and the weight attributed to such items is with reference to the Monthly Price Register Survey (the “MPRS”). The MPRS is a monthly family budget survey, established in 2002, which covers 12,000 households, and represents 0.5 percent of total households in the country. Nationwide, about 1.4 million price quotations have been collected. The KCPI includes 508 price quotations for representative goods and services: 167 for food products, 256 for nonfood goods and 85 for paid services. Each representative good or service includes at least 8-10 variations in each population centre.

Geographically, the KCPI covers 14 regions, 27 districts, the capital Astana and three other large cities.

For the purpose of fair representation of households of all sizes with different levels of income in these areas, the methods of statistical sample selection are applied. Such selection also includes households which engage in entrepreneurial activities, in which case such activities are separated from their self-consumption. Rural households include mainly those which engage in agriculture.

Indices are set based on the aggregate KCPI for households with low, medium and high levels of income. Weights for the KCPI by individual income levels are based upon the structure of expenditure of a specific group of households, which are defined as the groups with low, medium and high income levels. The principles of KCPI classification, which relate to classification of domestic expenditure, are applied for the classification of ultimate household consumption.

Illegal market operations are not taken into account. Assessments are done subject to production for self-consumption and consumption of the market goods. None of the KCPI chains is adjusted to seasonal fluctuations.

### **Calculation of the KCPI**

The KCPI is calculated using a chain Laspeyres system which refers current prices to the previous year’s prices, but also takes into account a base period. The base period is 2000 and the base has been made equal to 100.

The KCPI is derived by adding the elementary indices of each basic component in the basket of items using weighted averages. The precise method of calculation is as set out in the Methodology. The weighting of an article represents the proportion of expense made on this article with respect to total expenditure made by households.

The basic information on household expenditure on consumer goods and services is supplied by the MPRS. 508 expense entries from the MPRS are classified into 12 groups, in accordance with COICOP classification. The

price evolution of these articles represents total consumer goods and services. Approximate current weightings of the 12 COICOP groups within the main KCPI are as follows:

|    | <u>Group Weighting</u>              | <u>Percentage</u> |
|----|-------------------------------------|-------------------|
| 1  | Food and Non-Alcoholic Drinks ..... | 43.061%           |
| 2  | Alcoholic Drinks and Tobacco .....  | 5.955%            |
| 3  | Clothing and Footwear .....         | 11.327%           |
| 4  | Housing .....                       | 16.223%           |
| 5  | Household Goods .....               | 3.191%            |
| 6  | Medicine .....                      | 2.654%            |
| 7  | Transport .....                     | 6.490%            |
| 8  | Communications .....                | 2.105%            |
| 9  | Culture and Leisure .....           | 2.880%            |
| 10 | Education .....                     | 2.218%            |
| 11 | Hotels, Cafes and Restaurants ..... | 1.335%            |
| 12 | Other Goods and Services .....      | 2.561%            |
|    | <b>Total .....</b>                  | <b>100.0%</b>     |

The weightings are updated periodically (usually annually) based on the analysis of information from the MPRS. In addition, the practicality of broadening the product coverage and the possibility of modifying some of the treatments employed in the index calculations will also be considered depending on actual changes in consumer preferences. In this manner, the KCPI reflects changes in consumer habits that have occurred in the twelve months subsequent to the last update. It is intended that a base change will also be periodically reconsidered to conform to the fair assessment. In connection with such a base change, the operations to be undertaken will consist of determining the make-up of the shopping basket, the weightings for the most broken-down levels and the sample selection. This will be accompanied by a thorough review of all the methodology aspects which define the KCPI.

### ***Historical Performance***

The following table shows the level of the KCPI for the periods indicated based upon the information published by the NSA:

| <u>Year/Month</u> | <u>Level</u> |
|-------------------|--------------|
|                   | (2000=100)   |
|                   | Annual KCPI  |
| 2002              | 106.6        |
| 2003              | 106.8        |
| 2004              | 106.9        |
| 2005              | Monthly KCPI |
| May               | 100.6        |
| June              | 100.4        |
| July              | 100.5        |
| August            | 100.2        |
| September         | 100.8        |
| October           | 101.0        |
| November          | 100.6        |

Source: National Statistic Agency of the Republic of Kazakhstan

## 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 National Bank of the Republic of Kazakhstan (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 being limited to interventions in the internal currency market in order to prevent volatile exchange rate fluctuations caused by short-term changes in supply and demand.

As a result of the economic crises in Asia and Russia in 1997 and 1998 and the resulting currency depreciations, primarily in Russia and other former Soviet Republics, Kazakhstan’s exports became less competitive on international markets while imports from such countries increased. In addition, the decline in world commodity prices, particularly of oil, base and precious metals and grain, reduced Kazakhstan’s foreign currency revenues. The resulting trade imbalance, as well as lower than expected privatisation revenues, weakened the Tenge. The NBK supported the Tenge by intervening in the foreign exchange markets. Such intervention, together with the servicing of Kazakhstan’s external debt, resulted in a decline of foreign exchange reserves.

In April 1999, the NBK and the Government publicly announced that they would cease to intervene in the foreign exchange markets to support the Tenge, allowing the exchange rate to float freely. This decision was supported by international financial organisations such as the International Monetary Fund (the “IMF”). As a result, the Tenge depreciated from a pre-announcement rate of KZT88 per U.S. Dollar to a rate of about KZT130 per U.S. Dollar by May 1999. Since then, the Tenge has generally continued to depreciate in nominal terms against the U.S. Dollar, although it strengthened against the U.S. Dollar in 2003 and the first half of 2004.

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

#### *Year ended 31 December*

|      | <u>Period-end</u> | <u>High</u> | <u>Average(1)</u> | <u>Low</u> |
|------|-------------------|-------------|-------------------|------------|
| 1999 | 138.20            | 141.00      | 119.65            | 83.80      |
| 2000 | 144.50            | 144.50      | 142.13            | 138.20     |
| 2001 | 150.20            | 150.20      | 146.73            | 145.00     |
| 2002 | 155.60            | 155.60      | 153.28            | 150.60     |
| 2003 | 144.22            | 155.89      | 149.50            | 143.66     |
| 2004 | 130.00            | 143.33      | 136.05            | 130.00     |

#### *Quarter ended*

|                   | <u>Period-end</u> | <u>High</u> | <u>Average(1)</u> | <u>Low</u> |
|-------------------|-------------------|-------------|-------------------|------------|
| 31 March 2004     | 138.93            | 142.91      | 139.65            | 138.41     |
| 30 June 2004      | 136.06            | 138.92      | 137.19            | 136.00     |
| 30 September 2004 | 134.29            | 134.36      | 134.30            | 134.28     |
| 31 December 2004  | 130.00            | 134.41      | 131.35            | 130.00     |
| 31 March 2005     | 132.59            | 132.59      | 130.21            | 129.83     |
| 30 June 2005      | 135.26            | 136.0       | 132.18            | 130.28     |
| 30 September 2005 | 133.89            | 136.12      | 135.12            | 133.89     |

(1) The average of the middle rate reported by the NBK on each day during the relevant period.

The middle KZT/U.S. Dollar exchange rate on the Kazakhstan Stock Exchange, as reported by the NBK on 30 September 2005, was KZT135.12 per U.S.\$1.

### *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 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.

New licensing rules adopted at the beginning of 2002 liberalised the treatment of the outflow of capital. The NBK intends to further liberalise licensing rules in the next few years. One of the purposes of liberalisation is to avoid the pressure caused by the influx of Dollars into Kazakhstan due to high market prices for Kazakhstan export goods by directing export revenues abroad. In May 2003, a new law was passed which provides for step-by-step liberalisation resulting, among other things, in full internal convertibility of the Tenge, permission for banks to invest abroad, and the removal of restrictions on investments in foreign investment-grade securities and opening of bank accounts in OECD banks by 2007.

Kazakhstan recently significantly liberalised its foreign exchange regulations. Since May 2003, a licence has not been needed for a resident of Kazakhstan to invest in foreign investment-grade securities or to acquire more than 50 per cent. of the voting interests in a company incorporated in any OECD country or for an individual to open an account with a bank not rated below A by Standard & Poor's and incorporated in an OECD country or for banks based in Kazakhstan to make loans to non-residents. The NBK intends further to liberalise licensing rules in the next few years.



## TAXATION

Purchasers and/or sellers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of transfer or purchase in addition to the issue price or purchase price (if different) of the Notes.

Transactions involving Notes (including purchases, transfer or redemption), the accrual or receipt of any interest payable on the Notes and the death of a holder of any Note may have tax consequences for potential purchasers which may depend, amongst other things, upon the tax status of the potential purchaser and may relate to stamp duty, stamp duty reserve tax, income tax, corporation tax, capital gains tax and inheritance tax.

***Potential purchasers who are in any doubt about their tax position on purchase, ownership or transfer of the Notes should consult their own tax advisers.***

### United States Taxation

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

*The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a Non-U.S. Holder (as defined below). The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.*

THE SUMMARY OF U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Under current U.S. federal income and estate tax law and subject to the discussion of backup withholding in the following section:

- (a) Payments of principal and interest by the Issuer or any paying agent to any holder of a Note who is a Non-U.S. Holder (as defined below) will not be subject to U.S. federal withholding tax, provided that, in the case of interest, (i) the holder does not actually or constructively own 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote, (ii) the holder is not for U.S. federal income tax purposes a controlled foreign corporation related to the Issuer through stock ownership, (iii) the holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, and (iv) the holder provides the Issuer or its paying agent with a U.S. Internal Revenue Service ("IRS") Form W-8.
- (b) A Non-U.S. Holder of a Note will not be subject to U.S. federal income tax on any gain or income realised upon the sale, exchange, retirement or other disposition of a Note, provided that (i) the holder has provided the Issuer or its paying agent with an IRS Form W-8, and (ii) neither the holder, nor a partner, fiduciary, settlor or beneficiary of the holder if the holder is a partnership or an estate or trust, or a person holding a power over an estate or trust administered by a fiduciary holder, is considered as:
  - (i) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein;
  - (ii) having a current or former relationship with the United States, including a relationship as a citizen or resident thereof;
  - (iii) being or having been for U.S. federal income tax purposes a personal holding company, a passive foreign investment company, a controlled foreign corporation or a corporation that has accumulated earnings to avoid U.S. federal income tax; or

- (iv) (a) actually or constructively owning or having owned 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote or (b) being a controlled foreign corporation related to the Issuer through stock ownership.
- (c) A Note held by an individual who is a Non-U.S. Holder at the time of death will not be subject to U.S. federal estate tax as a result of the individual's death if (i) at the time of the individual's death payments with respect to the Note would not have been effectively connected with a U.S. trade or business of the individual, and (ii) the holder does not own, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote.

For purposes of this discussion, "Non-U.S. Holder" means any corporation, partnership, individual or estate or trust that, for U.S. federal income tax purposes, is (i) a foreign corporation, (ii) a foreign partnership all of whose partners are Non-U.S. Holders, (iii) a non-resident alien individual or (iv) a foreign estate or trust all of whose beneficiaries are Non-U.S. Holders.

### **Backup Withholding and Information Reporting**

Unless the Issuer or the paying agent has actual knowledge or reason to know that the holder or beneficial owner, as the case may be, is a U.S. person (as defined in the Code), payments of principal and interest on Notes made to a Non-U.S. Holder will not be subject to backup withholding, provided the Non-U.S. Holder provides the payor with an IRS Form W-8, but interest paid on Notes will be reported to the IRS as required under applicable regulations.

Any amounts withheld under the backup withholding rules may be allowed as a credit against the holder's U.S. federal income tax liability, and may entitle the holder to a refund, provided that the required information is furnished to the IRS. Holders should consult their tax advisors regarding the application of information reporting and backup withholding to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining an exemption, if available.

### **United Kingdom Taxation**

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. The following does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

#### **1. Payment of Interest on the Notes**

- (i) Provided that the Issuer continues to be a bank within the meaning of section 840A of the Income and Corporation Taxes Act 1988 (the "Act"), and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 349 of the Act, it will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax. In accordance with a H.M. Revenue and Customs statement of practice, interest will not be regarded as being paid in the ordinary course of business where the borrowing relates to the capital structure of the Issuer. The borrowing will be regarded as relating to the capital structure of the Issuer if it conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the Financial Services Authority, whether or not the borrowing actually counts towards tier 1, 2 or 3 capital for regulatory purposes.
- (ii) Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Act. The Luxembourg Stock Exchange is a recognised stock exchange for the purposes of section 841 of the Act. Under a H.M. Revenue and Customs interpretation, the Notes will satisfy this requirement if they are listed by the competent authority in Luxembourg and are admitted to trading by the Luxembourg Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax whether or not the Issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

- (iii) Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that either:
  - (a) the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
  - (b) the payment is made to one of the classes of exempt bodies or persons set out in section 349B (3) to (6) of the Act,

provided that H.M. Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in section 349B of the Act will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

- (iv) In some cases, subject to certain exemptions, an amount must be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by H.M. Revenue and Customs under an applicable double taxation treaty.

Noteholders who are individuals may wish to note that H.M. Revenue and Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by H.M. Revenue and Customs with the tax authorities of other jurisdictions in which the Noteholder is resident for tax purposes.

## 2. EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. A number of non-EU countries and territories have adopted similar measures to the EU Directive.

### **Luxembourg**

*The below does not relate to any form of Luxembourg taxation other than taxation withheld at source:*

Under Luxembourg tax laws currently in effect, and subject to the application of Directive 2003/48/EC regarding the taxation of savings income (the “Savings Directive”), there is no withholding tax for non-residents on payments of principal or interest, or on accrued but unpaid interest, in respect of the Notes, nor is there any Luxembourg withholding tax payable on payments received upon redemption, repurchase or exchange of the Notes.

On 3 June 2003, the European Union adopted the Savings Directive, which has been implemented in Luxembourg by a law dated June 21, 2005. Under the Savings Directive, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another EU Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals resident in certain dependent territories. The withholding tax rate is initially 15%, increasing steadily to 20% and to 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

### **Luxembourg Residents**

A 10% withholding tax has been introduced, as from January 1, 2006 on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents. Only interest accrued after July 1, 2005 falls within the scope of this withholding tax. Income (other than interest) from investment funds and from current accounts, provided that the interest rate is not higher than 0.75%, are exempt from the withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long

term) and which does not exceed €250 per person and per paying agent is exempted from the withholding tax. This withholding tax represents the final tax liability for Luxembourg individual resident taxpayers.

Responsibility for the withholding of such tax will be assumed by the Luxembourg paying agent and not by the Issuer.

## **SUBSCRIPTION AND SALE**

KazInvestBank JSC (the “Subscription Agent”) has, pursuant to a Subscription Agency Agreement dated 14 February 2006, agreed with the Issuer to facilitate the subscription of the Notes by certain investors.

Prior to the Issue Date the Issuer shall enter into direct sale and purchase agreements (the “Subscription Agreements”) in respect of the Notes with investors selected with the assistance of the Subscription Agent, subject to the satisfaction of certain conditions. The transfer of title to the Notes from the Issuer to the Noteholders following the initial subscription for the Notes pursuant to the Subscription Agreements shall be effected in accordance with the terms and conditions of the Notes. The Subscription Agreements entitle the Issuer to terminate such Agreements in certain circumstances prior to payment being made to the Issuer.

The Subscription Agent, Kazkommerts Invest JSC and JSC TuranAlem Securities are together referred to as the “Agents”.

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Subscription Agent has agreed that it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date of the Offering, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Notes within the United States by a dealer that is not participating in the Offering may violate the registration requirements of the Securities Act. The Prospectus has been prepared by the Issuer for use in connection with the offer and sale of Notes outside the United States and for the listing of Notes on the Luxembourg Stock Exchange. The Issuer and the Subscription Agent reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. The Prospectus does not constitute an offer to any person in the United States or to any U.S. person. Distribution of the Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

### **United Kingdom**

The Subscription Agent represents, warrants and agrees that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Kazakhstan**

The Subscription Agent has agreed that it has and will comply with all applicable laws and regulations of Kazakhstan with respect to anything done by it in relation to the Notes in, from or otherwise involving Kazakhstan.

## **TRANSFER RESTRICTIONS**

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the Distribution Compliance Period, by accepting delivery of the Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, and in accordance with any other applicable securities laws.
- (3) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT”.
- (4) The Issuer, the Registrar, the Agents and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (5) Until such time as the Kazakhstan Tenge is fully accepted by Euroclear and Clearstream, Luxembourg as a currency in which payments can be settled, or until payments are made in U.S. dollars in accordance with Condition 3(d) (from which time in either case payments may be made through Euroclear and/or Clearstream, Luxembourg), the Notes must be held by each investor through their accounts in the Kazakhstan Central Depository, which will maintain an account with Clearstream, Luxembourg. As at the Issue Date, the Notes will not be accepted in the book entry system of Euroclear.



## GENERAL INFORMATION

1. It is expected that listing of the Notes on the Market will be granted on or about 14 February 2006, subject only to the issue of the Global Certificate. Application will also be made to list the Notes on Kazakhstan Stock Exchange Incorporated.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by the Issuer pursuant to an authorisation on 13 February 2006.
3. The Issuer does not intend to apply to the CSSF to provide the competent authority of any EEA state with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* which implements the Prospectus Directive into Luxembourg law, for the purposes of a public offer in any EEA state.
4. Save as disclosed in this Prospectus (including the documents incorporated by reference herein), there has been no material adverse change in the financial and trading position or prospects of the Issuer since the date of its most recently published annual consolidated financial statements incorporated herein by reference.
5. Except as disclosed in this Prospectus and the documents incorporated by reference herein, in particular the Form 10-K of the Issuer for the year ended 31 December 2004 (as described in “Documents Incorporated by Reference” above), neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects, in the context of the issue of the Notes, on the financial position or profitability of the Issuer’s Group.
6. The Notes have been accepted for clearance through Clearstream, Luxembourg with a Common Code of 024450996. As at the Issue Date, the Notes will not be accepted in the book-entry system of Euroclear. The International Securities Identification Number (ISIN) for the Notes is XS0244509963.

The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

7. The address of the Kazakhstan Central Depository is 67, Aiteke bi, 050000 Almaty, Kazakhstan. Copies of the following documents will, when published (as necessary in accordance with the Prospectus Directive), be available from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg until the completion of the offering:
  - (i) the constitutional documents of the Issuer;
  - (ii) the Consolidated Financial Statements of the Issuer for the years ended 31st December 2002, 2003 and 2004;
  - (iii) the Subscription Agreement, the Agency Agreement, the Deed Poll and the form of the Global Certificate and of the Notes in definitive form;
  - (iv) a copy of this Prospectus.

Copies of this Prospectus and any other documents incorporated herein or therein by reference will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### 8. Auditors

The financial statements as at 31 December 2004 and 2003 and for each of the three years ended 31 December 2004, which are incorporated by reference into this Prospectus, have been audited by PricewaterhouseCoopers LLP (registered and inspected by the Public Company Accounting Oversight Board (PCAOB)), an independent public accounting firm, as stated in their report appearing therein.

### 9. EU Transparency Directive

The Directive of the European Parliament and of the Council on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market, the EU Transparency Directive, is currently being finalised and may be implemented in Luxembourg and other member states of the European Union in a manner that is unduly burdensome for the Issuer. In particular, the Issuer may be required to publish financial statements in the EU prepared in accordance with, or reconciled to, International Financial Reporting Standards. In such circumstances the Issuer may decide, in consultation with the Agents, to seek an alternative listing for the Notes on a stock exchange outside the European Union.

## **THE ISSUER**

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## **PRINCIPAL PAYING AGENT**

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## **REGISTRAR**

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## **CALCULATION AGENT**

## **LUXEMBOURG PAYING AGENT AND LISTING AGENT**

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### **J.P. Morgan Bank Luxembourg S.A.**

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## **SUBSCRIPTION AGENT AND LOCAL ARRANGER**

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## **LOCAL ARRANGER, SUB-SUBSCRIPTION AGENT AND MARKET MAKER**

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## **LOCAL ARRANGER**

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## **LEGAL ADVISERS**

*To the Issuer as to English and United States law*

### **Linklaters**

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*To the Issuer as to Kazakhstani law*

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## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO THE ISSUER**

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