IMPORTANT NOTICE

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS, EXCEPT AS PERMITTED UNDER REGULATION S. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have been sent the attached Prospectus on the basis that you have confirmed to Morgan Stanley & Co. International Limited, being the sender of the attached, that (i) you are not in the United States or a U.S. Person and (ii) you consent to delivery by electronic transmission.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither Morgan Stanley & Co. International Limited nor any person who controls Morgan Stanley & Co. International Limited or any director, officer, employee or agent of any of these, or affiliate of any such person accepts any liability or responsibility whatsoever in respect any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Morgan Stanley & Co. International Limited.

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

The attached Prospectus may only be communicated to persons in circumstances where Section 21(1) of the Financial Services and Markets Act 2000, as amended, does not apply.

CenterCredit International B.V.

(*a limited liability company incorporated in The Netherlands*)

KZT25,000,000,000 8.25 per cent. Notes due 30 September 2011
unconditionally and irrevocably guaranteed by

JSC Bank CenterCredit

(*a joint stock company incorporated in the Republic of Kazakhstan*)

Issue price: 98.99 per cent.

The KZT25,000,000,000 8.25 per cent. Notes due 30 September 2011 (the "**Notes**") are issued by CenterCredit International B.V. (the "**Issuer**") and are guaranteed by JSC Bank CenterCredit (the "**Bank**" or the "**Guarantor**"). Interest on the Notes will accrue from 20 September 2006 and will be payable semi-annually in arrear on 30 September and 30 March of each year, commencing on 30 March 2007. The Bank will unconditionally and irrevocably guarantee the due and punctual payment of all Kazakhstan Tenge amounts at any time becoming due and payable in respect of the Notes (the "**Guarantee**") pursuant to a trust deed to be dated 20 September 2006 (the "**Trust Deed**") between the Issuer, the Bank and Deutsche Trustee Company Limited, as trustee for the holders of the Notes (the "**Trustee**"). The Notes will be subject to, and have the benefit of, the Trust Deed.

Unless an Inconvertibility Event has occurred, all payments of principal and interest, and other payments under the Notes will be made in U.S. dollars at the FX Rate (as defined in Condition 7 (*Payments*)) less the fees and commissions of JSC Halyk Bank (the "**FX Bank**"). The Issuer has entered into a foreign exchange agreement (the "**FX Agreement**") with the FX Bank. If, in relation to a payment date under the Notes, an Inconvertibility Event has occurred and no custodian has been appointed by, and at the cost of, the Noteholders at such time (a "**KZT Custodian**"), then the payment will be made in Kazakhstan Tenge through a paying agent in Kazakhstan nominated by the Issuer (the "**Kazakhstan Paying Agent**") and, whether or not a KZT Custodian or Kazakhstan Paying Agent is appointed, Noteholders may be required to open and maintain a Kazakhstan Tenge bank account with a Kazakhstan bank to receive such payments.

If an Inconvertibility Event has occurred and Euroclear and Clearstream, Luxembourg are unable to continue to accept the Notes in the clearing system maintained by Euroclear and Clearstream, Luxembourg (the "**Clearing System**") then the Global Note will cease to be held by the Common Depositary and the Notes will no longer be held in the Clearing System. In this event it is envisaged that the Global Note will instead be placed with a KZT Custodian and beneficial interests in the Global Note will be shown on, and transfers thereof will only be effected through, records maintained by the KZT Custodian. If no KZT Custodian is appointed within a specified time the Global Note will be exchanged for Note Certificates. See "*Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form*".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the "**FSMA**") (in such capacity, the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. Reference in this prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purpose of Directive 93/22/EEC (the "**Investment Services Directive**").

See "*Risk Factors*" starting on page 13 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Payments on the Notes will be made free and clear of any withholding taxes in The Netherlands. Although the Guarantor is obliged to withhold taxes from payments to the Issuer to fund the Issuer's obligations under the Notes, the Guarantor has agreed to gross up such payments to ensure the Issuer receives an amount sufficient to meet its obligations in respect of the Notes as if no withholding had been made. The Issuer may redeem the Notes in whole, but not in part, if a withholding of tax is required in The Netherlands or in the event that the Guarantor is required to increase the amount it is required to gross up after the date hereof, all as more fully set out in Condition 8.2 (*Redemption for tax reasons*) of the Terms and Conditions of the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Manager (as defined in "**Subscription and Sale**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form and will initially be represented by beneficial interests in a global note (the "**Global Note**"), in fully registered form, without interest coupons, which will be deposited on or around 20 September 2006 (the "**Closing Date**") with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "**Euroclear Operator**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive, fully registered, form, without coupons, in denominations of KZT10,000,000 and integral multiples of KZT1,000,000 in excess thereof without interest coupons attached. See "*Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form*".

Sole Lead Manager

Morgan Stanley

The date of this Prospectus is 13 September 2006

This Prospectus together with the attached unaudited interim condensed consolidated financial statements for the six months ended 30 June 2006 and the audited consolidated financial statements for the year ended 31 December 2005 and December 2004 constitute a prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC.

None of the Manager, the Trustee or any of their respective directors, affiliates, advisers or agents, has made an independent verification of the information contained herein in connection with the issue or offering of the Notes or guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation or warranty by the Manager, the Trustee or any of their respective directors, affiliates, advisers or agents. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and its subsidiaries (together, the "**Group**") and the terms of the offering, including the merits and the risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own legal adviser, business adviser or tax adviser for legal, business or tax advice.

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

This Prospectus does not constitute an offer to sell or a solicitation of an offer to purchase the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus has been prepared by the Issuer and the Bank solely for use in connection with the proposed offering of the Notes and for the listing of the Notes on the London Stock Exchange's Gilt Edged and Fixed Interest Market and may be used only for the purposes for which it is published. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. Persons into whose possession this Prospectus may come are required by the Issuer, the Bank, the Manager and the Trustee to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Prospectus is set out under "*Subscription and Sale*".

IN CONNECTION WITH THE ISSUE OF THE NOTES, MORGAN STANLEY & CO. INTERNATIONAL LIMITED (OR ANY PERSON ACTING ON BEHALF OF MORGAN STANLEY & CO. INTERNATIONAL LIMITED) MAY OVER-ALLOT NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO ASSURANCE THAT MORGAN STANLEY & CO. INTERNATIONAL LIMITED (OR ANY PERSON ACTING ON BEHALF OF MORGAN STANLEY & CO. INTERNATIONAL LIMITED) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

RESPONSIBILITY STATEMENT

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

Certain information in this Prospectus contained under the headings "*Operating and Financial Review—Kazakhstan's economy*" and "*The Banking Sector in Kazakhstan*" has been extracted from documents and other publications released by, and is presented on the authority of, publications released by the National Bank of Kazakhstan (the "**NBK**") and Kazakhstan's National Statistical Agency (the "**NSA**"). There is not necessarily any uniformity of view among such sources as to such information provided herein. The Bank accepts responsibility for accurately reproducing such extracts, and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

TABLE OF CONTENTS

Page

ENFORCEMENT OF FOREIGN JUDGMENTS

The Bank is a joint stock company organised under the laws of Kazakhstan and all of its officers and directors and certain other persons referred to in this Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of the Bank and most of such persons are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Bank or any such person outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained on the Trust Deed in the courts of England.

The Notes, the Trust Deed and the FX Agreement are governed by the laws of England and the Issuer and the Bank have agreed in the Notes, the Trust Deed and the FX Agreement that disputes arising thereunder are subject to the jurisdiction of the English courts or, at the election of the Trustee or, in certain circumstances, a Noteholder, to arbitration in London, England. Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and England. However, each of Kazakhstan and England are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**") and, accordingly, an arbitral award under the Convention should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention are met.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as "estimates", "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately", or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Bank's results of operations, financial condition liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Bank's actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised.

Factors that might affect such forward-looking statements include, among other things, overall economic and business conditions; the demand for the Bank's services; competitive factors in the market sectors in which the Bank competes; changes in governmental regulation; changes in tax requirements including tax rate changes, new tax laws and revised tax law interpretations; results of litigation or arbitration; interest rate fluctuations and other market conditions, including foreign currency rate fluctuations; economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders; and the timing, impact and other uncertainties of future actions. See "*Risk Factors*" for a discussion of important factors that could cause actual results to differ materially from these forward-looking statements.

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books of account in Tenge in accordance with the relevant laws in Kazakhstan and with the regulations of the NBK. Its restated consolidated financial statements as at and for the years ended 31 December 2005 and 2004 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") (formerly referred to as the International Accounting Standards ("**IAS**")), and have been audited by Deloitte, LLP located at 240-v Furmanov Street, Almaty, Kazakhstan. Neither it nor any of its employees have any material interest in the Bank or the Issuer. The consolidated interim condensed financial statements as at and for the months ended 30 June 2006 and 2005 are unaudited and were prepared in accordance with IFRS.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus:

- "**Bank**" and the "**Borrower**" refer to JSC Bank CenterCredit, and, where the context permits, the Bank and its subsidiaries;
- "**Basel Accord**" refers to the 1988 Capital Accord adopted by the Basel Committee on Bank Regulations and Supervisory Practice;
- "**CIS**" refers to the Commonwealth of Independent States;
- "**DBK**" refers to the Development Bank of Kazakhstan;
- "**EBRD**" refers to the European Bank for Reconstruction and Development;
- "**EU**" refers to the European Union;
- "**Issuer**" refers to CenterCredit International B.V.;
- "**Kazakhstan**" or the "**Republic**" are to the Republic of Kazakhstan;
- "**NBK**" refers to the National Bank of Kazakhstan;
- "**NBK Regulations**" refers to the regulations published by the NBK;
- "**NSA**" refers to Kazakhstan's National Statistical Agency;
- "**OECD**" refers to the Organisation for Economic Co-operation and Development;
- "**Tenge**" or "**KZT**" refer to Kazakhstan Tenge, the official currency of Kazakhstan;
- "**United States**" or the "**U.S.**" refers to the United States of America;
- "**€**" and "**euros**" refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; and
- "**U.S.$**", "**U.S. dollars**" and "**USD**" refer to the lawful currency of the United States.

Solely for the convenience of the reader, the Bank has in "Summary Financial Information" and "*Selected Financial and Other Information*" translated items from its consolidated financial statements for or as at the six months ended 30 June 2006 and for or as at the year ended 31 December 2005 contained in this Prospectus into U.S. dollars at the rates of U.S.$1.00 = KZT118.69 and U.S.$1.00 = KZT133.98, respectively.

No representation is made that the Tenge or U.S. dollar amounts in this Prospectus could have been converted into U.S. dollars or Tenge, as the case may be, at any particular rate or at all.

OVERVIEW OF THE ISSUER AND THE BANK

The following summary highlights significant aspects of the Issuer's and of the Bank's business and the offering of the Notes, but prospective investors should read this entire Prospectus, including the Bank's historical audited consolidated financial statements and related notes, included elsewhere in this Prospectus, before making an investment decision. Prospective investors also should carefully consider the information set forth under "*Risk Factors*."

The Issuer

The Issuer is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid or B.V.*) incorporated on 4 January 2006 under the laws of The Netherlands. The Issuer's primary business consists of raising funds on the international capital markets and lending such funds to the Bank.

The Bank

The Bank is a joint stock company registered under the laws of Kazakhstan. The Bank was originally registered with the state bank of the former Soviet Union on 20 September 1988 as Almaty Oblast Central Cooperative Bank CenterBank.

In 1991, the Bank was re-registered as Kazakhstan Central Joint Stock Bank CenterBank and in August 1998, the Bank merged with CJSC Zhilstroibank. In 2004, the Bank was re-registered as joint stock company Bank CenterCredit.

The Bank's Business

The Bank is the sixth largest commercial bank in Kazakhstan in terms of assets, which as at 30 June 2006 equalled KZT410,598.9 million, and fourth largest in terms of deposit accounts held by non-bank customers ("**customer accounts**"), which as at the same date equalled KZT176,946.1 million. The Bank's primary business consists of corporate and retail banking. Its corporate banking activities include providing a broad range of wholesale banking products to a diversified group of domestic customers, primarily small- and medium-sized companies. The Bank's retail banking activities and products include retail lending, deposit taking and issuing credit and debit cards. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

As at 30 June 2006, the Bank had 19 full service branches and 117 limited service branches in addition to its head office in Almaty.

The Bank's Business Strategy

The Bank's strategy is to increase its market share and total assets by strengthening its position in all segments of the market, with a particular focus on small- and medium-sized enterprises and retail customers. In order to implement its strategy, the Bank intends to focus on the following: expand its banking and capital market activities, strengthen its funding base and capital base, enhance its risk management infrastructure and policies, enhance operating efficiency, establish strategic partnerships with international financial institutions and increase its geographic presence.

The Bank's Credit Ratings

The Bank is expected to be rated Bal by Moody's Investors Service Inc. ("**Moody's**") and BB- by Fitch Ratings Ltd ("**Fitch**").

The Notes are expected to be assigned a rating of Ba1 by Moody's.

A security credit rating is not a recommendation to buy, sell or hold the securities, and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Bank's address is 100, Shevchenko Street, Almaty, 050022, Kazakhstan.

SUMMARY FINANCIAL INFORMATION

The following summary historical financial information has been derived from the Bank's audited consolidated financial statements as at and for the years ended 31 December 2005 and 2004, which were audited by Deloitte, LLP, the Kazakhstan national practice of Deloitte Touche Tohmatsu ("**DTT**"). DTT is a Swiss Verein and each of its national practices is a separate and independent legal entity. Investors should not rely on interim results as being indicative of results the Bank may expect for the full year. The summary information for the six months ended 30 June 2006 and 2005 and as at 30 June 2006 is extracted from the unaudited condensed consolidated interim financial statements prepared by the Bank. Investors should not rely on interim results as being indicative of results the Bank may expect for the full year. The Bank's financial statements have been prepared in accordance with IFRS and are presented in Tenge.

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in "*Capitalisation*," "*Operating and Financial Review*" and the Bank's consolidated interim financial statements and consolidated financial statements and the related notes thereto appearing elsewhere in this Prospectus.

Consolidated Income Statement Data

	For the six month period ended 30 June			For the year ended 31 December		
	2006	**2006**	**2005**	**2005**	**2005**	**2004**
	(U.S.$ thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.$ thousands) (unaudited)*	*(KZT thousands) (audited)*	
Income Statement:						
Interest income	161,307	20,502,086	10,086,084	194,449	25,834,410	12,396,971
Interest expense	(100,059)	(12,717,560)	(5,820,219)	(104,879)	(13,934,160)	(6,355,305)
Net interest income before provision for impairment losses on interest bearing assets	61,248	7,784,526	4,265,865	89,570	11,900,250	6,041,666
Provision for impairment losses on interest bearing assets	(18,755)	(2,383,721)	(2,418,113)	(40,616)	(5,396,226)	(2,418,052)
Net interest income	42,493	5,400,805	1,847,752	48,954	6,504,024	3,623,614
Net gain/(loss) on assets held-for-trading	2,524	320,768	44,607	(158)	(20,963)	92,756
Net gain on foreign exchange operations	1,700	216,067	568,858	8,395	1,115,378	783,277
Fees and commission income	25,333	3,219,782	2,333,640	38,606	5,129,225	3,327,522
Fees and commission expenses	(3,047)	(387,217)	(241,508)	(3,970)	(527,445)	(339,886)
Net (loss)/gain on investments available-for-sale	(4)	(493)	359,949	(38)	(5,060)	28,079
Other income (expense)	3,137	398,689	276,590	3,358	446,025	284,657
Net non-interest income	29,643	3,767,596	3,342,136	46,193	6,137,160	4,176,405
Operating income	72,136	9,168,401	5,189,888	95,147	12,641,184	7,800,019
Operating expenses	(36,362)	(4,621,577)	(3,008,875)	(54,592)	(7,253,103)	(4,963,739)
Operating Profit	35,774	4,546,824	2,181,013	40,555	5,388,081	2,836,280
(Provision)/recovery of provision for impairment losses on other transactions	(4,994)	(634,731)	83,589	(396)	(52,571)	(118,662)
Share of results of associates	-		-	-	-	4,100
Profit before income tax	30,780	3,912,093	2,264,602	40,159	5,335,510	2,721,718
Income tax expense	(3,170)	(402,869)	(150,949)	(4,384)	(582,537)	(284,585)
Net profit from ordinary operations	27,610	3,509,224	2,113,653	35,775	4,752,973	2,437,133
Profit from discontinued operations	-	-	-	78	10,414	2,481
Net profit	**27,610**	**3,509,224**	**2,113,653**	**35,853**	**4,763,387**	**2,439,614**
Attributable to:						
Equity holders of the parent	27,253	3,463,866	2,115,523	35,792	4,755,366	2,424,024
Minority interest	357	45,358	(1,870)	61	8,021	15,590
	27,610	**3,509,224**	**2,113,653**	**35,853**	**4,763,387**	**2,439,614**

Consolidated Balance Sheet Data

	As at 30 June			As at 31 December		
	2006	2006	2005	2005	2005	2004
	(U.S.S thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.S thousands) (unaudited)*	*(KZT thousands) (audited)*	
Balance Sheet						
Assets:						
Cash and balances with the National Bank of the Republic of Kazakhstan	225,452	26,758,954	10,793,579	123,915	16,602,181	8,739,070
Loans and advances to banks	223,273	26,500,247	9,693,186	278,420	37,302,743	9,745,108
Assets held-for-trading	51,317	6,090,825	5,561,841	254,402	34,084,775	2,911,382
Securities purchased under agreements to resell	40,186	4,769,630	3,401,857	54,381	7,285,923	7,843,313
Loans to customers, less allowance for impairment losses	2,280,938	270,724,548	182,477,837	1,551,623	207,886,432	91,467,416
Investments available-for-sale	525,215	62,337,726	36,624,058	132,257	17,719,809	21,478,739
Investments held-to-maturity	17,485	2,075,320	92,348	466	62,460	54,973
Fixed and intangible assets, less accumulated depreciation and amortization	61,016	7,241,992	5,200,508	45,570	6,105,415	3,887,790
Income tax assets	1,658	196,760	123,615	1,286	172,359	38,289
Other assets, less allowance for impairment losses	32,883	3,902,859	3,966,018	23,026	3,085,005	2,317,586
Total assets	**3,459,423**	**410,598,861**	**257,934,847**	**2,465,346**	**330,307,102**	**148,483,666**
Liabilities and Equity:						
Liabilities:						
Loans and advances from banks	827,139	98,173,122	57,422,473	665,789	89,202,443	34,963,481
Securities sold under agreements to repurchase	-	-	4,407,787	197,384	26,445,539	-
Customer accounts	1,490,825	176,946,067	127,909,761	1,041,893	139,592,841	91,367,688
Debt securities issues	723,366	85,856,303	33,052,953	250,710	33,590,145	1,510,157
Other liabilities	21,474	2,548,707	2,424,140	12,587	1,686,434	891,625
Subordinated debt	148,620	17,639,668	11,327,981	101,345	13,578,243	7,475,295
Total liabilities	**3,211,424**	**381,163,867**	**236,545,095**	**2,269,708**	**304,095,645**	**136,208,246**
Equity:						
Share capital	138,173	16,399,781	12,877,492	122,405	16,399,781	7,466,920
Investments available-for-sale fair value reserve	2,887	342,703	602,427	4,745	635,707	426,252
Fixed assets revaluation reserve	44	5,263	274,561	44	5,889	275,527
Revenue reserve	105,496	12,521,251	7,574,739	67,680	9,067,728	4,042,724
Minority Interest	1,399	165,996	60,533	764	102,352	63,997
Total equity	**247,999**	**29,434,994**	**21,389,752**	**195,638**	**26,211,457**	**12,275,420**
Total liabilities and equity	**3,459,423**	**410,598,861**	**257,934,847**	**2,465,346**	**330,307,102**	**148,483,666**

Selected Financial Ratios

	As at or for the six month period ended 30 June		As at or for the year ended 31 December	
	2006	2005	2005	2004
		(per cent.)		
Key Ratios:				
Return on equity[(1)(2)]	25.2	N/A	24.8	24.7
Net earnings per share (in KZT)	43.1	52.4	97.9	80.6
Operating expenses/operating income before provisions for impairment losses	40.0	39.5	40.2	48.6
Operating expenses/operating income after provisions for impairment losses	50.4	58.0	57.4	63.6
Effective provisioning rate on loans and advances to customers	4.0	N/A	4.2	4.3
Profitability Ratios:[(3)]		N/A		
Net interest margin[(2)(4)]	4.6	N/A	5.4	6.0
Operating expenses as a percentage of net interest income before provisions for impairment losses	59.4	70.5	60.9	82.2
Operating expense as a percentage of average total assets[(2)]	2.5	N/A	3.0	4.3
Net profit as a percentage of average total assets[(2)]	1.9	N/A	2.0	2.1
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	43.1	N/A	42.3	61.5
Total net loans and advances to customers as a percentage of total assets	65.9	N/A	62.9	61.6
Total equity as a percentage of total assets	7.2	N/A	7.9	8.3
Liquid assets as a percentage of customer accounts[(5)]	67.3	N/A	74.9	46.1
Liquid assets as a percentage of liabilities of up to one month	140.3	N/A	121.9	89.0
Capital Adequacy Ratios:[(6)]				
Total capital	16.4	N/A	16.3	17.43
Tier I capital	8.5	N/A	10.7	10.63
Credit Quality Ratios:[(7)]				
Non-performing loans as a percentage of total loans	0.9	N/A	0.3	0.5
Non-performing loans as a percentage of total loans and guarantees	0.8	N/A	0.3	0.5
Provisions for impairment losses as a percentage of non-performing loans	427.0	N/A	1,364.6	787.3

(1) Based on the average of the opening and closing balances for the period.
(2) Annualised.
(3) Averages are based upon average daily balances.
(4) Net interest margin is net interest income before provisions for impairment losses as a percentage of average interest-earning assets.
(5) Liquid assets include cash and balances with the NBK, loans and advances to banks (with maturity of less than one month), assets held-for-trading and investment securities.
(6) Calculated in accordance with the Basel Accord, as currently in effect.
(7) For the definition of non-performing loans used by the Bank, see “Description of the Bank—Lending Policies and Procedures—Provisioning Policy”.

OVERVIEW OF THE OFFERING

The summary below describes the principal terms of the Notes and the Guarantee. See "Terms and Conditions of the Notes" and "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form" for a more detailed description of the Notes.

Issuer:	CenterCredit International B.V.
Guarantor:	JSC Bank CenterCredit
Issue:	KZT25,000,000,000 principal amount of 8.25 per cent. Notes due 30 September 2011
Sole Manager:	Morgan Stanley & Co. International Limited
Issue Price:	98.99 per cent. of the principal amount of the Notes
Denominations:	KZT10,000,000 and integral multiples of KZT1,000,000 in excess thereof
Issue Date:	20 September 2006
Maturity Date:	30 September 2011
Trustee:	Deutsche Trustee Company Limited
Principal Paying and Transfer Agent:	Deutsche Bank AG, London Branch
Registrar:	Deutsche Bank Luxembourg S.A.
Interest and Interest Payment Dates:	The Notes will bear interest at a rate of 8.25 per cent. per annum. Interest on the Notes will accrue from 20 September 2006 and will be payable semi-annually in arrear on 30 September and 30 March of each year, commencing on 30 March 2007 (in respect of the Interest Period commencing on 20 September 2006).
Guarantee:	The Bank will, on or prior to the Issue Date, enter into the Trust Deed under which the Bank will guarantee, on an unconditional and irrevocable basis, due payment of all sums from time to time payable by the Issuer under the Notes or the Trust Deed.
Status:	The Notes constitute direct, general, unconditional and (subject to Condition 5 (*Negative Pledge and Certain Covenants*)) unsecured obligations of the Issuer which rank and will rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law. See "*Terms and Conditions of the Notes—Guarantee and Status*". The obligations of the Bank under its Guarantee in respect of the Notes constitute direct, general, unconditional and (subject to Condition 5 (*Negative Pledge and Certain Covenants*)) unsecured obligations of the Bank which rank and will rank at least *pari passu* in right of payment with all other present and future unsecured obligations of the Bank as may be preferred by mandatory provisions of applicable law of general application. See "*Terms and Conditions of the Notes—Guarantee and Status.*"
FX Agreement:	The Issuer will enter into a foreign exchange agreement (the "**FX**

Agreement") with JSC Halyk Bank (the "**FX Bank**"). Payments of principal and interest on the Notes will be made in U.S. dollars. Pursuant to the FX Agreement, Kazakhstan Tenge amounts shall be converted by the FX Agent to U.S. dollars at the FX Rate (as defined in *Terms and Conditions of the Notes*). See "*The FX Agreement*".

FX Bank: JSC Halyk Bank

Settlement in USD: All payments of principal and interest, and other payments under the Notes will be denominated in KZT but settled in U.S. dollars provided that an Inconvertibility Event (as defined in the *Terms and Conditions of the Notes*) has not occurred. The currency conversion will take place on the terms of the FX Agreement. The conversion shall be made by the FX Bank. The Issuer shall as soon as practicable after determination of the FX Rate give notice to the Noteholders and Trustee of such FX Rate and the amount payable in respect of each Note.

If, in relation to a payment date under the Notes, an Inconvertibility Event has occurred, then the payment will be made in Kazakhstan Tenge and Noteholders may be required to open and maintain a Kazakhstan Tenge bank account with a Kazakhstan bank to receive payments under the Notes. If Noteholders do not open such KZT bank account in Kazakhstan, a custody account may be opened by the Noteholders to receive the KZT funds and payment to such account shall be deemed payment to the Noteholders. None of the FX Bank, the Trustee or the Paying Agents are obliged to act as a paying agent in Kazakhstan for these purposes. See "*Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form*".

Form: The Notes will be issued in registered form. The Notes will initially be represented by beneficial interests in a Global Note, in fully registered form, without interest coupons. The Global Note will be exchangeable in certain limited circumstances for Notes in definitive, fully registered form in denominations of KZT10,000,000 and integral multiples of KZT1,000,000 in excess thereof, without interest coupons attached. See "*Form of Notes and Transfer Restriction; Summary of Provisions Relating to the Notes in Global Forms*".

If an Inconvertibility Event occurs and Euroclear and Clearstream, Luxembourg are unable to continue to accept the Notes in the Clearing System then the Global Note will cease to be held by the Common Depositary and the Notes will no longer be held in the Clearing System.

In this event it is envisaged that the Global Note will instead be placed with a custodian having all necessary authorisations and licenses required by applicable law appointed by, and at the cost of, the Noteholders at such time (a "**KZT Custodian**") and beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by the KZT Custodian.

The Noteholders may following an Inconvertibility Event, at their own cost, appoint by means of a request in writing by holders holding at least one fifth in principal amount outstanding of the Notes or by an Extraordinary Resolution (as defined in the Trust Deed) a KZT Custodian.

If no KZT Custodian is appointed within 28 days of notification by the

Issuer to the Noteholders of an Inconvertibility Event, the Global Note will be exchanged, at the cost of the relevant holder, for Note Certificates and payments thereon made through a paying agent in Kazakhstan having all necessary authorisations and licenses required by applicable law nominated by the Issuer (a "**Kazakhstan Paying Agent**").

None of the Trustee or Paying Agents or the FX Bank is obliged to act as a Kazakhstan Paying Agent in such circumstances.

Following an Inconvertibility Event and whether or not a Kazakhstan Paying Agent or KZT Custodian is appointed, Noteholders may be required to open and maintain a KZT bank account with a Kazakhstan bank to receive payments on the Notes.

An "**Inconvertibility Event**" shall occur if the FX Bank notifies the Issuer and the Trustee of the occurrence, in the FX Bank's sole and absolute discretion acting in good faith and in a commercially reasonable manner, of any event or existence of any condition (including without limitation any such event or condition that occurs as a result of the enactment, promulgation, execution, ratification, interpretation or application of, or any change in or amendment to, any law, rule or regulation by any governmental authority) that has the effect of generally making it impossible, illegal or impracticable for, or has the effect of prohibiting or restricting, banks commonly participating in foreign exchange transactions in the Republic of Kazakhstan, or materially hinders their ability, (1) to convert KZT into USD through customary legal channels; or (2) to transfer or repatriate any funds in USD from accounts inside the Republic of Kazakhstan to accounts outside the Republic of Kazakhstan or between accounts inside the Republic of Kazakhstan, when compared to the condition that subsisted on the date of the FX Agreement.

Tax Redemption: The Notes may be redeemed at the option of the Issuer in whole, at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes in taxation in the Republic of Kazakhstan. See "*Terms and Conditions of the Notes— Redemption for Tax Reasons*).

Negative Pledge: Each of the Issuer and the Bank will agree that, so long as any Note remains outstanding, it shall not and, in the case of the Bank, shall not permit any of its Subsidiaries (as defined in Condition 5.6), subject to certain exceptions, to create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon the whole or any part of their respective undertakings, assets or revenues to secure any Indebtedness for Borrowed Money (as defined in Condition 5.6) unless the Notes are secured equally and rateably with such other Indebtedness for Borrowed Money or are otherwise given the benefit of such security interest. See "*Terms and Conditions of the Notes—Negative Pledge and Certain Covenants.*"

Certain Covenants: The Notes and the Trust Deed will contain certain covenants, including, without limitation, covenants with respect to limitation on certain transactions, limitation on payment of dividends and maintenance of capital adequacy. See "*Terms and Conditions of the Notes—Negative Pledge and Certain Covenants.*"

Events of Default:	If an Event of Default occurs, the Trustee may, subject as provided in the Trust Deed, give notice to the Issuer and the Guarantor that the Notes are and shall become immediately due and repayable at their principal amount together with accrued interest. See "*Terms and Conditions of the Notes— Events of Default*".
Use of Proceeds:	The Issuer will deposit the proceeds from the issuance of the Notes with the Bank who will use such proceeds to fund loans and advances to its borrowers and for other general corporate purposes, including liquidity management.
Listing:	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the United Kingdom and the Republic of Kazakhstan) only in compliance with applicable laws and regulations. See "*Subscription and Sale*".
Governing Law:	The Notes and the Trust Deed will be governed by, and construed in accordance with, the laws of England.
Risk Factors:	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".
Security Codes:	The identification numbers for the Notes are as follows:

ISIN Code..	XS0267377454
Common Code	26737745

RISK FACTORS

Prior to making an investment decision, prospective purchasers of the Notes should carefully consider, along with the other matters referred to in this Prospectus, the following risk factors associated with investment in Kazakhstan entities generally and in the Notes specifically. The risks and uncertainties below are not the only ones the Bank faces. Additional risks and uncertainties not presently known to the Bank, or that it currently believes are immaterial, could also impair the Bank's business operations and, as a result, its ability to service its payment obligations under the Guarantee. Prospective investors should pay particular attention to the fact that the Bank is governed by a legal and regulatory environment in Kazakhstan which in some respects may differ from that prevailing in other countries.

Risks Relating to the Issuer

The Issuer is a finance subsidiary of the Bank without independent operations or revenues.

Risk Factors Relating to the Republic of Kazakhstan

Investors in emerging markets such as Kazakhstan should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Risks relating to political and regional considerations

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

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a market economy through privatisation of state enterprises and deregulation and is more advanced in this respect than most other countries of the CIS. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, steel, copper and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. In January 1995, Kazakhstan, Russia, Kyrgyzstan and Belarus, joined by Tajikistan in 1999, signed a customs union which, among other things, provides for the removal of trade tariffs between these nations, and the Republic has taken other steps to promote regional economic integration. Government policy advocates further economic integration within the CIS, one of the aims of which is to assure continued access to export routes. However, should access to these routes be materially impaired, this could adversely impact the economy of Kazakhstan.

Like other countries in Central Asia, Kazakhstan could be affected by continued military activity taken in Afghanistan by the United States and an international coalition in response to the September 2001 terrorist attacks in the United States. In addition, the continuation of military actions by a United States and British led coalition in Iraq could also affect the world economy and the political stability of other countries. In particular, countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and oil products, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects, such as Turkey, which is a major infrastructure project contributor in the Central Asian region.

The Bank is subject to macroeconomic considerations and exchange rate policies

Since Kazakhstan is heavily dependent upon export trade and commodity prices, it was particularly affected by the Asian financial crisis in early 1998 and by the Russian crisis later that year, both of which exacerbated the problems associated with falling commodity prices. Because Kazakhstan may be negatively affected by low commodity prices and economic instability elsewhere in the world, the Government has promoted economic reform, inward foreign investment and the diversification of the economy. Notwithstanding these efforts, however, low commodity prices and weak demand in its export markets may adversely affect Kazakhstan's economy in the future.

The Government of Kazakhstan began implementing market-based economic reforms in 1992, including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment, particularly in the oil and gas sectors, and the introduction of an extensive legal framework. Despite relatively slow progress in this regard, the economy of Kazakhstan has undergone extensive transformation over the last eleven years. Since mid-1994, the Government has adhered to a macroeconomic stabilisation programme aimed at curtailing inflation, reducing the fiscal deficit and boosting international currency reserves. According to figures compiled by the NSA, while gross domestic product ("**GDP**") fell in 1998 by 1.9 per cent. in the aftermath of the Asian and Russian financial crises, it began to rebound in 1999 following the flotation of the Tenge in April of that year and increased by 2.7 per cent. in real terms over the course of the full year. According to the NSA, GDP continued to grow in real terms, increasing by 13.5 per cent. in 2001, 9.8 per cent. in 2002, 9.2 per cent. in 2003 and 9.4 per cent. in 2004. There was a 9.0 per cent. increase in GDP for the six months ended 30 June 2005.

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 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 2004 the Tenge strengthened against the U.S. dollar and appreciated by 9.9 per cent. before depreciating against the U.S. dollar by 2.9 per cent. in 2005. As at 30 June 2006, the official KZT/U.S. dollar exchange rate reported by the NBK was KZT 118.69 per U.S.$1.00.

While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK's exchange rate policy will not change and any subsequent decision to support the exchange rate could have an adverse impact on Kazakhstan's public finances and economy.

The Bank's business is dependent upon the implementation of further market-based economic reforms

The need for substantial investment in many enterprises has driven the Government of Kazakhstan's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of large oil and gas producers and mining companies. However, there remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the amount of non-cash transactions in the economy and the size of the informal sector adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government of Kazakhstan has stated that it intends to address these problems by improving bankruptcy procedures, the business infrastructure and tax administration and by continuing the privatisation process. Implementation of these measures, however, may not happen in the short-term and any positive results of such actions may not materialise until the medium term, if at all.

Kazakhstan's legislative and regulatory framework is less developed than in many Western countries

Although a large volume of legislation has come into force since early 1995, including a revised tax code, laws relating to foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan is at an early stage of development compared to countries with established market economies. The judicial system in Kazakhstan may not be fully independent of outside social, economic and political forces and court decisions can be difficult to predict. In addition, judicial and Government officials may not be fully independent of outside social, economic and political forces and there have been instances of improper payments being made. Court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent.

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

The Government of Kazakhstan has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, the Government of Kazakhstan may not continue such policy in the future or such policy, if continued, may not ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Bank's business and prospects.

Securities markets are less developed than in many Western countries

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 States and Western European countries and existing laws and regulations may be applied inconsistently and with irregularities in enforcement. In addition, less information relating to Kazakhstan entities, such as the Bank, may be publicly available to investors in securities issued or guaranteed by such entities than are available to investors in entities organised in the United States or Western European countries.

Risk Factors Relating to the Bank

The Bank's rapid growth subjects it to additional risks

The Bank's gross loan portfolio has increased rapidly in recent years, growing to KZT282,108 million as at 30 June 2006, from KZT216,920 million as at 31 December 2005, and KZT95,550 million as at 31 December 2004. This significant increase in credit exposure will require continued emphasis by the Bank on credit quality and the adequacy of its provisioning levels and continued development of financial and management control. Failure successfully to manage growth and development and to maintain the quality of its assets could have a material adverse effect on the Bank's results of operations and financial condition. Classified loans, that is loans classified by the Bank as unsatisfactory, doubtful or loss in accordance with IFRS, as a percentage of gross loans were 10.9 per cent. at 31 December 2004 and 10.9 per cent. at 31 December 2005. As at 30 June 2006, the percentage of gross loans classified as unsatisfactory, doubtful or loss was 9.5 per cent. See "*Description of the Bank—Lending Policies and Procedures—Provisioning Policy*".

Concentration in the Bank's loan portfolio subjects it to risks from default by its largest borrowers

As at 30 June 2006, the Bank's top 20 borrowers comprised 20.6 per cent. of its gross loan portfolio, compared to 27.8 per cent. as at 30 June 2005, 27.3 per cent. as at 31 December 2005, and 35.3 per cent. as at 31 December 2004. Whilst this, in part, reflects the limited number of better corporate credits in Kazakhstan, the Bank will require continued emphasis on credit quality and the development of financial and management control to monitor this credit exposure, the failure to achieve which could have a material adverse effect on the Bank's results of operations and financial condition.

The Bank's success depends upon increasing its capitalisation

Since the start of 2002, the Bank has implemented a number of projects to increase its capital base and intends to improve its capital base over the course of the next three years by raising up to KZT134 billion through the issuance of KZT44 billion in common shares and KZT90 billion in subordinated debt, starting in 2006 with an aggregate issuance of KZT13.9 billion in common shares and KZT10 billion in subordinated debt. To date, the Bank has issued KZT16,400 million in common shares and KZT17,640 million in subordinated debt. Failure to raise capital as planned could substantially limit the Bank's ability to increase the size of its loan portfolio in compliance with applicable NBK regulations. If such capital is available only at a price materially in excess of the cost of funds from other sources, this may negatively impact the Bank's profitability.

The Bank faces liquidity risks

The Bank, like other commercial banks in Kazakhstan and elsewhere, is exposed to liquidity risk due to maturity mismatches between its assets and liabilities. As at 30 June 2006, 50.3 per cent. of the Bank's liabilities were due within 12 months. At the same time, 47.1 per cent. of the Bank's assets had maturities in excess of one year. Whilst the Bank has increased its liquid assets from KZT42,136 million as at 31 December 2004 to KZT104,563 million as at 31 December 2005, and to KZT119,109 million as at 30 June 2006, to address this mismatch, the Bank could face difficulties meeting its liabilities as they fall due if it fails to attract further medium- to long-term financing or if the Bank were to suffer a sudden increase in withdrawal of deposits, which currently form a significant portion of the Bank's funding.

The Bank faces significant competition, in particular due to the concentration in its loan portfolio on small- and medium-sized enterprise business

The Bank is subject to competition from both domestic and foreign banks. As at 30 June 2006, there were a total of 34 banks, excluding the NBK and the DBK, in Kazakhstan, of which 14 were banks with foreign ownership, including subsidiaries of foreign banks. Loans to small- and medium-sized enterprises (i.e., companies with annual sales of U.S.$700,000 or less to U.S.$7 million) ("**SMEs**") comprised 47 per cent. of the Bank's gross loan portfolio as at 30 June 2006. Return on income from lending to SMEs is higher than lending to large companies as a result of the interest rates that the Bank can charge on these loans. The Bank estimates that its share of the SME loan market was 8.1 per cent. in 2004, 9.8 per cent. in 2005 and 11.1 per cent. as at 30 June 2006.

Although the Bank believes that it is well positioned to compete in the retail market and is a preferred bank for SMEs within the Kazakhstan banking sector due to its nationwide branch network, its significant share of the current retail deposit market and its diversified client base, it faces competition from a number of existing participants in the Kazakhstan banking sector. In particular, as the retail banking sector continues to expand in Kazakhstan, the Bank will face increased competition for retail customers from larger Kazakhstan banks and there is similarly no assurance that the Bank will continue to be able to attract the business of SMEs. While the Bank has large corporate clients, the Bank does not focus on this market segment.

In addition, the Bank's ability to compete, particularly in retail banking, with other banks in Kazakhstan who have developed the necessary information technology to provide credit card and other services to their customers, depends on the Bank having its own central processing centre to offer such services to its clients, which is currently being developed by the Bank.

Regulation of the banking industry in Kazakhstan may adversely affect the Bank's business, and existing regulations are not as developed as in many Western countries

In September 1995, the NBK introduced strict norms and prudential requirements for the operations and the capital adequacy of banks. In addition, an institutional development plan was prepared for leading Kazakhstan banks. According to the plan, banks are required to prepare their accounts in accordance with IFRS and to apply the Basel Committee norms within a period determined by the NBK on a case-by-case basis. Banks are also required to participate in a bank-funded deposit insurance scheme (the "**Deposit Insurance Fund**") and be audited annually by a qualified accountancy firm. Following legislative changes in July 2003, the Agency on Regulation and Supervision of Financial Markets and Financial Organisations (the "**FMSA**"), was formed and as from 1 January 2004 assumed responsibility for most of the supervisory and regulatory functions in the financial sector that had previously been performed by the NBK. The FMSA's main task is to regulate and supervise the financial markets and financial institutions. See "*The Banking Sector in Kazakhstan*".

In addition, the Government of Kazakhstan may implement additional regulations or policies, including with respect to limitations on borrowings by Kazakhstan banks from foreign institutions or on extensions of credit to Kazakhstan borrowers or may otherwise take action that could have a material adverse effect on the Bank's financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

Notwithstanding the relatively strict regulatory standards in Kazakhstan, prospective investors should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the regulators may differ from those applicable to banking operations in countries with more highly developed regulatory regimes. As a result, investors may not have the benefit of all of the protections available in such other countries. See "*—Risk Factors relating to the Republic of Kazakhstan—Kazakhstan's legislative and regulatory framework is less developed than in many Western countries*".

Recent changes to NBK minimum reserve requirements and potential restrictions imposed by the FMSA on attracting short-term Indebtedness may affect the Bank's ability to attract foreign and short-term funding.

In July 2006, the NBK introduced new reserve requirements in an effort to limit borrowings, including foreign borrowings, as the result of concerns about excessive money supply in the economy predominantly from abroad. The new rules will increase reserve requirements for borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (irrespective of residence) to 8 per cent. from 6 per cent., although borrowings from residents except as mentioned above will remain at 6 per cent. In common with a number of other banks in Kazakhstan, a significant portion of the Bank's funding is in dollars and from capital markets. Thus, the new minimum reserve requirements may have an effect on the Bank's profitability.

In addition, the FMSA has recently implemented new measures that, among other things, limit a bank's outstanding external short-term financings to an amount equal to its own capital. These rules may prevent the Bank from extending some of its short-term facilities and require it to find longer term financings or customer deposits, neither of which may be available in sufficient quantities to replace them. A failure to replace these facilities could lead to an increase in the Bank's funding costs, an increase in its liquidity and interest rate risk, or both.

To address concerns about currency mismatches and more precisely manage Banks' liquidity, the FMSA has also tightened requirements to open/net currency positions and introduced various limits of currency liquidity.

The proposed reform of the international capital adequacy framework could increase the Bank's borrowing costs.

The Basel Committee has issued a proposal for a new capital adequacy framework to replace the previous Capital Accord issued in 1988. With regard to the risk weightings to be applied to exposures to sovereign states, the Basel Committee proposes replacing the existing approach by a system that would use both external and internal credit assessments for determining risk weightings. It is intended that such an approach will also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to sovereign states, banks, securities firms and corporations. If adopted, the new framework could require financial institutions lending to Kazakhstan banks to be subject to higher capital requirements as a result of the credit risk rating of Kazakhstan, possibly resulting in a higher cost of borrowing for Kazakhstan banks.

The lack of statistical, corporate and financial information in Kazakhstan may make the Bank's assessments of credit risk less accurate

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors and companies within it, and the publication of corporate and financial information relating to companies and other economic enterprises, is not as comprehensive as those of many countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements, available to the Bank relating to its prospective corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Bank ordinarily makes an estimation of the net realisable value of collateral on the basis of which it determines applicable provisioning and collateralisation requirements, the absence of additional statistical, corporate and financial information may decrease the accuracy of the Bank's assessments of credit risk. This may increase the risk of borrower default and decrease the likelihood that the Bank will be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it. In addition, small- and medium-sized enterprises, a focus of the Bank's strategy, have, in many cases, not prepared audited financial statements, which may lessen the Bank's ability to perform a reliable credit assessment of them.

The NBK has established a central credit bureau in Kazakhstan to facilitate the collection of information and assessment of risk. While the relevant infrastructure for the operation of the credit bureau has been created, this bureau is still at a preliminary stage of development and there can be no assurance that this resource will improve the Bank's ability to assess credit risk.

The Bank's success depends upon on the ability to recruit and retain key personnel

To meet business challenges and retain the effectiveness of its operations, the Bank must continue to recruit and retain appropriately skilled personnel. The Bank relies on certain key personnel for the implementation of its strategy and operation of its day-to-day activities. As competition for skilled personnel is intense, the Bank seeks to further develop its compensation programmes and to take other measures to attract and motivate skilled personnel. If the Bank is unable to retain key personnel and cannot hire new qualified personnel in a timely manner, its business and results of operations could be adversely affected.

The Bank's success is dependent upon information technology

A substantial aspect of the Bank's strategy is to expand its customer base by providing additional products and services such as credit cards and internet banking, both of which will require a substantial capital investment by the Bank in its information technology. While the Bank is currently in the process of developing its information technology to enable it to provide these services to its customers and believes that it will be successful in such implementation, there is no certainty that the Bank will be in a position in the near future to offer such products and systems. In addition, the Bank may be susceptible to failures in its information technology if it becomes dependent on such products and systems for its success.

Volatile Earnings

A portion of the Bank's earnings is generated from its trading activities and the Bank's portfolio of investment securities decreased by 17.4 per cent. in 2005, from KZT21,534 million to KZT17,782 million and increased by 262.2 per cent. in the first six months of 2006 to KZT64,413 million. As at 30 June 2006, 83.5 per cent. of the Bank's securities portfolio, by value, was comprised of government securities while 16.5 per cent. was comprised of corporate securities. Due to the fact that the Bank, through its Treasury Department, primarily trades Kazakhstan securities which are emerging market securities for its own account (See "*—Risk Factors Relating to the Notes—The Bank faces additional risks associated with emerging markets*"), it is possible that the earnings of the Bank will be volatile.

Risk Factors Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

No Voting Rights

The Notes do not give Noteholders the right to vote at shareholders' meetings.

Noteholders may be bound by the decision of other Noteholders notwithstanding that they were not present at the meeting

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

Payments of interest to individuals within a Member State of the EU could be subject to taxation under EC Council Directive 2003/48/EC

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

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

Although application may be made to list the Notes on the London Stock Exchange, there is no prior market for the Notes.

An active trading market in the Notes may not develop or be maintained after any listing. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile.

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

In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan. In the last quarter of 1997, certain markets in Southeast Asia experienced significant financial turmoil that had a ripple effect on other emerging markets. In August 1998, the government of the Russian Federation declared a moratorium on the payment of certain debt obligations of Russian entities and forced a restructuring of certain short-term domestic sovereign instruments. Although this moratorium expired in November 1998, the economic and financial situation in Russia remains uncertain and events may occur which would cause volatility of the sort which occurred in world-wide financial markets in 1997 and 1998. Any such volatility may adversely affect the liquidity of the market for, or price of, the Notes.

Currency Control Restrictions

The FX Agreement will allow the Issuer to settle payments of principal and interest under the Notes in U.S. dollars provided that an Inconvertibility Event has not occurred. Although currently the currency control restrictions in effect in Kazakhstan do not control the conversion by non-residents of Kazakhstan, such as the Issuer, of Kazakhstan Tenge to U.S. dollars as envisaged by the FX Agreement, there is no guarantee that the currency control regime will not change during the term of the Notes. Such changes may cause delays to, or prevent the FX Bank from effecting the conversion of Kazakhstan Tenge into U.S. dollars on acceptable terms which may adversely affect the ability of the Issuer to settle its obligations under the Notes in U.S. dollars.

If an Inconvertibility Event were to occur and Euroclear and Clearstream, Luxembourg were unable to continue to accept the Notes in the Clearing System, then the Global Note would cease to be held by the Common Depositary and the Notes would no longer be held in the Clearing System. In such event it is envisaged that the Global Note will instead be held by a KZT Custodian, appointed by and at the cost of the Noteholders, and records in relation to the Notes maintained by the KZT Custodian. The Noteholders may, at their own cost, appoint a KZT Custodian following an Inconvertibility Event. If the Noteholders do not make such appointment within 28 days of notification by the Issuer to the Noteholders of such Inconvertibility Event then the Global Note will be exchanged for Note Certificates and payments thereon made through a Kazakhstan Paying Agent. The issue of Note Certificates will result in a cost to the Noteholders. Further, the collection of payments due to Noteholders by presentation of Note Certificates may result in additional cost and administrative burdens for Noteholders.

In the case of an Inconvertibility Event (whether or not a KZT Custodian or a Kazakhstan Paying Agent is appointed) payments on the Notes will be made in Kazakhstan Tenge. In order to receive payments from such paying agent, holders of Notes may be required to open Kazakhstan Tenge accounts with a Kazakhstan bank. The opening of Kazakhstan Tenge accounts is subject to Kazakhstan banking law regulations and procedures and certain tax registrations and may be administratively onerous. None of the Kazakhstan Account Bank, the Trustee or the Paying Agents will act as a paying agent in Kazakhstan.

Devaluation of Kazakhstan Tenge

The obligations of the Notes are denominated in Kazakhstan Tenge but settled in U.S. dollars. Although the Kazakhstan Tenge has generally strengthened against the U.S. dollar during the last three years, it has devalued during the recent months and, in the past, it has been subject to similar rapid devaluation against the U.S. dollar. In the event that such rapid devaluation were to occur again, Noteholders would receive a correspondingly lower amount of U.S. dollars in settlement of Kazakhstan Tenge-denominated obligations.

Interest rate risks

Investment in the Notes when the interest rate is set at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Enforceability of judgments

Kazakhstan's courts will not enforce any judgment in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom. Each of Kazakhstan and the United Kingdom are parties to the 1958 New York convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**"), and, accordingly, an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions of enforcement set out in the Convention are met. See "*Enforceability of Judgments*".

FORM OF NOTES AND TRANSFER RESTRICTIONS; SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following information relates to the form, transfer and delivery of the Notes and is a summary of certain provisions to be contained in the Global Note which apply to the Notes.

1. Form of Notes

All Notes will be in fully registered form, without interest coupons attached. The Notes will be represented by interests in the Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Deutsche Bank AG, London Branch, as common depositary for the Euroclear Operator and Clearstream, Luxembourg, and registered in the name BT Globenet Nominees Limited, as nominee for such common depositary.

For the purposes of the Global Note, any reference in the Conditions to "Note Certificate" or "Note Certificates" shall, except where the context otherwise requires, be construed so as to include the Global Note and interests therein.

2. Transfer Restrictions

Each purchaser of Notes and each subsequent purchaser of Notes in resales prior to the 40th day after the closing date (the "**Distribution Compliance Period**"), by accepting delivery of this Prospectus and the Notes, will be deemed to have represented and agreed as follows:

(i) It is, or will be at the time Notes are purchased, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or Bank or a person acting on behalf of such an affiliate.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) The Issuer, the Bank, the Registrar, the Lead Manager and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

3. Notices

Notwithstanding Condition 14 (*Notices*) (and without prejudice to the requirements in such Condition to publish notices in accordance with the rules and regulations of such stock exchange(s) on which the Notes are listed), while all the Notes are represented by the Global Note and the Global Note is deposited with a common depositary for the Euroclear Operator and Clearstream, Luxembourg or any other clearing system, notices to Noteholders may be given by delivery of the relevant notice to the Euroclear Operator**,** Clearstream, Luxembourg or, as the case may be, such other clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to the Euroclear Operator**,** Clearstream, Luxembourg or, as the case may be, such other clearing system.

4. Meetings

The holder of the Global Note (unless the Global Note represents only one Note) will be treated as being two persons for the purposes of any quorum requirements of a meeting of

Noteholders and, at any such meeting, as having one vote in respect of each KZT1,000,000 principal amount of Notes for which the Global Note so held may be exchanged.

5. Exchange of Interests in Global Note for Note Certificates

The Global Note will become exchangeable for Note certificates in definitive form ("**Note Certificates**") if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) an Event of Default (as defined in Condition 11) occurs. In such circumstances, such Note Certificates will be registered in such names as the Euroclear Operator and Clearstream, Luxembourg shall direct in writing and the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Global Note is to be exchanged for Note Certificates, the Global Note shall be exchanged in full for Note Certificates and the Bank will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer, the Bank and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) a fully completed, signed certificate substantially in the form contained in the Paying Agency Agreement to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Regulation S, a certification that the transfer is being made in compliance with the provisions of Regulation S.

In addition to the requirements described under "*Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form—Transfer Restrictions*", the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 (*Transfers*).

The Registrar will not register the transfer of the Notes or exchange of interests in a Global Note for Note Certificates for a period of 15 calendar days ending on the due date of any payment of principal or interest in respect of the Notes.

6. Euroclear Operator and Clearstream, Luxembourg Arrangements

Interest on the Notes (other than interest on redemption) will be paid to the holder shown on the Register on the fifteenth day before the due date for such payment (the "**Record Date**").

The holdings of book-entry interests in the Notes in the Euroclear Operator and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in the Euroclear Operator and Clearstream, Luxembourg. The address of the Euroclear Operator is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

Interests in the Global Note will be in uncertificated book-entry form.

So long as the Euroclear Operator, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of the Global Note, the Euroclear Operator, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Paying Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and Additional Amounts, if any, in respect of the Global Note will be made to the Euroclear Operator, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof against presentation for endorsement and, if no further payment of principal or interest is to be made in respect of the Notes, against presentation and surrender of the Global Note to or to the order of the Registrar. Upon payment of any principal, the amount so paid shall be endorsed by or on behalf of the Registrar and on behalf of the Issuer on the schedule to the Global Note. None of the Bank, the Trustee, any Agent or the Manager or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through the Euroclear Operator or Clearstream, Luxembourg will be credited, to the extent received by the Euroclear Operator or Clearstream, Luxembourg or their common depositary or its nominee from the Principal Paying and Transfer Agent, to the cash accounts of the Euroclear Operator or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Trading between the Euroclear Operator and/or Clearstream, Luxembourg Account Holders. Secondary market sales of book-entry interests in the Notes held through the Euroclear Operator or Clearstream, Luxembourg to purchasers of book-entry interest in the Notes through the Euroclear Operator or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of the Euroclear Operator and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

7. Inconvertibility Event

If an Inconvertibility Event (as defined in Condition 7 (*Payments*)) occurs and Euroclear and Clearstream, Luxembourg are unable to continue to accept the Notes in the Clearing System then the Global Note will cease to be held by the Common Depositary and the Notes will no longer be held in the Clearing System.

In this event it is envisaged that the Global Note will instead be held by a custodian having all necessary authorisations and licences required by applicable law appointed by, and at the cost of, the Noteholders at such time (a "**KZT Custodian**") and beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by the KZT Custodian.

The Noteholders may following an Inconvertibility Event, at their own cost, appoint by means of a request in writing by holders holding at least one fifth in principal amount outstanding of the Notes or an Extraordinary Resolution (as defined in the Trust Deed), a KZT Custodian.

If no KZT Custodian is appointed within 28 days of notification by the Issuer to the Noteholders of an Inconvertibility Event, the Global Note (or interest therein) will be exchanged, at the cost of the relevant holder, for Note Certificates and payments thereon made through a paying agent in Kazakhstan having all necessary authorisations and licences required by applicable law nominated by the Issuer (a "**Kazakhstan Paying Agent**").

None of the Trustee or Paying Agents or the FX Bank is obliged to act as a Kazakhstan Paying Agent in such circumstances.

Following an Inconvertibility Event and whether or not a Kazakhstan Paying Agent or KZT Custodian is appointed, Noteholders may be required to open and maintain a KZT bank account with a Kazakhstan bank to receive payments on the Notes.

THE ISSUER

History

The Issuer was incorporated as a private company with limited liability (a *besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under and subject to the laws of The Netherlands on 4 January 2006 for an unlimited duration. Its number in the commercial register of Rotterdam, The Netherlands is 24388417. The Issuer is a direct, wholly owned subsidiary of the Bank.

Capitalisation

The following table sets out the capitalisation of the Issuer as at 30 June, 2006, and as adjusted to reflect the issue and sale of the Notes, before deducting commissions and expenses:

	Actual		As adjusted	
	(U.S.$)[(1)] *(unaudited)*	*(Euro) (unaudited)*	*(U.S.$)*[(1)] *(unaudited)*	*(Euro) (unaudited)*
Senior long-term liabilities[(2)]	300,000,000	252,631,579	485,501,894	408,843,700
Subordinated long-term liabilities	100,000,000	84,210,526	100,000,000	84,210,526
Total shareholders' equity..............................	2,512,191	2,116,035	2,396,375	2,018,000
Total shareholders' equity and long-term liabilities	402,512,191	338,958,140	587,898,269	495,072,226

(1) At the exchange rate of €1 = U.S.$1.1875 (from the European Central Bank).
(2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated.

The authorised share capital of the Issuer is €90,000, divided into ordinary shares with a par value of €100 each. As at the date of this Prospectus, the Issuer's total capitalisation is €18,000, consisting of 180 ordinary shares which have been issued and fully paid at par and are directly owned by the Bank and a €2,000,000 million share premium contribution made by the Bank.

There has been no material adverse change in the capitalisation, financial position or prospects of the Issuer since the date of its incorporation.

The net proceeds of the issue will be deposited by the Issuer with the Bank and the Issuer will pledge its rights to the deposit to secure its obligations to reimburse the Bank for any payments made under the Guarantee.

Business

As set out in Article 2 of its Articles of Association, the Issuer was incorporated primarily for the purpose of raising funds in the international capital markets and lending such funds to the Bank or its subsidiaries. See "*Use of Proceeds*". The Issuer has been established as a special purpose vehicle and has no employees or subsidiaries.

The Issuer has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Prospectus except for (i) the issue of U.S.$300,000,000 8 per cent. note due 2011, issued on 2 February, 2006, which are unconditionally and irrevocably guaranteed by the Bank, and (ii) the issue of U.S.$100,000,000 9.125 per cent. perpetual non-cumulative loan participation notes, issued on 3 March, 2006, the payment obligations of which are supported by a subordinated loan between the Issuer and the Bank.

There are no and have been no governmental, legal or arbitration proceedings against the issuer (including any such proceedings which are pending or threatened of which the Issuer is aware) during the last 12 months preceding the date of this Prospectus, which may have, or have had in the recent past significant effects on the Issuer's any of its financial position or profitability, nor is the Issuer aware of any pending or threatened proceedings of such kind.

Financial Statements

Since the date of its incorporation and as at the date of this Prospectus, the Issuer has not prepared any financial statements. To comply with a NBK requirement that the accounts of overseas subsidiaries of Kazakhstan banks must be independently audited, the Issuer will engage Deloitte, LLP to conduct annual audits of its statutory financial statements. The Issuer is not required to, and does not intend to, produce interim financial statements.

Management

The Issuer has two managing directors, Mr T.Z. Ishmuratov, who is also a Managing Director of the Bank, and Equity Trust Co. N.V. ("**Equity Trust**"), a limited liability company incorporated in The Netherlands.

The business address for the managing directors and the directors of Equity Trust is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands. The directors of Equity Trust are F. van der Rhee, R.G.A. de Schutter and J.C.W. van Burg (each a director) and, *inter alia*, W.P. Ruoff and W.H. Kamphuijs (each a deputy director), each jointly authorised to represent Equity Trust as a managing director of the Issuer.

There are no potential conflicts of interest between any duties of the managing directors towards the Issuer and their private interests and/or other duties.

There are no potential conflict of interests between any duties of the directors of Equity Trust towards either the Issuer or Equity Trust and their private interests and/or other duties.

The directors of Equity Trust perform no principal activities outside Equity Trust which are significant with respect to either Equity Trust or the Issuer.

General Information

The business address of the Issuer is Schouwburgplein 30-34, 3012 CL, Rotterdam, The Netherlands and its telephone number is +31 10 2245 333. Administrative services are provided to the Issuer by Equity Trust, whose business address is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands.

The Issuer has obtained all necessary consents, approvals and authorisations in The Netherlands in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

USE OF PROCEEDS

The Issuer will deposit with the Bank the gross proceeds of the issue of the Notes. The Bank will use such deposit to fund loans and advances to its borrowers and for other general corporate purposes. Total commissions and expenses relating to the issue (including total expenses related to the admission to trading) are expected to be approximately KZT266231413.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Note in definitive form (if issued):

The KZT25,000,000,000 8.25 per cent. Notes due 30 September 2011 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of CenterCredit International B.V. (the "**Issuer**") are (a) guaranteed by JSC Bank CenterCredit (the "**Guarantor**") pursuant to a trust deed dated 20 September 2006 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and Deutsche Trustee Company Limited (the "**Trustee**", which expression includes all persons for the time being appointed as trustee under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"), (b) constituted by, subject to, and have the benefit of the Trust Deed and (c) the subject of a paying agency agreement dated 20 September 2006 (as amended or supplemented from time to time, the "**Paying Agency Agreement**") between the Issuer, the Guarantor, Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch, as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor principal paying and transfer agent appointed from time to time in connection with the Notes), the other paying and transfer agents named therein (together with the Principal Paying and Transfer Agent, the "**Paying and Transfer Agents**", which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying and Transfer Agent, the Paying and Transfer Agents and any reference to an "**Agent**" is to any one of them.

All payments of principal and interest, and any other payments under the Notes, will be denominated in Kazakhstan Tenge ("**KZT**") but settled in United States Dollars ("**USD**") at the FX Rate (as defined in Condition 7 (*Payments*)) provided that an Inconvertibility Event (as defined in Condition 7 (*Payments*)) has not occurred. If, in relation to an Interest Payment Date (as defined in Condition 6 (*Interest*)) an Inconvertibility Event has occurred and no custodian has been appointed by, and at the cost of, the Noteholders at such time (a "**KZT Custodian**"), then the payment will be made in Kazakhstan Tenge through a paying agent in Kazakhstan nominated by the Issuer (the "**Kazakhstan Paying Agent**") and, whether or not a KZT Custodian or Kazakhstan Paying Agent is appointed, Noteholders may be required to open and maintain a Kazakhstan Tenge bank account with a Kazakhstan bank to receive such payments.

The Issuer has entered into a foreign exchange agreement dated 20 September 2006 (the "**FX Agreement**") with JSC Halyk Bank (the "**FX Bank**") to facilitate the settlement of amounts due under the Notes in United States Dollars.

Certain provisions of these Conditions are summaries of the Trust Deed, the Paying Agency Agreement and the FX Agreement and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Paying Agency Agreement) of each of the Paying and Transfer Agents, the initial Specified Offices of which are set out below. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Winchester House, 1 Great Winchester Street, London EC2N 2DB, England.

1. Form, Denomination And Title

1.1 *Form and denomination*

The Notes are in registered form, without interest coupons attached, in denominations of KZT10,000,000 and integral multiples of KZT1,000,000 in excess thereof (each denomination an "**Authorised Denomination**"). The Global Note will be exchangeable for notes in definitive, fully registered form ("**Note Certificates**"), without interest coupons, in the circumstances specified in the Global Note.

1.2 *Title*

Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfers*). The holder (as defined below) of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

In these Conditions, "**holder**" means the person in whose name a Note is registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "**holders**" and "**Noteholders**" shall be construed accordingly.

1.3 *Third party rights*

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. Registration

The Registrar will maintain a register (the "**Register**") at the specified office of the Registrar in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

3. Transfers

3.1 Subject to Conditions 3.4 and 3.5, a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "**Transfer Form**") duly completed, at the Specified Office of the Registrar or the Paying and Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Paying and Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided*, *however*, *that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Transfer Forms are available from any Paying and Transfer Agent, the Registrar and the Issuer upon the request of any holder. In the case of a transfer of only a portion of the Notes represented by a Note Certificate, neither the portion transferred nor the balance thereof not transferred may be less than the applicable authorised denomination, and a new Note Certificate in respect of such balance not so transferred will be issued to the transferor. Transfers will be done through the office of any Paying and Transfer Agent upon presentation and surrender of the Note.

3.2 Within five Business Days of the surrender of a Note Certificate in accordance with Condition 3.1, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Paying and Transfer

Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.2, "**Business Day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Paying and Transfer Agent has its Specified Office.

3.3 The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Paying and Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Paying and Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.4 Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

3.5 All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of the Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Guarantee and Status

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums from time to time payable by the Issuer in respect of the Notes and the Trust Deed. The obligations of the Guarantor in that respect are contained in the Trust Deed.

The Notes are direct, general, unconditional and (subject to Condition 5 (*Negative Pledge and Certain Covenants*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge And Certain Covenants

5.1 *Negative pledge of the Issuer*

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money of the Issuer or any other Person or any Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money of any Person, unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders.

5.2 *Negative pledge of the Guarantor*

So long as any Note remains outstanding, the Guarantor shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money of the Guarantor, any such Subsidiary or any other Person or any Indebtedness Guarantee in respect of any Indebtedness for Borrowed Money of any Person, unless, at the same time or prior thereto, the Guarantor's obligations under the Guarantee are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the

Trust Deed) of Noteholders or as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders.

5.3 *Limitations on certain transactions*

For so long as any Note is and remains outstanding, the Guarantor will not, after the Issue Date, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$7 million unless such transaction or series of transactions is or are at a Fair Market Value.

5.4 *Limitation on payment of dividends*

For so long as any Note remains outstanding, the Guarantor will not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default (as defined in Condition 11 (*Events of Default*)) or an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default or (ii) at any time when no such Event of Default or event exists, (1) more frequently than once during any calendar year or (2) in an aggregate amount exceeding 50 per cent. of the Guarantor's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with International Financial Reporting Standards ("**IFRS**") (formerly referred to as the International Accounting Standards), for which purpose, the amount of the Guarantor's net income shall be determined by reference to its audited financial statements of the period in respect of which the dividend is being paid. The foregoing limitation shall not apply to the payment of any dividends in respect of any preferred shares of the Guarantor which may be issued by the Guarantor from time to time.

5.5 *Maintenance of capital adequacy*

The Guarantor shall not permit its total capital ratio calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (the "**Committee**") to fall below 10 per cent., such recommendations to be as provided in the Committee's paper entitled "*International Convergence of Capital Measurement and Capital Standards*" dated July 1988 as amended in November 1991 and as further amended, replaced or substituted by the Committee, such calculation to be made by reference to the most recent audited consolidated financial statements of the Guarantor prepared in accordance with IFRS.

5.6 *Definitions*

For the purposes of these Conditions:

"**Fair Market Value**" of a transaction means the value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer. A report of the Auditors (as defined in the Trust Deed) of the Guarantor of the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties.

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (a) any obligation to purchase such Indebtedness, (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (c) any indemnity against the consequences of a default in the payment of such Indebtedness and (d) any other agreement to be responsible for repayment of such Indebtedness.

"**Indebtedness**" means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent.

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (a) moneys borrowed, (b) amounts raised by acceptance under any acceptance credit facility, (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (d) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (e) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (f) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing.

"**International Organisation**" means any of Asian Development Bank, European Bank for Reconstruction and Development, International Bank for Reconstruction and Development, International Finance Corporation, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. or Deutsche Investitions-und Entwicklungsgesellschaft GmbH and any person which is a, or controlled by any, Kazakhstan governmental body acting on behalf of or funded in relation to the relevant Indebtedness for Borrowed Money by one or more of the foregoing.

"**Permitted Security Interest**" means any Security Interest (a) granted in favour of the Guarantor by any Subsidiary to secure Indebtedness for Borrowed Money owed by such entity to the Guarantor, (b) which arises pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings, (c) being liens or rights of set-off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set-off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property of the Guarantor held by financial institutions, (d) arising in the ordinary course of the Guarantor's or a Subsidiary's business and (i) which are necessary in order to enable the Guarantor or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Guarantor's or such Subsidiary's business or (ii) limited to deposits made in the name of the Guarantor or such Subsidiary to secure obligations of the Guarantor's or such Subsidiary's customers, (e) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, *provided that* any such encumbrance secures only rentals and other amounts payable under such lease, (f) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Guarantor or any Subsidiary), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (ii) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (iii) the Guarantor's foreign exchange dealings or other proprietary trading activities including, without limitation, Repos, (g) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the issue date of the Notes or permitted by any of the above exceptions, *provided that* the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest, (h) granted by the Guarantor in favour of an International Organisation to secure Indebtedness for Borrowed Money owed by the Guarantor to such International Organisation pursuant to any loan agreement or other credit facility entered into between the Guarantor and such International Organisation, *provided*, *however*, *that* (i) the amount of Indebtedness for Borrowed Money so secured pursuant to this clause (h) shall not exceed in the aggregate an amount in any currency or currencies equivalent to 20 per cent. of the Guarantor's gross loans and advances to customers (calculated by reference to the most recent audited consolidated financial statements of the Guarantor prepared in accordance with IFRS) and (ii) the relevant Security Interest only extends to the asset financed by the relevant Indebtedness for Borrowed Money and/or any Security Interest or other claim held by the Guarantor in relation thereto, (i) granted upon or with regard to any property hereafter acquired by the Guarantor or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), *provided that* the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property, (j) created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Guarantor or any Subsidiary arising out of any securitisation of such property or assets or other similar structured finance transaction in relation to such property or assets (including loan participation notes) where the primary source of payment of any obligations secured by such property or assets is the proceeds of such property or assets (or where the payment of such obligations is otherwise supported by such property or assets) and where recourse to the Guarantor or the relevant Subsidiary in respect of such obligations does not extend to defaults by the obligors in relation to such property or assets, *provided that* the aggregate amount of such obligations so secured pursuant to this clause (j) (other than obligations secured on claims against the Guarantor ranking junior in right of payment to claims under the Guarantee and constituting regulatory capital, accordingly, as to which obligations this proviso shall not apply) at any one time (measured at the time of initial incurrence) shall not exceed an amount in any currency or currencies equivalent to 15 per cent. of the Guarantor's gross loans and advances to customers (calculated by reference to the most recent audited consolidated financial statements of the Guarantor prepared in accordance with IFRS) and (k) not included in any of the above exceptions, in aggregate securing Indebtedness for Borrowed Money with an aggregate principal amount at any time not exceeding U.S.$10 million (or its equivalent in other currencies) at that time.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality.

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any for the foregoing and for purposes of this definition, the term "**securities**" means any capital stock, share, debenture or other debt or equity instrument, or other derivative, whether issued by any private or public company, any government or agency or instrumentality thereof or any supernational, international or multilateral or organisation.

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person.

"**Subsidiary**" means, in relation to any Person (the "**First Person**") at a given time, any other Person (the "**Second Person**") (i) whose affairs and policies the First Person directly or indirectly controls or (ii) as to whom the First Person owns directly or indirectly more than 50 per cent. of the capital, voting stock or other right of ownership. "**Control**", as used in this definition, means the power by the First Person to direct the management and the policies of the Second Person, whether through the ownership of share capital, by contract or otherwise.

The Trust Deed does not oblige the Trustee to monitor compliance by the Issuer or the Guarantor, as the case may be, with the Conditions (including Conditions 5.2, 5.3, 5.4, 5.5 and 5.6) but it does oblige the Issuer and the Guarantor to furnish the Trustee, annually, with a certificate, on which the Trustee may rely, as to such compliance.

6. Interest

6.1 *Interest Accrual*

Each Note bears interest from 20 September 2006 (the "**Issue Date**") at the rate of 8.25 per cent. per annum (the "**Rate of Interest**"), payable on 30 September and 30 March in each year (each, an "**Interest Payment Date**") commencing on 30 March 2007 (in respect of the period commencing on 20 September 2006), subject as provided in Condition 7 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

6.2 *Cessation of Interest*

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

6.3 *Calculation of Interest for an Interest Period*

The amount of interest payable in respect of each Note for any Interest Period (other than the Interest Period beginning on (and including) the Issue Date and ending on (but excluding) 30 March 2007 (the **"First Interest Period"**)) shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of the First Interest Period shall be KZT435,416,700 per KZT10,000,000 denomination of Notes and KZT43,541.67 per KZT1,000,000 denomination of Notes.

6.4 *Calculation of Interest for any other period*

If interest is required to be calculated for any period other than an Interest Period (and other than for the First Interest Period), it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

7. Payments

7.1 *Settlement*

Unless an Inconvertibility Event has occurred, all payments of principal and interest, and any other payments under the Notes, shall be made in United States Dollars. Kazakhstan Tenge amounts shall be converted to United States Dollars at the FX Rate as determined by the FX Bank in its sole and absolute discretion acting in good faith and in a commercially reasonable manner. The conversion shall be made by the FX Bank pursuant to the FX Agreement. The Issuer shall as soon as practicable after determination of the FX Rate give notice to the Noteholders and Trustee of such FX Rate and the amount payable in respect of each Note.

If, in relation to an Interest Payment Date, an Inconvertibility Event has occurred then payment shall be made in Kazakhstan Tenge and a Noteholder may require a Kazakhstan Tenge bank account with a Kazakhstan bank to receive such payments.

"**Determination Business Day**" means a day (other than a Saturday or a Sunday) on which (a) the London Interbank Market is open for dealings between banks generally (b) commercial banks are generally open for business in Almaty and (c) commercial banks are generally open for business in New York City.

"**FX Business Day**" means a day (other than a Saturday or a Sunday) on which an Inconvertibility Event has not occurred or has occurred but is not continuing and (a) the London Interbank Market is open for dealings between banks generally (b) commercial banks are generally open for business in Almaty and (c), if on that day a United States Dollar payment is to be made, commercial banks are generally open for business in New York City.

The "**FX Rate**" means (a) in the case of payments of interest and any other payments under the Notes, the arithmetic mean of the (i) the KZT Spot Rate on the FX Business Day immediately preceding the Rate Fixing Day and (ii) the KZT Spot Rate on the Rate Fixing Day, less the fees and commissions of the FX Bank not exceeding 0.03 per cent. of the relevant FX Transaction (the "**Interest FX Bank Fee**") (if either one or both of such KZT Spot Rates are unavailable, the FX Rate shall be the arithmetic mean of the KZT Spot Rates on each of the two most recent FX Business Days preceding the Rate Fixing Day, less the Interest FX Bank Fee), and (b) in the case of payments of principal, the arithmetic mean of the (i) the KZT Spot Rates on the four FX Business Days immediately preceding the Rate Fixing Day and (ii) the KZT Spot Rate on the Rate Fixing Day, less the fees and commissions of the FX Bank not exceeding 0.06 per cent. of the relevant FX Transaction (the "**Principal FX Bank Fee**") (if any of such KZT Spot Rates are unavailable, the FX Rate shall be the arithmetic mean of the KZT Spot Rates on each of the five most recent FX Business Days preceding the Rate Fixing Day, less the Principal FX Bank Fee).

An "**Inconvertibility Event**" shall occur if the FX Bank notifies the Issuer and the Trustee of the occurrence, in the FX Bank's sole and absolute discretion acting in good faith and in a commercially reasonable manner, of any event or existence of any condition (including without limitation any such event or condition that occurs as a result of the enactment, promulgation, execution, ratification, interpretation or application of, or any change in or amendment to, any law, rule or regulation by any governmental authority) that has the effect of generally making it impossible, illegal or impracticable for, or has the effect of prohibiting or restricting, banks commonly participating in foreign exchange transactions in the Republic of Kazakhstan, or materially hinders their ability, (1) to convert KZT into USD through customary legal channels; or (2) to transfer or repatriate any funds in USD from accounts inside the Republic of Kazakhstan to accounts outside the Republic of Kazakhstan or between accounts inside the Republic of Kazakhstan, when compared to the condition that subsisted on the date of the FX Agreement.

Upon being notified of an Inconvertibility Event, the Issuer shall immediately notify the Noteholders and the Trustee that an Inconvertibility Event has occurred.

"**KZT Spot Rate**" means the KASE USD/KZT weighted average exchange rate (being the number of KZT that can be bought with one USD) published by the Kazakhstan Stock Exchange Incorporated ("**KASE**") at or about 11:00am (Almaty time) as appears as at the date hereof, without limitation, on Reuters Page AFINEX01 Official Rate (the "Reuters Page") and on the website of KASE ("http://www.kase.kz") (the "**KASE Website**") or such other medium or website as may replace the Reuters page or KASE Website as may be nominated by KASE for the purposes of publishing the daily USD/KZT weighted average exchange rate from time to time.

The "**Rate Fixing Day**" means the FX Business Day falling three Determination Business Days prior to an Interest Payment Date.

7.2 *Principal*

Unless an Inconvertibility Event has occurred, payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a holder of a Note to the Specified Office of the Principal Paying and Transfer Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate at the Specified Office of any Paying and Transfer Agent.

7.3 *Interest*

Unless an Inconvertibility Event has occurred, payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a holder of a Note to the Specified Office of the Principal Paying and Transfer Agent nor later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

7.4 *Inconvertibility Event*

If, in relation to an Interest Payment Date, an Inconvertibility Event has occurred, payments of principal and interest shall be made in Kazakhstan Tenge cheque drawn on, or upon application by a holder of a Note to the office of the Kazakhstan Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Kazakhstan Tenge account maintained by the payee with, a bank in Kazakhstan upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any paying agent in Kazakhstan nominated by the Issuer in a manner notified to Noteholders in accordance with Condition 14 (*Notices*) and a Noteholder may require a Kazakhstan Tenge bank account with a Kazakhstan Bank in order to receive such payments. None of the Trustee or the Paying Agents are obliged to act as paying agent in such circumstances.

7.5 *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

7.6 *Record Date*

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the close of business (in the place of the Registrar's Specified Office) on the fifteenth day before the due date for such payment (the "**Record Date**").

7.7 *Payment on a business day*

Unless an Inconvertibility Event has occurred, where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value on the due date, or, if the due date is not a Business Day, for value on the next succeeding Business Day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (a) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case or part payment only, endorsed) at the Specified Office of a Paying and Transfer Agent and (b) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for a payment not being a Business Day or (ii) a cheque mailed in accordance with this Condition 7 (*Payments*) arriving after the due date for payment or being lost in the mail. In this Condition 7, "**Business Day**" means any day on which banks are open for business (including dealings in foreign currencies in London and New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

7.8 *Paying and Transfer Agents*

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying and Transfer Agents act solely as agents of the Issuer and the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The initial Paying and Transfer Agents and their initial Specified Offices are listed below. Each of the Issuer and the Guarantor reserves the right (with prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying and Transfer Agent and to appoint a successor registrar or principal paying and transfer agent and additional or successor paying and transfer agents; *provided*, *however*, *that* the Issuer shall at all times and so long as the Notes remain listed on the London Stock Exchange and such exchange so requires maintain a paying and transfer agent in London, a registrar and a principal paying and transfer agent. In addition, the Issuer undertakes that it will ensure that it maintains a paying and transfer agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the European Union Council Directive 2003/48/EC on the taxation of savings income implementing or any law implementing or complying with, or introduced in order to conform to, such directive. Further, the Issuer shall forthwith appoint a paying agent in Kazakhstan if an Inconvertibility Event occurs and shall maintain such a paying agent. Notice of any change in any of the Paying and Transfer Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

8. Redemption and Purchase

8.1 *Scheduled redemption*

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on the Interest Payment Date falling on 30 September 2011, subject as provided in Condition 7 (*Payments*).

8.2 *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (a) the Issuer (or if the Guarantee were called, the Guarantor, as the case may be,) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) to any greater extent than would have been required had such a payment been required to be made on 13 September 2006 as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 13 September 2006 and (b) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; *provided*, *however*, *that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (i) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred and (ii) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (a) and (b) above, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 8.2, the Issuer (or the Guarantor, as the case may be) shall be bound to redeem the Notes in accordance with this Condition 8.2.

8.3 *Redemption at the option of the Noteholders*

Following the occurrence of a Relevant Event, the Issuer shall, at the option of the holder of any Note, redeem such Note on the sixtieth day after notice thereof has been given by the Issuer to Noteholders in accordance with Condition 14 (*Notices*) (the "**Put Settlement Date**") (with a copy to the Trustee) at their principal amount together with interest accrued to the Put Settlement Date. In order to exercise the option contained in this Condition 8.3, the holder of a Note must, not less than 15 days before the Put Settlement Date, deposit with any Paying and Transfer Agent the relevant Note Certificate and a duly completed put option notice (a "**Put Option Notice**") in the form obtainable from any Paying and Transfer Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 8.3, may be withdrawn; *provided*, *however*, *that* if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note Certificate on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice.

8.4 *Redemption at the option of the Issuer following a partial redemption of the Notes at the option of Noteholders*

If 75 per cent. or more of the aggregate principal amount of the Notes originally issued shall have been redeemed on the Put Settlement Date in accordance with the provisions of Condition 8.3, the Issuer may, having given not less than 30 or more than 60 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable) (with a copy to the Trustee), redeem on the expiry date of such notice all (but not some only) of the Notes at their principal amount together with interest accrued to but excluding the date of such redemption.

8.5 *No other redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 8.1 to 8.4 above.

8.6 *Purchase*

The Issuer, the Guarantor and any Subsidiary of the Guarantor may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (*provided that* such resale is outside of the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer, or the Guarantor, or otherwise, as the case may be. Any Notes so purchased, while held by the Issuer, shall not entitle the Issuer to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at such meetings.

8.7 *Cancellation of Notes*

All Notes which are redeemed pursuant to Conditions 8.1 to 8.4 or submitted for cancellation pursuant to Condition 8.6 shall be cancelled and may not be reissued or resold. So long as the Notes are listed on the London Stock Exchange, the Issuer shall notify the London Stock Exchange of any such cancellation.

8.7 *Occurrence of Relevant Event*

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur.

8.8 *Definitions*

As used in this Condition 8 (*Redemption and Purchase*):

"**Asset Sale**" means the conveyance, transfer or lease (whether in a single transaction or in a series of related transactions) of all or substantially all of the assets of (i) the Guarantor or any of its Subsidiaries to any Person or (ii) any Person to the Guarantor or any of its Subsidiaries.

"**Merger Event**" means the consolidation of the Guarantor or any of its Subsidiaries with another Person (other than, in the case of any such Subsidiary, the Guarantor); the merger of the Guarantor or any of its Subsidiaries with or into or the amalgamation of the Issuer or any of its Subsidiaries with another Person (other than, in the case of any such Subsidiary, the Guarantor) or the reorganisation or restructuring of the Guarantor or any of its Subsidiaries.

"**Rating Agency**" means Moody's Investors Service Inc. and its successors or Fitch Ratings Ltd. and its successors.

"**Rating Downgrade**" means the withdrawal or reduction by more than one full rating category from Ba1/BB– to Ba2/B+ (or their respective equivalents for the time being) of the long term foreign currency debt or deposit rating of the Guarantor provided by a Rating Agency at the invitation of the Guarantor or with the consent, agreement or approval of the Guarantor.

"**Relevant Event**" means (i) a Merger Event resulting in a Rating Downgrade or (ii) an Asset Sale resulting in a Rating Downgrade.

9. Taxation

9.1 *Taxation*

All payments of principal and interest in respect of the Notes (including payments by the Guarantor under the Guarantee and any payment by the Issuer under the Trust Deed) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(a) presented for payment by a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of such holder having some connection with The Netherlands or the Republic of Kazakhstan other than the mere holding of such Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC) or any law implementing or complying with, or introduced in order to conform to, such directive; or

(d) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by surrendering the relevant Note Certificate to another Paying and Transfer Agent in a member state of the European Union.

9.2 *Relevant Date*

In these Conditions, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in New York by the Principal Paying and Transfer Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

9.3 *Additional amounts*

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 9 (*Taxation*) pursuant to the Trust Deed.

9.4 *Taxing jurisdiction*

If the Issuer or (as the case may be) the Guarantor becomes subject at any time to any taxing jurisdiction other than The Netherlands or, in the case of the Guarantor, the Republic of Kazakhstan, references in these Conditions to The Netherlands or, as the case may be, the Republic of Kazakhstan shall be construed as references to The Netherlands and/or the Republic of Kazakhstan and/or such other jurisdiction.

10. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

11. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction) shall, give notice to the Issuer and the Guarantor that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs:

11.1 *Non-payment*

The Issuer fails to pay the principal of any of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes and such default in respect of interest or additional amounts continues for a period of five business days provided, however that no Inconvertibility Event has occurred; or

11.2 *Breach of other obligations*

The Issuer or the Guarantor is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 11 (*Events of Default*)) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer or the Guarantor, as the case may be, by the Trustee; or

11.3 *Cross-default*

(a) any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Material Subsidiary of the Guarantor is not paid when due or (as the case may be) within any originally applicable grace period; or (b) any Indebtedness for Borrowed Money becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness for Borrowed Money; or (c) the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries fails to pay when due any amount payable by it under any Indebtedness Guarantee, *provided that* the amount of Indebtedness for Borrowed Money referred to in (a) and/or (b) above and/or the amount payable under any Indebtedness Guarantee referred to in (c) above individually or in the aggregate exceeds USD7 million (or its equivalent in any other currency or currencies (as determined by the Trustee)); or

11.4 *Bankruptcy*

(a) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries or all or substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (b) the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries, as the case may be, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries commences proceedings with a view to the general adjustment of its Indebtedness which event is, in the case of the Material Subsidiary, materially prejudicial to the interests of the Noteholders (in the opinion of the Trustee); or

11.5 *Substantial change in business*

The Guarantor makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

11.6 *Maintenance of business*

The Guarantor fails to take any action as is required of it under applicable banking regulations in Kazakhstan or otherwise to maintain in effect its banking licence or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Guarantor; or

11.7 *Material compliance with applicable laws*

The Issuer or the Guarantor fails to comply in any (in the sole opinion of the Trustee) material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Paying Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or

11.8 *Invalidity or unenforceability*

(a) the validity of the Notes, the Trust Deed or the Paying Agency Agreement is contested by the Issuer or the Guarantor, or the Issuer or the Guarantor shall deny any of its obligations under the Notes, the Trust Deed or the Paying Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (b) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Paying Agency Agreement or (c) all or any of the obligations of the Issuer or the Guarantor set out in the Notes, the Trust Deed or the Paying Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of the events specified in this Condition 11.8, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

11.9 *Government intervention*

(a) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary of the Guarantor is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) the Issuer, the Guarantor or any Material Subsidiary of the Guarantor is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 11.9, the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders.

As used in this Condition 11 (*Events of Default*) "**Material Subsidiary**" means, at any given time, any Subsidiary of the Guarantor whose gross assets or gross revenues represent at least 5 per cent. of the consolidated gross assets, or, as the case may be, consolidated gross revenues of the Guarantor and its consolidated Subsidiaries and, for these purposes (i) the gross assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts); and (ii) the consolidated gross assets and consolidated gross revenues of the Guarantor and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements, in each case prepared in accordance with IFRS.

A report by the Auditors (as defined in the Trust Deed) that in their opinion a Material Subsidiary is or is not or was or was not at a specified date a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties for such purpose.

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act or not act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. The Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it acting or not acting on such opinion or advice or information.

12. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or the Paying and Transfer Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

13. Meetings of Noteholders; Modification and Waiver

13.1 *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee, the Issuer, the Guarantor, or by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided*, *however*, *that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

13.2 *Written resolution*

A resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

13.3 *Modification without Noteholders' consent*

The Trustee may, without the consent of the Noteholders agree (a) to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (b) to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

14. Notices

14.1 *Notices to the Noteholders*

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as Notes are listed on the London Stock Exchange's Gilt Edged and Fixed Interest Market and the rules of that exchange so require, notices to Noteholders will be published on the date of such mailing in a leading newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

14.2 *Notices to the Issuer and/or the Guarantor*

Notices to the Issuer and/or the Guarantor will be deemed to be validly given if delivered to the Guarantor at 100 Shevchenko Street, Almaty 050022, Kazakhstan and clearly marked on their exterior "Urgent—Attention: Debt Capital Markets" with a copy to the Issuer at CenterCredit International B.V., Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands and clearly marked on the external "Urgent—Attention: CenterCredit International B.V." (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 14.1 and will, be deemed to have been validly given at the opening of business on the next day on which the Issuer's and/or the Guarantor's (as the case may be) principal offices, as applicable, are open for business.

14.3 *Notices to the Trustee and Agents*

Notices to the Trustee or any Agent will be deemed to have been validly given if delivered to the Specified Office, for the time being, of the Trustee or such Agent, as the case may be, and will be validly given on the next day on which such office is open for business.

15. Trustee

15.1 *Indemnification*

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer or the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

15.2 *Exercise of power and discretion*

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

15.3 *Enforcement*

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least one fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security to its satisfaction.

15.4 *Failure to act*

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing. The Notes provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Noteholders to take action directly.

15.5 *General*

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default has occurred.

The Trustee is not liable for any failure to monitor compliance by the Issuer or the Guarantor with the Conditions (including the Issuer's and Guarantor's covenants and Condition 11 (*Events of Default*)) and may rely upon the information provided to it in any certificate of each Issuer and the Guarantor signed by any two of its directors.

The Trustee shall not be required to take any steps to ascertain whether an Inconvertibility Event or any event which could lead to the occurrence of an Inconvertibility Event has occurred and will not be responsible or liable to Noteholders for any loss arising from any failure by it to do so.

15.6 *Retirement and Removal*

Any Trustee may retire at any time on giving at least three months' written notice to the Issuer and the Guarantor without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee *provided that* the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee.

16. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or the first payment of interest) so as to form a single series with the Notes. Such further Notes shall be constituted by a deed supplemental to the Trust Deed.

17. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or from the Guarantor under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**First Currency**") in which the same is payable under these Conditions, the Trust Deed or such order or judgment into another currency (the "**Second Currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, or in respect thereof under the Trust Deed, the Issuer or, as the case may be, the Guarantor, shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor, or to the Specified Office of the Principal Paying and Transfer Agent or the Paying and Transfer Agent having its Specified Office in London, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

18. Governing Law; Jurisdiction and Arbitration

18.1 *Governing law*

The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English Law.

18.2 *Submission to Jurisdiction; Arbitration*

Each of the Issuer and the Guarantor has in the Trust Deed (a) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Trust Deed or the Notes; (b) waived any objection which it might have to such courts being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum; (c) consented generally in respect of any legal action or proceedings arising out of or in connection with the Trust Deed to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such action or proceedings; (d) to the extent that it may, in respect of any legal action or proceedings in any jurisdiction arising out of or in connection with the Trust Deed, be entitled to claim for itself or its assets immunity from suit, from the jurisdiction of any court, from execution, attachment (whether in aid of execution of a judgment, before judgment or otherwise) or any other relief or other legal process, and to the extent that in any such legal action or proceedings in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), irrevocably agreed not to claim and irrevocably waived such immunity to the fullest extent now or hereafter permitted by the laws of the jurisdiction in which such legal action is or such proceedings are commenced; (e) agreed that a final judgment in any suit, action or proceedings of the nature referred to in Condition 18.2(a) brought in any court shall be conclusive and binding upon it and may, subject to applicable law and to compliance with any applicable procedural requirements, be enforced in or by any of those courts mentioned in Condition 18.2(a), or any other courts to the jurisdiction of which the Issuer or the Guarantor are or may be subject by a suit upon such judgment *provided that* service of process in connection with any such suit, action or proceedings shall have been effected upon them or such of them in one of the manners specified in this Condition 18.2 or as otherwise permitted by applicable law; (f) designated a person in England to accept service of any process on its behalf; and (g) agreed that the Trustee may elect by written notice to the Issuer and the Guarantor that any dispute (including a claim, dispute or difference regarding the existence, termination or validity of the Notes), shall be finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration as at present in force and as modified by the Trust Deed.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying and Transfer Agents as set out at the end of this Prospectus.

THE FX AGREEMENT

*The Issuer will enter into a foreign exchange agreement (the "**FX Agreement**") with, among others, JSC Halyk Bank (the "**FX Bank**"), pursuant to which Kazakhstan Tenge amounts will be converted to U.S. dollars amounts in accordance with the terms and conditions of the Notes to settle, amongst other things, payments of principal and interest under the Notes (see "Terms and Conditions of the Notes") in U.S. dollars.*

FX Bank	JSC Halyk Bank
Parties	The Issuer, the Trustee and the FX Bank
FX Facility	In accordance with the terms of the FX Agreement, the FX Bank grants to the Issuer a pre-funded spot committed foreign exchange facility under which the FX Bank will, unless an Inconvertibility Event (as defined in Condition 7 (*Payments*) has occurred, enter into FX transactions (the "**FX Transactions**") on the request of the Issuer**.**
FX Rate	The rate of exchange for the relevant FX Transaction will be fixed on the basis of (a) in the case of payments of interest and any other payments under the Notes, the arithmetic mean of the (i) the KZT Spot Rate on the FX Business Day immediately preceding the Rate Fixing Day and (ii) the KZT Spot Rate on the Rate Fixing Day, less the fees and commissions of the FX Bank not exceeding 0.03 per cent. of the relevant FX Transaction (the "**Interest FX Bank Fee**") (if either one or both of such KZT Spot Rates are unavailable, the FX Rate shall be the arithmetic mean of the KZT Spot Rates on each of the two most recent FX Business Days preceding the Rate Fixing Day, less the Interest FX Bank Fee), and (b) in the case of payments of principal, the arithmetic mean of the (i) the KZT Spot Rates on the four FX Business Days immediately preceding the Rate Fixing Day and (ii) the KZT Spot Rate on the Rate Fixing Day, less the fees and commissions of the FX Bank not exceeding 0.06 per cent. of the relevant FX Transaction (the "**Principal FX Bank Fee**") (if any of such KZT Spot Rates are unavailable, the FX Rate shall be the arithmetic mean of the KZT Spot Rates on each of the five most recent FX Business Days preceding the Rate Fixing Day, less the Principal FX Bank Fee) (the "**FX Rate**").
KZT Spot Rate	The KASE USD/KZT weighted average exchange rate (being the number of KZT that can be bought with one USD) published by the Kazakhstan Stock Exchange Incorporated ("KASE") at or about 11:00 am (Almaty time) as appears as at the date hereof, without limitation, on Reuters Page AFINEX01 Official Rate (the "Reuters Page") and on the website of KASE ("http://www.kase.kz") (the "KASE Website") or such other medium or website as may replace the Reuters Page or KASE Website as may be nominated by KASE for the purposes of publishing the daily USD/KZT weighted average exchange rate from time to time (the "**KZT Spot Rate**").
FX Business Day	The FX Transactions may be effected on any day, which is a day (other than a Saturday or a Sunday) on which an Inconvertibility Event has not occurred or has occurred but is

	not continuing and (a) the London Interbank Market is open for dealings between banks generally (b) commercial banks are generally open for business in Almaty and (c), if on that day a United States Dollar payment is to be made, commercial banks are generally open for business in New York City (the "**FX Business Day**").
Termination	The FX Agreement will terminate automatically on the date of receipt by the FX Bank of written notice from the Issuer and the Trustee confirming that the Notes have been repaid in full or on the date that the FX Bank notifies the Issuer and the Trustee of the occurrence of any event or existence of any Inconvertibility Event (the "**Termination Date**"). The FX Bank may at any time request the Issuer and/or the Trustee to send such written notice and the Trustee and/or the Issuer (as the case may be) will comply promptly with such request; provided that the relevant event to be specified in such notice has, in the opinion of the Issuer and/or the Trustee (as the case may be), occurred.
Governing Law	English law
Disputes	Any claim or course of action brought by one party to the FX Agreement against another shall be settled by arbitration in accordance with the Rules of the London Court of International Arbitration.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system with the rate being determined on the basis of market developments and the NBK's role in setting the exchange rate 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	**Period-end**	**High**	**Average(1)**	**Low**
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
2005	133.77	136.12	132.14	129.83

Quarter ended	**Period-end**	**High**	**Average(1)**	**Low**
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	136.00	132.18	130.28
30 September 2005	133.89	136.12	135.12	133.89
31 December 2005	133.77	134.42	131.05	133.46
31 March 2006	128.45	133.82	132.57	127.40
30 June 2006	118.69	128.95	124.50	118.26

(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 6 September 2006, was KZT125.72 per U.S.$1.

The above rates may differ from the actual rates used in the preparation of the Bank's consolidated financial statements and other financial information appearing in this Prospectus. The inclusion of these exchange rates is not meant to suggest that the Tenge amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all.

Exchange Controls

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

Following the influx of Dollars into Kazakhstan due to the rising oil prices, a number of steps aimed to liberalise the currency control regime were undertaken in Kazakhstan from 2002 to 2004. The new currency control law and supporting regulations came into effect at the end of 2005, as the major step towards achieving the liberalisation of currency operations, extension of export of capital and elimination of double control. Among other things, the new currency control rules substantially expand the scope of Kazakhstan investors that can invest abroad and eases the requirements for international financing to Kazakhstan.

Specifically, no NBK license is currently required (i) for a Kazakhstan financial organisation to open accounts in foreign banks in connection with transactions with financial instruments on international securities markets or for a Kazakhstan legal entity to open accounts in foreign banks for the purposes of securing its obligations towards non-resident lenders; (ii) for certain Kazakhstan financial organisations, or other residents acting through a licensed professional securities market participant, to acquire foreign securities or to enter into derivative transactions with non-residents; (iii) for an acquisition by residents of more than 10 per cent. of the voting shares of a non-resident company.

Currency control limitations were further eased for Kazakhstan banks and, currently, with respect to most of their off-shore operations, banks must only notify the NBK of such operations.

CAPITALISATION OF THE BANK

The following table sets out the consolidated capitalisation of the Bank as at 30 June 2006 on an actual basis, and as adjusted to reflect the issuance of the Notes:

	30 June 2006			
	Actual		**As Adjusted**	
	(*U.S.$ thousands*)[1]	(*KZT thousands*)	(*U.S.$ thousands*)[1]	(*KZT thousands*)
	unaudited		*unaudited*	
Liabilities				
Short-term liabilities	1,617,467	191,977,172	1,617,467	191,977,172
Senior long-term liabilities[2] [3]	1,453,629	172,531,220	210,632	25,000,000
Subordinated long-term liabilities	140,328	16,655,475	140,328	16,655,475
Total liabilities	3,211,424	381,163,867	1,968,427	233,632,647
Shareholders' equity				
Share capital[4]	138,173	16,399,781	138,173	16,399,781
Investments available-for-sale fair value reserve	2,887	342,703	2,887	342,703
Fixed assets revaluation reserve	44	5,263	44	5,263
Revenue reserves	105,495	12,521,251	105,495	12,521,251
Minority interest	1,399	165,996	1,399	165,996
Total shareholders' equity	**247,998**	**29,434,994**	**247,998**	**29,434,994**
Total capitalisation	**3,459,422**	**410,598,861**	**2,216,425**	**263,067,641**

(1) U.S.$ 1.00 = KZT118.69.
(2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated.
(3) Since 30 June 2005, the Bank has entered into a number of financings. See "*Description of the Bank—Funding and Liquidity*".
(4) Comprises 80,316,695 authorised, issued and fully paid ordinary shares with a par value of KZT200 each. As at 30 June 2006, the Bank's share capital had increased to KZT16,399,781,000. The Bank has not issued any debt securities convertible into, or exchangeable for, its ordinary shares.

Other than as set forth in the notes to the capitalisation table, there has been no material change in the Bank's capitalisation since 30 June 2006.

SELECTED FINANCIAL AND OTHER INFORMATION

The following table contains summary historical financial information derived from the Bank's audited consolidated IFRS financial statements as at and for the years ended as at and 31 December 2005 and 31 December 2004 which were audited by DTT. The summary information for the six months ended 30 June 2006 and 2005 is extracted from the unaudited consolidated interim IFRS financial statements prepared by the Bank. Investors should not rely on interim results as being indicative of results the Bank may expect for the full year. The Bank's financial statements have been prepared in accordance with IFRS and are presented in Tenge.

Solely for the convenience of the reader, the Bank has translated information in the summary income statement and the summary balance sheet for or as at the six months ended 30 June 2006 and for or as at the year ended 31 December 2005 into U.S. dollars at the rates of U.S.$1.00 = KZT118.69 and KZT135.26, U.S.$1.00 = KZT133.98, respectively.

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in "*Capitalisation* of the Bank", "*Operating and Financial Review*" and the Bank's consolidated interim financial statements and consolidated financial statements and the related notes thereto appearing elsewhere in this Prospectus.

Consolidated Income Statement Data

	For the six month period ended 30 June			For the year ended 31 December		
	2006	2006	2005	2005	2005	2004
	(U.S.$ thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.$ thousands) (unaudited)*	*(KZT thousands) (audited)*	
Income Statement:						
Interest income	161,307	20,502,086	10,086,084	194,449	25,834,410	12,396,971
Interest expense	(100,059)	(12,717,560)	(5,820,219)	(104,879)	(13,934,160)	(6,355,305)
Net interest income before provision for impairment losses on interest bearing assets	61,248	7,784,526	4,265,865	89,570	11,900,250	6,041,666
Provision for impairment losses on interest bearing assets	(18,755)	(2,383,721)	(2,418,113)	(40,616)	(5,396,226)	(2,418,052)
Net interest income	42,493	5,400,805	1,847,752	48,954	6,504,024	3,623,614
Net gain/(loss) on assets held-for-trading	2,524	320,768	44,607	(158)	(20,963)	92,756
Net gain on foreign exchange operations	1,700	216,067	568,858	8,395	1,115,378	783,277
Fees and commission income	25,333	3,219,782	2,333,640	38,606	5,129,225	3,327,522
Fees and commission expenses	(3,047)	(387,217)	(241,508)	(3,970)	(527,445)	(339,886)
Net (loss)/gain on investments available-for-sale	(4)	(493)	359,949	(38)	(5,060)	28,079
Other income (expense)	3,137	398,689	276,590	3,358	446,025	284,657
Net non-interest income	29,643	3,767,596	3,342,136	46,193	6,137,160	4,176,405
Operating income	72,136	9,168,401	5,189,888	95,147	12,641,184	7,800,019
Operating expenses	(36,362)	(4,621,577)	(3,008,875)	(54,592)	(7,253,103)	(4,963,739)
Operating Profit	35,774	4,546,824	2,181,013	40,555	5,388,081	2,836,280
(Provision)/recovery of provision for impairment losses on other transactions	(4,994)	(634,731)	83,589	(396)	(52,571)	(118,662)
Share of results of associates	-		-	-	-	4,100
Profit before income tax	30,780	3,912,093	2,264,602	40,159	5,335,510	2,721,718
Income tax expense	(3,170)	(402,869)	(150,949)	(4,384)	(582,537)	(284,585)
Net profit from ordinary operations	27,610	3,509,224	2,113,653	35,775	4,752,973	2,437,133
Profit from discontinued operations	-	-	-	78	10,414	2,481
Net profit	**27,610**	**3,509,224**	**2,113,653**	**35,853**	**4,763,387**	**2,439,614**
Attributable to:						
Equity holders of the parent	27,253	3,463,866	2,115,523	35,792	4,755,366	2,424,024
Minority interest	357	45,358	(1,870)	61	8,021	15,590
	27,610	**3,509,224**	**2,113,653**	**35,853**	**4,763,387**	**2,439,614**

Consolidated Balance Sheet Data

	As at 30 June			As at 31 December		
	2006	2006	2005	2005	2005	2004
	(U.S.S thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.S thousands) (unaudited)*	*(KZT thousands) (audited)*	
Balance Sheet						
Assets:						
Cash and balances with the National Bank of the Republic of Kazakhstan	225,452	26,758,954	10,793,579	123,915	16,602,181	8,739,070
Loans and advances to banks	223,273	26,500,247	9,693,186	278,420	37,302,743	9,745,108
Assets held-for-trading	51,317	6,090,825	5,561,841	254,402	34,084,775	2,911,382
Securities purchased under agreements to resell	40,186	4,769,630	3,401,857	54,381	7,285,923	7,843,313
Loans to customers, less allowance for impairment losses	2,280,938	270,724,548	182,477,837	1,551,623	207,886,432	91,467,416
Investments available-for-sale	525,215	62,337,726	36,624,058	132,257	17,719,809	21,478,739
Investments held-to-maturity	17,485	2,075,320	92,348	466	62,460	54,973
Fixed and intangible assets, less accumulated depreciation and amortization	61,016	7,241,992	5,200,508	45,570	6,105,415	3,887,790
Income tax assets	1,658	196,760	123,615	1,286	172,359	38,289
Other assets, less allowance for impairment losses	32,883	3,902,859	3,966,018	23,026	3,085,005	2,317,586
Total assets	**3,459,423**	**410,598,861**	**257,934,847**	**2,465,346**	**330,307,102**	**148,483,666**
Liabilities and Equity:						
Liabilities:						
Loans and advances from banks	827,139	98,173,122	57,422,473	665,789	89,202,443	34,963,481
Securities sold under agreements to repurchase	-	-	4,407,787	197,384	26,445,539	-
Customer accounts	1,490,825	176,946,067	127,909,761	1,041,893	139,592,841	91,367,688
Debt securities issues	723,366	85,856,303	33,052,953	250,710	33,590,145	1,510,157
Other liabilities	21,474	2,548,707	2,424,140	12,587	1,686,434	891,625
Subordinated debt	148,620	17,639,668	11,327,981	101,345	13,578,243	7,475,295
Total liabilities	**3,211,424**	**381,163,867**	**236,545,095**	**2,269,708**	**304,095,645**	**136,208,246**
Equity:						
Share capital	138,173	16,399,781	12,877,492	122,405	16,399,781	7,466,920
Investments available-for-sale fair value reserve	2,887	342,703	602,427	4,745	635,707	426,252
Fixed assets revaluation reserve	44	5,263	274,561	44	5,889	275,527
Revenue reserve	105,496	12,521,251	7,574,739	67,680	9,067,728	4,042,724
Minority Interest	1,399	165,996	60,533	764	102,352	63,997
Total equity	**247,999**	**29,434,994**	**21,389,752**	**195,638**	**26,211,457**	**12,275,420**
Total liabilities and equity	**3,459,423**	**410,598,861**	**257,934,847**	**2,465,346**	**330,307,102**	**148,483,666**

Selected Financial Ratios

	As at or for the six month period ended 30 June		As at or for the year ended 31 December	
	2006	2005	2005	2004
	(per cent.)			
Key Ratios:				
Return on equity(1)(2)	25.2	N/A	24.8	24.7
Net earnings per share (in KZT)	43.1	52.4	97.9	80.6
Operating expenses/operating income before provisions for impairment losses	40.0	39.5	40.2	48.6
Operating expenses/operating income after provisions for impairment losses	50.4	58.0	57.4	63.6
Effective provisioning rate on loans and advances to customers	4.0	N/A	4.2	4.3
Profitability Ratios:(3)		N/A		
Net interest margin(2)(4)	4.6	N/A	5.4	6.0
Operating expenses as a percentage of net interest income before provisions for impairment losses	59.4	70.5	60.9	82.2
Operating expense as a percentage of average total assets(2)	2.5	N/A	3.0	4.3
Net profit as a percentage of average total assets(2)	1.9	N/A	2.0	2.1
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	43.1	N/A	42.3	61.5
Total net loans and advances to customers as a percentage of total assets	65.9	N/A	62.9	61.6
Total equity as a percentage of total assets	7.2	N/A	7.9	8.3
Liquid assets as a percentage of customer accounts(5)	67.3	N/A	74.9	46.1
Liquid assets as a percentage of liabilities of up to one month	140.3	N/A	121.9	89.0
Capital Adequacy Ratios:(6)				
Total capital	16.36	N/A	16.32	17.43
Tier I capital	8.55	N/A	10.70	10.63
Credit Quality Ratios:(7)				
Non-performing loans as a percentage of total loans.	0.9	N/A	0.3	0.5
Non-performing loans as a percentage of total loans and guarantees	0.8	N/A	0.3	0.5
Provisions for impairment losses as a percentage of non-performing loans	427.0	N/A	1364.6	787.3

---

(1) Based on the average of the opening and closing balances for the period.
(2) Annualised.
(3) Averages are based upon average daily balances.
(4) Net interest margin is net interest income before provisions for impairment losses as a percentage of average interest-earning assets.
(5) Liquid assets include cash and balances with the NBK, loans and advances to banks (with maturity of less than one month), assets held-for-trading and investment securities.
(6) Calculated in accordance with the Basel Accord, as currently in effect.
(7) For the definition of non-performing loans used by the Bank, see "*Description of the Bank—Lending Policies and Procedures—Provisioning Policy*".

OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the Bank's audited annual IFRS financial statements and its interim unaudited IFRS financial statements as at 30 June 2006 appearing elsewhere in this Prospectus. This discussion includes forward-looking statements based on assumptions about the Bank's future business. The Bank's actual results could differ materially from those contained in such forward-looking statements.

Introduction

Established in 1988, the Bank is the sixth largest commercial bank in Kazakhstan, measured by total assets and fourth largest by customer accounts as at 30 June 2006, providing retail and corporate banking products and services. As at 30 June 2006, the Bank had net income of KZT3,509.2 million, total assets of KZT410,598.9 million and shareholders' equity of KZT29,435.0 million, compared with net income of KZT4,763.4 million, total assets of KZT330,307.1 million and shareholders' equity of KZT26,211.5 million for the same period ended 31 December 2005.

The Bank's financial statements as at and for the years ended 31 December 2005 and 2004 were prepared in accordance with IFRS and audited by DTT. These financial statements are consolidated and reflect the results of operations of the Bank and its subsidiaries, LLP Center Leasing, JSC BCC Invest, JSC Capital Pension Fund and CenterCredit International B.V.

The discussion in relation to the Bank's financial statements as at and for the years ended 31 December 2005 and 2004 is, unless otherwise stated, based upon the Bank's consolidated financial statements as at and for the years ended on such dates. This discussion, in so far as it refers to average amounts, has been based upon an analysis of average daily balances calculated on the basis used in the Bank's IFRS financial statements.

The discussion in relation to the Bank's results of operations and financial Condition for the six months ended and as at 30 June 2006 is based on the Bank's unaudited consolidated interim financial statements for the six months ended 30 June 2006 and 2005 and as at 30 June 2006 which have been prepared in accordance with IFRS and are stated on a basis substantially consistent with the audited annual financial statements included elsewhere in this Prospectus.

Kazakhstan's Economy

Overview

Kazakhstan has been recognised by both the European Union and the United States as having a market economy. It has experienced extensive economic transformation since independence in 1992; for example, real GDP, which fell by 38.6 per cent. between 1990 and 1995, is estimated to have grown by roughly the same amount since then, assisted substantially by the flotation of the Tenge in April 1999 and its subsequent devaluation, improvement in the global economic environment and rising commodity prices over the period.

Raw minerals extraction is the biggest sector of Kazakhstan's economy, which makes it overly dependent on the world market prices for mineral resources. Therefore, the main tasks facing Kazakhstan in the long-term are diversifying its economy and shifting its production toward value-added products.

Gross domestic product

The black market sector constitutes a significant portion of Kazakhstan's economy and the NSA makes adjustments to its GDP data in accordance with approved IMF practices in order to reflect this. The NSA's estimate of the size of the black market (including the household sector) has been that, at times, it has exceeded 35 per cent. of GDP. Others have, however, given even higher estimates of the contribution of the black market economy.

The following table sets forth certain information on Kazakhstan's GDP for the periods indicated:

	Year ended 31 December						
	2004	2003	2002	2001	2000	1999	1998
Nominal GDP (KZT millions)	5,542,500	4,449,800	3,747,200	3,250,593	2,599,902	2,016,456	1,733,264
Real GDP (percentage change during the twelve months then ended)	9.4	9.2	9.5	13.5	9.8	2.7	(1.9)
Nominal GDP per capita (KZT)	368,056	297,844	252,263	219,170	174,854	135,088	114.991
Population (millions average annual)	15.06	14.94	14.86	14.85	14.86	14.9	15.0

Source: NSA, NBK

Real GDP increases over the period are principally the result of systemic reforms (including price and trade liberalisation as well as privatisation), foreign investment (particularly in the oil and gas and non-ferrous metallurgy sectors), increases in agricultural production, strong commodity prices in recent years and the flotation of the Tenge in April 1999.

GDP by source

The following table sets forth the composition of nominal GDP by source for the periods indicated:

	Year ended 31 December						
	2004	2003	2002	2001	2000	1999	1998
	(per cent. share of GDP)						
Industry	31.1	29.5	29.3	30.7	31.9	28.2	24.4
Construction	5.9	6.2	6.1	5.5	5.3	4.8	4.9
Agriculture	7.9	7.3	7.9	8.7	8.7	9.9	8.6
Transportation and Telecommunications	12.2	12.1	11.5	11.2	12.0	12.0	13.9
Trade	11.4	12.1	12.0	12.1	12.6	3.6	15.2
Other(l)	31.5	32.8	33.2	31.8	29.5	31.5	33.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: NSA

(1) Includes finance and non-production sectors such as medicine, education, culture, defence and state administration, as well as taxes.

The composition of Kazakhstan's GDP has changed over recent years, with the share of agriculture decreasing and that of industry increasing by more than 50 per cent. since 1998.

The extraction and production of hydrocarbons (i.e., oil, gas and gas condensates) and minerals are the most significant industries in the Kazakhstan economy. Exports of hydrocarbons and minerals accounted for 74 per cent. of total exports in the first nine months of 2005, compared to 68 per cent. and 65 per cent. of total exports for the same period in 2004 and in the whole of 2003, respectively.

Inflation

The year-on-year rate of consumer price inflation has fallen from 1,258.3 per cent. as at the end of 1994 to 6.6 per cent. as at the end of 2004 and 7.9 per cent. as at the end of September 2005, although inflationary pressures have resumed in 2005, to a certain extent as a result of the flotation of the Tenge and rising commodity prices.

The following table sets forth the year-on-year rates of consumer price inflation and producer price inflation as at the dates indicated:

		Year ended 31 December						
	Nine months ended 30 September 2005	2004	2003	2002	2001	2000	1999	1998
					(per cent.)			
Consumer Prices	7.9	6.7	6.8	6.6	6.4	9.8	17.8	1.9
Producer Prices	25.5	23.8	5.9	11.9	(14.1)	19.4	57.2	(5.5)

Source: NSA, NBK

Balance of Payments

The following table sets forth the year on year surplus (or deficits) on the current account and surplus on the capital and financial accounts (primarily attributable to inflows of foreign direct investment) as at the dates indicated:

	Six months ended 30 June2005	Year ended 31 December 2004	2003	2002	2001
			(U.S.$ millions)		
Current account	912.8	529.6	(270.1)	(1,024.3)	(1,389.5)
Capital and financial account	(637.1)	4,585.4	2,738.0	1,239.3	2,428.7

Source: NSA, NBK

Based on NBK data, Kazakhstan's current account deficit in 2002 was U.S.$1,024.3 million and U.S.$1,389.5 million in 2001 compared with a surplus of U.S.$366.3 million in 2000. The current account deficit in 2003 was U.S.$270.1 million compared to a surplus of U.S.$529.6 million in 2004. The current account surplus in the first half of 2005 was U.S.$ 912.8 million.

The current account deficit has been offset by inflows of foreign direct investment. The capital and financial account surplus in 2000 was U.S.$l,016.5 million, resulting in a balance of payment surplus of U.S.$585.1 million. In 2001, foreign direct investment in the amount of U.S.$4,556.6 million resulted in a capital and financial account surplus of U.S.$2,428.7 million. In 2002, foreign direct investment for the year amounted to U.S.$4,106.5 million, which resulted in a capital and financial account surplus of U.S.$1,239.2 million. In 2003, foreign direct investment was U.S.$4,607 million and the capital and financial account surplus was U.S.$2,755.2 million. In 2004, foreign direct investment was U.S.$8,423.7 million which resulted in a capital and financial account surplus of U.S.$4,592.5 million.

Critical Accounting Policies

The Bank's results of operations and financial Condition presented in the financial statements, notes to the financial statements and selected financial and other information appearing elsewhere within this Prospectus are, to a large degree, dependent upon the Bank's accounting policies.

The Bank's significant accounting policies are described in Note 3 to the financial statements appended to the back of this Prospectus. The Bank has identified the following accounting policies that it believes are the most critical to an understanding of the results of operations and financial Condition of the Bank. These critical accounting policies require management's subjective and complex judgment about matters that are inherently uncertain. The impact and any associated risks related to the Bank's critical accounting policies on its business operations are discussed throughout this section where these policies affect the Bank's financial results as presented in this Prospectus.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. The consolidated financial statements are prepared on a quarterly basis. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Consolidated financial statements also include statements of special purpose entities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in non-consolidated associates

Investments in companies where the Group owns more than 20 per cent. of share capital, but does not have the ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the consolidated financial statements taken as a whole, or the Group intends to resell such investments in the near future, as well as investments in companies where the Group owns less than 20 per cent. of share capital, are accounted for at fair cost or approximated cost, or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary.

Recognition and measurement of financial instruments

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments. Financial assets and liabilities are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with NBK—includes cash on hand, unrestricted balances on correspondent and time deposit accounts with the NBK with original maturity of less than 90 days, and advances to banks in countries that are members of the OECD.

Loans and advances to banks—in the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for losses.

Assets held-for-trading—these represent assets acquired principally for the purpose of selling them in the near term and for which there is evidence of a recent pattern of short-term profit-taking, or it is a derivative. Assets held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's assets held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognised in profit and loss for the period.

Investments available-for-sale—these represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognised directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used.

Interest earned on investments available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognised in equity is removed from equity and recognised in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognised in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognised in profit and loss while gains from the sale of investments available-for-sale are recognised in profit and loss.

Investments held-to-maturity - such investments are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment.

Allowance for impairment losses

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to profit in the consolidated profit and loss account and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the consolidated balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

Results of Operations for the six months ended 30 June 2006 compared to the six months ended 30 June 2005

Net Interest Income

The following table sets out the principal components of the Bank's consolidated net interest income for the six months ended 30 June 2006 and 2005:

	For the six months ended 30 June		Variation
	2006	**2005**	**2006/2005**
	(KZT thousands)		*(per cent.)*
Interest income	20,502,086	10,086,084	103.3
Interest expense	(12,717,560)	(5,820,219)	118.5
Net interest income before provision for impairment losses on interest bearing assets	**7,784,526**	**4,265,865**	**82.5**
Provision for impairment losses on interest bearing assets	(2,383,721)	(2,418,113)	(1.4)
Net interest income	5,400,805	1,847,752	**192.3**

Interest Income

The following table sets out the principal components of the Bank's consolidated interest income for the six months ended 30 June 2006 and 2005:

	For the six months ended 30 June		Variation
	2006	**2005**	**2006/2005**
	(KZT thousands)		*(per cent.)*
Interest on loans to customers	17,619,609	8,849,055	99.1
Interest on debt securities	1,686,447	810,235	108.1
Interest on loans and advances to banks	1,011,424	382,144	164.7
Interest on reverse repurchase transactions	184,606	44,650	313.5
Total interest income	**20,502,086**	**10,086,084**	**103.3**

Interest income increased by 103.3 per cent. or by KZT10,416.0 million, from KZT10,086.1 million for the six months ended 30 June 2005, to KZT20,502.1 million for the six months ended 30 June 2006. This increase was primarily due to increases in volume of net loans and advances to customers. The average interest rate payable on such loans as of 31 December 2005 was 13.4 per cent. and for the six months ended 30 June 2006 was 13.5 per cent.

Interest Expense

The following table sets out the principal components of the Bank's consolidated interest expense for each of the six month periods ended 30 June 2006 and 2005:

	For the six months ended 30 June		Variation
	2006	**2005**	**2006/2005**
	(KZT thousands)		*(per cent.)*
Interest on customer accounts	5,057,780	3,063,621	65.1
Interest on subordinated debt	3,911,690	1,358,195	188.0
Interest on loans and advances from banks	3,730,015	1,397,902	166.8
Interest on repurchase transactions	18,075	501	3507.8
Total interest expense	**12,717,560**	**5,820,219**	**118.5**

For the six months ended 30 June 2006, interest expense increased by 118.5 per cent. or by KZT6,897.3 million, from KZT5,820.2 million for the six months ended 30 June 2005 to KZT12,717.6 million for the six months ended 30 June 2006. This increase resulted from an increase in the volume of deposits by customers. Interest rates on customer deposits as of 31 December 2005 was 7.9 per cent. and for the six months ended 30 June 2006 was 7.5 per cent. As of 30 June 2006, the principal amount of subordinated debt increased to KZT17,280.2 million and interest on subordinated debt increased by 188.0 per cent.

Interest Margin

The Bank's overall net interest margin (net interest income before provision for impairment losses on interest bearing assets as a percentage of average interest-earning assets) decreased from 5.4 per cent as for 31 December 2005 to 4.6 per cent. for the six months ended 30 June 2006. The decrease was primarily as a result of increased competition driving down interest rates paid by local borrowers and also an increased cost of LIBOR-linked funding in the international markets, however, the Bank believes that the decrease it experiences was smaller than the decrease experienced by other Kazakhstan banks based on their financial statements as provided to the Kazakhstan Stock Exchange, reflecting the Bank's strong position in the higher-margin retail and SME lending sectors. In addition, the reduction in the Bank's interest margin reflected the fact that the Bank was only gradually able to utilise the proceeds of the Bank's issue on 02 February 2006 of U.S.$300 million 8.0 per cent. Notes due 2011 and U.S.$100 million 9.125 per cent. perpetual Notes issued on 03 March 2006.

Non-Interest Income

The following table sets out the principal components of the Bank's consolidated non-interest income for the six months ended 30 June 2006 and 2005:

	For the six months ended 30 June		Variation
	2006	2005	2006/2005
	(KZT thousands)		*(per cent.)*
Net gain on assets held-for-trading	320,768	44,607	619.1
Net gain on foreign exchange operations	216,067	568,858	(62.0)
Fees and commission income	3,219,782	2,333,640	38.0
Fees and commission expense	(387,217)	(241,508)	60.3
Net gain on investment securities	(493)	359,949	(100.1)
Other income/(expense)	398,689	276,590	44.1
Total non-interest income	**3,767,596**	**3,342,136**	**12.7**

Total non-interest income increased by 12.7 per cent., or by KZT425.5 million, to KZT3,767.6 million in the six months ended 30 June 2006. This increase was mainly driven by increased assets held-for-trading and commissions, of which a major component constituted transfer operations, cash withdrawals and granting of guarantees. Growth in fees and commissions was a result of an increase in the volume of cash withdrawals and granting of guarantees. The negative gain on investment securities was a result of a revaluation of those securities, the price of which has fallen as a result of a substantial change in the market price.

Operating Expenses

Operating expenses increased by 53.6 per cent. for the six months ended 30 June 2006 as compared to the same period in 2005. This increase was primarily a result of increases in salary expenses, administrative costs and tax expenses. As at 30 June 2006, the Bank employed 3,157 people, an increase of 11.6 per cent. from the number of employees totalling 2,830 as at 31 December 2005. The salaries of the employees increased as competition for skilled banking employees in Kazakhstan increased, thereby causing upward pressure on salaries throughout the sector.

In addition, administrative expenses increased in the six months ended 30 June 2006 from the same period in 2005, where a large part were insurance, advertising, taxes and other administrative expenses. The increase in insurance expenses was principally a result of the recognition of payments to the Deposit Insurance Fund as insurance expenses, which before May 2005 were recognised as other expenses.

The Bank's ratio of operating expenses to operating income before provisions for impairment losses decreased by 0.2 per cent. from 40.2 per cent. as at 31 December 2005 to 40.0 per cent. as at 30 June 2006. Its ratio of operating expenses to operating income after provisions for impairment losses also decreased by 7.0 per cent., from 57.4 per cent. for the year ended 31 December 2005 to 50.4 per cent. for the six months ended 30 June 2006.

Operating expenses as a percentage of net interest income before provisions for impairment losses decreased by 1.5 per cent. from 60.9 per cent. for the six months ended 31 December 2005 to 59.4 per cent. for the six months ended 30 June 2006.

Taxation

The statutory corporate tax in Kazakhstan is 30 per cent**.** For the six month period ended 30 June 2006, the effective tax expense incurred by the Bank was 10.3 per cent. of the relevant IFRS unaudited pre-tax income figure, compared to the effective tax expense of 6.7 per cent. incurred by the Bank for the six month period ended 30 June 2005. The effective tax rate in the first six months of 2006 and 2005 was substantially lower than the statutory tax rate mainly due to the effect of recent changes in the local tax regulations. Examples of such changes include the tax treatment of certain types of loans, including financial leases and long-term loans to companies to finance the modernisation of fixed assets, as well as residential mortgages to individuals and non-performing loans. Furthermore, the effective tax rate was substantially lower because of the Bank's increased holding of tax exempt government securities.

Results of Operations for the Years Ended 31 December 2005 and 2004

Net Interest Income

The following table sets out the principal components of the Bank's consolidated net interest income for each of the years ended 31 December 2005 and 2004:

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Interest income	25,834,410	12,396,971	108.4
Interest expense	(13,934,160)	(6,355,305)	119.3
Net interest income before provision for impairment losses on interest bearing assets	**11,900,250**	**6,041,666**	**97.0**
Provision for impairment losses on interest bearing assets	(5,396,226)	(2,418,052)	123.2
Net interest income	**6,504,024**	**3,623,614**	**79.5**

Interest Income

The following table sets out the principal components of the Bank's consolidated interest income for the years ended 31 December 2005 and 2004:

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Interest on loans and advances to customers	23,193,507	10,897,119	112.8
Interest on debt securities	2,066,219	1,024,146	101.8
Interest on loans and advances to banks	512,842	390,352	31.4
Interest on reverse repurchase transactions	61,842	85,354	(27.5)
Net interest income	**25,834,410**	**12,396,971**	**108.4**

Interest income increased by 108.4 per cent., or by KZT13,437.4 million, from KZT12,396.9 million for the year ended 31 December 2004, to KZT25,834.4 million for the year ended 31 December 2005. This increase was primarily due to increased volume of loans and advances extended to customers.

Interest Expense

The following table sets out the principal components of the Bank's consolidated interest expense for the years ended 31 December 2005 and 2004.

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Interest on customer accounts	6,971,053	4,254,115	63.9
Interest on loans and advances from banks and other financial institutions	3,658,762	1,465,663	149.6
Interest on subordinated debt	3,268,053	612,559	433.5
Interest on repurchase transactions	36,292	22,968	58.0
Total interest expense	**13,934,160**	**6,355,305**	**119.3**

For the year ended 31 December 2005, interest expense increased by 119.3 per cent. or by KZT7,578.9 million, from KZT6,355.3 million for the year ended 31 December 2004, to KZT13,934.2 million for the year ended 31 December 2005.

The increase in interest expense on customer accounts is a reflection of the growth in volumes of customer deposits with the Bank and loans and advances from Banks and other financial institutions.

Interest Margin

The Bank's overall net interest margin decreased from 6.0 per cent. for the year ended 31 December 2004 to 5.4 per cent. for the year ended 31 December 2005. This decline was consistent with the decline in net interest margins at other Kazakhstan banks as competition increased and the banking system further matured. For the Bank this decline was primarily as a result of increased competition driving down interest rates paid by local borrowers and also increased cost of funding in international markets linked to LIBOR.

The following table sets out the effective average annual interest rates by major currencies for the principal interest-bearing assets and liabilities of the Bank as at 31 December 2005 and 2004. The analysis has been prepared using period-end effective contractual rates.

	31 December 2005				31 December 2004			
	KZT	U.S.$	Euro	Other	KZT	U.S.$	Euro	Other
				(per cent.)				
Assets								
Loans and advances to banks	2.3	3.3	1.2	7.2	5.9	2.3	2.3	2
Assets held-for-trading	8.9	4.0	2.3	-	5.7	5.6	-	-
Securities purchased under agreements to repurchase	6.5	-	-	-	1.5	3.1	-	-
Loans and advances to customers	15.4	13.8	10.9	-	15.18	14.5	9.8	-
Investment securities:								
available-for-sale	5.6	11.0	-	-	4.5	4.9	-	-
held-to-maturity	8	-	-	-	9.8	-	-	-
Liabilities								
Loans and advances from banks	4.3	3.6	4.0	6.8	6.0	4.9	3.9	-
Securities sold under agreements to repurchase	3.9	5.1	-	-	-	-	-	-
Customer accounts	9.2	7.6	6.8	-	10.3	6.6	7.1	-
Debt securities issued	7.8	8	-	-	8.75	-	-	-
Subordinated debt	9.6	11.0	-	-	10.9	9.11	-	-

Allowance for Impairment Losses

The allowance for impairment losses was KZT4,082.7 million for the year ended 31 December 2004 and KZT9,033.4 million for the year ended 31 December 2005. The higher charge for 2005 as compared to 2004 was the result of the increase in the size of the Bank's consumer and SME loan portfolios during 2005.

As a percentage of total loans and advances to customers, the allowance for impairment losses was 4.3 per cent. as at 31 December 2004 and 4.2 per cent. as at 31 December 2005.

Non-Interest Income

The following table sets out the principal components of the Bank's consolidated non-interest income for the years ended December 2005 and 2004:

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Net gain on assets held-for-trading	(20,963)	92,756	(122.6)
Net gain on foreign exchange operations	1,115,378	783,277	42.4
Fees and commission income	5,129,225	3,327,522	54.1
Fees and commission expense	(527,445)	(339,886)	55.2
Net (loss)/gain on investment available-for-sale	(5,060)	28,079	(118.0)
Other income	446,025	284,657	56.7
Total non-interest income	**6,137,160**	**4,176,405**	46.9

Total non-interest income increased by 46.9 per cent. or by KZT1,960.8 million, to KZT6,137.2 million for the year ended 31 December 2005 from KZT4,176.4 million for the year ended 31 December 2004. This increase primarily reflects significant growth in fee and commission income as a result of an increase in the volume of cash withdrawals and settlement transactions by the Bank's clients. In addition, foreign exchange operations experienced an increase in gain as the Bank purchased U.S. dollars for its own account and sold them on domestic markets at a profit. The negative gain on assets held-for-trading was a result of a revaluation of those securities, indexed to U.S. dollar LIBOR, the price of which has fallen as a result of a substantial increase in LIBOR.

Fees and Commission Income

The following table sets out the principal components of the Bank's consolidated fees and commission income for the years ended 31 December 2005 and 2004:

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Cash operations	1,526,992	1,101,622	38.6
Settlements	1,461,652	1,063,609	37.4
Documentary operations	964,028	383,319	151.5
Trust operations	434,727	281,371	54.5
Foreign exchange operations	257,599	197,046	30.7
Loans operations	78,244	161,810	(51.6)
Internet-banking operations	71,627	29,678	141.3
Safe operations	14,925	13,830	7.9
Other operations	319,431	95,237	235.4
Total fees and commission income	**5,129,225**	**3,327,522**	**54.1**

For the year ended 31 December 2005, total fees and commission income increased by 54.1 per cent. or by KZT1,801.7 million, as compared to the year ended 31 December 2004. This increase was primarily due to increased levels of cash, documentary, settlements and internet-banking operations.

Fees and Commission Expense

The following table sets out the principal components of the Bank's consolidated fees and commission expense for the years ended December 2005 and 2004:

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Settlements	261,531	183,518	42.5
Brokerage services	125,039	44,667	179.9
Documentary operations	49,801	36,817	35.3
Foreign exchange operations	19,768	25,847	(23.5)
Cash operations	9,865	4,789	106.0
Other operations	61,441	44,248	38.9
Total fees and commission expense	**527,445**	**339,886**	**55.2**

For the year ended 31 December 2005, total fees and commission expense increased by 55.2 per cent. or by KZT187.6 million to KZT527.4 million, as compared to KZT339.9 million for the year ended 31 December 2004. This increase was largely due to expenses related in increased levels of settlement, brokerage services and documentary operations.

Operating Expenses

The following table sets out the principal components of the Bank's consolidated operating expenses for the years ended 31 December 2005 and 2004:

	For the year ended 31 December		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Salary and bonuses	2,410,422	1,743,103	38.3
Taxes, other than income tax	796,611	317,730	150.7
Other employees' benefits	610,250	492,560	23.9
Lease expenses	502,215	238,938	110.2
Depreciation and amortization of fixed and intangible assets	495,540	315,947	56.8
Social security costs	383,872	261,725	46.7
Administrative expenses	336,581	368,153	(8.6)
Advertising expenses	332,650	303,591	9.6
Insurance expenses	292,406	134,499	117.4
Communication expenses	210,641	181,111	16.3
Repairs and maintenance expense	176,833	168,912	4.7
Business trip expenses	129,925	100,544	29.2
Entertainment expenses	66,875	83,442	(19.9)
Presentation expense	59,651	36,336	64.2
Professional services fees	41,324	26,709	54.7
Sponsorship	34,995	41,942	(16.6)
Other	372,312	148,497	150.7
Total operating expenses	**7,253,103**	**4,963,739**	**46.1**

Operating expenses increased by 46.1 per cent. in 2005 as compared to 2004 and represented 57.4 per cent. of operating income after provisions for impairment losses as at 31 December 2005 compared to 63.6 per cent. as at 31 December 2004. This was due primarily to increases in salary and bonus expenses, other employees' benefits and taxes, other than income tax.

The major component of the Bank's operating expenses was salaries and bonuses, which accounted for 33.2 per cent. of the total operating expenses in the year ended 2005, compared to 35.1 per cent. in the year ended 2004. The rise in salaries resulted from a 34.4 per cent. increase in the number of staff employed by the Bank (2,106 employees as at 31 December 2004 and 2,830 employees as at 31 December 2005) as well as general upward pressure on the salaries of all banking employees in Kazakhstan due to stiff competition for skilled labour.

Other employees' benefits increased by 23.9 per cent. to KZT610.3 million in the year ended 31 December 2005 as compared to KZT492.6 million for the year ended 31 December 2004, which reflects the Bank's strategy to attract, retain and motivate skilled labour by providing additional fringe benefits.

Taxes, other than income tax, increased by 150.7 per cent. to KZT796.6 million for the year ended 31 December 2005 as compared to KZT317.7 million in the year ended 31 December 2004 as a result of higher social security costs and VAT which reflected an increase in salary expenses and level of operations, respectively.

Advertising expenses increased by KZT29.1 million (9.6 per cent.) in 2005 as compared to 2004 due to the Bank's aggressive advertising campaign to promote its banking products. Social security costs also increased in the year ended 31 December 2005 compared to the year ended 31 December 2004 (46.7 per cent.) as a result of an increased in salary expenses.

Operating expenses as a percentage of average assets also decreased in the year ended 31 December 2005 as compared to the year ended 31 December 2004, from 4.3 per cent. in 2004 to 3 per cent. in 2005 as a result of a 122.5 per cent. increase in assets compared to a 46.1 per cent. increase in operating expenses. The Bank's ratio of operating expenses to operating income before provisions for impairment losses decreased by 8.4 per cent. from 48.6 per cent., for the year ended 31 December 2004 to 40.2 per cent. for the same period ended 31 December 2005. Its ratio of operating expenses to operating income after provisions for impairment losses also decreased by 6.2 per cent., from 63.6 per cent. for the year ended 31 December 2004 to 57.4 per cent., for the year ended 31 December 2005.

Operating expenses as a percentage of net interest income before provisions for impairment losses decreased by 21.3 per cent. from the year ended 31 December 2004 (82.2 per cent.) to the year ended 31 December 2005 (60.9 per cent.) as a result of substantially higher growth rate of interest income over operating expenses as part of cost reducing and profit enhancing strategies pursued by the Bank's management.

Taxation

The Bank's income tax expense was KZT582.5 million for the year ended 31 December 2005, as compared to KZT284.6 million for the year ended 31 December 2004. The Bank's effective rates were 10.9 per cent. and 10.5 per cent. for the years ended 31 December 2005 and 2004, respectively, as a result of the changes to applicable tax laws relating to the tax treatment of certain types of loans.

Financial Condition as at 30 June 2006 and as at 31 December 2005 and 2004

Total assets

As at 30 June 2006, the Bank's total assets amounted to KZT410,598.9 million, an increase of 24.3 per cent., on total assets at 31 December 2005. During 2005, the Bank's total assets increased by KZT181,823.4 million, or 122.5 per cent., from KZT148,483.7 million at the end of 2004 to KZT330,307.1 million at the end of 2005. The growth for the first six months in 2006 was primarily attributable to the 30.2 per cent. increase in the Bank's net loan portfolio. The growth in 2005 was primarily attributable to a 127.3 per cent. increase in the Bank's net loan portfolio.

As at 30 June 2006, the Bank's cash and balances with the NBK had increased to KZT26,759.0 million, from KZT16,602.2 million as at 31 December 2005, an increase of 61.2 per cent. Cash and balances with the NBK increased by KZT7,863.1 million, or 90.0 per cent., from the end of 2004 to the end of 2005.

As at 30 June 2006, loans and advances to banks totalled KZT26,500.2 million, a decrease of 29.0 per cent. as compared to 31 December 2005. From 2004 to 2005, loans and advances to banks increased by KZT27,557.6 million, or by 282.8 per cent.

As at 30 June 2006, the Bank held KZT6,090.8 million of assets held-for-trading, compared to KZT34,084.8 million of securities held at 31 December 2005, a decrease of 82.1 per cent. which reflects a significant decrease in the volume of US Treasury Bonds held by the Bank and the relatively low yield on assets held-for-trading. As at 30 June 2006, the Bank held KZT4,769.6 million of securities as part of reverse repurchase transactions, compared to KZT7,285.9 million of securities held at 31 December 2005, a decrease of 34.5 per cent.

As at 30 June 2006, the total amount of outstanding net loans and advances to customers, was KZT270,724.5 million, an increase of 30.2 per cent., as compared to 31 December 2005. The total amount of outstanding loans, net of loan loss provisions was KZT207,886.4 million at the end of 2005, as compared to KZT91.467.4 million at the end of 2004.

As at 30 June 2006, investments available-for-sale totalled KZT62,337.7 million, an increase of 251.8 per cent. over the figure at 31 December 2005. This increase was a result of the Bank's investment of its deposits into highly liquid securities including securities issued by the Government, the NBK and other entities. From 31 December 2004 to 31 December 2005, investments available-for-sale decreased from KZT21,478.7 million to KZT17,719.8 million.

As at 30 June 2006, investments held-to-maturity totalled KZT2,075.3 million, an increase of 3,222.6 per cent. from 31 December 2005. This increase reflects the Bank's decision to broaden its securities portfolio and diversify its risk profile.

There was no investment in associated companies in 2004, 2005 or during the first six months of 2006.

As at 30 June 2006, fixed and intangible assets, less accumulated depreciation and amortization of the Bank, had increased from KZT6,105.4 million as at 31 December 2005 to KZT7,242.0 million. In 2005, purchases by the Bank of 21 additional new ATMs, and other telecommunications, building, construction in progress, furniture and equipment resulted in an increase in the Bank's fixed assets of KZT2,217.6 million, or 57 per cent., over the prior year end.

As at 30 June 2006, the Bank's average assets totalled KZT370.5 billion, an increase of 54.8 per cent., as compared to 31 December 2005. From 2004 to 2005, the Bank's average assets increased by KZT124.2 billion, or 107.8 per cent., from KZT115.2 billion to KZT239.4 billion. The increase in the first six months of 2006 was due to the 59.9 per cent. growth in the average loan portfolio, net of provisions for impairment losses, or by KZT89.6 billion.

Total liabilities

As at 30 June 2006, the Bank's total liabilities were KZT381,163.9 million, an increase of 25.3 per cent. as compared to 31 December 2005. During 2005, the Bank's liabilities increased by 123.3 per cent., to KZT304,095.6 million from KZT136,208.2 million at the end of 2004. The increases in 2006 and 2005 primarily resulted from an increase in customer accounts and deposits from banks, as well as debt securities issued.

As at 30 June 2006, customer accounts totalled KZT176,946.1 million, an increase of 26.8 per cent., as compared to 31 December 2005 in this sector. In 2005, customer accounts increased by KZT48,225.2 million as at 31 December 2005, or by 52.8 per cent., compared to 31 December 2004. As at the end of 2005, customer accounts aggregated KZT139,592.8 million, as compared to KZT91,367.7 million as at the end of 2004.

As at 30 June 2006, loans and advances from banks and other financial institutions (including syndicated loans) amounted to KZT98,173.1 million, an increase of 10.1 per cent., as compared to 31 December 2005. Deposits received from banks increased by 155.1 per cent., from KZT34,963.5 million at the end of 2004 to KZT89,202.4 million at the end of 2005. The significant growth in 2005 and the first six months of 2005 were a result of the increase in credit lines available to, and utilised by, the Bank during these periods .

No securities were sold under repurchase agreements as at 30 June 2006 and as at 31 December 2005, the volume of securities sold under repurchase agreements totalled KZT26,445.5 million.

The average liabilities of the Bank during the first six months of 2006 amounted to KZT342.6 billion, an increase of 55.6 per cent. on the average for 2005. This was primarily due to increases in deposits from customers and debt securities issued. In 2005, the Bank's average liabilities increased to KZT220.2 billion (representing growth in comparison with 2004 of KZT114.8 billion, or 109.0 per cent.**).** In 2005, the Bank's average interest-bearing liabilities increased by 109 per cent. compared to 2004, primarily as a result of an increase in average time and demand deposits. As at 30 June 2006, average time deposits and demand deposits were KZT110.5 billion and KZT45.2 billion respectively, an increase of 29.2 per cent., and 58.6 per cent., respectively, as compared to 31 December 2005. During 2005, average time deposits and demand deposits increased by 71.1 per cent., and 50.4 per cent., respectively.

Equity and Capital Adequacy Ratios

As at 30 June 2006, the Bank's shareholders' equity had increased by 12.3 per cent., to KZT29,435.0 million, as compared to the 31 December 2005 figures. As at 31 December 2005, the Bank's shareholders' equity had increased 113.5 per cent., to KZT26,211.4 million, as compared to KZT12,275.4 million as at 31 December 2004. The increases in share capital in 2005 and 2006 were a result of additional issuances by the Bank of ordinary shares.

As at 30 June 2006, the Bank's total capital, calculated in accordance with the Basel Accord, was KZT55,676 million, including Tier I capital of KZT29,098 million, an increase of 42.8 per cent., on the 31 December 2005 figure. As at 31 December 2005, the Bank's total capital, calculated in accordance with the Basel Accord, was KZT38,996 million including Tier I capital of KZT25,570 million. As at 31 December 2005, the Bank's Tier I capital adequacy ratio and total capital adequacy ratio, were 10.7 per cent., and 16.32 per cent., respectively.

The following table gives certain information regarding the Bank's Tier I and Tier II capital and its risk weighted capital adequacy ratio, based on IFRS as at 30 June 2006 and 31 December 2005 and 2003, and calculated in accordance with the Basel Accord:

	30 June	**31 December**	
	2006	**2005**	**2004**
	(KZT millions, except for percentages)		
Tier I capital	29,098	25,570	11,998
Tier II capital	26,578	13,426	7,688
Tier I and Tier II capital (total capital)	55,676	38,996	19,686
Total risk weighted assets	340,294	238,910	112,944
Risk weighted capital adequacy ratio (per cent.)	16.36	16.32	17.43

Using ratios calculated in accordance with the Basel Accord, the Bank had a Tier I capital ratio of 10.7 per cent. as at 31 December 2005, compared to a ratio of 10.63 per cent. as at 31 December 2004 and risk weighted capital adequacy ratio (comprising total capital divided by total risk weighted assets) of 16.32 per cent. as at 31 December 2005, compared to 17.43 per cent. as at 31 December 2004.

Capital

The following table sets out certain ratios calculated in accordance with the requirements of the NBK, based on financial statements prepared according to Kazakhstan Accounting Standards, at 30 June 2006, and 31 December 2005 and 2004 regarding capital adequacy, foreign exchange positions, maximum exposures and certain other matters:

	NBK's requirements	As at 30 June 2006	As at 31 December 2005	2004
		(per cent., unless otherwise noted)		
Minimum Share Capital (KZT)(1)	Not less than KZT2,000 million(2)	KZT16,400 million	KZT16,400 million	KZT7,467 million
Capital Adequacy Ratios				
Kl - tier I capital to total assets(2)	Not less than 6 per cent.	7.0	6.0	6.3
K2 – own capital to total assets weighted for risk	Not less than 12 per cent.	16.1	14.0	14.0
K4 – current liquidity ratio(3)	Greater than 30 per cent.	178.0	147.0	134.0
K5 – short-term liquidity ratio (4)	Greater than 50 per cent.	205.0	144.0	155.0
Reserve requirements as a percentage of average customer account balances	Not less than 6 per cent.	11.7	14.3	22.7
K6 – investments in fixed assets and non-financial assets to own capital	Not greater than 50 per cent. of bank's own capital	15.0	19.0	24.0
Maximum aggregate net open foreign currency position(6)	30 per cent. of bank's own capital	(0.6)	(2.3)	(7.0)
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the euro	15 per cent. of bank's own capital	(0.09)	0.2	(7.2)
Maximum net open position in currencies of countries rated from "B" to "A"	Short position – 5 per cent. of bank's own capital	0	0	0.2
Maximum aggregate on-balance sheet and off-balance sheet exposure to related parties	100 per cent. of bank's own capital	15.6	12.2	8.4
Maximum exposure to any single borrower	Percentage of bank's own capital			
related parties	Not greater than 10	3.5	4.9	5.1
other borrowers	Not greater than 25	10.8	14.1	16.6
on unsecured loans	Not greater than 10	1.3	0.1	0.2

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

(2) The NBK's definition of "own capital" is the sum of Tier I capital plus Tier 11 capital (to the extent it does not exceed Tier 1 capital) and, starting from 1 January 2006, Tier III capital (not exceeding 250 per cent. of the part of Tier 1 capital aimed to cover the market risk) less equity investments. Tier I capital is the sum of share capital plus share premium plus retained earnings less intangible assets, and, starting from 22 November 2005, qualified term-less debt obligations ("first tier subordinated debt") in the amount not exceeding 15 per cent. of Tier I capital. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk-weighted assets) plus second tier subordinated debt (but not more than 50 per cent. of Tier I capital) and, starting from 22 November 2005, first tier subordinated debt not included into calculation of Tier I capital. Starting from 1 January 2006, Tier III capital is the sum of third tier subordinated debt plus second tier subordinated debt not included into calculation of Tier II capital.

(3) The current liquidity ratio is the ratio of monthly average highly liquid assets to monthly average demand liabilities. For this purpose, "highly liquid assets" include cash, refined precious metals, certain securities issued by the Government, the NBK or certain other entities, call deposits with the NBK and with banks with an appropriate credit rating, overnight loans to such banks and securities issued by foreign governments with an appropriate credit rating. Demand liabilities include call deposits, inter-bank overnight deposits and other specified short term or undated liabilities.

(4) The short term liquidity ratio is calculated as the ratio of average monthly assets with a maturity of not more than three months, including highly liquid assets, to average monthly liabilities with a term of not more than three months, including demand liabilities. A bank may include within its assets for this purpose certain securities issued by the Government or the NBK that are not included in the calculation of highly liquid assets if liabilities secured by those securities are included in the calculation of liabilities for this purpose.

(3) & (4) For purposes of calculating the current or short term liquidity ratio, the Capital Regulations provide that certain assets should not be included in the computation, including claims on non-residents established in jurisdictions that have not assumed information exchange obligations, and if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios shall be deemed to be not satisfied, irrespective of the actual position.

(5) Starting from 1 October 2005, reserve requirements should be calculated as a percentage of internal liabilities of the bank (basically average customer account balances) plus a positive difference between the amount of external liabilities and the amount of external reserve assets of the bank. External liabilities include liabilities before international financial organizations, special purpose deposits of subsidiaries, debt security liabilities and subordinated debts. External reserve assets include hard currency and certain other assets abroad. The percentage stays unchanged at 6 per cent.

(6) Ratio of net currency position (including of balance sheet items) to equity in accordance with NBK requirements

Regulatory Ratios

At no time during the five years preceding the date of this Prospectus has the bank been in breach of applicable Capital Adequacy or Liquidity Ratios.

DESCRIPTION OF THE BANK

Overview

The Bank is the sixth largest commercial bank in Kazakhstan in terms of assets and fourth largest in terms of customer accounts, which as at 30 June 2006 equalled KZT 410,599 million and KZT176,946 million, respectively. The Bank's primary business consists of corporate and retail banking. Its corporate banking activities include a broad range of wholesale banking products to a diversified group of domestic customers, primarily small- and medium-sized companies. The Banks retail banking activities and products include retail lending and deposit taking and credit and debit cards. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

The Bank's objectives, as set out in Clause 1.5 of the Bank's Articles of Association, are to promote the development of the state economy and to ensure the receipt of dividends by the Bank's shareholders, through a variety of banking operations in compliance with the laws of Kazakhstan.

As at 30 June 2006, the Bank, in addition to its head office in Almaty, had 19 full service branches and 117 limited service branches, or retail settlement units, throughout Kazakhstan and a network of 107 ATMs in principal cities in Kazakhstan.

On 25 May 2004, the Bank re-registered as Joint Stock Company CenterCredit, under the new Joint Stock Company Law to engage in various activities in the banking sector in accordance with the laws of the Republic of Kazakhstan. The Bank's current banking licence was re-issued by the NBK on 24 January 2006 and its registration certificate, issued by the Ministry of Justice, is numbered 3890-1900-AO. The registered office and the head office of the Bank are at 100 Shevchenko Street, Almaty, 050022, Kazakhstan and its telephone number is +7 3272 588 955.

History

The Bank was originally registered with the state bank of the former USSR on 20 September 1988 as Almaty Oblast Central Cooperative Bank CenterBank, a credit institution for cooperative societies and small- and medium- sized companies. In August 1991, the Bank was re-registered as Kazakhstan Central Joint Stock Bank CenterBank, the first private commercial bank in Kazakhstan, and in November 1996, it was re-registered as OJSC Bank CenterCredit. The Bank is incorporated for an unlimited duration.

In 1998, the Bank merged with the then state-owned bank CJSC Zhilstroibank. CJSC Zhilstroibank was initially established in November 1996 as State Owned Housing Bank for the purpose of providing individuals with affordable long-term mortgage loans. In 1997, CJSC Zhilstroibank merged with another state-owned bank, OJSC Kazakhstan Joint Stock Commercial Bank On Crediting Social Development ("**KredSotsBank**") established in 1990 for the purpose of financing the development and stabilisation of the economy of the former Kazakhstan Soviet Social Republic. Following the merger with KredSotsBank, the Government initiated a financial restructuring which included the transfer of approximately KZT1.298 million of non-performing loans to the Rehabilitation Bank. The transfer did not include certain Dollar-linked mortgages which, at the time of transfer, were not in default. See "—*Loan Portfolio*". Following this restructuring, CJSC Zhilstroibank was privatised in December 1997. Pursuant to the terms of the privatisation, the shareholders of OJSC Bank CenterCredit (the successful bidder) and the Government received shares in the newly merged entity, the Bank, in proportion to their respective holdings based upon the value of the shares in each bank as at 31 December 1997. As a result, the Government became a major shareholder in the Bank holding approximately 21 per cent. of its issued common shares. In 2001, the Bank repurchased the Government's shareholding and such shares were reissued to other investors.

The common shares of the Bank are currently listed on the "A" list of the Kazakhstan Stock Exchange and, as at 30 June 2006, the Bank had over 700 shareholders with the largest single shareholder beneficially holding 5.9 per cent. of the Bank's issued share capital. See "*Management and Share Ownership—Principal Shareholders*".

Competition

As at 30 June 2006, there were 34 banks, excluding the NBK and the DBK, operating in Kazakhstan, of which 14 were banks with foreign participation, including subsidiaries of foreign banks. As at 31 December 2002, there were 38 banks operating in Kazakhstan, excluding the NBK and the DBK. The Bank believes that the decline in the number of banks in Kazakhstan from 31 December 2002 to 30 June 2005 is primarily attributable to stricter requirements set by the NBK as to capital adequacy, provisioning, maximum exposures, accounting and information disclosure. See "*The Banking Sector in Kazakhstan*".

The commercial banks in Kazakhstan can be divided into four groups: large domestic banks, such as Kazkommertsbank, Bank TuranAlem and Halyk Savings Bank; medium-sized domestic banks, such as ATF Bank, the Bank and Alliance Bank; subsidiaries of foreign banks, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC; and other smaller banks.

The Bank currently does not compete with the leading Kazakhstan banks for large corporate clients. However, as the fourth largest bank in Kazakhstan in terms of retail deposits (KZT56,609 million as at 30 June 2006), the Bank does compete with the leading banks for retail customers. In addition, the Bank competes with other market participants (including the leading Kazakhstan banks) for small- and medium-sized corporate clients.

The following table compares certain financial information (prepared in accordance with Kazakhstan accounting practices and the regulations of the NBK) relating to the Bank, certain other domestic banks and banks with foreign participation:

	As at 30 June 2006	
	Assets	**Shareholders' Equity**
	(KZT millions)	
Large Local Banks		
Kazkommertsbank	1,165,984	87,022
Bank TuranAlem	1,145,928	122,427
Halyk Savings Bank	762,654	67,543
Medium-Sized Domestic Banks		
ATF Bank	462,200	36,465
Bank CenterCredit	410,625	28,860
Alliance Bank	524,681	37,155
Banks under Foreign Ownership		
ABN AMRO Bank Kazakhstan	106,321	8,435
Citibank Kazakhstan	72,847	6,285

Source: Published financial statements.

The Bank believes that its professional management, transparent and consistent business practices and strong nationwide branch network position it favourably in the Kazakhstan market to compete for small- and medium-sized corporate clients and retail customers.

In 2001, the Government, a number of local oblasts and the executive bodies of major cities founded DBK. The purpose of DBK is to provide medium- and long-term financing (in amounts of at least U.S.$5 million) for large industrial projects, export financing and guarantees for such investment projects and to act as principal paying and collection agent for the Government. DBK is not permitted to lend to financial institutions or take deposits and, as such, is not considered a competitor of the commercial banks in Kazakhstan, including the Bank. DBK has a special status and is regulated by the FMSA only in relation to accounting matters and money transfers. DBK is not treated as a commercial bank for purposes of market share data and ranking in this Prospectus.

For further information, see "*The Banking Sector in Kazakhstan*".

Strategy

The Bank's strategy is to increase its market share and total assets by strengthening its position in all segments of the market, with a particular focus on small- and medium-sized enterprises and retail customers, where it currently has a strong clientele base. In order to implement its strategy, the Bank intends to focus on the following:

- Expand its banking and capital market activities;
- Strengthen its funding base and capital base;
- Enhance its risk management infrastructure and policies;
- Enhance operating efficiency;
- Establish strategic partnerships with international financial institutions; and
- Increase its geographic presence.

Expansion of banking and capital market activities

Although the retail banking market has expanded rapidly in recent years in Kazakhstan, it still represents only a small percentage of the Kazakhstan economy. In order to attract and retain retail customers, the Bank plans to use its branch network to cross-sell to its target retail customers (i.e., those with annual incomes of U.S.$6,000 to U.S.$20,000) a traditional range of retail products, such as term deposits and consumer loans, with other more sophisticated financial products and services, such as insurance, money transfer, internet and mobile banking, mortgage lending, asset management, pension products and credit and debit cards, some of which are provided by the Bank's subsidiaries.

The Bank has installed 19 additional ATMs during the first six months of 2006 and intends to install 75 additional ATMs during 2007 in order to enable its customers to have easier access to their accounts and is in the process of developing an internal processing centre in order to provide internet banking and improved range of services to its retail customers. During the first six months of 2006, the Bank opened six retail settlement units and intends to open 30 to 50 retail settlement units over the next few years in regions which the Bank believes have a high growth potential to better service its customers and exploit the opportunity to cross-sell insurance, pension and other products. The Bank intends to increase its market share in the credit/debit card segment of the retail banking sector, which is currently 3.8 per cent. (having issued approximately 205,822 cards as at 30 June 2006), to 10 per cent. in 2007 (with an estimated 500,000 cards).

The Bank is also committed to developing its corporate banking services. The Bank plans to focus on diversifying its loan portfolio, while maintaining its quality, by attracting new small- and medium-sized corporate clients, extending trade financing to major customers for their import and export activities, increasing medium term project financing volumes and introducing and expanding new services to existing and new customers, such as access to private pension programmes, leasing, money transfer, liquidity and asset management, structured finance, certain derivative services, financial consulting and e-banking. In particular, the Bank aims to achieve a market share of 15 per cent. by the year 2008 in each of the leasing, insurance and pension sectors. The Bank also plans to develop special loan programmes and introduce sector specialisation for SMEs and large corporate clients.

The Bank plans to introduce Customer Service Centres and a network of multifunctional ATMs, to develop a tailored service approach with different marketing strategies designated for each segment and to improve quality of services through upgrades of management information systems.

Kazakhstan's capital markets continue to develop as the economy grows. The Bank's wholly-owned broker-dealer subsidiary, JSC BCC Invest (known before 26 June 2006 as JSC KIB Asset

Management), had a market share as of 30 June 2006 of 5 per cent. of the aggregate volume of corporate securities traded on the Kazakhstan Stock Exchange. The Bank intends to further develop JSC BCC Invest's security trading activities and financial advisory capabilities, as well as underwriting and lead arranging local equities and bonds issuances services.

Strengthening and diversifying capital and funding base

The Bank intends to improve its funding base by increasing its market share of domestic retail deposits through its extensive branch network, medium and long-term borrowings in the domestic and international markets, including subordinated and senior debt and share issues as well as asset securitisation programmes, and lower-cost borrowing from international development organisations and other international financial institutions. In doing so, the Bank will seek to diversify its funding sources, lower its overall funding costs and increase the maturity profile of its debt portfolio to support its anticipated asset growth.

Domestic deposits are an important and attractive source of funding for the Bank. The Bank believes that as the banking sector in Kazakhstan strengthens, retail deposits, which to date have remained limited, will gradually increase. The Bank's marketing strategy is to ensure that it effectively utilises its branch network and experience in the retail banking market to capture such anticipated capital flows. As at 30 June 2006, the Bank was the fourth largest bank in Kazakhstan in terms of deposits and, as a result, the Bank believes that it is well placed to obtain a significant share of any increase in domestic deposits.

Between September 2002 and June 2006, the Bank entered into numerous loan facilities and financings with several international financial institutions and the European Bank for Reconstruction and Development (the "**EBRD**") extended several credit lines to the Bank during this time. The Bank is currently in discussions with the EBRD, Deutsche Investitions - und Entwicklungsgesellschaft mbH ("DEG") and the International Finance Corporation (the "**IFC**"), a division of the World Bank, regarding possible capital injections. See "*—Funding and Liquidity—Foreign Currency Borrowings*".

As at 30 June 2006, the Bank's authorised share capital equalled KZT16,400 million, all of which is issued and fully paid. Since 2000, the Bank has implemented a number of projects to increase its funding base, such as the issuance of U.S.$4.5 million in subordinated debt due in December 2005. Between 2002 and 2006, the Bank issued an additional KZT16.5 billion in seven separate subordinated debt issuances with terms ranging from seven to nine years. The Bank's risk weighted capital adequacy ratio equalled 16.36 per cent. as at 30 June 2006. In March 2006 the Bank announced an additional issue of 100 million common shares, which it expects to place in 2006 and 2007. The Bank has improved its capital base during the first six months of 2006 by increasing its authorised and issued share capital base to KZT 29.3 billion and by issuing additional subordinated debt of KZT4 billion. The Bank intends to further improve its capital base by increasing its authorised and issued share capital base by an additional issue of 400 million common shares and by issuing additional subordinated debt of KZT4.6 billion during 2006. The Bank is also contemplating a listing on an international stock exchange, as well as an international primary and/or secondary offering of its shares during the course of 2006. No assurance can be given that such plans will be fulfilled.

Enhancing risk management infrastructure and policies

The Bank has established internal rules, policies and guidelines for risk management in line with the requirements of the NBK and FMSA. The Bank's primary committees responsible for risk management are the Credit Committee of the Head Office, responsible for credit risks related to retail and corporate clients, and the Asset and Liability Committee (the "**ALCO**"), responsible for market risk and credit risk of financial institutions. The Treasury Department, which reports monthly to the ALCO, is involved in management of liquidity, interest rates and foreign exchange risks. The Bank's risk management function has improved in recent years following the introduction of a number of operational changes implemented with the assistance of Raiffeisen Zentralbank Osterreich ("**RZB**") and Bank of Ireland. The Bank is committed to continuing the development of its risk management capability, including the introduction of more sophisticated analyses, such as value-at-risk analysis, and entering into derivative financial instruments to manage interest rate, currency and liquidity risks, including forwards, swaps, foreign currency options, and other derivatives, in addition to gap analysis currently used by the Bank. See "—*Asset and Liability Management*".

Enhancing operating efficiency

The Bank believes that it can improve its operational efficiencies through the rationalisation of its organisational structure, investment in human resources and by increasing its use of, and upgrading of its, technology. Following the merger with CJSC Zhilstroibank in 1998, the Bank implemented a "one branch per city" strategy and reduced the number of regional branches in areas of low business concentration. As at 30 June 2006, the Bank had 19 full service branches throughout Kazakhstan, a reduction from 46 in 1998. Management believes that the Bank's full service branch network covers all the principal cities and regions in Kazakhstan and does not intend to reduce its branch network further. The Bank may open additional full service branches in the future in cities or regions which the Bank determines are likely to yield larger sources of deposits and fee income derived from the sale of retail and corporate-based products.

In 1998, the Bank started to introduce a centralised, integrated banking information system of western standards, which connects the head office and branches, to service its corporate and retail banking operations. The Bank believes that its full introduction of the system by the end of 2006 will significantly improve the scope and efficiency of its information system with respect to risk management in treasury operations, assets and liabilities management and the management of loan transactions and liquidity, as well as financial reporting in accordance with IFRS.

The Bank intends to continue to introduce up-to-date banking technologies in the future, including a customer relationship management system, a Call Centre System, an Oracle-based system to redesign and automate business processes and internet banking systems. The Bank's software system has a separate power source and is equipped with emergency backup and data protection facilities. All data are copied onto a back-up server on a daily basis. The Bank is currently studying ways to automate its risk management systems and provide realtime monitoring of its risk exposures. Over the next few years the Bank expects to implement automated risk management software systems as its business expands.

The Bank implemented an organisational restructuring programme at its head office and throughout its branch network in early 2005 to ensure efficient human resources allocation in view of the Bank's rapid growth in recent years, together with the introduction of internal and external training programmes to improve the skill base and cross-selling ability of its employees. The Bank believes that such programmes, together with efficient staffing guidelines and human resources policies, will help to improve the quality and motivation of the Bank's personnel and help to develop a strong corporate culture.

Furthermore, as part of its cost reduction efforts, the Bank is aiming to introduce a profit and cost center approach and a division responsible for tracking and controlling the profitability of each client segment, business line, product and profit center. Under the profit centre approach, each business unit of the Bank will be responsible for its own revenues and costs and will have its own profit targets, in order to help management of the Bank run its operations more efficiently.

Strategic partnerships with international financial institutions

The Bank is currently in the process of establishing strategic alliances with several of the international financial institutions with whom it is currently engaged in ongoing discussions. The Bank believes that such a strategic partnership will allow the Bank to gain a greater knowledge of western IT systems, corporate governance and risk management know-how and to enhance operational efficiencies and strengthen management skills. The Bank's management is reviewing possible structures to establish such strategic partnerships. The Bank is currently in negotiations with the IFC for the sale of an approximately 5 per cent. stake in the Bank for U.S.$20 million through a new common share issue.

Increase geographic presence

The Bank seeks to increase its geographic presence, principally by expanding into other CIS countries, while maintaining its current position as the sixth largest commercial bank in Kazakhstan in terms of assets. The Bank has a representative office in Moscow. The Bank believes that expansion into other countries within the region will enable it to better serve clients active in those countries and to attract Russian based SMEs, the segment which the Bank believes is currently underserved.

Business

The Bank's branch network as at 30 June 2006 comprised, in addition to the head office in Almaty, 19 full service branches and 117 limited service branches, or retail settlement units, throughout Kazakhstan, supported by 107 ATMs. In addition, in common with other retail banks in Kazakhstan, customers of the Bank can use the ATM networks of other Kazakhstan banks for a small fee per withdrawal. As a result, customers of the Bank have access to a large network of ATMs throughout Kazakhstan. The Bank is currently authorised to offer products and services such as retail and corporate deposit taking, discount operations, settlements, issuance of payment cards, foreign currency exchange, issuance of bank guarantees, correspondent banking, cash and transfer operations, lending, trust operations, settlement operations, transactions with precious metals, leasing, factoring, forfeiting, broking-dealing, clearing operations and custody.

In May 2001, the Bank became a participating member of the VISA system and in 2002 was made an associate member of Visa International. As at 30 June 2006, 205,822 payment cards had been issued and this amount is expected to reach 293,000 by the end of 2006. Payment cards are issued predominantly to individuals whose employers have instituted payroll programmes whereby salaries are paid electronically by the employer to its employees' bank accounts at a specific, agreed-upon bank. Such agreements are negotiated between the Bank and the employer.

The Bank is the primary agent in Kazakhstan for Western Union. This service is utilised mainly by retail customers. For the six months ended 30 June 2006, transfers from Western Union amounted to U.S.$58 million, compared to U.S.$70.6 million for the same period in 2005, and the Bank estimates that, for the six months ended 30 June 2006, it had a 52 per cent. market share of the total number of money transfers in using the Western Union transfer network in Kazakhstan. During the first six months of 2006, the average single transfer was U.S.$545, while the maximum single transfer did not exceed U.S.$7,300.

In addition, the Bank has begun to offer limited tele-banking and internet banking to its corporate customers. At present, current Internet banking services include access to account information, payment transfers and currency exchange operations. Tele-banking services are limited to obtaining account balance information. In the medium term, the Bank anticipates that it will significantly expand its internet and tele-banking services to its retail customers. However, the Bank does not anticipate that initially there will be significant demand for these services, in particular for internet banking services, as personal computers are expensive in Kazakhstan and are not widely available.

As at 30 June 2006, total deposits of the Bank had reached approximately KZT176.9 billion, deposited in more than 402,187 accounts. The Bank estimates that its share of the retail and corporate deposit market, including SMEs, in Kazakhstan was approximately 11.1 and 31 per cent. respectively as at 30 June 2006, compared to 11.0 and 2.7 per cent. respectively as at 30 June 2005.

The Bank has the following five principal front-office business departments that provide the following services:

- *Corporate Business*, providing corporate and banking services;
- *International*, responsible for raising capital from foreign markets;

- *Treasury*, providing capital markets services, pension funds and asset management:
- *Business Development*, providing mortgage lending and retail banking services; and
- *SME Lending*, focusing on lending to small- and medium-sized enterprises.

The Bank also has four back-office departments that provide support services to its front-office business departments. These are as follows:

- *Credit risk*, which assists the branches by analysing the credit risks of potential borrowers and monitoring the loan portfolio of the Bank;
- *Administrative*, which is responsible for human resource management and information protection;
- *Financial*, which monitors the finances of the Bank; and
- *Analysis and Risk Management*, which is responsible for analysis and management of the Bank's market and operational risks.

Corporate Banking and Focus on SMEs

The Bank provides commercial banking products and services, focusing primarily on small, medium and, to a limited extent, large businesses in Kazakhstan. The Bank currently segments its corporate clients based on the annual revenues of such clients. Corporate clients with annual sales of U.S.$700,000 or less are classified as "small-sized", corporate clients with annual sales of between U.S.$700,000 and U.S.$7 million are classified as "medium-sized", corporate clients with annual sales of between U.S.$7 million and U.S.$70 million are classified as "large-sized" and corporate clients with annual sales in excess of U.S.$70 million are classified as "largest-companies". The Bank's number of corporate accounts is growing. As at 30 June 2006, the Bank had approximately 1,461 corporate accounts, of which 100 were categorised "large" and "largest" and the remaining were SMEs. As at 30 June 2006, lending to "large" and "largest" corporate clients represented approximately 12.8 per cent. of the Bank's total assets (18.4 per cent. of the Bank's total gross loan portfolio) and lending to small- and medium-sized corporate clients accounted for 32.3 per cent. of the Bank's total assets (47 per cent. of the Bank's gross loan portfolio).

The Bank has traditionally been known for the high quality of services that it provides to SMEs and the Bank intends to continue to provide such services and increase its share of the SME banking market, which is currently 11.1 per cent. of loans, to 18-19 per cent. of loans. The Bank believes that growth in the SME market will be achieved both by attracting the business of SMEs who currently do not use a bank and by convincing SMEs who are currently customers of the Bank's competitors to switch their business to the Bank. The Bank is aggressively pursuing these customers and believes it can differentiate itself through quality of service.

The Bank participates in a number of special programmes for the financing of small- and medium-sized enterprises and enterprises in targeted industries, arranged and sponsored by the NBK, the Ministry of Finance and several local (regional) executive bodies as well as international financial institutions such as EBRD, IFC, DEG and Nederlandse Financierings - Maatschappj voor Ontwikkelingsclanden N.V. ("**FMO**"). Loans provided by such institutions to the Bank as at 30 June 2006 amounted to U.S.$34.3 million from EBRD, U.S.$12.9 million from DEG and U.S.$3.0 million from FMO, U.S.$10 million from IFC. See "—*Funding and Liquidity*".

As part of its short- to medium-term strategy, the Bank plans to expand its corporate client base and increase the quality of its loan portfolio. In order to achieve this, the Bank established its Corporate and International Business Department in October 2002 to better service its corporate clients.

A major part of the Bank's corporate banking activities is the provision of trade finance and short-term credit facilities, mostly in Tenge and in U.S. dollars, including letters of credit, guarantees and working capital facilities. The majority of the Bank's corporate loans have maturities of less than 12 months. As demand for longer-term facilities grows, the Bank tries to link underlying funding sources to longer-term financing when available.

As at 30 June 2006, the Bank's share of the corporate lending market in Kazakhstan was approximately 6.7 per cent., compared to 6.1 per cent. as at the same date in 2005.

The Bank is also expanding into additional corporate services such as payroll management, payroll services supported by debit cards and foreign exchange.

Retail banking

In 2001, the retail banking market in Kazakhstan experienced considerable expansion following the introduction of the Deposit Insurance Fund. In addition, between June and July of 2001, to repatriate funds back to Kazakhstan, the Government announced a tax amnesty in relation to any deposits placed with banks during that period. The programme brought approximately U.S.$480 million into the banking system.

The retail banking market is an increasingly important source of funding and business for the Bank. The Bank believes that its branch network will allow it to take advantage of its retail customer and depositor base. As at 30 June 2006, the Bank held approximately 11.12 per cent. of retail term deposits in Kazakhstan through approximately 79,187 individual accounts (10.95 per cent. through approximately 63,375 individual accounts as at 30 June 2005).

The Bank offers a wide range of retail banking products and services, including term deposits, current accounts, debit and credit cards, currency exchange and ATM services. During 2002, 2003, 2004 and 2005, the Bank increased its share of the retail banking market by increasing the number of its ATMs in areas where it believed the potential for retail banking business growth was high, particularly in eastern Kazakhstan and in the Caspian Sea regions in the western part of Kazakhstan.

The Bank believes that the debit and credit card business will be one of the most significant growth areas in the retail banking market in the next few years. During the first six months of 2006, the Bank started using its own card processing centre.

As at 30 June 2006, the Bank had issued approximately 205,822 payment cards (representing a market share in Kazakhstan of 3.8 per cent.), of which approximately 6,246 are credit cards, representing an increase of 118.6 per cent., in the total number of cards issued by the Bank since 31 December 2004 and a 58.5 per cent. increase since 30 June 2005, when the Bank had issued approximately 129,834 payment cards (representing a market share in Kazakhstan of approximately 2.9 per cent.). While the majority of these cards relate to payroll services provided to the employees of the Bank's corporate customers, the Bank believes that the payment card market in Kazakhstan will continue to grow.

The Bank is also active in the retail lending market. The Bank had a market share of 9.0 per cent., as at 30 June 2005, and 16.5 per cent. as at 30 June 2006, of the Kazakhstan retail lending market (including mortgages). Loans aggregating KZT79,191.7 million were provided to 58,148 individuals as at 30 June 2006, compared to loans aggregating KZT30,031.4 million provided to 34,448 individuals as at 30 June 2005. The Bank participates in a programme established by the NBK in 2000 for long-term financing of house construction and development of a mortgage finance system in Kazakhstan. Under this programme, participating banks extend mortgage loans to retail customers and then transfer such loans to the Kazakhstan Mortgage Company, a wholly-owned subsidiary of the NBK, which finances the purchase through the issuance of domestic bonds. The Bank, however, maintains an ongoing economic interest in these loans throughout their duration and, although these loans are not reflected on the Bank's balance sheet once they have been transferred to the Kazakhstan Mortgage Company (approximately one month after the loan is granted), the Bank bears the credit risk. By the end of 2005, the Bank had lent approximately KZT12.5 billion under this programme, and, as at 30 June 2006, had an ongoing economic interest in loans with an aggregate value of KZT12.3 billion. In 2005, the Bank also inherited a number of mortgage loans from CJSC

Zhilstroibank following its merger, for which the borrowers receive payment subsidies from the Government. See "*Loan Portfolio—Loan portfolio structure by sector*".

Capital Markets

Kazakhstan's capital markets are gradually developing as the economy grows. An important factor in this development was the establishment in 1998 of domestic private pension funds and asset management companies. As at 30 June 2006, JSC BCC Invest, a wholly-owned subsidiary of the Bank, had an approximate 5 per cent. market share of the corporate securities trading value on the Kazakhstan Stock Exchange, which recognised it as the sixth most active broker trading non-government securities.

JSC BCC Invest's primary activities include: purchase and sale of Government and corporate securities on the Kazakhstan Stock Exchange and over-the-counter markets in Kazakhstan; nominal holding; underwriting; management of clients' investment portfolios; and corporate finance; international borrowings; direct investments; and arranging initial public offerings for its customers. In 2003, JSC BCC Invest acted as the financial advisor and sole underwriter of second and third issues (KZT3 billion and KZT5 billion, respectively,) of local mortgage bonds issued by the Kazakhstan Mortgage Company. In addition, JSC BCC Invest acted as the financial advisor and market maker in the stock issuance of Charaltyn gold mining company and lead-zinc company Kazzinc. In 2003, JSC BCC Invest won a tender to become the exclusive adviser of the Committee on State Property and Privatisation under the Ministry of Finance of the Republic of Kazakhstan with respect to the sale of the government's minority shareholding in JSC CNPC Aktobemunaigas, a joint venture between a Chinese organisation and a Kazakhstan oil and gas production company. JSC BCC Invest undertook the underwriting of bonds of the Kazakhstan Mortgage Company and since 2002 have underwritten over KZT14.5 billion of bonds of the Kazakhstan Mortgage Company. JSC BCC Invest acted as an authorised broker in the sale of 10 per cent. of the Government's shareholding in the Ustkamenogorskiy Titanium-Magnesium Industrial Complex in 2004 and in the sale of 5 per cent. of the Government's shareholding in the Kazzinc Company in 2005.

Over the past 18 months, BCC Invest acted as the financial advisor and underwriter of domestically placed bond issuances by JSC "Aktobemunay-finance", the grain company JSC "Kazexportastyk" and the food company JSC «VITA». In 2005 it acted as a financial consultant in relation to project financing of Otau-Cinema and arranged financing for the construction of storage facilities for Capital Partners. BCC Invest is also the asset manage for a number of mutual funds including Orient Investments.

Trading partners of JSC BCC Invest include such major domestic financial institutions as Bank TuranAlem, Halyk Savings Bank, Kazkommertsbank, ATF Bank and ABN AMRO Bank Kazakhstan as well as major international banks including ING Bank, Deutsche Bank and Standard Bank London.

Pension Fund Services

The provision of pension fund services is a growing business in Kazakhstan. There are currently 14 pension funds, including four pension funds licensed for independent management of pension funds in Kazakhstan. The Bank is committed to becoming a leading provider of pension fund services. As at 30 June 2006, the Bank held an equity interest in three pension funds: JSC Atameken Pension Fund, JSC Korgau Pension Fund and JSC Capital Pension Fund. See "*—Subsidiaries and Affiliates*".

Treasury Services

Through its Treasury Department, the Bank trades government and corporate securities and foreign currencies for its own account. The Treasury Department operates within a set of parameters and standards determined by the ALCO and Analysis and Risk Management Department. In addition, the Treasury Department offers custodial management services to two pension funds, JSC Otan Pension Fund and JSC Korgau Pension Fund and eight investment funds, and provides safe-keeping services for pensioners of those funds. It invests the pension funds based on instructions received from the managing companies of the pensions.

International Banking

Although the Bank does not have any operating subsidiaries or affiliates outside of Kazakhstan, the Bank provides services for customers engaged in international trading. The Bank maintains correspondent banking relationships with many international leading banks, including ING Bank, Deutsche Bank, Dresdner Bank, Commerzbank, ABN AMRO Bank, Credit Suisse, The Bank of New York, RZB, HypoVereinsbank, Citigroup, Bank of Tokyo-Mitsubishi, RaboBank, Bank Austria Creditanstalt, Bankgesellshaft Berlin, Swedbank, American Express and others, as well as being Western Union's primary agent in Kazakhstan.

Branch Operations

The Bank has 19 full service branches and 117 limited service branches, or retail settlement units, throughout Kazakhstan. The operations of each branch are subject to internal regulations and to oversight by the head office. Each full service branch provides a broad range of banking services, although discount operations, trust operations, clearing operations, mortgage operations, issuance of payment cards, guarantee operations, issuance of securities, factoring and forfeiting operations and transactions with precious metals are conducted out of only the head office. In comparison with branches, settlement units perform a limited number of banking operations such as utility payments, cash withdrawals and money transfers and, as such, are primarily for individual customers.

The Bank's Credit Committee of the Head Office is responsible for developing branch policies and expansion strategies. Based on the financial results and operations of each branch, the Credit Committee also determines the aggregate amount that each branch is entitled to lend to its customers. These limits range from U.S.$50,000 to U.S.$400,000. Retail settlement units do not extend loans. See "—*Lending Policies and Procedures—General*".

Technology

The Bank operates an integrated banking system which allows on-line interactive communication between the Bank's head office and its branches through a real-time wide area network. The Bank considers the upgrading of its information technology systems an important aspect of the Bank's further development and has invested approximately U.S.$5.4 million in its computer and communication technology during the first six months of 2006, and plans to make additional investments during the second-half of 2006 of approximately U.S$5.9 million.

Subsidiaries and Affiliates

The Bank has four subsidiaries: LLP CenterLeasing, JSC BCC Inveset, Center Credit International B.V. and JSC Capital Pension Fund and five affiliates: JSC Atameken Pension Fund (formerly Narodny Pension Fund), JSC Korgau Pension Fund, JSC Oil Insurance Company, JSC First Credit Bureau and Legal Persons Union "Association of Financiers of Kazakhstan". These subsidiaries and affiliates are strategically important to the Bank, given the Bank's intention to cross-sell its financial products. The following table sets out details of the Bank's shareholding in its subsidiaries and affiliates as at 30 June 2006:

Name	Country of operation	The Bank's ownership interest 30 June 2006	31 December 2005	Type of operation
JSC Capital	Republic of Kazakhstan	88%	85%	Pension Fund
LLP Center Leasing	Republic of Kazakhstan	51%	51%	Finance lease of property
JSC BCC Invest	Republic of Kazakhstan	100%	100%	Securities trading
CenterCredit International B.V.	Netherlands	100%	100%	Formation of capital on international financial markets

JSC BCC Invest

JSC BCC Invest was, which was renamed on 26 June 2006, established in 1998 and is based in Almaty. JSC BCC Invest is engaged in investment banking operations. For the six months ended 30 June 2006, profits of JSC BCC Invest totalled KZT196.1 million compared to a profit of KZT50.9 million for the year ended 31 December 2005, and a profit of KZT41.9 million for the year ended 31 December 2004. See "—*Business—Capital Markets*". JSC BCC Invest has been consolidated with the Bank since its incorporation and as at 30 June 2006, had an authorised and issued share capital of KZT275.0 million. As at 30 June 2006, it had reserves (representing the sum of capital reserves, fixed assets revaluation fund and retained income) of KZT339.6 million. The registered office of JSC BCC Invest is located at 597 Seifullina Street, Almaty, 050022. Kazakhstan. It has never paid any dividends and its shares are fully paid.

LLP CenterLeasing

LLP CenterLeasing was established in 2002 as a limited liability partnership and is based in Almaty. LLP CenterLeasing provides leasing services to its clients. LLP CenterLeasing has been consolidated with the Bank since its incorporation and as at 30 June 2006, had an authorised and issued share capital of KZT50 million. For the six months ended 30 June 2006, its profits totalled KZT92.8 million and for the year ended 31 December 2005, it had net income of KZT61.5 million. Its reserves as at 30 June 2006 were KZT170.5 million. The registered office of LLP CenterLeasing is located at 119 Kabanbai Batyr Street, Almaty, 050012, Kazakhstan. It has never paid any dividends and its shares are fully paid.

JSC Atameken Pension Fund

JSC Atameken Pension Fund was established in 1998 in Almaty as a Narodny Pension Fund, and was renamed in 2005. JSC Atameken Pension Fund was established to attract pension contributions and effect pension payments as a private pension fund. As at 30 June 2006, it had a 2.5 per cent. share of the pensions market in Kazakhstan, with total pension assets of KZT18,921 million.

JSC Korgau Pension Fund

JSC Korgau Pension Fund was established in 1999 as a joint stock company and is based in Almaty. JSC Korgau Pension Fund was established to attract pension contributions and effect pension payments as a private pension fund. For the six months ended 30 June 2006, it had a 1.5 per cent. share of the pensions market in Kazakhstan with total pension assets of KZT11,254 million.

JSC Capital Pension Fund

JSC Capital Pension Fund was established in 2002 as a closed joint stock company and is based in Almaty and has an authorised and issued share capital of KZT500 million. JSC Capital Pension Fund was established to attract pension contributions and effect pension payments as a private pension fund. For the six months ended 30 June 2006, it had a 1.8 per cent. share of the pensions market in Kazakhstan with total pension assets of KZT14,097 million. Its registered office is located at 143a Tole Bi Street, Almaty, 480096, Kazakhstan. It has never paid dividends and its shares are fully paid.

JSC Oil Insurance Company

JSC Oil Insurance Company was established in 1999 as an open joint stock company, is based in Almaty and has an authorised and issued share capital of KZT750 million. JSC Oil Insurance Company provides a range of property and casualty insurance products. It is the fourth largest insurance company in the country and, for the six months ended 30 June 2006, had an 6.8 per cent. share of the insurance market in Kazakhstan.

JSC First Credit Bureau

JSC First Credit Bureau was founded in 2004 by a group of large Kazakh Banks for the purpose of establishing the credit histories of Kazakhstan borrowers and in order to provide a high level of reporting to creditors. The authorised and issued share capital of the Bureau is KZT37,260,000.

Legal Persons Union—"Association of Financiers of Kazakhstan"

This organisation was established in May 1999 as a fulfilment of the resolution of the Congress of Kazakhstan Financiers. It has an authorised and issued share capital of KZT675,000. The association's main goals are lobbying the interests of financial institutions in general and the implementation of the resolution of the Congress of Kazakhstan Financiers. In order to do this, the Association established a liaison with the Government of the Republic of Kazakhstan, and its ministries and agencies. In particular, the Protocol on Cooperation was signed on 1 February 2002 between the Association and the NBK. A similar protocol was signed on 1 January 2004 with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets.

Employees

As at 30 June 2006, the Bank had 3,157 full-time employees, of which 2,574 were employed at the Bank's branches. The Bank has one labour union which entered into a collective agreement with the Bank in 2002. The Bank has never experienced industrial action or other work stoppages resulting from labour disputes. 77.7 per cent. of employees in professional positions hold university degrees. A number of key staff have been trained at the Bank's primary correspondent banks including ING Bank, HypoVereinsbank, Citibank, HSBC, Societe Generale, Deutsche Bank and Dresdner Bank.

Property

The Bank owns its head office on Shevchenko Street, Almaty, although it leased the building to BCC LLP in 1998 for 50 years following the need to reduce its fixed assets so as to comply with the NBK's requirements on the ratio of fixed assets to equity. The Bank rents the building from LLP BCC. The Bank is currently building a new head office in Almaty at an anticipated cost of KZT4,058 million and expects to take occupation later in 2006.

The Bank leases the buildings used by its branches.

Legal Proceedings

There are no and have been no governmental, legal or arbitration proceedings against the Bank and/or the Group (including any such proceedings which are pending or threatened of which the Bank is aware), during the last 12 months preceding the date of this Prospectus, which may have, or have had, significant effects on the Bank and/or the Group's financial position or profitability, nor is the Bank aware of any pending or threatened proceedings of such kind.

Asset and Liability Management

Introduction

The Bank's operations are subject to various risks, including risks relating to changes in interest rates and foreign exchange rates, declines in liquidity and deterioration in credit quality of its loan and securities portfolios. The Bank monitors and manages the maturities of its loans, its interest rate and exchange rate exposure and credit quality in order to minimise the effect of changes in them relative to the Bank's profitability and liquidity position.

To manage its risks, the Bank has established the ALCO, the Credit Committee and the Small Credit Committee which are responsible for devising, implementing and monitoring the Bank's risk policies. The Bank's risk management infrastructure has been developed with the assistance of RZB and the Bank of Ireland.

The Bank monitors and manages its asset and liability position through the ALCO, which is a permanent committee reporting to the Management Board. The ALCO is headed by the Chairman of the Management Board. The committee also includes three Deputy Chairmen, the Managing Director of the Analysis and Global Risk Department and the Managing Director of the Treasury Department, the Managing Director of Corporate Finance and International Department and the Head of the Dealing Division. The ALCO meets on a monthly basis to review the Bank's asset and liability position based on information provided by the Treasury Department on various matters, including maturities, interest rates and yields; the size and maturity of the Bank's loan portfolio, demand and term deposits and investments; the Bank's net foreign currency position; the Bank's operational ratios conforming to the regulations established by the FMSA; exchange rates, inflation rates and other economic data; and general national and international political and economic trends.

Based on its review of this information, the ALCO evaluates the Bank's risk profile and determines strategies and policies for transactions relating to assets and liabilities for the coming month with an aim to increasing revenues of the Bank while maintaining adequate liquidity, compliance with industry norms and regulations and minimising the impact of financial market risks. These decisions are reviewed and approved by the Bank's Management Board which has overall responsibility for ensuring that the asset and liability maturity profiles are appropriate considering prevailing market conditions and consistent with the Bank's strategy, while meeting all the requirements and limits established by the FMSA.

The Bank conducts its credit risk management at several levels, depending upon the amount of risk involved. Credit committees currently operate in all 19 of the Bank's 19 branches. The Bank has three main credit committees located within its head office which are responsible for approving credit decisions within the Bank; the Credit Committee, the Credit Committee of the Head Office and the Small Credit Committee. See "—*Lending Policies and Procedures*".

The Bank has developed an automated centralised programme, called the "Credit Module", to monitor its credit risk. The objectives of the Credit Module are to:

- create a centralised database of credit transactions;
- effectively manage and control the credit activity of the Bank;
- increase the productivity of the Bank's credit officers by making them more efficient; and
- control the execution of credit transactions.

The Bank believes that centralising its loan transactions through a database will enhance the credit information available to its employees throughout its branches and Head Office. In addition, the Bank believes that the Credit Module will enable it to analyse the Bank's loan portfolio and amend lending procedures to improve risk management.

Maturities

The principal objective of the Bank's interest rate risk management activities is to enhance profitability by limiting the effect of adverse interest rate movements and interest income by managing interest rate exposure. The Bank monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments. The Bank believes that its sensitivity to interest rates is largely reduced by its ability to adjust the interest rate under the substantial majority of its loan agreements. See '"*Loan Portfolio—Loan portfolio structure by currencies*".

The following table summarises the Bank's banking assets and liabilities by maturity as at 30 June 2006 and contains certain information regarding interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the periodic re-pricing of assets and liabilities. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income while an increase in interest rates would have a negative effect on interest income.

	As at 30 June 2006						
	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**30 June 2006 (unaudited)**
				(KZT thousands)			
ASSETS							
Interest bearing assets							
Cash and balances with National Bank of the Republic of Kazakhstan	15,003,438	-	-	-	-	-	15,003,438
Loans and advances to banks	14,383,784	3,054,386	844,043	755,655	-	-	19,037,878
Assets held-for-trading	2,158,885	527,518	1,580,556	969,171	-	854,695	6,090,825
Securities purchased under agreement to resell	-	4,769,630	-	-	-	-	4,769,630
Loans to customers, less allowance for impairment losses	11,403,497	22,785,806	54,669,614	124,659,363	57,206,268	-	270,724,548
Investments available-for-sale	58,116,784	389,371	3,148,587	520,266	-	-	62,175,008
Investments held-to-maturity	-	-	1,075,320	1,000,000	-	-	2,075,320
Total interest bearing assets	**101,066,388**	**31,526,711**	**61,318,130**	**127,904,455**	**57,206,268**	**854,695**	**379,876,647**
Cash and balances with the National Bank of the Republic of Kazakhstan	11,755,516	-	-	-	-	-	11,755,516
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	7,241,992	7,241,992
Income tax assets	196,760	-	-	-	-	-	196,760
Loans and advances to banks	7,462,369	-	-	-	-	-	7,462,369
Investments available-for-sale	162,718	-	-	-	-	-	162,718
Other assets, less allowance for impairment losses	3,509,782	393,077	-	-	-	-	3,902,859
TOTAL ASSETS	**124,153,533**	**31,919,788**	**61,318,130**	**127,904,455**	**57,206,268**	8,096,687	410,598,861
LIABILITIES							
Interest bearing liabilities							
Loans and advances from banks	10,099,847	3,499,094	53,433,301	30,953,606	-	-	97,985,848
Securities sold under agreements to repurchase	-	-	-	-	-	-	-
Customer accounts	17,420,640	9,663,493	30,027,509	64,959,621	-	-	122,071,263
Debt securities issued	-	6,032,821	3,205,489	69,097,274	7,520,719	-	85,856,303
Subordinated debt	-	-	984,193	632,123	16,023,352	-	17,639,668
Total interest bearing liabilities	27,520,487	19,195,408	87,650,492	165,642,624	23,544,071	-	332,553,082
Loans and advances from banks	187,274	-	-	-	-	-	187,274
Customer accounts	54,874,804	-	-	-	-	-	54,874,804
Other liabilities	2,333,126	-	-	-	-	215,581	2,548,707
TOTAL LIABILITIES	**84,915,691**	**19,195,408**	**87,650,492**	**165,642,624**	**23,544,071**	**215,581**	**381,163,867**
Liquidity gap	39,237,842	12,724,380	(26,332,362)	(37,738,169)	33,662,197		
Interest sensitivity gap	73,545,901	12,331,303	(26,332,362)	(37,738,169)	33,662,197		
Cumulative interest sensitivity gap	73,545,901	85,877,204	59,544,842	21,806,673	55,468,870		
Cumulative interest sensitivity gap as a percentage of total assets	17.91%	20.92%	14.50%	5.31%	13.51%		

As at 30 June 2006, the Bank's overall cumulative maturity gap was KZT55,468.9 million, and as at 31 December 2005, it was positive at KZT43,637.9 million.

Although the relative maturities of the Bank's assets and liabilities give some indication as to the Bank's sensitivity to interest rate movements, it is an imprecise measure as it does not take account of the frequency with which the Bank is able to reprice its assets and liabilities. The Bank believes that its sensitivity to interest rate changes is largely reduced because it has the ability to reprice certain of its loans that mature within one year and has the ability to reprice loans maturing after one year under certain circumstances. In addition, a significant percentage of its loan portfolio maturing after one year under is funded by fixed rate long-term funds. However, if the average maturity of the Bank's loan portfolio increases, without a matching increase in the average maturity of its liabilities or if the average maturity of its liabilities increases without a matching increase in the average maturity of its assets, the Bank will be exposed to increasing interest rate risk. At such time, the Bank may need to introduce new risk management techniques.

Funding and Liquidity

Introduction

The Bank's funding and liquidity management policy seeks to ensure that, even under adverse conditions, the Bank maintains sufficient funds available to meet its operational needs and to ensure compliance with FMSA regulations. Liquidity risk arises in the general funding of the Bank's lending and investment activities. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

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

The following table sets out the Bank's sources of funds as at 30 June 2006, 31 December 2005 and 2004:

	30 June 2006		31 December 2005		31 December 2004	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
Customer accounts	176,946	46,4	139,593	45.9	91,368	67.1
Deposits from banks	98,173	25,8	89,202	29.3	34,964	25.7
Debt securities issued	85,856	22,5	33,590	11.0	1,510	1.1
Securities sold under agreements to repurchase	-	-	26,446	8.7	-	-
Subordinated debt	17,640	4,6	13,578	4.5	7,475	5.5
Other liabilities	2,549	0,7	1,686	0.6	892	0.6
Total liabilities	**381,164**	**100.0**	**304,095**	**100.00**	**136,208**	**100.0**

The following table gives certain information as to the Bank's liquidity as at 30 June 2006 and 31 December 2005:

	30 June 2006	31 December 2005
		(per cent.)
Net Loans(1)/total assets	65.9	62.9
Net Loans(1)/customer accounts	153.0	148.9
Net Loans(1)/shareholders' equity	919.7	793.1
Liquid assets(2)/total assets	29.0	31.7
Liquid assets(2)/customer accounts	67.3	74.9

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

(2) Liquid assets comprise investments held-to-maturity, assets held-for-trading, investments available-for-sale, cash, cash and balances with NBK, equivalents and loans and advances to banks (with maturity of less than 1 month).

Customer accounts

A significant portion of the Bank's funding base is represented by corporate customer accounts, which the Bank's management believes to be relatively insensitive to short term fluctuations in market interest rates. The Bank increased its retail funding base in 2004. Retail funding is less volatile than corporate funding, although it is more costly for the Bank. The Bank concentrates its efforts on servicing the retail market, especially those customers with annual incomes of U.S.$6,000 to U.S.$20,000. Other important sources of funding are bilateral and special purpose facilities from banks and financial institutions and the issue of debt securities.

As at 30 June 2006, the ten largest depositors of the Bank accounted for 11.9 per cent. of total deposits, compared to 11.8 per cent. as at 30 June 2005 and 10.9 per cent. as at 31 December 2005. As at 30 June 2006, the Bank's two largest depositors, KATEP and CJSC "Zhetysu" Asset Management Company, accounted for 5.0 per cent. of total deposits. As at 31 December 2005, the Bank's two largest depositors, KATEP and JSC Food Corporation, accounted for 5.3 per cent. of total deposits. All top ten depositors have placed their deposits with the Bank as time deposits.

The amnesty implemented by the Government in 2001 to encourage the use of the banking system was one of the factors in increasing the Bank's funding from retail deposits in that year. Between June and July 2001, individuals and companies who deposited funds with banks did not need to justify the source of such funds to the tax authorities or otherwise. The 30 day amnesty resulted in U.S.$480 million being placed with commercial banks.

As at 30 June 2006, time deposits were KZT118,442 million or 67.0 per cent. of total customer accounts, compared to KZT102,591 million or 73.5 per cent. of total customer accounts at the end of 2005.

The following table sets forth details of customer accounts broken down into time and demand deposits and accrued interest on customer accounts as at 30 June 2006, 31 December 2005 and 2004:

	30 June 2006		31 December 2005		31 December 2004	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Time deposits	118,442	67.0	102,591	73.5	68,478	75.0
Demand deposits	55,441	31.3	34,944	25.0	22,045	24.1
Accrued interest expense on customer accounts	3,063	1.7	2,057	1.5	845	0.9
	176,946	**100.00**	**139,592**	**100.0**	**91,368**	**100.0**

The interest rates on the Bank's deposits are close to average rates on the market, and the Bank offers rates which are competitive with those of other institutions in Kazakhstan.

The following table sets out the average interest rates on the Bank's deposits for the years ended 30 June 2006, 31 December 2005 and 2004:

	30 June	31 December	
	2006	2005	2004
KZT deposits		*(per cent.)*	
Time deposit	9.8	9.8	10.3
Demand deposits	0.5	0.5	1.8
Foreign currency deposits			
Time deposits	7.7	7.8	6.9
Demand deposits	0.5	0.8	0.9

As at 30 June 2006, approximately 28.2 per cent. of the Bank's accounts were covered by the Deposit Insurance Fund. In accordance with its rules, the Deposit Insurance Fund will not guarantee a deposit exceeding KZT7 million. See "*The Banking Sector in Kazakhstan*".

Foreign Currency Borrowings

Over the past several years, the Bank has entered into financings with foreign banks and other financial institutions. Some of the more important of these are set out below.

Since 1997, the Bank has participated in a number of special programmes for the financing of small- and medium-sized enterprises and enterprises in specific industries, arranged and sponsored by the NBK, the Ministry of Finance, several local (regional) executive bodies as well as international financial institutions such as the International Bank of Research and Development, ADB, EBRD, DEG and FMO.

Syndicated Loans. The Bank has successfully attracted six syndicated loans on international markets, of which three remain outstanding. In November 2003, the Bank raised a third syndicated loan in the amount of U.S.$36 million, which was arranged by HVB Group, Sanpaolo IMI S.p.A. and Standard Bank London. The facility was extended in November 2004, and the amount increased to U.S.$70 million with 28 participants. In the first half of 2004, the Bank attracted a U.S.$45 million syndicated trade-related loan arranged by Deutsche Bank London and ING Bank. The facility, which was initially launched at U.S.$30 million, was increased to U.S.$45 million and has 21 participants. During the course of 2005, the Bank attracted a U.S.$125 million syndicated loan arranged by ING Bank and Deutsche Bank and a U.S.$200 million syndicated loan arranged by RZB Austria and Citibank. During the first quarter of 2006 the Bank completed two more international transactions tapping specific markets. In February 2006, an agreement for U.S.$38 million was successfully signed with Islamic investors. In April this year, the Bank concluded its first Schuldschein term loan facility agreement for U.S.$100 million. The deal was launched at the initial amount of U.S.$50 million and oversubscribed to more than U.S.$150 million. The recent international borrowing was made in the form of a term loan facility for U.S.$300 million and arranged by ING Bank N.V., Standard Bank Plc and Sumitomo Mitsui Banking Corporation Europe Limited. The Bank used a multi-tranche structure including 369-days, 2- and 3-year tranches with proportional distribution of the funds between the tenors. The Bank plans to broaden the scope of its syndications in 2007.

Trade Finance. Beginning in 2002, the Bank entered into numerous short-term trade finance related facilities with various financial institutions, including American Express Bank, Citibank, HSBC Bank Kazakhstan, HypoVereinsbank, Natexis Banques Populaires, Bank of Montreal, Standard Bank London, Bankgesellschaft Berlin, Finansbank (Holland) and others.

In 2005, short-term trade finance related facilities were arranged for clients of the Bank for an aggregate amount exceeding U.S.$75 million. All transactions were intended to finance specific projects of corporate customers. Among the banks that participated in these transactions were American Express Bank, HypoVereinsbank, Natexis Banques Populaires, Bank of Montreal, Indover Bank, Credit Suisse, National City Bank, Bank of Nova Scotia, Anglo-Romanian Bank, Finansbank (Holland) N.V., DZ Bank, HSH Nordbank, Bankgesellschaft Berlin, Bank Austria Creditanstalt, Erste Bank, UBS, Standard Bank and others. A portion of the funds was guaranteed by the EBRD, which increased its line to the Bank under its Trade Facilitation Program from U.S.$10 million to U.S.$30 million.

SME Programmes. The Bank participates in the Programme for State Support of Small Business funded by EBRD. Under this Programme, EBRD provides funds to the Small Scale Business Development Fund, a quasi-governmental financial institution, which in turn distributes the funds to a number of designated Kazakhstan banks, including the Bank, for further on-lending to small-scale enterprises. As at 30 June 2006, the Bank had received and on-lent U.S.$12.6 million as to its small-scale customers under this Programme.

In 2003, EBRD also extended three credit lines to the Bank for an aggregate amount of U.S.$18 million under its Grain Receipts, Trade Finance and Kazakhstan Small Business Programmes. Under the Trade Finance Programme and the Grain Receipts Programme, the loans were extended to certain grain producers/dealers secured by grain receipts. In December 2003, the Bank entered into a loan agreement with DEG and FMO in the amount of U.S.$8 million. In 2004, the EBRD increased its Grain Receipts 2003 credit line from U.S.$3 million to U.S.$6 million. During November and December 2004, the EBRD provided a U.S.$6 million credit line to the Bank to finance the agricultural sector, in particular, for purchasing and leasing agricultural equipment, and a credit line in the additional amount of U.S.$10 million under the Kazakhstan Small Business Programme. In November 2005, the Bank concluded another loan agreement with the EBRD that aims to finance grain producers in Kazakhstan thus facilitating the development of the Kazakhstan agricultural sector. The loan is a U.S.$24 million facility secured by warehouse receipts. In November 2005 the Bank signed the loan agreement with EBRD in the amount of U.S.$10 million on mortgage financing.

In May 2005 the Bank attracted a U.S.$10 million credit facility from the IFC under the IFC Central Asia Leasing facility. In December 2005, Wachovia Bank extended a U.S.$9 million bilateral loan to the Bank to finance its SME and retail customers.

Retail Programme. In November 2005, the Bank entered into a loan agreement with the EBRD in the amount of U.S.$10 million to finance the Bank's long-term residential mortgage sub-loans to its customers.

Subordinated Loans and Notes. In December 2004, the Bank received a subordinated loan from DEG in the amount of U.S.$10 million.

In 2000, the Bank issued U.S.$4.5 million in five-year subordinated debt due 2005 and between 2002 and 2005, the Bank issued an additional KZT12.5 billion in six separate subordinated debt issuances with terms ranging from five to ten years. In September 2004, the Bank issued its debut mortgage bonds in the amount of KZT500 million due 2007 and in December 2004, the Bank issued an additional KZT1.3 billion in mortgage bonds due 2014. In 2005 the Bank issued mortgage bonds in the amount of KZT4.5 billion due 2015. In 2006 the Bank has raised KZT4 billion and intends to raise up to an additional KZT50 billion in subordinated debt over the course of the next three years.

Eurobonds. In February 2005, the Bank issued U.S.$200 million 8.0 per cent. notes due 2008 and in February 2006, issued U.S.$300,000,000 8.0 per cent. senior notes due 2011.

The Bank believes that it will be able to meet its funding obligations under these facilities through an increase in borrowings, including the issue of the Notes and through increases in time deposits.

Foreign Currency Management

The Tenge was generally stable against the Dollar in 2001 and 2002, depreciating by 3.9 per cent. in 2001 and 3.8 per cent. in 2002. In 2003 and 2004, the Tenge strengthened against the U.S. dollar and appreciated by 7.5 per cent. and 9.9 per cent., respectively. In 2005, the Tenge depreciated by 3.0 per cent. against the U.S. dollar. According to NBK, during the first half of 2006, the Tenge depreciated by 2.9 per cent.

The Bank's long position is less than the limit set by the NBK. The details of the Bank's net foreign currency position are set out in a table below.

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

Regulation and monitoring of the net foreign currency positions of banks is carried out by the NBK. According to current NBK regulations, the ratio of a bank's net open foreign currency position relative to its own capital must not exceed 50 per cent. and the net open foreign currency position for any currency of a country rated "A" or higher or the Euro must not exceed 30 per cent. of its own capital. The open long and short positions for any currency of a country rated from "B" to "A" are limited to 5 per cent. and 15 per cent. of own capital, respectively. See "*Operating and Financial Review—Financial Condition as at 30 June 2006 and as at 31 December 2005 and 2004—Capital*". In addition, the Bank has its own internal policy to limit any long aggregate foreign exchange position to no more than 100 per cent. of the Bank's equity.

The following table shows the net foreign currency position of the Bank (calculated in accordance with IFRS) as at 30 June 2006, 31 December 2005 and 31 December 2004:

	30 June	31 December	
	2006	2005	2004
Net short position (in KZT millions)	4,642	3,268	(753)
Net position as a percentage of own capital	15.8	12.5	(6.1)
Net position as a percentage of foreign currency liabilities	2.6	1.9	(1.1)

Treasury Operations

The main objective of the Bank's treasury operations is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets; thus managing foreign currency exposure and funding costs. The Bank's treasury operations consist largely of spot transactions in Tenge and foreign currencies, transactions in government securities and currency swap and forward transactions for hedging purposes. The lack of a developed framework and trading and accounting mechanisms in the derivatives market in Kazakhstan, combined with an underdeveloped banking sector, means that futures, options and forward currency trading is rare. The Bank is one of the primary banks in Kazakhstan involved in money market operations and government securities trading.

The Treasury Department calculates the Bank's cash position on a daily basis and provides the Banks management with weekly and monthly reports on the Bank's liquidity and cash flow.

Trading and Investment Portfolio

The Bank structures its securities portfolio based on a number of factors, including the liquidity, diversification and yield-to-maturity of the securities held. The Bank has a general policy that its governmental and municipal securities shall constitute the major part of its total securities portfolio, with the remainder of the portfolio allocated to non-government securities (mainly Kazakhstan corporations). As at 30 June 2006, government securities accounted for 83.5 per cent. of the Bank's securities portfolio, compared to 80.9 per cent. and 73.1 per cent., as at 31 December 2005 and 31 December 2004, respectively.

The following table shows the composition of securities held by the Bank and its investments in associated companies as at 30 June 2006, 31 December 2005 and 31 December 2004:

	30 June	31 December	
	2006	2005	2004
		(KZT millions)	
Assets held-for-trading	6,091	34,085	2,911
Investments available-for-sale	62,338	17,720	21,479
Investments held-to-maturity	2,075	62	55
Total	**70,504**	**51,867**	**24,445**

The Bank's total securities portfolio increased by 112.2 per cent. from KZT24,445 million as at 31 December 2004 to KZT51,867 million as at 31 December 2005. In the first six months of 2006, the Bank's total securities portfolio increased by a further 35.9 per cent. to KZT70,504 million.

The Bank's investments available-for-sale comprise mostly notes of the NBK, notes of the Ministry of Finance of Republic of Kazakhstan, eurobonds issued by the Republic of Kazakhstan and other Kazakhstan entities. Whilst its holding of the Government of Kazakhstan's eurobonds increased in 2005 compared to 2004 from KZT1,267.5 million to KZT2,186.6 million, securities issued by companies increased to KZT11.6 million as at 30 June 2006 compared to KZT9.9 million as at 31 December 2005. This increase reflects the Bank's decision to broaden its securities portfolio and diversify its risk profile. As at 30 June 2006, the Bank's investments held to maturity amounted to KZT2,075 million.

Loan Portfolio

Introduction

The Bank offers a variety of banking products including loans, trade financing, letters of credit and letters of guarantee. Financing is provided for various purposes, although the majority of corporate loans are for working capital and trade finance purposes with a maturity of 12 months or less. Consumer lending relates primarily to mortgages, car loans and other loans to finance purchases of consumer products.

The Bank's loan portfolio is monitored by the Credit Committee of the Head Office, which determines the amount that the Bank is prepared to lend, together with the type of collateral required to secure such loans. If there are any problems or potential problems either with the borrower or the credit, the borrower's case is forwarded to the Problem Loan Division, a sub-division of the Credit Department. See "*—Lending Policies and Procedures*".

Loans and advances to banks

As at 30 June 2006, loans and advances to banks had decreased to KZT26,500.2 million compared to KZT37,302.7 million as at 31 December 2005. In general, loans and advances to banks were represented by short-term U.S. dollar deposits placed for liquidity management. The Bank undertakes a conservative approach in its deposit funding activities. Funds are usually placed for a short-term period with a maximum limit on the amount deposited, unless such loans are backed by state securities or cash deposits. As such, as at 30 June 2006, nearly all loans and advances to banks had maturities of less than one month.

Loans, guarantees and letters of credit

The Bank offers a variety of corporate banking products including loans, trade financing, letters of credit and letters of guarantee. The following table sets out the composition of the Bank's loans and contingent liability exposure as at 30 June 2006, 31 December 2005 and 31 December 2004:

	30 June	**31 December**	
	2006	**2005**	**2004**
		(KZT millions)	
Loans			
Loans and advances to customers	282,108	216,920	95,550
Provision for impairment losses	(11,383)	(9,033)	(4,083)
Loans and advances to customers, net	270,725	207,886	91,467
Contingent Liabilities			
Guarantees	62,349	14,842	9,063
Letters of credit	6,052	7,847	5,361
Total contingent liabilities	68,401	22,689	14,424
Total loans and contingent liabilities	**339,126**	**230,575**	**105,891**

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. See "*—Lending Policies and Procedures*".

The Bank's loan portfolio, net of provisions, grew by 30.2 per cent. from KZT207,886 million as at 31 December 2005 to KZT270,725 million as at 30 June 2006.

As at 30 June 2006, the top 20 largest borrowers comprised 20.6 per cent. of the Bank's gross loan portfolio, compared to 27.3 per cent. as at 31 December 2005 and 27.8 per cent. as at 31 December 2004.

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

	30 June		31 December			
	2006		2005		2004	
	(KTZ millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Up to $50,000	64,709	22.9	55,395	25.5	16,134	16.9
$50,001-$200,000	46,205	16.4	35,983	16.6	8,300	8.7
$200,001-$l,000,000	62,229	22.1	45,239	20.9	15,419	16.1
$1,000,001-$3,000,000	46,883	16.6	33,438	15.4	20,325	21.3
$3,000,001-$5,000,000	17,605	6.2	10,745	5.0	10,447	10.9
Over $5,000,000	44,477	15.8	36,120	16.6	24,924	26.1
Total	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

Loan portfolio structure by maturity

The following table sets out the breakdown of the Bank's gross commercial loans and advances (before allowances) by maturity:

	30 June		31 December			
	2006		2005		2004	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Up to 1 month	4,856	1.7	4,381	2.0	1,122	1.2
1-3 months	8,314	2.9	11,666	5.4	2,956	3.1
3-6 months	20,205	7.2	19,565	9.0	9,957	10.4
6-12 months	47,528	16.8	30,469	14.0	14,895	15.6
1 -2 years	31,021	11.0	28,193	13.0	18,231	19.1
2-3 years	26,729	9.5	26,653	12.3	13,144	13.7
3-5 years	74,139	26.3	52,049	24.0	25,318	26.5
Over 5 years	66,557	23.6	43,222	20.0	9,338	9.8
Overdue	2,759	1.0	722	0.3	589	0.6
Total	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

Loan portfolio structure by sector

The Bank's Credit Committee of the Head Office sets limits on the Bank's total exposure to economic sectors as a percentage of the Bank's total loan portfolio, based on its review of macro-economic data prepared by the Analysis, Monitoring and Methodology Division of the Credit Department. Current limits include a maximum exposure to trade companies of 30 per cent., retail and housing of 30 per cent. and manufacturing of 20 per cent., in each case of the Bank's total loan portfolio. The Bank limits its exposure to high risk sectors of the economy.

As at 30 June 2006, retail loans and mortgages included approximately KZT533.5 million of mortgage loans extended by CJSC Zhilstroibank prior to its merger with the Bank in 1998 as part of a Government-led initiative to provide low-cost loans to fund house purchases by individuals. At the time of the merger, such loans represented approximately 12 per cent. of the Bank's total loan portfolio. The Bank's loan portfolio has grown since the merger, however, and as at 30 June 2006, the percentage had fallen to less than 1 per cent. The loans were initially extended by CJSC Zhilstroibank for 25 years at a low rate of interest (usually 5 per cent.), fixed until maturity. All loans were linked to the U.S. dollar. Following the flotation and subsequent devaluation of the Tenge in April 1999, the borrowers became unable to meet the repayment obligations which increased rapidly as the Tenge continued to devalue. Following a petition by the Bank, the Government agreed in February 2001 to meet the increased costs of such loans caused by the devaluation of the Tenge and to pay the Bank the difference between the Tenge amount paid by the borrowers (fixed at an exchange rate of KZT88.3: U.S.$1.00) and the exchange rate applicable as at the end of the relevant year.

The following table sets forth certain information as to the structure of the Bank's loan portfolio by economic sector, as at 30 June 2006, 31 December 2005 and 31 December 2004:

	30 June		31 December			
	2006		2005		2004	
	(KZT millions)	*(Share per cent.)*	*(KZT millions)*	*(Share per cent.)*	*(KZT millions)*	*(Share per cent.)*
Retail loans and mortgages	96,530	34.2	66,827	30.8	19,299	20.2
Trading	54,378	19.3	41,586	19.2	21,704	22.7
Construction	33,755	12.0	22,904	10.5	6,685	7.0
Food industry	17,701	6.2	15,285	7.0	10,430	10.9
Manufacturing	15,419	5.5	12,325	5.7	11,699	12.3
Agriculture	14,949	5.3	19,439	9.0	6,485	6.8
Real Estate	12,666	4.4	8,780	4.0	3,052	3.2
Oil and gas	11,723	4.2	8,964	4.1	4,689	4.9
Transportation and equipment maintenance services	8,597	3.0	5,370	2.5	4,123	4.3
Mining and production of precious metals	4,288	1.5	3,290	1.5	3,090	3.2
Telecommunications and transport	2,342	0.8	1,219	0.6	998	1.1
Financial sector	2,118	0.8	1,974	0.9	31	-
Mass media	1,463	0.5	2,365	1.1	981	1.0
Machinery	568	0.2	806	0.4	168	0.2
Energy	195	0.1	134	0.1	125	0.1
Metallurgy	-	0.1	1	-	256	0.3
Other	5,416	1.9	5,651	2.6	1,735	1.8
Total	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

Retail loans and mortgages increased from KZT66,827 million as at 31 December 2005 to KZT96,530 million as at 30 June 2006, representing an increase of 44.4 per cent., and, as a percentage of the loan portfolio, increased from 30.8 per cent. to 34.2 per cent. This increase was a result of the Bank's strategy to increase its presence in the high margin retail sector which resulted in a large increase in the volume of the Bank's mortgage loans. In 2005, lending to the trading sector increased due to an increase in the number of borrowers among companies which focus on trading, mainly in the agriculture, manufacturing and food industries. Loans to trading companies increased by 30.8 per cent. in the first six months of 2006, from KZT41,586 million as at 31 December 2005 to KZT54,378 million as at 30 June 2006, however, the share of the trading sector in the total loan portfolio increased slightly in the period ended 30 June 2006 at 19.3 per cent. as compared to 19.2 per cent. of the Bank's total loan portfolio as at 31 December 2005. Loans to the construction sector increased substantially (47.4 per cent.) during the six months ending 30 June 2006, reflecting an improvement in the Kazakhstan economy and increased activity in the construction sector. Loans to companies in the agriculture sector increased by 199.8 per cent. in 2005 and decreased by 23.1 per cent. in the first six months of 2006. Such loans include the EBRD funded grain receipts programme. See "—*Funding and Liquidity*".

Loans to manufacturing companies increased by 25.1 per cent. in the first six months of 2006, representing 5.5 per cent. of the Bank's total loan portfolio as at 30 June 2006 (a decrease of 0.2 per cent. compared to 31 December 2005). Loans to the food industry increased marginally and, as a percentage of the total loan portfolio, decreased by 0.7 per cent. to 6.3 per cent. as a 30 June 2006.

In 2005, loans to the oil, gas and energy sectors also increased, although overall, their share of the Bank's total loan portfolio stood at the same level of 4.2 per cent. as at 30 June 2006 and 4.1 per cent. as at 31 December 2005.

Loan portfolio structure by currencies

Historically, non-Tenge loans comprised the major part of the Bank's loan portfolio, accounting for 76.0 per cent. of total loans as at 31 December 1999 then decreasing thereafter. After the flotation of the Tenge in 1999 and following the subsequent stabilisation of the Tenge against the U.S. dollar, the structure of the Bank's loan portfolio by currency has changed. Following domestic demand and as a result of a significant portion of the Bank's deposits (time and demand) being in Tenge, the level of Tenge loans has decreased, representing 45.1 per cent. of the Bank's total loan portfolio as at 30 June

2006, 52.0 per cent. as at 31 December 2004 and 42.1 per cent. as at 31 December 2003. Such loans generally have a shorter-term maturity profile and usually contain provisions that allow the Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

The following table sets forth certain information as to the currency profile of the Bank's gross loan portfolio as at 30 June 2006, 31 December 2005 and 31 December 2004:

	30 June		31 December			
	2006		2005		2004	
	(KTZ millions)	*(Share per cent.)*	*(KZT millions)*	*(Share per cent.)*	*(KZT millions)*	*(Share per cent.)*
Tenge	127,334	45.1	112,802	52.0	40,267	42.1
U.S. dollars	149,127	52.9	101,285	46.7	54,607	57.2
Euro	5,570	2.0	2,830	1.3	676	0.7
Other currency	77	-	2	-	-	-
Total loan portfolio (gross)	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

Lending Policies and Procedures

General

The FMSA sets strict guidelines in relation to the credit approval process of banks and the terms, credit levels and interest rates of the loans given. NBK regulations limit the exposure to any single borrower or group of borrowers to 10 per cent. of a bank's equity for parties related to the bank and to 25 per cent. of a bank's equity for parties not related to the bank. See "*Operating and Financial Review—Financial Condition as at 31 December 2005 and 2004—Capital*". The Bank's own credit approval process is based on FMSA regulations and its own internal procedures are established by the Management Board and the Board of Directors.

The Bank has three main credit committees located within its head office which are responsible for approving credit decisions within the Bank; the Credit Committee of the Credit Risk Division and the Small Credit Committee of the Head Office. The Credit Committee of the Credit Risk Division is responsible for the implementation of the Bank's credit policy in respect of small- and medium-sized enterprises and for approving the terms of credit facilities and/or guarantees extended by the Bank for amounts of up to U.S.$100,000. The Small Credit Committee of the Head Office is responsible for the implementation of the Bank's credit policy in respect of medium to large corporate customers and for approving the terms of credit facilities and/or guarantees extended by the Bank for amounts of between U.S.$100,000 and U.S.$1 million. The Credit Committee of the Head Office is responsible for the implementation of the Bank's credit policy in respect of large corporate customers and for approving the terms of credit facilities and/or guarantees extended by the Bank for amounts of between U.S.$1 million and U.S.$3 million. Any loan of between U.S.$3 million and U.S.$10 million must be approved by the Management Board and loans in excess of U.S.$10 million must be approved by the Board of Directors.

Within each full service branch, credit decisions for loans below the credit level set for that branch are approved by the credit committee within the branch, including the credit officers who review the loan applications and led by the Credit Risk Manager of the branch who opines on the credit risks involved and who also monitors the branch's loan portfolio. The levels for each branch are set by the Credit Committee of the Credit Risk Department and range from U.S.$50,000 to U.S.$400,000 per loan. The Credit Committee of the Credit Risk Department monitors loans approved by individual branches and individual branch lending limits can be increased up to the maximum limit approved for branches, or revoked, depending on the individual branch's compliance with the Bank's credit policies. One branch had its lending limit revoked in 2004. Lending limits are reviewed on a quarterly basis.

All applications for credit by corporate and retail customers must be submitted to the Bank on its standard forms. The Bank's branches conduct an initial compliance review of each application. After such review, depending on the type of the borrower and the credit, the application is sent for review and analysis by the Credit Department for loans of up to U.S.$1 million or by the Corporate Finance

Department for loans exceeding U.S.$1 million. The relevant department undertakes a thorough review and analysis of the application, including carrying out feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower and then prepares a credit dossier based upon the results of such analysis. If applicable, the Problem Loan Division of the Credit Department obtains references on the potential borrower from third parties including other banks and various governmental authorities, such as taxation bodies, the NBK and the Interior Ministry. If the loan is collateralised, the Bank's associate LLP BCC makes an appraisal of the collateral being offered, including as to valuation, title and prior encumbrances. The Bank also employs independent legal advisers to review the loan agreements and other legal documentation involved in the lending process. A central credit bureau was established by the NBK in 2005.

Depending on the amount of the credit, the credit dossier is examined by the appropriate credit decision making body of the Bank for a final decision on the extension of the credit.

Maturity Limit

The maximum maturity of a loan depends on the type of loan as follows:

	Maximum Maturity
Financing of working capital	Up to 12 months
Consumer credit to individuals	Up to 24 months
Loans to employees	Up to 37 months
Payroll	Up to 1 month
Investments	Up to 5 years
Inter-bank credit:	
Short term	Up to 1 year
Medium term	1 to 3 years
Long term	3 years and above
Mortgage loans	Up to 15 years
Leasing	Up to 5 years

Collateralisation

To reduce its credit risks, the Bank requires collateral from borrowers. Collateral includes but is not limited to real estate, machinery and motor vehicles, industrial equipment, industrial goods and food stocks and medicine and other commercial goods, as well as cash deposits, domestic securities and personal or financial institution guarantees. The Bank regularly monitors the quality of the collateral taken as security. In certain cases when existing collateral declines in value, additional collateral might be requested. In addition, the terms of the Bank's loan agreements usually provide the Bank with the flexibility to adjust interest rates or request a prepayment of the loan or a portion thereof upon changes in circumstances, including a decline in the value of collateral.

The following table sets out the loan amount as a percentage of collateral value based on the type of collateral:

	Loan/Collateral Value
	(per cent.)
Cash	100
Guarantees from financial institutions	100
Government debt securities	100
Real estate	30-70
Goods in turnover	50
Equipment	40-60
Precious metals	70
Corporate guarantees	40-60
Corporate securities	10-50

The following table sets forth the nominal amount of the Bank's collateralised and non-collateralised loans and such amount as a percentage of total gross loans as at 30 June 2006, 31 December 2005 and 2004:

	30 June		31 December			
	2006		2005		2004	
	(KZT millions)	*(Share per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Collateralised	279,977	99.2	215,027	99.1	94,739	99.2
Uncollateralised	2,131	0.8	1,893	0.9	811	08
Total	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

The following table sets forth a breakdown of total gross collateralised loans by type of collateral and as a percentage of the total gross loan portfolio as at 30 June 2006, 31 December 2005 and 2004:

	30 June		31 December			
	2006		2005		2004	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Real estate	195,207	69.2	148,284	68.4	60,405	63.2
Goods in turnover	39,549	14.0	33,705	15.5	13,793	14.4
Equipment	27,518	9.8	24,566	11.3	9,567	10.0
Other assets	7,042	2.4	3,744	1.7	4,925	5.2
Corporate guarantees	7,662	2.7	2,378	1.1	2,772	2.9
Cash	2,699	1.0	2,082	1.0	2,383	2.5
Precious metals	300	0.1	268	0.1	894	1.0
Unsecured	2,131	0.8	1,893	0.9	811	0.8
Total	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

Where borrowers of the Bank are connected or related in some way, for example having common shareholders or being owned by other such companies, these related companies are treated as a single borrower by the Bank and are required to provide cross-collateral for loans. If there is a default by one company, all the other companies of the same group become liable and the Bank can enforce collateral posted by the other connected companies to repay the defaulted obligations.

The laws of Kazakhstan allow a secured creditor to foreclose on collateral upon the occurrence of an event of default through both judicial and non-judicial procedures. Non-judicial foreclosure allows the secured creditor to seize collateral in the event of a default and to hold an auction, if necessary, to dispose of such collateral after 60 days' notice. The Bank's security documents provide for both non-judicial and judicial foreclosure. To be enforceable, a pledge over immovable property is required to be registered with local departments of the Ministry of Justice. No such registration is required for the pledges over certain types of movable property. However, registration of a pledge over either immovable or movable property establishes priority of that pledge over an unregistered pledge. The Bank requires all of its pledges to be registered.

Portfolio Supervision

The Bank classifies its loans in accordance with requirements established by the NBK. Within each full service branch, the branch's loan portfolio is also monitored by credit officers and the Credit Risk Manager of the branch. The Credit Committee of the Credit Risk Division is responsible for monitoring the total loan portfolio of the Bank and reviewing the loan portfolios of each branch. The Credit Risk Division monitors the Bank's loan portfolio using the Credit Module (See "*Asset and Liability Management — Introduction*"). Using this system, the Credit Risk Division is able to evaluate the quality of the loan portfolio and the requirements for loan loss provisions in relation to it. Loans are monitored on a daily basis, which allows the Credit Risk Division to identify problem credits or loans at an early stage. In addition, an in-depth review of each borrower is carried out on site on a quarterly basis where the financial state of the borrower and the status of any pledged collateral is assessed.

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

Criteria	Grade	Criteria	Grade
Financial Performance		**Timeliness of Repayment on Other Loans**	
Stable	0		
Satisfactory	+1	On time payments	0
Unstable	+2	Payments overdue	+1
Critical	+4	**Unauthorised Use of the Loan**	
Timeliness of Repayment of the Loan		Up to 25 per cent.	0
On time payments	0	25 to 50 per cent. (non-inclusive)	1
Overdue by 1-30 days	+1.5		
Overdue by 31-60 days	+2.5	50 to 75 per cent. (non-inclusive)	2
Overdue by 61-90 days	+3.5		
Overdue by more than 90 days	+4.5	75 to 100 per cent. (non-inclusive)	3
		100 per cent. and more	4
Quality of Collateral		**Write-offs**	
Reliable	-3	None	0
Good	-2	Some	+2
Satisfactory	0	**International Rating**	
Unsatisfactory	+1	"A" and above	-3
No collateral	+2	Above Kazakhstan sovereign to "A"	-2
Extensions			
None	0	Kazakhstan sovereign	-1
Some	+ (no. of extensions)	Below Kazakhstan sovereign/No rating	0

In relation to the Financial Performance criteria:

"**Stable**" means that the customer is solvent; has no losses; has a strong market presence; and there are no external or internal factors evidencing deterioration in the financial performance until maturity of the loan or doubts as to repayment of the loan.

"**Satisfactory**" means that there are some indications of temporary deterioration in the financial performance of the customer such as a decrease in revenues, deterioration in cash position or market share or there are some external and internal factors that might affect the financial performance of the customer; although there is some probability of default, there is also an expectation that customer can overcome such temporary problems.

"**Unstable**" means that there are serious indications of constant and significant deterioration in the financial performance of the customer such as losses, diminished liquidity, continuous deterioration of the market share; no assurance can be made that the customer's financial performance will improve; the information is not sufficient to assess the customer's financial position.

"**Critical**" means that the continuous deterioration of the financial performance of the customer has reached a critical stage and is characterised by significant financial losses, insolvency, significant deterioration of market share, negative equity capital; declared bankruptcy and/or bankruptcy treatment was applied for a period of one year, force majeure events which materially affected the customer or its activities; absence of financial information about the customer is absent.

In relation to the Quality of Collateral criteria:

"**Reliable**" means highly liquid collateral, in the form of Kazakhstan governmental guarantees, guarantees from banks having an international rating not less than "AA", cash collateral and pledges over Kazakhstan sovereign securities, securities issued by foreign governments having an international rating of not less than "A" or monetary precious metals securing all of the credit.

"**Good**" means highly liquid collateral as in Reliable Collateral securing not less than 90 per cent. of the credit.

"**Satisfactory**" means non-highly liquid collateral securing all of the credit or highly liquid collateral as in Reliable Collateral securing not less than 70 per cent. of the credit.

"**Unsatisfactory**" means any collateral securing not less than 50 per cent. of the credit.

"**No Collateral**" means that the loan is not secured or the collateral secures less than 50 per cent. of the credit.

The risk weight grades for all criteria are then combined, resulting in classification of the Bank's portfolio as follows, both under NBK requirements and under IFRS:

Total Grades	NBK Classification	Timeliness of Repayment	IFRS Classification
Less than 1	Standard		Standard
1-2	Doubtful 1st category	Current	Sub-standard
	Doubtful 2nd category	Overdue	Sub-standard
2-3	Doubtful 3rd category	Current	Unsatisfactory
	Doubtful 4th category	Overdue	Unsatisfactory
3-4	Doubtful 5th category	Both current and overdue	Doubtful
4 and more	Loss	Both current and overdue	Loss

Total classified loans under the NBK's classification comprise doubtful and loss loans. Total classified loans under IFRS comprise unsatisfactory loans, doubtful and loss loans.

The Credit Committee of the Head Office produces a monthly report which covers all aspects of the Bank's credit activity. The Bank's Management Board pays strict attention to the timeliness of debt repayments and the classified loans and contingent liabilities are included in such monthly reports. Immediate action is taken by the appropriate departments, which have responsibility for supervising and monitoring loan repayment if any principal or accrued interest repayment problems arise. Any deterioration in the quality of the assets and contingent liabilities of the entire loan portfolio is brought to the attention of the Bank's Management Board. The Bank's determination as to whether a repayment problem has arisen is based on a number of objective and subjective criteria including the credit's classification as described above; sudden changes in volumes in the customer's accounts with the Bank; as to retail customers, sudden changes in the standard of living of the customer which imply improper use of credit facilities; applications to change credit terms; failure of the customer or a counterparty to fulfil terms under a contract relating to the credit; refusal of a customer to co-operate in supplying documentation and evasion of the Bank's officers by the customer. Once any repayment problem arises, the Bank's Problem Loans Division is immediately notified. The Bank believes that it has a good record in enforcing its security and attempts to resolve security enforcement without resort to court action or arbitration. In particular, the Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any pledged collateral either in reliance on non-judicial foreclosure or with the co-operation of the customer.

In addition, the Bank established its own internal customer rating system in 2002 pursuant to which each of the Bank's large corporate customers are assigned an internal credit rating. The Bank currently classifies its corporate clients based on the amounts of such clients' annual sales. Corporate clients with annual sales of U.S.$700,000 or less are classified as "small-sized", corporate clients with annual sales of between U.S.$700,000 and U.S.$7 million as "medium-sized", corporate clients with annual sales of between U.S.$7 million and U.S.$70 million as "large-sized" and in excess of U.S.$70 million as "largest companies". The ratings assigned are based on criteria such as the customer's management, operational potential, credit history, quality of collateral and financial performance. The assigned ratings determine, to a large extent, the applicable interest rate, other terms and conditions of the credit extended to the customer and the frequency and level of monitoring.

Provisioning Policy

The classification matrix described above is used to determine the provisioning rate required by the NBK. Calculation of provisions is carried out on a monthly basis.

The Bank may make specific provisions for possible loan losses on a case-by-case basis and actual provisions established take into account the value of any collateral or third party guarantees. For this reason, the actual provision levels may differ from the normal provisioning rate. The Bank considers a loan to be non-performing when either interest or principal payments are past their due date by 30 days. At such time, the accrual of interest is suspended. The Bank fully provisions a loan if interest and principal have not been paid for more than 90 days or if management is of the opinion that the loan is uncollectible because the Bank has been unable to collect the loan or to enforce its security. The Bank writes off loans that are past their due date by 180 days or more although under IFRS such loans do not have to be written off but are treated as non performed loans. Once a loan has been fully provisioned by the Bank, the Problem Loan Division continues to monitor the loan and related collateral for a five-year period in order to assess the possibility of making a subsequent recovery.

The Bank's provisioning policy under IFRS differs from its provisioning policy under relevant laws in Kazakhstan and regulations of the NBK (collectively, "Kazakhstan Practices"). No general provision is created for unclassified loans under Kazakhstan Practices whereas under IFRS, there is a general provision of 2 per cent. of each credit exposure.

Until 2002, under Kazakhstan Practices, banks were required to create provisions for potential loans and advances to customers based primarily on the borrower's debt service performance. In 2002, the NBK introduced its current requirements as to classification of and provisions in relation to loans and advances to customers not only on the basis of borrower's debt service performance but also on the basis of such criteria as the borrower's financial performance, quality of collateral and credit history. See "Portfolio Supervision".

The table below sets forth certain information relating to the Bank's gross loans and the credit classifications and provisions in relation to them in accordance with IFRS on the basis of discounted expected cash flows as at 30 June 2006, 31 December 2005 and 31 December 2004:

	30 June		**31 December**			
	2006		**2005**		**2004**	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
IFRS Risk Category						
Standard	193,325	68.5	144,494	66.6	63,474	66.4
Substandard	61,896	21.9	48,818	22.5	21,668	22.7
Unsatisfactory	22,850	8.1	20,795	9.6	8,986	9.4
Doubtful	1,063	0.4	685	0.3	384	0.4
Loss	2,974	1.1	2,128	1.0	1,038	1.1
Total	**282,108**	**100.0**	**216,920**	**100.0**	**95,550**	**100.0**

The effective level of provisions was 4.0 per cent. in the first six months of 2006 and 4.2 per cent. and 4.3 per cent. in the years ended 2005 and 2004, respectively. Total classified loans as a share of total loan portfolio decreased by 1.3 per cent. over the first six months of 2006 compared to the first six months of 2005. In 2005, the amount of total classified loans remained the same as for 2004 and comprising 10.9 per cent. of the Bank's total loan portfolio at the end of 2005 and at the end of 2004.

Non-performing loans, determined in accordance with IFRS, which include loans on which interest has ceased to accrue, amounted to KZT2,666 million or 0.9 per cent. of the Bank's gross loan portfolio as at 30 June 2006 as compared with KZT662 million or 0.3 per cent. as at 31 December 2005.

MANAGEMENT AND SHARE OWNERSHIP

Management

In May 2004, the Bank was re-registered as a Joint Stock Company to comply with the requirements of the 13 May 2003 Law on Joint Stock Companies. The revised Charter was approved by the FMSA on 14 June 2006. A9.9.1

The Bank's charter provides that the Bank shall have a Board of Directors, a supervisory management body, a Management Board, an executive body, and an internal audit division responsible for overseeing the financial control of the Bank's activities. The General Shareholders' Meeting represents the highest corporate governing authority of the Bank. The Law of Kazakhstan on Joint Stock Companies vests in the General Shareholders' Meeting the final approval of certain major corporate decisions, including the authorisation to issue the Notes.

The shareholders elect the members of the Board of Directors. The Board of Directors in turn elects the members of the Management Board. The Board of Directors represents the interests of shareholders and is responsible for the general management of the Bank and approves its strategic and operational plans. The Board of Directors does not perform executive functions. Overall responsibility for the administration of the Bank's activities is vested in the Management Board. In accordance with Kazakhstan legislation, the members of the Board of Directors and the Chairman and Deputy Chairmen of the Management Board are appointed only with the consent of the FMSA. The FMSA does not have a representative on the Board of Directors or the Management Board.

Board of Directors

The Board of Directors is not directly involved in management and has no authority to act on its own behalf or to perform any executive functions. The Board of Directors supervises the Management Board's activities in order to protect shareholders' interests. The authorities of the Board of Directors include defining the investment, credit and other policies of the Bank; nominating the Chairman and members of the Management Board; approving material contracts (major transactions); approving all loans to customers in excess of U.S.$10 million; calling General Shareholders' Meetings and approving the Bank's budget.

The Board of Directors consists of eight members elected by the General Shareholders' Meeting. The current members of the Board of Directors are:

Name	Position
Bakhytbek R. Bayseitov	Chairman of the Board of Directors, President of LLP Financial Industrial Group Atameken
Jumageldi R. Amankulov	Advisor to the Chairman of the Board of Directors of the Bank
Kuanish D. Muldagaliyev	President of LLP ILM
Mirgali S. Kunayev	Vice-President of Caspian Services Group
Sergei A. Tereshenko	President of JSC International Fund Integration
Yerlik S. Sharipov	President of LLP Bel
Samat S. Chukubayev	Executive Director of Association Kazakhstan Australia, General Director of LLP Syrymbet
Vladislav S. Lee	Chairman of the Management Board of the Bank

All members of the Board of Directors were elected in April 2003 for a period of five years. The business address of the Board of Directors is the Bank's registered office.

Management Board

The Management Board is responsible for the day-to-day management and administration of the Bank activities. The Bank's Management Board has all executive powers, while the Board of Directors plays a supervisory role The Bank's Management Board's responsibilities include making executive business decisions; implementing the Bank's business strategy; appointing senior management and branch representatives of the Bank; approving all loans and advances to customers between U.S.$3 million and U.S.$10 million; and dealing with all other matters not reserved to the Board of Directors or the General Meeting of Shareholders.

Conflicts of Interest

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

The name, age and certain other information about each of the current members of the Management Board are set out below:

Vladislav S. Lee (49), Chairman, graduated from the Almaty Institute of the National Economy in 1982 with a degree in Finance and Credit. He commenced his career in 1982 as Chief Economist of Economic Planning Division of the Kazakhstan State Bank of the former USSR. In 1988, Mr. Lee joined KazZhilSotsBank as Head of the Credit and Finance Division. In 1997 he moved to CJSC Zhilstroibank and took a position as First Deputy Chairman of the Board. He has been in his current position since June 1998.

Magaz N. Yerdessov (48), Deputy Chairman, graduated from Leningrad Institute of Finance and Economics in 1979 and worked as a Senior Economist in the Ministry of Finance of the former Kazakhstan Soviet Socialist Republic until 1991. From 1991 to 1993, he was Head of the Financial and International Division Department of Taim Bank. He also worked at Han Bank from 1993 to 1997, before joining Kazakhstan International Bank as Vice-President, a position he held until 2000. In March 2000, he became Deputy Chairman of the Bank.

Bulan A. Adilkhanov (47), Deputy Chairman, graduated from Kazakhstan Teachers' Training College in 1980. In 1996, he graduated from Kazakhstan State University of Management with a degree in Economics. He began working in 1983 as Chief Co-ordinator of the construction company Alma AtaOblKolkhozStroy. In 1986, he joined the Ministry of Education as an adviser to the Minister. He joined the Bank in 1993 and has been in his current position since June 1997.

Medet I. Rakhimbayev (43), Deputy Chairman, graduated from Kazakhstan Polytechnics Institute in 1985. He also has an economics degree from Eurasian Institute of Market. He started to work as an Engineer of Technical Production at Corporation Granit; from 1991 to 1994, he worked as Head of IT at CenterBank. In 1995, Mr. Rakhimbayev became Head of the Payment Systems Division of the Bank and in January 1998 was appointed Deputy Chairman of the Bank.

Maksat K. Alzhanov (44), Deputy Chairman, graduated from Ust-Kamenogorsk Road Construction Institute in 1985. In 1996, he graduated from Kazakhstan State University of Management with a degree in Finance and Credit. From 1988 to 1994, he worked at the National Security Committee. He joined the Bank in 1994 and has been in his current position since December 1996.

The business address of each of the members of the Management Board is the Bank's registered office. There are no potential conflicts of interest between any duties of the managing directors towards the Bank and their private interests and/or other duties.

Internal Audit Division

The internal audit division oversees the financial control of the Bank's activities. Members of the internal audit division have the right to attend meetings of the Management Board and to participate in discussions. However, they do not have the right to vote at such meetings. The current Head of the internal audit division is Gulsara K. Besbayeva.

Management Remuneration

In accordance with the Bank's charter, the remuneration and compensation of the members of the Board of Directors and Management Board is determined by the shareholders of the Bank.

The following table sets out the principal amount of loans outstanding to members of the Board of Directors and the Management Board as at 30 June 2006:

	Principal amount outstanding
	(KZT thousands)
Name	
Bakhytbek R. Bayseitov	169,573
Bulan A. Adilkhanov	189,215
Maksat K. Alzhanov	81,360
Medet I. Rakhimbayev	138,644
Jumageldi R. Amankulov	138,603
Magaz N. Yerdessov	143,201
Vladislav S. Lee	130,872
Total	991,468

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

The aggregate direct shareholdings of the Bank's senior and middle management is 5.9 per cent. The following table sets out information on the direct ownership of common shares by the directors and senior and middle management of the Bank as at 30 June 2006.

	Shareholding per cent.
Name	
Bakhytbek R. Bayseitov	1.0
Sergei A. Tereshenko	0.3
Jumageldi R. Amankulov	0.8
Yerlik S. Sharipov	0.1
Vladislav S. Lee	0.9
Bulan A. Adilkhanov	0.6
Maksat K. Alzhanov	0.6
Medet I. Rakhimbayev	0.6
Magaz N. Yerdessov	1.0
Total	5.9

Principal Shareholders

The Bank's common shares are listed on the "A" List of the Kazakhstan Stock Exchange. The Bank has more than 700 shareholders. The following table sets out information as to all registered direct holders of more than 5 per cent. of the Bank's common shares as at 30 June 2006.

	Shareholding per cent.
Name	
JSC VITA	6.37
Others(1)	93.7
Total	**100.0**

(1) Management's consolidated direct shareholding of 5.9 per cent. is included in the Others category. Bakhytbek Bayseitov controls, in aggregate, 21.8 per cent. of the Bank's shares via affiliated entities, including LLP Financial Industrial Group Atameken, and his direct personal shareholding referred to in the previous table and others. A majority of shareholders have, historically, voted in conjunction with Mr. Bayseitov.

TRANSACTIONS WITH RELATED PARTIES

Related parties, defined in accordance with IAS 24, include entities and natural persons that are shareholders, affiliates or entities under common management or control of the Bank.

The following table sets forth the total outstanding related party transactions of the Bank as at the dates indicated:

	As at 30 June 2006		As at 31 December 2005		As at 31 December 2004	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
	(unaudited)		*(KZT thousands audited)*		*(KZT thousands audited)*	
Loans to customers, gross	8,077,608	282,107,790	4,108,203	216,919,843	1,294,523	95,550,105
Allowance for impairment losses	(599,074)	(11,383,242)	(337,336)	(9,033,411)	(22,294)	(4,082,689)
Investments: available-for-sale			-	17,719,809	114,275	21,478,739
Debt securities issued	60,000	85,856,303	662,260	33,590,145	-	1,510,157
Customer accounts	300,000	176,946,067	345,100	139,592,841	338,626	91,367,688
Guarantees given	1,187	62,348,836	8,668	14,841,730	5,040	9,062,886
Subordinated debt	735,800	17,639,668	-	13,578,243	22,399	7,475,295

Included in interest income and expense for the six months ended 30 June 2006 and 2005 are the following amounts arising from transactions with related parties:

	As at 30 June 2006		As at 30 June 2005	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
	(KZT thousands)		*(unaudited)*	
Interest income				
Related companies	139,708	20,502,086	60,831	10,086,084
Directors	4,312		1,310	
Interest expense				
Related companies	(221)	(12,717,560)	-	(5,820,219)
Salary for key management personnel	(43,813)	(4,621,577)	(32,702)	(3,008,875)

Transactions with related parties entered by the Group during the six months ended 30 June 2006 and 2005 and outstanding as at 30 June 2006 and 2005 were made in the normal course of business and under arms' length conditions.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994, Kazakhstan has adhered to a strict macro-economic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which has sharply reduced inflation and lowered interest rates.

The Government and the NBK have also undertaken significant structural reforms in the banking sector, aimed at promoting consolidation and improving the overall viability of the system.

The National Bank of Kazakhstan and the FMSA

The NBK is the central bank of Kazakhstan and although it is an independent institution, it is subordinate to the President. The President has the power, among other things, to appoint (with the approval of Parliament) and remove the NBK's Governor, to appoint and remove the NBK's Deputy Governors, to confirm the annual report of the NBK on the recommendation of the Governor, to confirm the concept and design of the national currency, and to request information from the NBK. Anvar Saydenov was appointed Governor of the NBK in 2004.

The principal governing bodies of the NBK are the Executive Board and the Board of Directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Governor, five other representatives of the NBK, a representative of the President and two representatives of the Government.

Currently, the principal task of the NBK is to ensure price stability in Kazakhstan. The NBK is also empowered to develop and conduct monetary policy, organise banking settlement systems, conduct currency Regulation and control, assist in ensuring stability of the financial system and protect the interests of depositors with commercial banks. Following legislative changes in July 2003, the FMSA was formed and, on 1 January 2004, took responsibility for most of the supervisory and regulatory functions in the financial sector, which were previously performed by the NBK.

The FMSA is an independent institution reporting directly to the President. The President appointed Arman Dunayev, former Minister of Finance of Kazakhstan, as the Chairman of the FMSA in January 2006.

The principal task of the FMSA is to regulate and supervise Kazakhstan's financial markets and financial institutions, including banks, insurance companies, pension funds and pension asset management companies, as well as professional participants of the securities market. The FMSA is empowered, among other things, to license financial institutions, to approve prudential standards for them, to approve, jointly with the NBK, the scope of financial reporting for financial institutions and to monitor the activities of, to apply sanctions where necessary and to participate in the liquidation of, financial institutions.

Banking

Structure of the Banking System of Kazakhstan

Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks comprising the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the FMSA, or prior to 2004, by the NBK.

Banking Reform and Supervision

Reform of the banking sector started in 1995 with the introduction of international prudential standards, including capital adequacy requirements and liquidity ratios to regulate and protect the banking system, transparency requirements as to the auditing of banks by local and international auditors, harmonisation of local accounting practices to IFRS, and personnel training programmes.

In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, the NBK required commercial banks to adopt recapitalisation and corporate enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the NBK, now the FMSA. In 2003, all banks were requested to develop and install internal risk management systems.

The FMSA monitors compliance with capital adequacy standards (in compliance with international standards set by the Basel Committee), current liquidity ratios, maximum credit exposures to single borrowers and related parties, maximum investments in fixed and other non-financial assets and limits on contingent obligations and foreign exchange positions. Additionally, the FMSA applies regulations on problem asset classification and contingent obligations (similar to the World Bank's Guidelines for Asset Classifications) and loan loss reserves.

The objective of these reforms was to bring supervisory practices closer to international standards to allow for a more transparent view of banks' levels of capitalisation and exposure to financial risks.

The FMSA, which currently includes what was the NBK's Banking Supervision Department, will continue to focus on ensuring financial solvency and protection of depositors while encouraging banks to diversify their activities in the financial services sector (for example, by managing pension and investment funds and establishing leasing and insurance companies).

In September 1995, the NBK introduced international prudential standards such as capital adequacy requirements and liquidity ratios to regulate and protect the banking system. On 3 June 2002, the NBK adopted a resolution, "On approval of rules on prudential norms for the second tier banks", which was amended by the NBK in November 2002, March 2003 and May 2003, and by the Association of Kazakhstan Financiers in February 2004 and June 2004. The resolution set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions amongst other matters. Currently, the approval of prudential rules as well as supervision of their fulfilment is the responsibility of the FMSA.

The NBK also works closely with the FMSA and the banks to enhance the overall viability and solvency of the banking system.

In December 1999, a self-funded domestic deposit insurance scheme was established and as at 30 June 2006, 34 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. As of 2004, only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Current legislation requires the FMSA to approve any acquisition of a shareholding of 10 per cent. or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity holding 10 per cent. or more of a Kazakhstan bank must have a credit rating at least equal to that of the Republic of Kazakhstan.

On 22 November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel II accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives. Further, the new regulations establish reduced capital adequacy ratios for banks one of whose shareholders is a bank holding company. Such reduced rates are 5 per cent. for the Kl ratio (compared to a generally applicable ratio of 6 per cent.) and 10 per cent. for the K2 ratio (compared to a generally applicable ratio of 12 per cent.). A bank holding company is an entity, whether domestic or foreign, that owns more than 25 per cent. of the voting shares of a Kazakh bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

Commercial Banks

According to the NBK, as at 31 October 2005, there were 34 banks in Kazakhstan, excluding the DBK and NBK, compared to 44 as at the end of 2001 and 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In November 2001, the Government divested its remaining 33 per cent. stake in Halyk Savings Bank, by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT 2.1 billion. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the FMSA, and currently JSC Nauryz Bank is in the process of liquidation as required by a court ruling in November 2005. On 24 December 2005, the FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards.

The financial standing of Kazakhstan's banks varies. As at 31 October 2005, 18 of the 34 commercial banks (excluding DBK) had registered capital of over KZT2 billion, 15 banks had registered capital of KZT1 billion to KZT2 billion and one bank had registered capital of KZT500 million to KZT1 billion. There are no banks with registered capital of less than KZT500 million; any bank whose capital falls below that level is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations.

Kazkommertsbank was established in July 1990 and is the largest bank in Kazakhstan in terms of assets and shareholders' equity, with a focus on the corporate and retail banking sectors. As at 30 September 2004 Kazkommertsbank had 96 branches and retail outlets, a subsidiary in Kyrgyzstan, a representative office in London and exercised control over a Moscow bank. Kazkommertsbank is part of a group which includes a number of banks, joint ventures and investment companies and has a number of substantial investments in industrial companies.

Bank TuranAlem resulted from a merger initiated by the Government of Kazakhstan between two state-owned banks, Turan Bank and Alem Bank, in April 1997. The Government's interest in TuranAlem was sold by auction in March 1998 for U.S.$72 million to a group of investors from Kazakhstan. As at 30 June 2006, TuranAlem was the second largest private bank by assets and in terms of equity in Kazakhstan after Kazkommertsbank.

The extensive branch network of Halyk Savings Bank (526 retail outlets as at 30 September 2004) makes it one of the Bank's major competitors in the retail banking market. As at 30 September 2003, Halyk Savings Bank was the third largest bank in Kazakhstan in terms of total assets and is also a leading participant in the primary domestic securities market.

In 2001, the Government established the DBK to provide medium- and long-term financing and otherwise facilitate industrial projects in Kazakhstan. DBK was established with a charter fund of KZT30 billion. Within the commercial banking sector, DBK is not considered a competitor of the Bank as it is not licensed to accept commercial or retail deposits or to provide corporate settlement services. The Bank expects that DBK may become an important competitor in the corporate lending sector. The DBK is not treated as a commercial bank for the purposes of market share data and ranking in this Prospectus.

Whilst foreign-owned banks do not currently provide significant domestic competition and are not active in the retail banking sector, the Bank believes that such banks, some of which may have significantly greater resources and a cheaper funding base than the Bank, will, together with the larger local banks, become the Bank's primary long-term competitors in the corporate banking sector.

Foreign banks also bring international experience in servicing customers and target the best corporate customers of the Kazakhstan banks as well as foreign companies operating in Kazakhstan.

Citibank Kazakhstan was established in 1998 and has been aggressively increasing its market share in corporate banking. Citibank Kazakhstan is expected to be a major long-term competitor of the Bank, particularly with respect to lending.

ABN Amro Bank Kazakhstan is the second largest bank under foreign ownership in terms of equity. The Bank believes that ABN Amro Kazakhstan will be a major competitor of the Bank's in the future, particularly with respect to corporate banking and capital markets activities.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment and otherwise participating in the banking and financial services sector. A foreign bank may not open a branch in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to operate as a bank in Kazakhstan.

As at 31 October 2005, there were 14 banks with foreign participation operating in Kazakhstan, including ABN Amro Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan. Under relevant legislation, "a bank with foreign participation" is defined as a bank with more than one-third foreign ownership. Banks with less than one-third foreign ownership are considered domestic banks.

A number of foreign banks have opened representative offices in Kazakhstan, including Dresdner Bank AG, Deutsche Bank AG, American Express Bank Ltd., Commerzbank AG, Citibank N.A., ING Bank N.V., Bankgesellschaft Berlin and Societe Generale.

Industry Trends

According to the NBK, the total capital of commercial banks increased 44.9 per cent. in 2003, 62.4 per cent. in 2004 and 69.3 per cent. in 2005, amounting to approximately KZT 587.2 billion. During such period, the total assets of such banks increased by 68 per cent. and, as at 31 December 2005, amounted to approximately KTZ 4,515.1 billion. In 2005, the aggregate liabilities of such banks increased by 68.6 per cent. and amounted to approximately KZT 4,073.4 billion as at 31 December 2005 and their aggregate net income increased 131.2 per cent. in 2005, amounting to KZT 73.3 billion in 2005. The share of total assets of the second-tier banks in Kazakhstan's GDP as at 31 December 2005 amounted to 61.8 per cent. as compared to 48.5 per cent. at the end of 2004 and 37.7 per cent. at the end of 2003.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. Except as otherwise indicated, this description only addresses tax legislation, as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Kazakhstan Taxation

Under Kazakhstan law as presently in effect, payments of principal or interest on the Notes to an individual who is a non-resident of Kazakhstan or to a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no taxable presence in Kazakhstan (together, "Non-Kazakhstan Holders") will not be subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax will be required on any such payments. In addition, gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to Kazakhstan income or profits tax.

Payments of interest from the Bank to the Issuer to fund the Issuer's obligations to make payments under the Notes will be subject to Kazakhstan withholding tax at a rate of 15 per cent. Such withholding tax may be reduced under the Kazakhstan-Netherlands Tax Treaty to a rate of 10 per cent., although there can be no assurance that such relief will be obtained.

Payments of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20 per cent., unless reduced by an applicable double taxation treaty. See "Terms and Conditions of the Notes". Payments to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

The Netherlands Taxation

Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, provided that none of the Notes will, *de iure or de facto*, carry interest or any other payment dependent on the profits or on the distribution of profits of the Issuer or an affiliated entity (statutorily defined term) or, in the event the Notes will carry such interest or payment, such Notes will, *de iure or de facto*, have a fixed maturity that does not exceed ten years and that will not be extended to a date more than ten years after the date of the issue of the Notes.

Taxes on income and capital gains

This paragraph does not describe the Dutch tax consequences of the acquisition, holding and disposal of the Notes if a holder of Notes or, in the event the holder is an individual, individuals related to such holder (statutorily defined term) and certain of their relatives by blood or marriage in the direct line (including foster children) have a substantial interest or deemed substantial interest (statutorily defined terms) in the Issuer.

Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder, alone or, in case of individuals, together with his /her partner (statutorily defined term), directly or indirectly, holds (i) an interest of 5 percent or more of the total issued and outstanding capital of that company or of 5 percent or more of the issued and outstanding capital of a certain class of shares of that company or (ii) holds rights to acquire, directly or indirectly, such interest or (iii) holds certain profit sharing rights in that company that relate to 5 percent or more of the company's annual profits and/or to 5 percent or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Residents of The Netherlands

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of The Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is subject to a 29.6 percent corporate income tax rate (a corporate income tax rate of 25.5 percent applies with respect to taxable profits up to €22,689, the first bracket for 2006).

A Dutch qualifying pension fund is in principle not subject to Dutch corporate income tax. A qualifying Dutch investment fund (in Dutch "*fiscale beleggingsinstelling*") is subject to corporate income tax at a special rate of zero percent.

If a holder of the Notes is an individual, resident or deemed to be resident of The Netherlands for Dutch income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands), any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52 percent), if:

(a) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Dutch Income Tax Act 2001; or

(b) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch "*normaal vermogensbeheer*") or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (in Dutch "*resultaat uit overige werkzaamheden*").

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of the Notes, such holder will be taxed annually on a deemed income of 4 percent of his or her net investment assets for the year at an income tax rate of 30 percent. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. The Notes are included as investment assets. A tax free allowance may be available. Actual benefits derived from the Notes are as such not subject to Dutch income tax.

Non-residents of The Netherlands

A holder of the Notes will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposal or deemed disposal of the Notes, provided that:

(a) such holder is neither resident nor deemed to be resident of The Netherlands nor has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands; and

(b) such holder does not have an interest in an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in The Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and

(c) in the event the holder is an individual, such holder does not carry out any activities in The Netherlands with respect to the Notes that go beyond ordinary active asset management (in Dutch "*normaal vermogensbeheer*") and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in The Netherlands (in Dutch "*resultaat uit overige werkzaamheden*").

A holder of the Notes will not become subject to taxation on income and capital gains in The Netherlands by reason only of the execution, delivery and/or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

Gift and estate taxes

Residents of The Netherlands

Gift, estate or inheritance taxes will arise in The Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of The Netherlands at the time of the gift or his or her death.

Non-residents of The Netherlands

No Dutch gift, estate or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in The Netherlands, unless:

(a) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or

(b) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other taxes and duties

No Dutch VAT and no Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the Notes in respect or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuer under the Notes.

European Union Directive on Taxation on Savings Income

The EU has adopted a Directive (2003/48/EC) regarding the taxation of savings income. From 1 July 2005 EU member states are required to provide to the tax authorities of other EU member states details of payments of interest and other similar income paid by a person to an individual in another EU member state, except that Austria, Belgium and Luxembourg impose a withholding system for a transitional period (unless during such period they elect otherwise). A number of third countries and territories have adopted similar measures.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited (the "**Lead Manager**") has, in a subscription agreement dated 13 September 2006 (the "**Subscription Agreement**") and made between the Issuer, the Bank and the Lead Manager upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 98.99 per cent. of their principal amount less a combined management, underwriting and selling commission of 0.825 per cent. of their principal amount. The Issuer and the Bank have also agreed to reimburse the Lead Manager for certain of its expenses incurred in connection with the management of the issue of the Notes. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

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 Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Bank; and

(b) 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.

Republic of Kazakhstan

The Lead Manager has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the laws of Kazakhstan.

Hong Kong

This Prospectus has not been approved by the Securities and Futures Commission of Hong Kong nor has a copy of it been registered by the Registrar of Companies in Hong Kong.

Accordingly, the Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of this Prospectus or any other document, any Notes other than (a) to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or (b) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Notes in Hong Kong (except to the extent if permitted under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as defined in the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong).

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or be subject to an invitation for subscription or purchase, nor may this Prospectus or any other offering document or material relating to the Notes be circulated or distributed, directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act (Chapter 289), (ii) to a sophisticated investor as defined in Section 275 of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other provision of the Securities and Futures Act.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Bank or by the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, the Bank and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange Plc for such Notes to be admitted to trading on the London Stock Exchange Plc's Gilt Edged and Fixed Interest Market.

2. The Notes have been accepted for clearance through the Euroclear Operator and Clearstream, Luxembourg. The common code is 26737745 and the International Securities Identification Number is XS0267377454.

3. The Issuer and the Bank have obtained all necessary consents, approvals and authorisations in connection with the issue, offer and sale of, and the performance of, the Notes.

4. The creation and issue of the Notes was authorised by resolution of a duly organised meeting of the Managing Board of the Issuer dated 30 August 2006 and by a resolution of the General Shareholders Meeting of the Issuer held on 30 August 2006.

5. There are no and have been no governmental, legal or arbitration proceedings against the Issuer (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 on the Issuer's financial position or profitability, nor is the Issuer or the Bank aware of any pending or threatened proceedings of such kind.

6. There are no and have been no governmental, legal or arbitration proceedings against the Bank and or the Group (including any such proceedings which are pending or threatened of which the Bank and or the Group is aware), during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the Bank's and/or the Group's financial position or profitability, nor is the Bank aware of any pending or threatened proceedings of such kind.

7. Since 31 December 2005, there has been (a) no material adverse change in the prospects of the Bank or the Bank's subsidiaries, and (b) no development involving an adverse change in the condition (financial or otherwise), position, prospects or general affairs of the Bank or the Bank's subsidiaries. Since 30 June 2006, there has been no significant change in the financial or trading position of the Bank or the Group.

8. The Issuer has not prepared financial statements. Since 4 January 2006 (the date of incorporation of the Issuer), there has been (a) no significant change in the financial or trading position of the Issuer or the Group and (b) no material adverse change, or any development involving an adverse change, in the financial position or prospects of the Issuer nor in the condition (financial or otherwise) or general affairs of the Issuer.

9. Neither the Issuer nor the Bank have entered into any material contracts outside the ordinary course of their businesses which could result in them being under an obligation or entitlement that is material to their ability to make payments under the Notes.

10. For so long as any of the Notes is outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of the Principal Paying and Transfer Agent, namely:

    (a) the Trust Deed (which contains the forms of the Notes in global and definitive form);

    (b) the Paying Agency Agreement;

    (c) the Subscription Agreement;

    (d) the FX Agreement;

    (e) the statutory documents of the Bank; and

(f) the deed of incorporation of the Issuer.

11. For so long as any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Principal Paying and Transfer Agent, namely:

(a) the reports of the Independent Auditors as of 31 December 2005 and 31 December 2004;

(b) the audited consolidated financial statements of the Bank for the years ended 31 December 2005 and 2004, prepared in accordance with IFRS;

(c) the unaudited interim condensed consolidated financial statements of the Bank for the six months ended 30 June 2006, prepared in accordance with IFRS;

(d) the latest publicly available audited consolidated annual and unaudited interim financial statements (if any) of the Bank, prepared in accordance with IFRS; and

(e) the memorandum and articles of association of the Issuer and the Borrower.

The Bank does not publish unconsolidated financial statements prepared in accordance with IFRS. The Bank is not required to publish interim financial statements in accordance with IFRS, although solely for the purpose of the issue of the Notes, the Bank published the financial statements referred to in paragraph (b) above. The Bank does not intend to publish interim financial statements in the future, although to the extent that it does, such interim financial statements will be made available at the specified office of the Principal Paying and Transfer Agent.

INDEX TO FINANCIAL STATEMENTS OF THE BANK

Deloitte.

Deloitte & Touche, LLP
Furmanov str., 240-v
Almaty, 050059
Kazakhstan

Tel: +7 (3272) 58 13 40
Fax: +7 (3272) 58 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Company Bank CenterCredit:

We have audited the accompanying consolidated balance sheet of JSC Bank CenterCredit and its subsidiaries (the "Group") as at 31 December 2005, the related consolidated profit and loss account and statements of cash flows and changes in equity (the "consolidated financial statements") for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2005, and the consolidated results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

24 February 2006

Almaty

JSC BANK CENTERCREDIT

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Interest income	4, 33	25,834,410	12,396,971
Interest expense	4, 33	(13,934,160)	(6,355,305)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		11,900,250	6,041,666
Provision for impairment losses on interest bearing assets	5	(5,396,226)	(2,418,052)
NET INTEREST INCOME		6,504,024	3,623,614
Fees and commission income	9	5,129,225	3,327,522
Fees and commission expense	9	(527,445)	(339,886)
Net (loss)/gain on assets held-for-trading	6	(20,963)	92,756
Net (loss)/gain on investments available-for-sale	7	(5,060)	28,079
Net gain on foreign exchange operations	8	1,115,378	783,277
Other income	10	446,025	284,657
NET NON-INTEREST INCOME		6,137,160	4,176,405
OPERATING INCOME		12,641,184	7,800,019
OPERATING EXPENSES	11, 33	(7,253,103)	(4,963,739)
OPERATING PROFIT		5,388,081	2,836,280
Provision for impairment losses on other transactions	5	(52,571)	(118,662)
Share of results of associates		-	4,100
PROFIT BEFORE INCOME TAX		5,335,510	2,721,718
Income tax expense	12	(582,537)	(284,585)
NET PROFIT FROM ORDINARY OPERATIONS		4,752,973	2,437,133
Profit from discontinued operations		10,414	2,481
NET PROFIT		4,763,387	2,439,614
Attributable to:			
Equity holders of the parent		4,755,366	2,424,024
Minority interest	14	8,021	15,590
		4,763,387	2,439,614
Earnings per share (tenge)	15	97.9	80.6

On behalf of the Board of Directors:

Li V. S.
Chairman

24 February 2006
Almaty

Yerdessov M. N.
Chief Accountant

24 February 2006
Almaty

The notes on pages 8 to 45 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	16	16,602,181	8,739,070
Loans and advances to banks	17	37,302,743	9,745,108
Assets held-for-trading	18	34,084,775	2,911,382
Securities purchased under agreement to resell	19	7,285,923	7,843,313
Loans to customers, less allowance for impairment losses	20,33	207,886,432	91,467,416
Investments available-for-sale	21,33	17,719,809	21,478,739
Investments held-to-maturity	22	62,460	54,973
Fixed and intangible assets, less accumulated depreciation and amortization	23	6,105,415	3,887,790
Income tax assets	12	172,359	38,289
Other assets, less allowance for impairment losses	24	3,085,005	2,317,586
TOTAL ASSETS		330,307,102	148,483,666
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks	25	89,202,443	34,963,481
Securities sold under agreements to repurchase	26	26,445,539	-
Customer accounts	27,33	139,592,841	91,367,688
Debt securities issued	28	33,590,145	1,510,157
Other liabilities	29	1,686,434	891,625
		290,517,402	128,732,951
Subordinated debt	30	13,578,243	7,475,295
Total liabilities		304,095,645	136,208,246
EQUITY:			
Share capital	31	16,399,781	7,466,920
Investments available-for-sale fair value reserve		635,707	426,252
Fixed assets revaluation reserve		5,889	275,527
Revenue reserve		9,067,728	4,042,724
		26,109,105	12,211,423
Minority interest	14	102,352	63,997
Total equity		26,211,457	12,275,420
TOTAL LIABILITIES AND EQUITY		330,307,102	148,483,666

On behalf of the Board of Directors:

Li V. S.
Chairman

24 February 2006
Almaty

Yerdessov M. N.
Chief Accountant

24 February 2006
Almaty

The notes on pages 8 to 45 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2.

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Share capital	Fixed assets revaluation reserve	Investments available-for-sale fair value reserve	Revenue reserve	Total	Minority interest	Total equity
	(KZT'000)	(KZT'000)	(KZT'000)	(KZT'000)	(KZT'000)	(KZT'000)	(KZT'000)
31 December 2003	5,168,010	277,182	378,355	1,617,045	7,440,592	46,492	7,487,084
Share capital increase	2,298,910	-	-	-	2,298,910	-	2,298,910
Gains on revaluation of investments available-for-sale	-	-	47,897	-	47,897	-	47,897
Amortization of fixed assets revaluation reserve	-	(1,655)	-	1,655	-	-	-
Change of minority interest	-	-	-	-	-	1,915	1,915
Net profit	-	-	-	2,424,024	2,424,024	15,590	2,439,614
31 December 2004	7,466,920	275,527	426,252	4,042,724	12,211,423	63,997	12,275,420
Share capital increase							
- ordinary shares	6,932,861	-	-	-	6,932,861	-	6,932,861
- preference shares	2,000,000	-	-	-	2,000,000	-	2,000,000
Gains on revaluation of investments available-for-sale	-	-	209,455	-	209,455	-	209,455
Amortization of fixed assets revaluation reserve	-	(1,592)	-	1,592	-	-	-
Disposal of special-purpose companies	-	(268,046)	-	268,046	-	-	-
Change of minority interest	-	-	-	-	-	30,334	30,334
Net profit	-	-	-	4,755,366	4,755,366	8,021	4,763,387
31 December 2005	16,399,781	5,889	635,707	9,067,728	26,109,105	102,352	26,211,457

On behalf of the Board of Directors:

Li V.S.
Chairman

24 February 2006
Almaty

Yerdessov M.N.
Chief Accountant

24 February 2006
Almaty

The notes on pages 8 to 45 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2.

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		5,335,510	2,721,718
Adjustments for:			
Provision for impairment losses		5,396,226	2,418,052
Provision for impairment losses on other transactions		52,571	118,662
Depreciation and amortization		495,540	315,947
Loss on sale of fixed and intangible assets		209,996	9,779
Loss on disposal of special-purpose companies		10,414	2,481
Net change in accrued income and expenses		1,356,183	153,471
Cash flow from operating activities before changes in operating assets and liabilities		12,856,440	5,740,010
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Loans and advances to banks		1,338,589	(36,949)
Assets held-for-trading		(31,108,673)	(1,483,066)
Loans to customers		(119,766,408)	(41,389,381)
Securities purchased under repurchase agreements		571,332	(7,773,574)
Other assets		(819,990)	(839,259)
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		53,738,784	14,075,648
Customer accounts		47,012,007	43,183,156
Securities sold under repurchase agreements		26,422,168	(1,332,711)
Other liabilities		794,809	389,958
Cash (outflow)/inflow from operating activities before taxation		(8,960,942)	10,533,932
Income tax paid		(716,607)	(385,277)
Net cash (outflow)/inflow from operating activities		(9,677,549)	10,148,655
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(3,591,084)	(1,945,239)
Proceeds on sale of fixed and intangible assets		79,665	420,220
Acquisition of subsidiaries, net of cash acquired		30,334	1,915
Proceeds on sale/(purchase) of investments available-for-sale, net		4,007,314	(12,356,638)
Proceeds on sale/(purchase) of investments held-to-maturity		(2,037)	(54,973)
Net cash inflow/(outflow) from investing activities		524,192	(13,934,715)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary and preference share capital		8,932,861	2,298,910
Debt securities issued		31,019,382	1,502,155
Subordinated debt		5,965,972	3,260,412
Net cash inflow from financing activities		45,918,215	7,061,477
NET INCREASE IN CASH AND CASH EQUIVALENTS		36,764,858	3,275,417
CASH AND CASH EQUIVALENTS, beginning of the period	15	14,519,793	11,244,376
CASH AND CASH EQUIVALENTS, end of the period	15	51,284,651	14,519,793

Interest paid and received by the Group in cash during the year ended 31 December 2005 amounted to KZT 10,999,883 thousand and KZT 24,255,266 thousand, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 5,654,064 thousand and KZT 11,848,307 thousand, respectively.

On behalf of the Board of Directors:

Li V. S.
Chairman

24 February 2006
Almaty

Yerdessov M.N.
Chief Accountant

24 February 2006
Almaty

The notes on pages 8 to 45 form an integral part of these consolidated financial statements. The Independent Auditors' Report is presented on page 2.

1. ORGANISATION

JSC Bank CentercCredit (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions and conducts its business under license number 248 dated 24 January 2006 issued by the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The registered address is: 100, Shevchenko Street, Almaty, Kazakhstan.

The Bank has 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of the Banking Group (the "Group"), consisting of the following enterprises consolidated in the financial statements as at 31 December 2005:

Name	Country of operation	The Bank's ownership interest 2005	The Bank's ownership interest 2004	Type of operation
JSC Capital	Republic of Kazakhstan	85%	85%	Pension Fund
LLP Center Leasing	Republic of Kazakhstan	51%	100%	Finance lease of property
LLP KIB ASSET MANAGEMENT	Republic of Kazakhstan	100%	100%	Securities trading
CenterCredit International B.V.	Netherlands	100%	-	Formation of capital on international financial markets

Capital was established as a closed joint stock company on 15 October 2001 in accordance with legislation of the Republic of Kazakhstan. On 24 December 2003 CJSC Capital was reregistered as a joint stock company, with certificate of state reregistration #43348 1910-AO. The main activity of the company is the attraction of pension contributions and performance of pension payments. JSC Capital manages pension contributions inflow and accumulation on individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan. JSC Capital has a state general license # 0000021 for the attraction of pension funds and performance of pension payments, dated 19 January 2004.

CenterLeasing was established on 15 January 2002 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, with certificate of state registration #45222-1910 -TOO. The main activity of LLP CenterLeasing is leasing operations. In accordance with article 10 of the Republic of Kazakhstan Law "About financial leasing" LLP CenterLeasing carries out leasing activity without license.

«KIB ASSET MANAGEMENT» was established on 7 May 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan. On 18 June 2003 LLP «KIB ASSET MANAGEMENT» was reregistered as a joint stock company, certificate of state reregistration #56185 –1910 -AO. The main activity of JSC KIB ASSET MANAGEMENT is operations with securities. The Company has a license #20030154 dated 5 June 1998 for brokerage and dealer activity on the Kazakhstan stock exchange with the right to maintain customer accounts as a nominal holder and license #0403200124 issued on 24 December 2003 for investment portfolio management.

CenterCredit International B.V was registered on 4 January 2006 in Rotterdam, Netherlands as a 100% special purpose subsidiary of the Bank. Company's main activity is formation of capital on international financial markets.

The number of employees of the Group at 31 December 2005 and 2004 was 2,830 and 2,106, respectively.

As at 31 December 2005 there were no shareholders, individually hold more than 10% of shares of the Bank.

These consolidated financial statements were authorized for issue by the Board of Directors on 24 February 2006.

2. BASIS OF PRESENTATION

Accounting basis

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), except for earning per share amounts and unless otherwise indicated. These consolidated financial statements have been prepared on an accruals basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities and financial assets and financial liabilities held-for-trading.

The Group maintains its accounting records in accordance with the Accounting policy authorized by the Resolution of the Board of Directors of the Group. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Functional currency

The functional currency of these consolidated financial statements is Kazakhstan tenge ("KZT").

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries made up to 31 December each year. The entity is consolidated, when the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group.

All significant intercompany transactions and balances have been eliminated. The ownership interest of JSC Bank CenterCredit and proportion of voting power of the Group in the significant subsidiaries as of 31 December 2005 and 2004 is presented in Note 1.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. For regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date is accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with NBRK

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts and term deposits with the NBRK with original maturity within 90 days and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD").

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates using the USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on operations with precious metals in other income/expense.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Assets held-for-trading

Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Assets held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's assets held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Derivative financial instruments

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Group include forwards, swaps and foreign currency options.

Derivative financial instruments are initially recorded and subsequently measured at fair value which approximates the fair value of the consideration given, with their subsequent re-measurement to fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Group enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss for the year in which they arise.

Originated loans

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Group with fixed maturities are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has received all available collateral. The decision on writing off bad debt to loan loss allowance for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to profit and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the consolidated balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of impairment losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Finance leases

Leases that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and,
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Group as lessor

The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Interest earned on investments available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognized in profit and loss.

Investments held-to-maturity

Investments held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Fixed and intangible assets

Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss.

Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2-4%
Furniture and equipment	20-50%
Intangible assets	10-30%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in other administrative and operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in other administrative and operating expenses unless they qualify for capitalization.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Kazakhstan, where the Group operates also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated profit and loss account.

Deposits from banks and customers

Customers and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent debentures issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Subordinated debt

Subordinated debt represent bonds issued by the Group to customers. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital

Share capital is recognized at restated cost.

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Retirement and other benefit obligations

The Group does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into nonstate pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the above pension funds. The Group does not have any other pension arrangements schemes.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using effective interest rate method. Interest income also includes income earned on investments and securities held-for-trading. Other income is credited to profit and loss account when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Commission income/expenses are recognized on an accrual basis.

Fee and commission income

Fee and commission income includes loan origination fees, loan commitment fees, loan servicing fees and loan syndication fees. Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognised in profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Rates of exchange

The exchange rates at year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	2005	2004
KZT/USD	133.98	130.00
KZT/EUR	158.99	177.10

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately.

Reclassifications

Certain reclassifications have been made to the consolidated balance sheet as at 31 December 2004 and consolidated profit and loss account for the year ended 31 December 2004 to conform to the presentation for the year ended 31 December 2005.

Nature of the reclassification	Amount (KZT'000)	Line in the balance sheet/income statement previously reported (KZT'000)	Line in the current balance sheet/income statement (KZT'000)
Other income	(2,481)	287,138	284,657
Profit from discontinued operations	2,481	-	2,481

4. NET INTEREST INCOME

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Interest income		
Interest on loans to customers	23,193,507	10,897,119
Interest on debt securities	2,066,219	1,024,146
Interest on loans and advances to banks	512,842	390,352
Interest on reverse repurchase transactions	61,842	85,354
Total interest income	25,834,410	12,396,971
Interest expense		
Interest on customer accounts	6,971,053	4,254,115
Interest on loans and advances from banks	3,658,762	1,465,663
Interest on subordinated debt	3,268,053	612,559
Interest on repurchase transactions	36,292	22,968
Total interest expense	13,934,160	6,355,305
Net interest income before provision for impairment losses on interest bearing asset	11,900,250	6,041,666

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans to customers (KZT'000)
31 December 2003	2,287,490
Provision	2,418,052
Write-off of assets	(1,137,494)
Recoveries of assets previously written off	514,641
31 December 2004	4,082,689
Provision	5,396,226
Write-off of assets	(820,485)
Recoveries of assets previously written off	374,981
31 December 2005	9,033,411

The movements in allowances for impairment losses on other transactions were as follows:

	Investment securities (KZT'000)	Other assets (KZT'000)	Guarantees and other commitments (KZT'000)	Total (KZT'000)
31 December 2003	44,000	523	38,623	83,146
Provision	-	68,148	50,514	118,662
Write-off of assets	(44,000)	(49,711)	-	(93,711)
Transfer from guarantees and other liabilities	-	(14,342)	14,342	-
31 December 2004	-	4,618	103,479	108,097
Provision	-	21,448	31,123	52,571
Write-off of assets	-	(19,957)	(5,377)	(25,334)
Recoveries of assets previously written off	-	740	-	740

31 December 2005	-	(6,849)	(129,225)	(136,074)

6. NET (LOSS)/GAIN ON ASSETS HELD-FOR-TRADING

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Net gain on revaluation to fair value	104,381	181,572
Net loss on dealing	(125,344)	(88,816)
Total net (loss)/gain on assets held-for-trading	(20,963)	92,756

7. NET (LOSS)/GAIN ON INVESTMENTS AVAILABLE-FOR-SALE

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Net (loss)/gain on realized revaluation	(4,032)	49,737
Net loss on dealing	(1,028)	(21,658)
Total net (loss)/gain on investments available-for-sale	(5,060)	28,079

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Net gain on dealing	1,106,170	889,116
Translation differences, net	9,208	(105,839)
Total net gain on foreign exchange operations	1,115,378	783,277

9. FEES AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Fees and commission income:		
Cash operations	1,526,992	1,101,622
Settlements	1,461,652	1,063,609
Documentary operations	964,028	383,319
Trust operations	434,727	281,371
Foreign exchange operations	257,599	197,046
Loans operations	78,244	161,810
Internet – banking operations	71,627	29,678
Safe operations	14,925	13,830
Other operations	319,431	95,237
Total fee and commission income	5,129,225	3,327,522

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Fees and commission expense:		
Settlements	261,531	183,518
Brokerage services	125,039	44,667
Documentary operations	49,801	36,817
Foreign exchange operations	19,768	25,847
Cash operations	9,865	4,789
Other operations	61,441	44,248
Total fees and commission expense	527,445	339,886

10. OTHER INCOME

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Penalties received, net	429,484	191,598
Income from sale of fixed and intangible assets and finished goods, net	16,541	93,059
	446,025	284,657

11. OPERATING EXPENSES

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Salary and bonuses	2,410,422	1,743,103
Taxes, other than income tax	796,611	317,730
Other employees' benefits	610,250	492,560
Lease expenses	502,215	238,938
Depreciation and amortization of fixed and intangible assets	495,540	315,947
Social security costs	383,872	261,725
Administrative expenses	336,581	368,153
Advertising expenses	332,650	303,591
Insurance expenses	292,406	134,499
Communication expenses	210,641	181,111
Repairs and maintenance expense	176,833	168,912
Business trip expenses	129,925	100,544
Entertainment expenses	66,875	83,442
Presentation expense	59,651	36,336
Professional services fees	41,324	26,709
Sponsorship	34,995	41,942
Other	372,312	148,497
	7,253,103	4,963,739

12. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax assets/liabilities consist of the following as of 31 December 2005 and 2004:

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Deferred assets:		
Loans and advances to banks and customers	960,404	799,000
Revaluation of securities	593,642	-
Total deferred assets	1,554,046	799,000
Deferred liabilities:		
Fixed assets	(507,845)	(671,370)
Revaluation of securities	(471,671)	-
Total deferred liabilities	(979,516)	(671,370)
Net deferred assets	574,530	127,630
Deferred tax assets at the statutory rate (30%)	172,359	38,289
Valuation allowance	-	-
Net deferred tax assets	172,359	38,289

Relationships between tax expenses and accounting profit for the years ended 31 December 2005 and 2004 are explained as follows:

	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Profit before income tax	5,335,510	2,721,718
Statutory tax rate	30%	30%
Tax at the statutory tax rate	1,600,653	816,515
Tax effect of permanent differences	(884,046)	(431,238)
Change in deferred tax asset	(134,070)	(100,692)
Income tax expense	582,537	284,585
Current income tax expense	716,607	385,277
Recovery for deferred tax	(134,070)	(100,692)
Income tax expense	582,537	284,585

	2005 (KZT'000)	2004 (KZT'000)
Deferred income tax assets		
At beginning of the year	38,289	(62,403)
Change of the deferred tax for the year	134,070	100,692
At end of the year	172,359	38,289

13. DISCONTINUED OPERATIONS

In the fourth quarter of 2005 BCC LLP and Aktas Zhol LLP (special purpose entities which were previously included in the consolidated financial statements) were re-registered due to a change in their founders and the Group lost control over the activity of these two companies and they were excluded from the Group. As a result of this exclusion from the consolidated financial statements the income of the Group for the year ended 31 December 2005 decreased by KZT 48,105 thousand.

14. MINORITY INTEREST

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
1 January	63,997	46,492
Change of minority interest	30,334	1,915
Share of net profit/(loss)	8,021	15,590
31 December	102,352	63,997

15. EARNINGS PER SHARE

	Year ended 31 December 2005 (KZT'000)	Year ended 31 December 2004 (KZT'000)
Net income	4,755,366	2,424,024
Weighted average number of shares	48,568,811	30,085,051
Earnings per share in KZT	97.9	80.6

16. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Cash on hand	7,338,909	3,487,158
Time deposit with the National Bank of the Republic of Kazakhstan	6,500,000	3,000,000
Balance with the National Bank of the Republic of Kazakhstan	2,760,182	2,250,133
Precious metals	1,146	885
Accrued interest income	1,944	894
Total cash and balances with the National Bank of the Republic of Kazakhstan	16,602,181	8,739,070

Cash and cash equivalents for the purposes of the statement of cash flows comprised the following:

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Cash and balance with the National Bank of the Republic of Kazakhstan	16,602,181	8,739,070
Loans and advances to banks of OECD countries	34,682,470	5,780,723
Total cash and cash equivalents	51,284,651	14,519,793

17. LOANS AND ADVANCES TO BANKS

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Loans and advances to banks	29,335,132	8,986,069
Correspondent accounts with other banks	7,943,400	729,305
Accrued interest income on loans and advances to banks	24,211	29,734
Total loans and advances to banks	37,302,743	9,745,108

As of 31 December 2005 and 2004 the Group had loans and advances to 6 and 3 banks, respectively, totaling KZT 42,462,322 thousand and 4,830,700 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

18. ASSETS HELD - FOR - TRADING

	Interest to nominal %	31 December 2005 (KZT'000)	Interest to nominal %	31 December 2004 (KZT'000)
US treasury bonds	2.63-4.25	29,208,150	3.66-4.37	516,046
Bank of Development of the Republic of Kazakhstan bonds	6.50-8.50	1,619,714	4.24-6.17	1,528,245
Germany treasury bonds	-	792,425	-	-
JSC BTA Ipoteka bonds	8.50-9.90	642,666	-	-
JSC Vita bonds	9.95	424,108	-	-
JSC Halyk Saving Bank Bonds	7.75	303,701	7.35-11.04	68,760
JSC Kaztranscom bonds	8.00	174,379	-	-
JSC TexakaBank bonds	9.90	158,154	-	-
JSC ATF Bank bonds	8.88-9.00	154,955	-	-
JSC Alliance Bank Bonds	8.50-10.30	153,963	9.37-10.03	100,318
TuranAlem Finance B.V. bonds	10.00	148,888	5.93-5.97	299,240
Kazkommerts International B.V. Bonds	10.13	143,734	5.66-15.69	287,020
JSC Caspian Bank bonds	8.50	98,187	-	-
Other	-	61,751	-	111,753
		34,084,775		2,911,382

As of 31 December 2005 and 2004 included in trading securities is accrued interest income on debt securities amounting to KZT 95,491 thousand and KZT 30,771 thousand, respectively.

Corporate bonds represent bonds of prime Kazakhstani corporations with maturities between 3 and 10 years.

US State Treasury Bonds are USD denominated government securities with maturities between 5 and 10 years.

19. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

As of 31 December 2005 and 2004 the Group purchased fixed income debt securities amounting to KZT 7,285,923 thousand and 7,843,313 thousand, respectively, under agreements to resell them in 21 and 6 month period, respectively. In 2005 interest rates from 1.3% to 9% (2004: from 1.3% to 15% p.a.) are accrued as income on the above securities. The carrying amount of securities approximates to the market value. The interest accrued comprises KZT 19,672 thousand and KZT 5,730 thousand as of 31 December 2005 and 31 December 2004, respectively.

20. LOANS TO CUSTOMERS

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Originated loans	209,045,331	92,597,030
Net investment in finance lease	4,278,650	817,789
Accrued interest income on loans to customers	3,595,862	2,135,286
	216,919,843	95,550,105
Less allowance for impairment losses	(9,033,411)	(4,082,689)
Total loans to customers, net	207,886,432	91,467,416

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Loans collateralized by real estate	148,283,910	60,405,118
Loans collateralized by goods in turnover	33,705,494	13,793,562
Loans collateralized by equipment	24,565,554	9,566,935
Loans collateralized by other assets	3,743,768	4,924,723
Loans collateralized by corporate guarantees	2,378,413	2,772,578
Loans collateralized by cash	2,082,393	2,382,910
Loans collateralized by precious metals	267,496	893,637
Unsecured loans	1,892,815	810,642
	216,919,843	95,550,105
Less allowance for impairment losses	(9,033,411)	(4,082,689)
Total loans to customers, net	207,886,432	91,467,416

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Analysis by sector		
Retail loans and mortgage	66,826,512	19,298,577
Trading	41,586,282	21,703,923
Construction	22,903,700	6,685,046
Agriculture	19,439,428	6,485,437
Food industry	15,285,226	10,430,436
Manufacturing	12,325,166	11,698,719
Oil and gas	8,963,713	4,689,029
Real estate	8,779,750	3,051,981
Transportation and equipment maintenance services	5,370,465	4,122,654
Mining and production of precious metals	3,289,972	3,090,033
Mass media	2,364,619	981,140
Financial sector	1,973,701	30,798
Telecommunications and transport	1,219,041	998,126
Machinery	806,482	168,384
Energy	133,630	124,748
Metallurgy	1,083	255,765
Other	5,651,073	1,735,309
	216,919,843	95,550,105
Less allowance for impairment losses	(9,033,411)	(4,082,689)
Total loans to customers, net	207,886,432	91,467,416

The components of net investment in finance lease as of 31 December 2004 are as follows:

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Total minimum lease and maintenance payments	4,278,650	817,789
Less: executory costs	-	-
Net minimum lease payments	4,278,650	817,789
Less: unearned finance income	-	-
Net investment in finance lease	4,278,650	817,789
Current portion	331,456	269,821
Long-term portion	3,947,194	547,968
Net investment in finance lease	4,278,650	817,789

The present value of future minimum lease payments due from customer under finance lease as of 31 December 2005 are as follows:

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Not later than one year	331,456	269,821
Later than one year not later than five years	3,947,194	547,968
Total future minimum lease payments	4,278,650	817,789

As of 31 December 2005 and 2004 included in loans to customers are non-accrual loans amounting to KZT 661,996 thousand and KZT 518,578 thousand, respectively, on which interest was not accrued.

As of 31 December 2005 and 2004 the Group had 9 and 8 loans to customers totaling KZT 32,777,641 thousand and KZT 18,704,097 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

21. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	31 December 2005 (KZT'000)	Interest to nominal %	31 December 2004 (KZT'000)
Debt securities				
Treasury bonds of the Ministry of Finance of the Republik of Kazakhstan	4.00-8.35	6,585,916	2.86-5.72	6,145,628
NBRK notes	-	3,025,037	-	9,787,145
Kazakhstan Mortgage Company	8.40-9.70	2,771,157	6.2-7.8	2,738,117
Eurobonds issued by the Republic of Kazakhstan	8.40-9.70	2,186,596	3.49-3.72	1,267,458
JSC Halyk Saving Bank	5.00-11.8	864,288	7.35-11.04	753,565
JSC BTA Ipoteka	8.50	652,504	-	-
JSC Bank TuranAlem	9.90-12.00	555,947	-	-
JSC Bank Caspian	9.00	283,021	8.37	293,401
JSC ATF Bank	8.50	204,439	-	-
Municipal bonds of state local authorities	8.60	160,206	11.21	146,972
JSC Astana Finance	10.40	120,210	8.21-11.16	126,251
JSC Valut Transit Bank	9.00	89,155	12.35	88,809
CJSC Kazatomprom	8.50	60,925	-	-
JSC Alliance Bank	9.00	1,331	9.37-10.03	1,306
Kazkommerts International B.V.	-	-	5.66-15.69	5,155
Other securities	-	1,102	-	367
		17,561,834		21,354,174

	Share %	31 December 2005 (KZT'000)	Share %	31 December 2004 (KZT'000)
Equity securities				
JSC Oil Insurance Company	5.48	42,412	5.7	41,091
JSC Pension Fund Atameken	12.47	36,700	12.47	36,700
JSC Pension Fund Korgau	9.44	28,328	9.44	28,328
JSC Processing Center	1.37	10,000	1.37	10,000
JSC Kazakhstan Stock Exchange	2.14	2,200	2.28	2,200
Other		-	-	1,321
		119,640		119,640
First credit bureau LLP	18.4	37,260	14.29	4,050
Association of Financiers of Kazakhstan	16.6	675	16.6	675
JSC Central Depositary of Securities	1.5	400	2.5	200
		38,335		4,925
Total investments available-for-sale		17,719,809		21,478,739

Interest accrued as of 31 December 2005 and 2004 amounted to KZT 220,529 thousand and KZT 181,600 thousand, respectively.

22. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	31 December 2005 (KZT'000)	Interest to nominal %	31 December 2004 (KZT'000)
Bonds of Kazakhstan Mortgage Company	7.2-7.6	33,707	8.09-11.25	3,909
OJSC Astana Finance	9	16,584	9	2,572
Notes of NBRK	7.5	10,169	-	6,653
Development Bank of the Republic of Kazakhstan	8.5	2,000	9.5	1,795
OJSC TexaKaBank	-	-	11	40,044
		62,460		54,973

Interest accrued as of 31 December 2005 and 2004 amounted to KZT 5,450 thousand and nil, respectively.

23. FIXED AND INTANGIBLE ASSETS

	Building (KZT'000)	Furniture and equipment (KZT'000)	Construction in progress (KZT'000)	Intangible assets (KZT'000)	Total (KZT'000)
At cost					
31 December 2004	1,361,266	2,697,517	564,732	328,793	4,952,308
Additions	333,356	1,194,801	1,612,480	450,447	3,591,084
Disposals	(939,784)	(71,366)	(49,412)	(7,876)	(1,068,438)
31 December 2005	754,838	3,820,952	2,127,800	771,364	7,474,954
Accumulated depreciation and amortization					
31 December 2004	(146,671)	(783,076)	-	(134,771)	(1,064,518)
Charge for the year	(7,080)	(417,778)	-	(71,382)	(495,540)
Disposals	142,359	48,060	-	100	190,519
31 December 2005	(11,392)	(1,152,094)	-	(206,053)	(1,369,539)
Net book value					
31 December 2005	743,446	2,668,858	2,127,800	565,311	6,105,415
31 December 2004	1,214,595	1,914,441	564,732	194,022	3,887,790

24. OTHER ASSETS

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Debtors on capital investments	1,216,221	1,019,046
Prepayments and receivables on other transactions	1,181,987	616,264
Western Union and other wireless transfers	224,363	92,433
Taxes receivable (other than income tax)	156,541	155,870
Accrued commission	152,035	85,529
Inventory	89,319	140,562
Due from the Government on foreign exchange losses for long term mortgage loans	49,404	51,833
Receivable from sale of collateral repossessed	19,873	134,717
Advances to employees	1,259	2,513
Travelers cheques	852	23,437
	3,091,854	2,322,204
Less allowance for impairment losses on other assets	(6,849)	(4,618)
Total other assets, net	3,085,005	2,317,586

Movements in allowances for impairment losses on other assets for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

25. LOANS AND ADVANCES FROM BANKS

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Correspondent accounts of other banks	48,793	525,172
Loans from banks, including:		
Syndicated loan from a group of banks *(Raiffeisen Zentralbank Oesterreich AG,Austria, maturity- November 23, 2006 – 18 November 2007,6,37% - 6.82%)*	26,550,022	-
Syndicated loan from a group of banks *(ING Bank, Netherlands, maturity – June 12, 2006 , 7.82%*	16,747,500	-
Syndicated loan from a group of banks *(HSH Nordbank, Germany, maturity –March 23, 2006, 6.31%)*	6,699,000	-
Syndicated loan from a group of banks *(Bank Austria, Austria, maturity – March 9, 2005, 5.3%)*	-	910,000
Syndicated loan from a group of banks *(Bayerische Hypo-und Vereinsbank AG, Germany, maturity – November 25, 2005, 5.4%)*	-	9,100,000
Syndicated loan from a group of banks *(ING Bank, the Netherlands, maturity – June 18, 2005 , 5.2%)*	-	5,850,000
Short –term loans from other banks	13,187,261	7,848,093
Overnight deposits of other banks	75,000	-
Loans from international credit organizations	13,704,970	7,526,390
Short-term deposits of other banks	10,071,219	2,500,000
Loans received from Government of the Republic of Kazakhstan and NBRK	1,271,994	357,320
Accrued interest expenses	846,684	346,506
Total loans and advances from banks	89,202,443	34,963,481

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As at 31 December 2005 securities sold under repurchase agreements made up KZT 26,445,539 thousand. Interest accrued as of 31 December 2005 and 2004 amounted to KZT 23,371 thousand.

27. CUSTOMER ACCOUNTS

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Time deposits	102,590,883	68,478,191
Repayable on demand	34,944,373	22,045,058
Accrued interest expense on customer accounts	2,057,585	844,439
Total customer accounts	139,592,841	91,367,688

As of 31 December 2005 and 2004 customer accounts amounting to KZT 18,948,811 thousand and KZT 13,751,313 thousand were due to 7 and 5 customers, respectively, which represents significant concentration.

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Analysis by sector:		
Individuals	59,032,961	41,382,592
Social services	14,180,929	12,140,670
Insurance	13,921,876	5,081,727
Fuel	13,053,457	11,230,573
Real estate constructions	7,967,456	2,750,058
Manufacturing	6,079,998	2,124,550
Trade	5,582,048	3,967,914
Transportation and communication	3,177,166	2,266,321
Agriculture	3,164,788	2,454,799
Metallurgy	2,341,679	2,488,568
Machinery	764,136	199,946
Energy	322,554	189,312
Chemical	44,731	23,728
Other	7,901,477	4,222,491
Accrued interest expense on customer accounts	2,057,585	844,439
Total customer accounts	139,592,841	91,367,688

28. DEBT SECURITIES ISSUED

Debt securities issued are presented as follows:

	Currency	Maturity date	Interest rate %	31 December 2005 KZT'000	31 December 2004 KZT'000
International bonds	USD	02/14/2008	8%	26,543,303	-
Bank's bonds	KZT	09/24/2007-08/16/2015	7.5%-9.4%	5,978,234	1,502,155
Accrued expenses				1,068,608	8,002
Total securities issued				33,590,145	1,510,157

29. OTHER LIABILITIES

	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Settlement on other transactions	1,190,335	480,996
Taxes payable, other than income tax	236,064	138,270
Allowance for impairment losses on guarantees and other commitments	129,225	103,479
Advances received	82,016	162,101
Accrued commission expense	48,794	6,779
Total other liabilities	1,686,434	891,625

30. SUBORDINATED DEBT

Subordinated debt is presented as follows:

	Currency	Maturity date (Year)	Interest Rate %	31 December 2005 (KZT'000)	31 December 2004 (KZT'000)
Subordinated bonds	KZT	08/16/2015	7%-12%	11,988,663	6,062,491
Subordinated loan	USD	08/16/2015	6.3%+LIBOR	1,339,800	1,300,000
Accrued interest expenses				249,780	112,804
Total subordinated debt				13,578,243	7,475,295

31. SHARE CAPITAL

As of 31 December 2005 and 2004 share capital authorized, issued and fully paid comprised of 80,316,695 and 36,811,244 shares.

During 2005 and 2004 years the Group issued and paid 33,505,451 ordinary and 10,000,000 preferred shares and 11,494,549 ordinary shares, respectively.

All ordinary shares are ranked equally and carry one vote. Each preferred share has no vote but is entitled for a fixed income calculated as inflation (consumer price index) published by the Statistics Agency of the Republic of Kazakhstan plus 1.5%.

During 2005 the Group did not pay dividends on preferred shares. According to certain requirements of the legislation of the Republic of Kazakhstan in case the Group delays payment of a guaranteed amount of dividends on preferred shares, these preferred shares are granted a voting right.

32. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2005 and 2004, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2005		31 December 2004	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and other similar commitments	14,841,730	14,841,730	9,062,886	9,062,886
Letters of credit and other transaction related contingent liabilities	7,846,815	3,923,408	5,361,046	2,664,972
Total contingent liabilities and credit commitments	22,688,545	18,765,138	14,423,932	11,727,858

Capital commitments

The Group had no material commitments for capital expenditures outstanding as of 31 December 2005 and 2004.

Rental commitments

No material rental commitment was outstanding as of 31 December 2005 and 2004.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are returned to the client. These amounts are the average balance of the clients' funds under the management of the Group during 2005 and 2004, including assets under trusteeship as of 31 December 2005 and 2004 in the amount of KZT 18,268,305 thousand and KZT 13,773,403 thousand, respectively.

Mentioned assets are not included into consolidated balance-sheet of the Group, as far as these assets are not the Group assets. Face value of securities presented below is different from market value of the indicated securities. Fiduciary assets are divided by face value into the following categories:

	31 December 2005 (KZT 000)	31 December 2004 (KZT 000)
Securities of investment funds	307,043	-
Investment funds deposits placed at other banks	256,219	-
Total fiduciary assets	563,262	-

The Group renders depository services. As of 31 December 2005 and 2004 the Group had 21,142,582,658 and 3,416,936,126 items of securities at nominal account for dealing operations of clients.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees of the Group receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As of 31 December 2005 and 2004, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 (Related party disclosures), are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group (Bank);

(c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (b) or (c) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group` and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties:

	31 December 2005 (KZT'000)		**31 December 2004 (KZT'000)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Loans to customers, gross	4,108,203	216,919,843	1,294,523	95,550,105
Allowance for impairment losses on loans to customers	(337,336)	(9,033,411)	(22,294)	(4,082,689)
Investments available-for-sale	-	17,719,809	114,275	21,478,739
Customer accounts	345,100	139,592,841	338,626	91,367,688
Debt securities issued	662,260	33,590,145	-	1,510,157
Subordinated debt	-	13,578,243	22,399	7,475,295
Guarantees issued	8,668	14,841,730	5,040	9,062,886

During the years ended 31 December 2005 and 2004 the Group received related party loans repaid of KZT 631,188 thousand and KZT 133,614 thousand, respectively. The Group has interest income accrued in respect of loans granted to related parties totaling KZT 61,341 thousand and KZT 65,348 thousand, respectively, as of 31 December 2005 and 2004.

During the years ended 31 December 2005 and 2004 the Group repaid deposits and advances from related parties of KZT 35,718 and KZT 251,163, respectively.

As of 31 December 2005 and 2004 the Group purchased/sold securities under repos agreements from/to related parties for the total of KZT 297,566 thousand and KZT 114,275 thousand, respectively.

During the years ended 31 December 2005 and 2004 the Group issued guarantees and standby letters of credit on behalf of related parties of KZT 341,889 thousand and KZT 646,225 thousand, respectively.

Included in the consolidated profit and loss account for the years ended 31 December 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	31 December 2005 (KZT'000)		**31 December 2004 (KZT'000)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
- related companies	187,823	25,834,410	135,143	12,396,971
- directors	31,074	-	12,383	-
Interest income				
- related companies	-	13,934,160	1,514	6,355,305
Salary for key management personnel	58,968	2,410,422	49,423	1,743,103

Transactions with related parties entered by the Group during the years ended 31 December 2005 and 2004 and outstanding as of 31 December 2005 and 2004 were made in the normal course of business and mostly under arm-length conditions.

34. SEGMENT REPORTING

The Group's primary format for reporting segment information is business segments.

Business Segments

The Group is organised on the basis of four main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment activity – representing financial instruments trading.
- Finance leasing - finance lease services.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment activity	Financial leasing	Eliminations	Year ended 31 Decem er 2005 KZT'000
External interest income	7,799,935	17,608,423	206,120	219,932	-	25,834,410
Interest income from other segments	-	149,937	3,721	-	(153,658)	-
Total interest income	7,799,935	17,758,360	209,841	219,932	(153,658)	25,834,410
External interest expense	(4,578,383)	(9,342,094)	(2,580)	(11,103)	-	(13,934,160)
Interest expense form other segments	-	(3,721)	-	(149,937)	153,658	-
Total interest expense	(4,578,383)	(9,345,815)	(2,580)	(161,040)	153,658	(13,934,160)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	3,221,552	8,412,545	207,261	58,892	-	11,900,250
Provision for impairment losses on interest bearing assets	(763,026)	(4,633,200)	-	-	-	(5,396,226)
NET INTEREST INCOME	2,458,526	3,779,345	207,261	58,892	-	6,504,024
Fee and commission income/(expense)	1,310,254	3,151,498	154,883	(14,855)	-	4,601,780
Net (loss)/gain on assets held-for-trading	-	-	(20,963)	-	-	(20,963)
Net gain on foreign exchange operations	-	1,100,651	101	14,626	-	1,115,378
Net loss on derecognition of investments available-for-sale	-	-	(5,060)	-	-	(5,060)
Other income/(loss)	-	405,011	(846)	41,860	-	446,025
NET NON-INTEREST INCOME	1,310,254	4,657,160	128,115	41,631	-	6,137,357
OPERATING INCOME	3,768,780	8,436,505	335,376	100,523	-	12,641,184
OPERATING EXPENSES	(2,099,182)	(4,779,274)	(335,606)	(39,041)		(7,253,103)
OPERATING PROFIT	1,699,598	3,657,231	(230)	61,482	-	5,388,081
Provision for impairment losses on other transactions	-	(52,158)	(413)	-	-	(52,571)
PROFIT BEFORE INCOME TAX	1,699,598	3,605,073	(643)	61,482	-	5,335,510
Income tax expense	(197,004)	(448,526)	62,993	-	-	(582,537)
NET PROFIT FROM ORDINARY ACTIVITY	1,472,594	3,156,547	62,350	61,482	-	4,752,973
Income from discontinued operations	-	10,414	-	-	-	10,414
NET PROFIT	1,472,594	3,166,961	62,350	61,482	-	4,763,387
Attributable to:						
Equity holders of the parent	1,472,594	3,166,961	66,651	49,160	-	4,755,366
Minority interest	-	-	(4,301)	12,322	-	8,021
	1,472,594	3,166,961	62,350	61,482	-	4,763,387
Total consolidated assets	333,331,855		838,404	2,141,338	(6,004,495)	330,307,102
Total consolidated liabilities	307,409,427		33,098	2,013,656	(5,360,536)	304,095,645

	Retail banking	Corporate banking	Invetment activity	Leaing activity	Other	Eliminations	Year ended 31 December 2004 KZT'000
External interest income	2,757,542	9,454,136	88,451	96,842	-	-	12,396,971
Interest income from other segments	-	66,933	2,675	-	-	(69,608)	-
Total interest income	2,757,542	9,521,069	91,126	96,842	-	(69,608)	12,396,971
External interest expense	(2,649,622)	(3,699,633)	(4)	(6,046)	-	-	6,355,305
Interest expense form other segments	-	(2,675)	(1,586)	(57,334)	(8,013)	69,608	-
Total interest expense	(2,649,622)	(3,702,308)	(1,590)	(63,380)	(8,013)	69,608	6,355,305
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	107,920	5,818,761	89,536	33,462	(8,013)	-	6,041,666
Provision for impairment losses on interest bearing assets	(457,495)	(1,960,557)	-	-	-	-	(2,418,052)
NET INTEREST INCOME	(349,575)	3,858,204	89,536	33,462	(8,013)	-	3,623,614
Fee and commission income/(expense)	914,470	2,027,487	51,838	(5,058)	(1,101)	-	2,987,636
Net gain on assets held-for-trading	-	66,333	26,423	-	-	-	92,756
Net gain/(loss) on foreign exchange operations	-	783,277	-	-	-	-	783,277
Net loss/(gain) on derecognition of investments available-for-sale	-	52,812	(24,733)	-	-	-	28,079
Other income/(loss)	-	(251,984)	170,706	19,625	238,033	108,277	284,657
NET NON-INTEREST INCOME	914,470	2,677,925	224,234	14,567	236,932	108,277	4,176,405
OPERATING INCOME	564,895	6,536,129	313,770	48,029	228,919	108,277	7,800,019
OPERATING EXPENSES	(356,319)	(4,097,671)	(178,164)	(24,807)	(196,020)	(110,758)	(4,963,739)
OPERATING PROFIT	208,576	2,438,458	135,606	23,222	32,899	(2,481)	2,836,280
Provision for impairment losses on other transactions	-	(112,155)	(6,507)	-	-	-	(118,662)
Share of results of associates	-	4,100	-	-	-	-	4,100
PROFIT BEFORE INCOME TAX	208,576	2,330,403	129,099	23,222	32,899	(2,481)	2,721,718
Income tax expense	(61,757)	(213,230)	(6,573)	-	(3,025)	-	(284,585)
NET PROFIT FROM ORDINARY ACTIVITY	146,819	2,117,173	122,526	23,222	29,874	(2,481)	2,437,133
Loss from discontinued operations	-	-	-	-	-	2,481	2,481
NET PROFIT	146,819	2,117,173	122,526	23,222	29,874	-	2,439,614
Attributable to:							
Equity holders of the parent	146,819	2,117,173	106,954	23,222	29,856	-	2,424,024
Minority interest	-	-	15,572	-	18	-	15,590
	146,819	2,117,173	122,526	23,222	29,874	-	2,439,614
Total consolidated assets	148,511,135		796,257	955,630	385,088	(2,164,444)	148,483,666
Total consolidated liabilities	136,345,598		16,021	913,930	640,622	(1,707,925)	136,208,246

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2005 and 2004 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the National Bank of the Republic of Kazakhstan

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Loans and advances to bank

As of 31 December 2005 and 2004, the carrying amount of loans and advances given is a reasonable estimate of their fair value.

Securities held-for-trading

As of 31 December 2005 and 2004 assets held-for-trading are stated at fair value. The fair value of assets held-for-trading was determined with reference to an active market.

Securities purchased under repurchase agreements

As of 31 December 2005 and 2004, the carrying amount of securities purchased under repurchase agreements is a reasonable estimate of the fair value.

Loans to customers

The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for impairment losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for impairment losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities available-for-sale

As of 31 December 2005 and 2004 debt securities available-for-sale are stated at fair value amounting to KZT 17,499,280 thousand and KZT 21,297,139 thousand, respectively, plus accrued coupon income totaling KZT 220,529 thousand and KZT 181,600, respectively. Fair value of investments available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market.

For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity, in other cases – by reference to the share in estimated equity capital of investee. If such quotes do not exist, management estimation is used.

Investments held-to-maturity

Investments held-to-maturity are stated at cost and adjusted for accretion and amortization of premiums and discounts, respectively. The fair value of investments held-to-maturity as of 31 December 2005 and 2004 was KZT 60,565 thousand and KZT 45,422 thousand, respectively. The fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities the fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Loans and advances from banks

As of 31 December 2005 and 2004 the carrying amount of loans and advances from banks is a reasonable estimate of their fair value.

Customer accounts

As of 31 December 2005 and 2004, the carrying amount of customer deposits and current customer accounts is a reasonable estimate of their fair value.

Securities purchased under repurchase agreements

As of 31 December 2005 and 2004 the carrying value of securities sold under repos agreement amounted to KZT 26,445,539 and KZT nil, respectively, which is a reasonable estimate of their fair value.

Debt securities issued

Debt securities issued are recognized at cost adjusted for amortization of premiums and discounts, which is a reasonable estimate of their fair value.

Subordinated debt

As of 31 December 2005 and 2004 the carrying amount of short-term subordinated loan is a reasonable estimate of its fair value.

36. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Group's provisions for the principal banking risks.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the NBRK
0%	State debt securities in KZT
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
100%	Other assets

The Group's capital amounts and ratios are presented in the following table

Capital amounts and ratios	Actual Amount	For Capital Adequacy purposes	Ratio For Capital Adequacy purposes	Minimum Required Ratio
	(KZT'000)	(KZT'000)	%	%
At 31 December 2005				
Total capital	26,109,105	38,996,388	16.32	8
Tier I capital	16,399,781	25,569,861	10.70	4
At 31 December 2004				
Total capital	12,275,420	19,686,218	17.43	8
Tier 1 capital	7,466,920	11,998,453	10.63	4

During computation of total capital for capital adequacy purposes as of 31 December 2005 the Group included the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

37. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Analysis and Management Department performs determination of the optimum structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

The analysis of balance sheet interest risk and liquidity risk is presented in the table below:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined, including allowance for impairment losses	31 December 2005 Total (KZT'000)
ASSETS							
Interest bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	6,501,944						6,501,944
Loans and advances to banks	28,150,050	320,455	815,945	72,893	-	-	29,359,343
Assets held-for-trading	30,586,694	74,999	936,326	2,486,756	-	-	34,084,775
Securities purchased under agreement to resell	7,214,277	71,646	-	-	-	-	7,285,923
Loans to customers, less allowance for impairment losses	11,769,586	21,038,043	63,236,919	95,459,712	24,693,476	(8,311,304)	207,886,432
Investments available-for-sale	11,480,728	1,359,412	3,479,844	1,241,850	-	-	17,561,834
Investments held-to-maturity	-	-	-	62,460	-	-	62,460
Total interest bearing assets	95,703,279	22,864,555	68,469,034	99,323,671	24,693,476	(8,311,304)	302,742,711
Cash and balances with the National Bank of the Republic of Kazakhstan	10,100,237	-	-	-	-	-	10,100,237
Overdue loans to customers, less allowance for impairment losses	722,107	-	-	-	-	(722,107)	-
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	6,105,415	6,105,415
Income tax assets	172,359	-	-	-	-	-	172,359
Loans and advances to banks	7,943,400	-	-	-	-	-	7,943,400
Investments available-for-sale	157,975	-	-	-	-	-	157,975
Other assets, less allowance for impairment losses	3,053,366	6,498	31,990	-	-	(6,849)	3,085,005
TOTAL ASSETS	117,852,723	22,871,053	68,501,024	99,323,671	24,693,476	(2,934,845)	330,307,102
LIABILITIES							
Interest bearing liabilities:							
Loans and advances from banks	12,349,249	11,613,734	64,768,457	422,210	-	-	89,153,650
Securities sold under agreements to repurchase	26,445,539	-	-	-	-	-	26,445,539
Customer accounts	9,107,572	6,913,512	36,806,681	51,820,703	-	-	104,648,468
Debt securities issued	1,068,608	-	-	27,010,492	5,511,045	-	33,590,145
Subordinated debt	249,780	-	-	3,475,595	9,852,868	-	13,578,243
Total interest bearing liabilities	49,220,748	18,527,246	101,575,138	82,729,000	15,363,913	-	267,416,045
Loans and advances from banks	48,793	-	-	-	-	-	48,793
Customer accounts	34,944,373	-	-	-	-	-	34,944,373
Other liabilities	1,557,209	-	-	-	-	129,225	1,686,434
TOTAL LIABILITIES	85,771,123	18,527,246	101,575,138	82,729,000	15,363,913	129,25	304,095,645
Liquidity gap	32,081,600	4,343,807	(33,074,114)	16,594,671	9,329,563		
Interest sensitivity gap	46,482,531	4,337,309	(33,106,104)	16,594,671	9,329,563		
Cumulative interest sensitivity gap	46,482,531	50,819,840	17,713,736	34,308,407	43,637,970		
Cumulative interest sensitivity gap as a percentage of total assets	14.07%	15.39%	5.36%	10.39%	13.21%		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined, including allowance for impairment losses	31 December 2004 Total (KZT'000)
ASSETS							
Interest bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	3,000,894	-	-	-	-	-	3,000,894
Loans and advances to banks	8,223,023	120,000	672,780	-	-	-	9,015,803
Assets held-for-trading	2,911,382	-	-	-	-	-	2,911,382
Securities purchased under agreement to resell	7,651,008	35,009	157,296	-	-	-	7,843,313
Loans to customers, less allowance for impairment losses	6,440,404	7,490,253	41,575,934	39,229,882	224,477	(3,493,534)	91,467,416
Investments available-for-sale	19,890,648	-	10,210	1,408,996	44,320	-	21,354,174
Investments held-to-maturity	-	-	-	54,973	-	-	54,973
Total interest bearing assets	48,117,359	7,645,262	42,416,220	40,693,851	268,797	(3,493,534)	135,647,955
Cash and balances with the National Bank of the Republic of Kazakhstan	5,738,176	-	-	-	-	-	5,738,176
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	3,887,790	3,887,790
Income tax assets	38,289	-	-	-	-	-	38,289
Overdue loans to customers, less allowance for impairment losses	589,155	-	-	-	-	(589,155)	-
Loans and advances to banks	729,305	-	-	-	-	-	729,305
Investments available-for-sale	124,565	-	-	-	-	-	124,565
Other assets, less allowance for impairment losses	1,134,926	5,182	23,096	1,158,754	246	(4,618)	2,317,586
TOTAL ASSETS	56,471,775	7,650,444	42,439,316	41,852,605	269,043	(199,517)	148,483,666
LIABILITIES							
Interest bearing liabilities:							
Loans and advances from banks	11,300,582	3,066,618	13,818,438	5,966,480	286,191	-	34,438,309
Customer accounts	11,548,007	9,565,178	15,941,693	31,234,430	-	-	68,289,308
Debt securities issued	8,002	-	586,631	915,524	-	-	1,510,157
Subordinated debt	112,804	-			7,362,491	-	7,475,295
Total interest bearing liabilities	22,969,395	12,631,796	30,346,762	38,116,434	7,648,682	-	111,713,069
Loans and advances from banks	525,172	-	-	-	-	-	525,172
Customer accounts	23,078,380	-	-	-	-	-	23,078,380
Other liabilities	749,199	3,603	7,873	-	27,471	103,479	891,625
TOTAL LIABILITIES	47,322,146	12,635,399	30,354,635	38,116,434	7,676,153	103,479	136,208,246
Liquidity gap	9,149,629	(4,984,955)	12,084,681	3,736,171	(7,407,110)		
Interest sensitivity gap	25,147,964	(4,986,534)	12,069,458	2,577,417	(7,379,885)		
Cumulative interest sensitivity gap	25,147,964	20,161,430	32,230,888	34,808,305	27,428,420		
Cumulative interest sensitivity gap as a percentage of total assets	16.94%	13.58%	21.71%	23.44%	18.47%		

Cash flow interest rate risk

Cash flow interest rate risk – the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate and market risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Group to avoid negative interest margin. Risk Analysis and Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2005				31 December 2004			
	KZT	USD	EURO	Other currency	KZT	USD	EURO	Other currency
ASSETS								
Loans and advances to banks	2.3%	3.3%	1,2%	7,2%	5.9%	2.3%	2.3%	2%
Assets held-for-trading	8.9%	4.0%	2.3%	-	5.7%	5.6%	-	-
Securities purchased under agreement to resel	6.5%	-	-	-	1.5%	3.1%	-	-
Loans to customers	15.4%	13.8%	10.9%	-	15.18%	14.5%	9.8%	-
Investments available-for-sale	5.6%	11.0%	0%	-	4.5%	4.9%	-	-
Investments held-to-maturity	8%	-	-	-	9.8%	-	-	-
LIABILITIES								
Loans and advances from banks	4.3%	3.6%	4.00%	6.8%	6%	4.9%	3.9%	-
Securities sold under agreements to repurchase	3.9%	5.1%	-	-	-	-	-	-
Customer accounts	9.2%	7.6%	6.8%	-	10.3%	6.6%	7.1%	-
Debt securities issued	7.8%	8%	-	-	8.75%	-	-	-
Subordinated debt	9.6%	11.0%	-	-	10.9%	9.11%	-	-

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD 1USD= KZT 133.77	EUR 1EUR= KZT 158.54	Other currency	Currency undefined (including allowances for impairment losses)	31 December 2005 Total (KZT'000)
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	12,381,708	3,573,446	615,760	31,267	-	16,602,181
Loans and advances to banks	1,755,988	34,338,811	940,644	267,300	-	37,302,743
Assets held-for-trading	2,122,264	31,170,086	792,425	-	-	34,084,775
Securities purchased under agreement to resell	7,285,923	-	-	-	-	7,285,923
Loans to customers, less allowance for impairment losses	112,802,233	101,284,914	2,829,911	2,785	(9,033,411)	207,886,432
Investments available-for-sale	15,533,213	2,186,596	-	-	-	17,719,809
Investments held-to-maturity	62,460	-	-	-	-	62,460
Fixed and intangible assets, less accumulated depreciation and amortization	6,105,415	-	-	-	-	6,105,415
Income tax assets	172,359	-	-	-	-	172,359
Other assets, less allowance for impairments losses	3,071,367	18,910	1,495	82	(6,849)	3,085,005
TOTAL ASSETS	161,292,930	172,572,763	5,180,235	301,434	(9,040,260)	330,307,102
LIABILITIES						
Loans and advances from banks	10,976,440	75,472,887	2,752,830	286	-	89,202,443
Securities sold under agreements to repurchase	4,585,010	21,860,529	-	-	-	26,445,539
Customer accounts	94,482,906	42,651,576	2,305,432	152,927	-	139,592,841
Debt securities issued	6,115,532	27,474,613	-	-	-	33,590,145
Subordinated debt	11,988,663	1,589,580	-	-	-	13,578,243
Other liabilities	1,031,019	295,478	199,480	31,232	129,225	1,686,434
TOTAL LIABILITIES	129,179,570	169,344,663	5,257,742	184,445	129,225	304,095,645
OPEN BALANCE SHEET POSITION	32,113,360	3,228,100	(77,507)	116,989		

	KZT	USD 1USD= KZT 130.00	EUR 1EUR= KZT 177.10	Other currency	Allowance for losses	31 December 2004 Total (KZT'000)
ASSETS:						
Cash and balances with the National Bank of the Republic of Kazakhstan	7,634,212	834,566	246,735	23,557	-	8,739,070
Loans and advances to banks	2,633,373	3,681,283	3,296,246	134,206	-	9,745,108
Assets held-for-trading	212,070	2,699,312	-	-	-	2,911,382
Securities purchased under agreement to resell	7,843,313	-	-	-	-	7,843,313
Loans to customers, less allowance for impairment losses	40,266,753	54,606,770	676,582	-	(4,082,689)	91,467,416
Investments available-for-sale	20,206,126	1,272,613	-	-	-	21,478,739
Investments held-to-maturity	54,973					54,973
Fixed and intangible assets, less accumulated depreciation and amortization	3,887,790	-	-	-	-	3,887,790
Income tax assets	38,289	-	-	-	-	38,289
Other assets, less allowance for impairment losses	2,220,989	93,278	7,937	-	(4,618)	2,317,586
TOTAL ASSETS	84,997,888	63,187,822	4,227,500	157,763	(4,087,307)	148,483,666
LIABILITIES:						
Loans and advances from banks	3,310,267	28,997,978	2,654,933	303	-	34,963,481
Customer accounts	56,167,874	33,101,376	1,983,109	115,329	-	91,367,688
Debt securities issued	1,510,157	-	-	-	-	1,510,157
Other liabilities	618,428	106,162	57,843	5,713	103,479	891,625
Subordinated debt	6,171,639	1,303,656	-	-	-	7,475,295
TOTAL LIABILITIES	67,778,365	63,509,172	4,695,885	121,345	103,479	136,208,246
OPEN BALANCE SHEET POSITION	17,219,523	(321,350)	(468,385)	36,418		

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by borrower and product (by industry sector, by region) are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non-OECD countries	OECD Countries	Undefined (including allowances for impairment losses)	31 December 2005 Total (KZT'000)
ASSETS:					
Cash and balances with the National Bank of the Republic of Kazakhstan	16,602;181	-	-	-	16,602,181
Loans and advances to banks	9,396,725	282,291	27,623,727	-	37,302,743
Assets held-for-trading	3,948,255	-	30,136,520	-	34,084,775
Securities purchased under agreement to resell	7,285,923	-	-	-	7,285,923
Loans to customers, less allowance for impairment losses	216,289,973	-	629,870	(9,033,411)	207,886,432
Investments available-for-sale	17,719,809	-	-	-	17,719,809
Investments held-to-maturity	62,460	-	-	-	62,460
Fixed and intangible assets, less accumulated depreciation and amortization	6,105,415	-	-	-	6,105,415
Income tax assets	172,359	-	-	-	172,359
Other assets, less allowance for impairment losses	3,091,854	-	-	(6,849)	3,085,005
TOTAL ASSETS	280,674,954	282,291	58,390,117	(9,040,260)	330,307,102
LIABILITIES					
Loans and advances from banks	19,463,869	84,401	69,654,173	-	89,202,443
Securities sold under repurchase agreements	4,585,010	-	21,860,529	-	26,445,539
Customer accounts	139,592,841	-	-	-	139,592,841
Debt securities issued	33,590,145	-	-	-	33,590,145
Subordinated debt	12,231,491	-	1,346,752	-	13,578,243
Other liabilities	1,557,209	-	-	129,225	1,686,434
TOTAL LIABILITIES	211,020,565	84,401	92,861,454	129,225	304,095,645
NET BALANCE SHEET POSITION	69,654,389	197,890	(34,471,337)		

	Kazakhstan	Other non-OECD countries	OECD Countries	Undefined (including allowances for impairment losses)	31 December 2004 Total (KZT'000)
ASSETS:					
Cash and balances with the National Bank of the Republic of Kazakhstan	8,739,070	-	-	-	8,739,070
Loans and advances to banks	3,829,796	134,589	5,780,723	-	9,745,108
Assets held-for-trading	2,395,336	-	516,046	-	2,911,382
Securities purchased under agreement to resell	7,843,313	-	-	-	7,843,313
Loans to customers, less allowance for impairment losses	95,013,152	533,257	3,696	(4,082,689)	91,467,416
Investments available-for-sale	21,478,739		-	-	21,478,739
Investments held-to-maturity	54,973				54,973
Fixed and intangible assets, less accumulated depreciation and amortization	3,887,790	-	-	-	3,887,790
Income tax assets	38,289	-	-	-	38,289
Other assets, less allowance for impairment losses	2,322,204	-	-	(4,618)	2,317,586
TOTAL ASSETS	145,602,662	667,846	6,300,465	(4,087,307)	148,483,666
LIABILITIES					
Loans and advances from banks	9,144,018	356,680	25,462,783	-	34,963,481
Customer accounts	91,367,688	-	-	-	91,367,688
Debt securities issued	1,510,157	-	-	-	1,510,157
Other liabilities	788,146	-	-	103,479	891,625
Subordinated debt	6,171,639	-	1,303,656	-	7,475,295
TOTAL LIABILITIES	108,981,648	356,680	26,766,439	103,479	136,208,246
NET BALANCE SHEET POSITION	36,621,014	311,166	(20,465,974)		

38. SUBSEQUENT EVENTS

On 27 January 2006 JSC Bank CenterCredit declared placement of Eurobonds of USD 300 million at a fixed coupon rate of 8% per annum, with maturity of 5 years. These bonds were issued via the Bank's subsidiary, CenterCredit International B.V., under the Bank's guarantee. International rating agencies Fitch Ratings and Moody's Investors Services gave long-term rating «BB-/Ba1 (positive forecast)» to this bonds issue.

On 2 February 2006 JSC Bank CenterCredit and JSC National Innovation Fund signed foundation documents of the Risk Investment Joint Stock Investment Fund Center Capital with a share capital of KZT 2.7 billion. RIJSIF Center Capital is engaged in attraction of investments into high potential projects focused on creation and commercialization of innovations as well as mastering and adoption of advances and innovative technologies.

On 24 February 2006 JSC Bank CenterCredit issued opening current hybrid notes of USD 100 million. Notes may be repaid in advance in 10 years after placement upon the issuer's initiative and with agreement with a regulatory body. A coupon on notes as well as on profit was 9.125%.

Deloitte.

Deloitte & Touche, LLP
Furmanov str., 240-v
Almaty, 480099
Kazakhstan

Tel: +7 (3272) 58 13 40
Fax: +7 (3272) 58 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC Bank CenterCredit:

We have audited the accompanying consolidated balance sheet of JSC Bank CenterCredit and its subsidiaries (the "Group") as of 31 December 2004 and the related consolidated profit and loss account and statements of cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

18 February 2005
Almaty

JSC BANK CENTERCREDIT

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Interest income	4, 29	12,396,971	6,962,144
Interest expense	4, 29	(6,355,305)	(3,333,540)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES		6,041,666	3,628,604
Provision for loan losses	5	(2,418,052)	(1,434,198)
NET INTEREST INCOME		3,623,614	2,194,406
Net gain on securities held-for-trading	6	92,756	111,886
Net gain on foreign exchange operations	8	783,277	452,529
Fees and commissions income	9	3,327,522	2,209,659
Fees and commissions expense	9	(339,886)	(207,398)
Net gain/(loss) on investment securities	7	75,976	(3,789)
Other income	10	287,138	173,359
NET NON-INTEREST INCOME		4,226,783	2,736,246
OPERATING INCOME		7,850,397	4,930,652
OPERATING EXPENSES	11, 29	(4,963,739)	(3,540,043)
OPERATING PROFIT		2,886,658	1,390,609
Provision for losses on other transactions	5	(118,662)	(5,143)
Share of results of associates		4,100	871
PROFIT BEFORE TAXATION AND MINORITY INTEREST		2,772,096	1,386,337
Income tax expense	12	(284,585)	(121,076)
NET PROFIT BEFORE MINORITY INTEREST		2,487,511	1,265,261
Minority interest	13	(15,590)	28,640
NET PROFIT		2,471,921	1,293,901
Earnings per share (tenge)	14	82.16	63.61

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty

Chief Accountant

18 February 2005
Almaty

The notes on pages 7 to 37 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page 1.

JSC BANK CENTERCREDIT

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2004

	NOTES	2004 KZT'000	2003 KZT'000
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	15	8,739,070	5,648,630
Loans and advances to banks	16	9,745,108	9,494,053
Securities held-for-trading	17	2,911,382	1,412,897
Securities purchased under agreement to resell	18	7,843,313	68,182
Loans and advances to customers, less allowance for loan losses	19, 29	91,456,228	52,068,761
Investment securities:			
- securities available-for-sale, less allowances for impairment	20, 29	21,478,739	8,999,865
- securities held-to-maturity	20	54,973	-
Fixed and intangible assets, less accumulated depreciation	21	3,887,790	2,688,497
Income tax assets	12	38,289	-
Other assets, less allowance for losses	22	2,328,774	1,532,133
TOTAL ASSETS		148,483,666	81,913,018
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	23	34,963,481	20,728,383
Securities sold under agreements to repurchase		-	1,332,711
Customer accounts	24, 29	91,343,273	47,643,364
Income tax liabilities	12	-	62,403
Other liabilities	25	916,040	556,994
		127,222,794	70,323,855
Subordinated debt	26, 29	8,985,452	4,102,079
Total liabilities		136,208,246	74,425,934
Minority interest	13	63,997	46,492
SHAREHOLDERS' EQUITY:			
Share capital	27	7,465,898	5,166,988
Share premium		1,022	1,022
Fixed assets revaluation reserve		276,967	278,622
Retained earnings		4,467,536	1,993,960
Total shareholders' equity		12,211,423	7,440,592
TOTAL LIABILITIES AND EQUITY		148,483,666	81,913,018

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty

Chief Accountant

18 February 2005
Almaty

The notes on pages 7 to 37 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page 1.

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	Share capital KZT'000	Share premium KZT'000	Fixed assets revaluation reserve KZT'000	Retained earnings KZT'000	Total KZT'000
31 December 2002	3,166,988	1,022	284,219	694,462	4,146,691
Share capital increase	2,000,000	-	-	-	2,000,000
Net profit	-	-	-	1,293,901	1,293,901
Depreciation of fixed assets revaluation reserve	-	-	(5,597)	5,597	-
31 December 2003	5,166,988	1,022	278,622	1,993,960	7,440,592
Share capital increase	2,298,910	-	-	-	2,298,910
Net profit	-	-	-	2,471,921	2,471,921
Depreciation of fixed assets revaluation reserve	-	-	(1,655)	1,655	-
31 December 2004	7,465,898	1,022	276,967	4,467,536	12,211,423

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty

Chief Accountant

18 February 2005
Almaty

The notes on pages 7 to 37 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page 1.

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Year ended 2004 KZT'000	Year ended 2003 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax and minority interest	2,772,096	1,386,337
Adjustments for:		
Provision for loan losses	2,418,052	1,434,198
Provision for losses on other transactions	118,662	5,143
Depreciation of fixed and intangible assets	315,947	345,342
Loss on sale of fixed and intangible assets	9,779	40,234
Minority interest	1,915	73,049
Loss on equity investments	-	(871)
Change in interest accruals, net	153,473	(26,171)
Cash flow from operating activities before changes in operating assets and liabilities	5,789,922	3,257,261
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Loans and advances to banks	(36,949)	(2,879,780)
Securities held-for-trading	(1,483,066)	(1,412,897)
Loans and advances to customers	(41,378,193)	(18,432,782)
Securities purchased under repurchase agreements	(7,773,574)	32,241
Other assets	(850,447)	(710,230)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks	14,075,648	11,759,480
Customer accounts	43,220,466	12,529,665
Securities sold under repurchase agreements	(1,332,711)	1,257,040
Other liabilities	294,190	193,648
Cash inflow from operating activities before taxation	10,525,286	5,593,646
Income tax paid	(385,277)	(71,907)
Net cash inflows from operating activities	10,140,009	5,521,739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(1,945,239)	(1,294,207)
Proceeds on sale of fixed and intangible assets	420,220	204,728
Acquisition of subsidiaries, net of cash acquired	-	101,005
Purchase of available-for-sale securities, net	(12,404,535)	(3,634,440)
Investment securities	(54,973)	-
Net cash outflows from investing activities	(13,984,527)	(4,622,914)

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	Year ended 2004 KZT'000	Year ended 2003 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital increase		2,298,910	2,000,000
Proceeds from subordinated debt		4,821,025	1,927,268
Net cash inflows from financing activities		7,119,935	3,927,268
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,275,417	4,826,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15	11,244,376	6,418,283
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15	14,519,793	11,244,376

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 5,654,064 thousand and KZT 11,848,307 thousand, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to KZT 3,286,232 thousand and KZT 6,900,724 thousand, respectively.

On behalf of the Board of Directors:

Chairman

18 February 2005
Almaty

Chief Accountant

18 February 2005
Almaty

The notes on pages 7 to 37 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page 1.

1. ORGANISATION

JSC Bank CentercCredit (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and conducts its business under license number 248 dated 9 June 2004 given by the Agency of the Republic of Kazakhstan on financial market and financial institutions regulation and inspectorate. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The address of its registered office is as follows: 100, Shevchenko Street, Almaty, Kazakhstan.

The Bank has 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of the Banking Group (the "Group"), consisting of the following subsidiaries, which are consolidated in the financial statements as of 31 December 2004 and 2003:

Name	Country of operation	The Bank ownership interest 2004	The Bank ownership interest 2003	Type of operation
Capital	Republic of Kazakhstan	85%	50%	Pension Fund
Center Leasing	Republic of Kazakhstan	100%	100%	Finance lease of property
KIB ASSET MANAGEMENT	Republic of Kazakhstan	100%	100%	Securities trading

Capital was established as a closed joint stock company on 15 October 2001 in accordance with legislation of the Republic of Kazakhstan. On 24 December 2003 Capital was reregistered as a joint stock company, with certificate of state reregistration #43348 1910-AO. The main activity of the company is the attraction of pension contributions and performance of pension payments. Capital manages pension contributions inflow and accumulation on individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan. Capital has a state general license # 0000021 for the attraction of pension funds and performance of pension payments, dated 19 January 2004.

CenterLeasing was established on 15 January 2002 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, with certificate of state registration #45222-1910 -TOO. The main activity of CenterLeasing is leasing operations. In accordance with article 10 of the Law of the Republic of Kazakhstan «Financial leases» CenterLeasing operates without a licence.

KIB ASSET MANAGEMENT was established on 7 May 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan. On 18 June 2003 KIB ASSET MANAGEMENT was reregistered as a joint stock company, certificate of state reregistration #56185 –1910 -AO. The main activity of KIB ASSET MANAGEMENT is operations with securities. The Company has a license # 20030154 dated 5 June 1998 for brokerage and dealer activity on the Kazakhstan stock exchange with the right to maintain customer accounts as a nominal holder.

The Bank does not own any shares in "BCC" LLP and "Aktas-Zhol" LLP, but they are consolidated in the Group's financial statements as special purpose entities (the "SPEs").

Aktas Zhol was established on 3 April 2001 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration #7802-1907-TOO. The main activities of Aktas Zhol are production of construction materials and the rent of buildings. Aktas Zhol has a license for the production of construction materials # 006377-GSL, dated 16 August 2001.

BCC was established on 22 December 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration # 23270-1910-TOO. The main activity of BCC is the rent of buildings and property valuation. BCC has a license for real estate valuation # 0000098 UL-001,dated 14 February 2002.

The number of employees of the Group at 31 December 2004 and 2003 was 2,106 and 1,746, respectively.

As of 31 December 2004, the following shareholders owned more than 5% of the outstanding shares. (Five shareholders owned 41.77% of the outstanding shares.).

Shareholder	%
JSC KIB ASSET MANAGEMENT (PORTFOLIO MANAGER)	6.58
JSC Interexport	6.30
JSC «NPF Kazakhmys»	6.11
JSC NPF «Valut-Transit Fund»	5.91
JSC NPF Senim	5.81
Dorra LLC	5.55
Canterburry Valley LTD	5.51
Other (each individually holding less than 5%)	58.23
Total	100.00

These consolidated financial statements were authorized for issue by the Board of Directors on 18 February 2005.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), except for earning per share amounts and unless otherwise indicated. These consolidated financial statements are prepared on an accrual basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities and financial assets and financial liabilities held for trading.

The Group maintains its accounting records in accordance with the Accounting policy authorized by the Resolution of the Board of Directors of the Group. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Functional currency

The functional currency of these financial statements is Kazakhstan tenge ("KZT").

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries made up to 31 December each year. The entity is consolidated, when the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Consolidated financial statements also include statements of SPEs.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group.

All significant intercompany transactions and balances have been eliminated. The ownership interest of JSC Bank CenterCredit and proportion of voting power of the Group in the significant subsidiaries as of 31 December 2004 and 2003 is presented in Note 1.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the NBRK and central banks of other countries and advances to banks in countries included in the Organization for Economic Co-operation and Development (OECD).

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the fixing of the London Bullion Market rates using the Tenge/USD exchange rate effective at the date. Changes in the bid prices are recorded in other income.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for losses.

Securities held-for-trading

Securities held-for-trading represent debt securities held-for-trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Securities held-for-trading are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's securities held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on securities held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Loans and advances to customers

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility. Loans and advances to customers are carried net of any allowance for loan losses.

Write off of loans

Loans are written off against allowance for loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has received all available collateral. In accordance with the statutory legislation, loans may only be written off with the approval of the Credit Committee. Loans are written off on the 181st day of delay.

Non-accrual loans

Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 30 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. Interest income is not recognized if recovery is doubtful. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowance for losses

The Group establishes an allowance for losses of financial assets when it is probable that the Group will not be able to collect the principal and interest according to the contractual terms of financial assets, which are carried at cost or amortized cost. The allowance for losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral.

The determination of the allowance for loan losses is based on an analysis of the loan portfolio and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the loan portfolio. Specific provisions are made as a result of a detailed appraisal of risk assets.

The change in the allowance for loan losses is charged to profit and the total of the allowance for loan losses is deducted in arriving at loans and advances to customers and banks. Management's evaluation of the allowance is based on the Group's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses is adequate to absorb losses inherent in the loan portfolio.

Securities available-for-sale

Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such re-measurement included in the consolidated profit and loss account, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's securities available-for-sale. If such quotes do not exist, management estimation is used. Realised and unrealised gains and losses arising from changes in the fair value of securities available-for-sale are included in the consolidated profit and loss account in the period in which they arise as net gain/(loss) on investment securities. Interest earned on securities available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

Securities held-to-maturity

Securities held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment.

Fixed and intangible assets

Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2-4%
Furniture and equipment	20-50%
Intangible assets	10-30%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in other administrative and operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in other administrative and operating expenses unless they qualify for capitalization.

Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference being an impairment loss is recognized as an expense in the profit and loss account for the year in which it arises.

Deposits from banks and customers

Customers and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Country where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated profit and loss account.

Provisions

Provisions are recognized when the Group has a present obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital and share premium

Share capital is recognized at restated cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution. Treasury stock is recorded at cost. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Retirement and other benefit obligations

The Group does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into nonstate pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the above pension funds. The Group does not have any other pension arrangements schemes.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis calculated using the effective yield method. The recognition of interest income is suspended when loans become overdue by more then 30 days. Interest income also includes interest income earned on investment and trading securities. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognized on an accrual basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Rates of exchange

The exchange rates at year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2004	31 December 2003
KZT/USD	130.00	144.22
KZT/EUR	177.10	180.23

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as of 31 December 2003 to conform to the presentation as of 31 December 2004.

4. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Interest income		
Interest on loans and advances to customers	10,897,119	6,229,448
Interest on debt securities	1,024,146	617,996
Interest on loans and advances to banks	390,352	82,054
Interest on reverse repurchase transactions	85,354	32,646
Total interest income	12,396,971	6,962,144
Interest expense		
Interest on customer accounts	4,254,115	2,371,351
Interest on loans and advances from banks	1,465,663	604,602
Interest on subordinated debt	612,559	342,047
Interest on reverse repurchase transactions	22,968	15,540
Total interest expense	6,355,305	3,333,540
Net interest income before provision for loan losses	6,041,666	3,628,604

5. ALLOWANCE FOR LOSSES AND IMPAIRMENT, AND OTHER PROVISIONS

The movements in allowance for losses on interest earning assets were as follows:

	Loans and advances to customers KZT'000
31 December 2002	(1,536,632)
Provision	(1,434,198)
Write-off of assets	631,903
Transfer to other assets	51,437
31 December 2003	(2,287,490)
Provision	(2,418,052)
Write-off of assets	1,137,494
Recoveries of assets previously written off	(514,641)
31 December 2004	(4,082,689)

The movements in allowances for losses on other transactions were as follows:

	Investment securities KZT'000	Other Assets KZT'000	Guarantees and other commitments KZT'000	Total KZT'000
31 December 2002	(44,000)	(63,581)	(67,622)	(175,203)
(Provision)/recovery	-	(31,144)	26,001	(5,143)
Write-off of assets	-	145,639	2,998	148,637
Transfer from loans and advances to customers	-	(51,437)	-	(51,437)
31 December 2003	(44,000)	(523)	(38,623)	(83,146)
Provision	-	(68,148)	(50,514)	(118,662)
Write-off of assets	44,000	49,711	-	93,711
Transfer from guarantees and other commitments	-	14,342	(14,342)	-
31 December 2004	-	(4,618)	(103,479)	(108,097)

6. NET GAIN ON SECURITIES HELD-FOR-TRADING

Net gain on securities held-for-trading comprisefrom gain on trading of debt securities.

7. NET GAIN/(LOSS) ON INVESTMENT SECURITIES

Net gain/(loss) on investments securities include results from operations with available-for-sale securities and comprise:

	Year ended 2004 KZT'000	Year ended 2003 KZT'000
Unrealized loss from revaluation of securities available-for-sale	(46,417)	(16,034)
Net gain on derecognition of securities available-for-sale	122,393	12,245
Total net gain/(loss) on investment securities	75,976	(3,789)

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Dealing, net	889,116	485,201
Translation differences, net	(105,839)	(32,672)
Total net gain on foreign exchange operations	783,277	452,529

9. FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income and expense comprise:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Fees and commissions income:		
Cash operations	1,101,622	815,637
Settlements	1,063,609	681,450
Documentary operations	383,319	336,897
Trust operations	281,371	38,514
Foreign exchange operations	197,046	171,309
Loans operations	161,810	40,892
Internet – banking operations	29,678	15,876
Safe operations	13,830	38,601
Other operations	95,237	70,483
Total fees and commissions income	3,327,522	2,209,659
Fees and commissions expense:		
Settlements	183,518	100,492
Brokerage services	44,667	20,233
Documentary operations	36,817	7,821
Foreign exchange operations	25,847	11,576
Cash operations	4,789	30,061
Other operations	44,248	37,215
Total fees and commissions expense	339,886	207,398

10. OTHER INCOME

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Income from penalties	191,598	132,940
Income from sales of fixed and intangible assets and finished goods	95,540	40,419
Total other income	287,138	173,359

11. OPERATING EXPENSES

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Salary and bonuses	1,743,103	1,160,840
Other employees' benefits	492,560	176,488
Administrative services	368,153	218,702
Taxes, other than income tax	317,730	197,687
Depreciation of fixed and intangible assets	315,947	345,342
Advertising expenses	303,591	290,480
Social security costs	261,725	251,215
Lease expenses	238,938	108,569
Communication expenses	181,111	155,699
Repairs and maintenance expense	168,912	126,598
Obligatory guarantee payment to Deposit Insurance Fund	134,499	125,410
Business trip expenses	100,544	75,515
Entertainment expenses	83,442	48,570
Sponsorship	41,942	10,071
Presentation expense	36,336	33,788
Professional services fees	26,709	96,473
Other	148,497	118,596
	4,963,739	3,540,043

12. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from IFRS.

Tax assets/liabilities consist of the following as oa 31 December 2004 and 2003:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Deferred tax assets	38,289	-
Income tax assets	38,289	-

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Deferred tax liabilities	-	62,403
Income tax liabilities	-	62,403

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 31 December 2004 and 2003 comprise:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Deferred assets:		
Loans and advances to banks and customers	799,000	155,761
Total deferred assets	799,000	155,761
Deferred liabilities:		
Fixed assets	(671,370)	(513,517)
Total deferred liabilities	(671,370)	(513,517)
Net deferred assets/(liabilities)	127,630	(357,756)
Deferred tax assets/(liabilities) at the statutory rate (30%)	38,289	(107,327)
Valuation allowance	-	-
Net deferred tax assets/(liabilities)	38,289	(107,327)
Loss carry forward at the statutory tax rate (30%)	-	44,924
Net deferred tax assets/(liabilities)	38,289	(62,403)

Relationships between tax expenses and accounting profit for the years ended 31 December 2004 and 2003 are explained as follows:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Profit before income tax and minority interest	2,772,096	1,386,337
Statutory tax rate	30%	30%
Tax at the statutory tax rate	831,629	415,901
Tax effect of permanent differences	(446,352)	106,605
Loss carry forward	-	(29,973)
Change in deferred tax asset/(liability)	(100,692)	(371,457)
Income tax expense	284,585	121,076
Current income tax expense	385,277	58,673
Deferred tax (benefit)/expenses	(100,692)	62,403
Income tax expense	284,585	121,076

	2004 KZT'000	2003 KZT'000
Deferred income tax (liabilities)/assets		
At beginning of the period	(62,403)	-
Change of the deferred income tax for the period	100,692	(62,403)
At end of the period	38,289	(62,403)

13. MINORITY INTEREST

The movement in minority interest during the years ended 31 December 2004 and 2003 comprises:

	2004 KZT'000	2003 KZT'000
1 January	46,492	2,083
Acquisition of subsidiaries	-	73,049
Change of minority interest	1,915	-
Share of net profit/(loss)	15,590	(28,640)
31 December	63,997	46,492

14. EARNINGS PER SHARE

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000
Net income	2,471,921	1,293,901
Weighted average number of shares	30,085,051	20,340,124
Earnings per share in KZT	82.16	63.61

15. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	2004 KZT'000	2003 KZT'000
Cash on hand	3,487,158	2,953,350
Balance with the National Bank of the Republic of Kazakhstan	2,250,133	2,394,391
Precious metals	885	889
Time deposit with the National Bank of the Republic of Kazakhstan	3,000,000	300,000
Interest accrued	894	-
Total cash and balances with the National Bank of the Republic of Kazakhstan	8,739,070	5,648,630

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	2004 KZT'000	2003 KZT'000
Cash and balance with the National Bank of the Republic of Kazakhstan	8,739,070	5,648,630
Loans and advances to banks of OECD countries	5,780,723	5,595,746
Total cash and cash equivalents	14,519,793	11,244,376

16. LOANS AND ADVANCES TO BANKS

Loans and advances to banks comprise:

	2004 KZT'000	2003 KZT'000
Loans and advances to banks	8,986,069	6,513,721
Correspondent accounts with other banks	729,305	2,979,727
Accrued interest income on loans and advances to banks	29,734	605
Total loans and advances to banks	9,745,108	9,494,053

As of 31 December 2004 and 2003 the Group had loans and advances to 3 banks totaling KZT 4,830,700 thousand and 3,341,112 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

17. SECURITIES HELD - FOR - TRADING

	Interest to nominal %	2004 KZT'000	Interest to nominal %	2003 KZT'000
Bank of Development of the Republic of Kazakhstan bonds	4.24-6.17	1,528,245	7.13-7.38	878,903
US treasury bonds	3.66-4.37	516,046	3.38-4.25	288,974
TuranAlem Finance B.V. Bonds	5.93-5.97	299,240	-	-
Kazkommerts International B.V. Bonds	5.66-15.69	287,020	-	-
JSC Alliance Bank Bonds	9.37-10.03	100,318	-	-
JSC Halyk Saving Bank Bonds	7.35-11.04	68,760	-	-
JSC KazTransOil Bonds	-	-	8.50	123,366
JSC BankTuranAlem Bonds	-	-	10-11.5	121,654
Other	-	111,753	-	-
		2,911,382		1,412,897

As of 31 December 2004 and 2003 included in trading securities is accrued interest income on debt securities amounting to KZT 30,771 thousand and KZT 15,352 thousand, respectively.

Corporate bonds represent bonds of prime Kazakh corporations with maturities between 3 and 10 years.

US State Treasury Bonds are USD denominated government securities with maturities between 5 and 10 years.

As of 31 December 2003 trading securities included corporate bonds and bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreement with other banks amounting to KZT 1,690,766 thousand. All agreements have maturity within one month.

18. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

As of 31 December 2004 and 2003 the Group purchased fixed income debt securities amounting to KZT 7,843,313 thousand and 68,182 thousand, respectively, under agreements to resell them in 6 and 14 month period, respectively. In 2004 interest rates from 1.3% to 15% (2003: 2.5%) are accrued as income on the above securities. The carrying amount of securities approximates to the market value. The interest accued comprises KZT 5,730 thousand and KZT 4,173 thousand as of 31 December 2004 and 31 December 2003, respectively.

19. LOANS AND ADVANCES TO CUSTOMERS

	2004 KZT'000	2003 KZT'000
Originated loans	92,585,842	52,450,179
Net investment in finance lease	817,789	198,112
Accrued interest income on loans to customers	2,135,286	1,707,960
	95,538,917	54,356,251
Less allowance for loan losses	(4,082,689)	(2,287,490)
Total loans to customers, net	91,456,228	52,068,761

	2004 KZT'000	2003 KZT'000
Loans collateralized by real estate	60,399,000	33,931,368
Loans collateralized by goods in turnover	13,788,492	7,326,880
Loans collateralized by equipment	9,566,935	5,285,867
Loans collateralized by other assets	4,924,723	3,317,036
Loans collateralized by corporate guarantees	2,772,578	1,758,141
Loans collateralized by cash	2,382,910	1,115,362
Loans collateralized by precious metals	893,637	817,023
Unsecured loans	810,642	804,574
	95,538,917	54,356,251
Less allowance for loan losses	(4,082,689)	(2,287,490)
Total loans and advances to customers, net	91,456,228	52,068,761

Movements in allowances for loan losses for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

	2004 KZT'000	2003 KZT'000
Analysis by sector		
Trading	21,703,923	14,366,127
Retail loans and mortgage	19,298,577	8,386,031
Food industry	10,430,436	7,445,442
Manufacturing	11,698,719	6,160,992
Construction	6,685,046	2,360,533
Agriculture	6,485,437	2,619,504
Oil and gas	4,689,029	1,486,922
Transportation and equipment maintenance services, rendered to enterprises	4,122,654	2,386,916
Mining of precious metals	3,090,033	3,725,974
Real estate	3,051,981	1,523,321
Telecommunications and transport	998,126	1,554,075
Mass media	981,140	466,034
Metallurgy	250,695	323,877
Machinery	168,384	74,377
Energy	124,748	364,592
Financial sector	24,680	70,537
Other	1,735,309	1,040,997
	95,538,917	54,356,251
Less allowance for loan losses	(4,082,689)	(2,287,490)
Total loans and advances to customers, net	91,456,228	52,068,761

The components of net investment in finance lease as of 31 December 2004 are as follows:

	2004 KZT'000	2003 KZT'000
Total minimum lease and maintenance payments	817,789	198,112
Less: executory costs	-	-
Net minimum lease payments	817,789	198,112
Less: unear ned finance income	-	-
Net investment in finance lease	**817,789**	**198,112**
Current portion	269,821	65,377
Long-term portion	547,968	132,735
Net investment in finance lease	**817,789**	**198,112**

The present value of future minimum lease payments due from customer under finance lease as of 31 December 2004 are as follows:

	2004 KZT'000	2003 KZT'000
Not later than one year	269,821	65,377
Later than one year not later than five years	547,968	132,735
Total future minimum lease payments	**817,789**	**198,112**

As of 31 December 2004 and 2003 included in loans and advances to customers are non-accrual loans amounting to KZT 518,578 thousand and KZT 489,888 thousand, respectively, on which interest was not accrued.

As of 31 December 2004 and 2003 the Group had 8 and 13 loans to customers totaling KZT 18,704,097 thousand and KZT 14,760,011 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

20. INVESTMENT SECURITIES

Securities available-for-sale

	Interest to nominal %	2004 KZT'000	Interest to nominal %	2003 KZT'000
Debt securities				
NBRK notes	-	9,787,145	-	2,348,494
Bonds of the Ministry of Finance of the RK	2.86-5.72	6,145,628	4-16.3	1,911,943
Kazakhstan Mortgage Company	6.2-7.8	2,738,117	9	1,114,287
Eurobonds, issued by the Republic of Kazakhstan	3.49-3.72	1,267,458	11.13-13.63	1,769,905
JSC Halyk Saving Bank Bonds	7.35-11.04	753,565	7.7-11.45	469,856
JSC Bank Caspian Bonds	8.37	293,401	-	-
Municipal bonds of state local authorities	11.21	146,972	-	-
JSC Astana Finance Bonds	8.21-11.16	126,251	9	15,489
JSC Valut Transit Bank Bonds	12.35	88,809	10	227,471
Kazkommerts International Euro BondsB.V.	5.66-15.69	5,155	-	-
JSC Alliance Bank	9.37-10.03	1,306	-	-
Kustanai Asbest	-	-	12	123,221
Almaty Kys	-	-	10	267,445
Development bank of Kazakhstan	-	-	7.38	301,750
Other	-	367		4,159
		21,354,174		8,554,020

Movements in allowances are shown in Note 5.

	Share %	2004 KZT'000	Share %	2003 KZT'000
Shares				
JSC Oil Insurance Company	5.7	41,091	5.45	37,606
JSC Halyk Pension Fund	12.47	36,700	6.57	17,400
JSC Pension Fund Korgau	9.44	28,328	5.58	17,000
JSC Processing Center	1.37	10,000	1.37	10,000
First Credit Bureau LLP	14.29	4,050	-	-
KASE	2.28	2,200	-	-
Association of Financiers of Kazakhstan	16.6	675	-	-
JSC Central Depositary of Securities	2.5	200	-	-
JSC Alliance Bank	-	-	6.9	250,000
JSC ValutTransitBank	-	-	2.9	91,429
JSC Astana Hotel (100% impairment)	-	-	-	44,000
JSC Halyk Saving Bank	-	-	-	6,378
JSC Kazakhtelecom	-	-	-	1,792
Other	-	1,321	-	14,240
		124,565		489,845
Less allowance for impairment	-	-	-	(44,000)
		-		445,845
Total securities available for sale, net		21,478,739		8,999,865

Securities held-to-maturity

	Interest to nominal %	2004 KZT'000	Interest to nominal %	2003 KZT'000
JSC Texaka Bank Bonds	11	40,044	-	-
NBRK notes	-	6,653	-	-
Bonds of Kazkahstan Mortgage Company	8.09-11.25	3,909	-	-
JSC Astana Finance Bonds	9	2,572	-	-
JSC Bank of Development of Kazakhstan Bonds	9.5	1,795	-	-
Total securities held-to-maturity		54,973		-

The interest accrued as of 31 December 2004 and 31 December 2003 was KZT 181,600 thousand and KZT 107,261 thousand, respectively.

21. FIXED AND INTANGIBLE ASSETS

	Building KZT'000	Furniture and equipment KZT'000	Construction in progress KZT'000	Intangible assets KZT'000	Total KZT'000
At cost					
31 December 2003	1,225,546	1,966,061	63,292	235,361	3,490,260
Additions	137,425	1,185,414	531,031	91,369	1,945,239
Transfers	-	-	-	2,063	2,063
Disposals	(1,705)	(453,958)	(29,591)	-	(485,254)
31 December 2004	1,361,266	2,697,517	564,732	328,793	4,952,308
Accumulated depreciation					
31 December 2003	(126,284)	(590,101)	-	(85,378)	(801,763)
Charge for the year	(20,414)	(246,140)		(49,393)	(315,947)
Transfers	-	(2,063)	-	-	(2,063)
Disposals	27	55,228	-	-	55,255
31 December 2004	(146,671)	(783,076)	-	(134,771)	(1,064,518)
Net book value					
31 December 2004	1,214,595	1,914,441	564,732	194,022	3,887,790
Net book value					
31 December 2003	1,099,262	1,375,960	63,292	149,983	2,688,497

22. OTHER ASSETS

Other assets comprise:

	2004 KZT'000	2003 KZT'000
Debtors on capital investments	1,019,046	82,691
Prepayments and receivables on other transactions	616,264	452,135
Taxes receivable (other than income tax)	155,870	79,008
Inventory	140,562	118,432
Receivable from sale of collateral repossessed	134,717	472,322
Western Union and other wireless transfers	92,433	122,055
Accrued commission	85,529	41,603
Due from the Government on foreign exchange losses for long term mortgage loans	51,833	49,782
Travelers cheques	23,437	17,351
Advances to employees	2,513	3,334
Other	11,188	93,943
	2,333,392	1,532,656
Allowance for losses on other assets	(4,618)	(523)
Total other assets	**2,328,774**	**1,532,133**

Movements in allowances for losses on other assets for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

23. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2004 KZT'000	2003 KZT'000
Correspondent accounts of other banks	525,172	605,231
Loans from banks and financial institutions, including:		
Syndicated loan from a group of banks *(Bank Austria, Austria, maturity – March 9, 2005, 5.3%)*	910,000	-
Syndicated loan from a group of banks *(Bayerische Hypo-und Vereinsbank AG, Germany, maturity – November 25, 2005, 5.4%)*	9,100,000	5,191,920
Syndicated loan from a group of banks *(ING Bank, the Netherlands, maturity – June 18, 2005 , 5.2%)*	5,850,000	-
Short –term loans from other banks	7,848,093	6,685,869
Overnight deposits of other banks	-	4,802,129
Loans from international credit organizations	7,526,390	2,670,569
Short-term deposits of other banks	2,500,000	-
Loans received from Government of the Republic of Kazakhstan and NBRK	357,320	585,609
Accrued interest expenses	346,506	187,056
Total loans and advances from banks	34,963,481	20,728,383

24. CUSTOMER ACCOUNTS

Customer accounts comprise:

	2004 KZT'000	2003 KZT'000
Time deposits	68,478,191	31,505,738
Repayable on demand	22,020,643	15,772,630
Accrued interest expense on customer accounts	844,439	364,996
Total customer accounts	91,343,273	47,643,364

As of 31 December 2004 and 2003 customer accounts amounting to KZT 13,751,313 thousand and KZT 6,018,197 thousand were due to 5 and 4 customers, respectively, which represents significant concentration.

	2004 KZT'000	2003 KZT'000
Analysis of customer accounts by industry		
Individuals	41,382,592	20,962,386
Social services	12,140,670	5,749,898
Fuel	11,230,573	4,120,043
Insurance	5,081,727	4,906,777
Trade	3,955,368	3,194,544
Real estate constructions	2,750,058	162,358
Metallurgy	2,476,712	325
Agriculture	2,454,799	1,597,560
Transportation and communication	2,266,321	1,668,926
Manufacturing	2,124,550	695,846
Machinery	199,946	169,808
Energy	189,312	142,656
Chemical	23,728	40,950
Other	4,222,478	3,866,291
Accrued interest expense on customer accounts	844,439	364,996
Total customer deposits	91,343,273	47,643,364

25. OTHER LIABILITIES

	2004 KZT'000	2003 KZT'000
Settlement on other transactions	505,388	376,433
Advances received	162,101	9,075
Taxes payable, other than income tax	138,270	35,064
Allowance for losses on guarantees and other commitments	103,479	38,623
Other	23	39,341
Accrued commission expense	6,779	58,458
Total other liabilities	916,040	556,994

Movements on allowance for losses and guarantees and other commitments are disclosed in the Note 5.

26. SUBORDINATED DEBT

Subordinated debt comprise:

	2004 KZT'000	2003 KZT'000
Interest bearing notes (Indexed in KZT)	8,395,730	3,453,549
Interest bearing notes (USD)	589,722	648,530
	8,985,452	4,102,079

Discount on the interest bearing notes is amortized over the life of the note and is recorded in interest expense on debt securities issued using the effective interest rate method.

As of 31 December 2004 and 2003 interests rates on interest bearing notes denominated in foreign currency were 12% per annum. Interest rates on the interest bearing notes denominated in Tenge range from 10% to 12.8% per annum and from 10% to 13.3% per annum, respectively.

The maturity of Notes is differentiated from 2005 and 2014.

Interest accrued on subordinated debt as of 31 December 2004 and 2003 was KZT 120,806 thousand and KZT 58,458 thousand, respectively.

27. SHAREHOLDERS' EQUITY

As of 31 December 2004 and 2003 share capital authorized, issued and fully paid comprised of 36,811,244 and 25,316,695 ordinary shares. All ordinary shares are ranked equally and carry one vote. Share premium represents the excess of contributions received over the nominal value of shares issued.

During the years ended 31 December 2004 and 2003 the Group issued 11,494,549 and 10,000,000 ordinary shares, respectively.

28. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2004 and 2003, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	2004 KZT'000		2003 KZT'000	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and other similar commitments	9,062,886	9,062,886	3,907,898	3,907,898
Letters of credit and other transaction related contingent liabilities	5,361,046	2,664,972	831,149	339,239
Total contingent liabilities and credit commitments	**14,423,932**	**11,727,858**	**4,739,047**	**4,247,137**

Capital commitments

The Group had no material commitments for capital expenditures outstanding as of 31 December 2004 and 2003.

Rental commitments

No material rental commitment was outstanding as of 31 December 2004 and 2003.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are returned to the client. These amounts are the average balance of the clients' funds under the management of the Group during 2004 and 2003, including assets under trusteeship as of 31 December 2004 and 2003 in the amount of KZT 13,773,403 thousand and KZT 5,572,000 thousand, respectively.

The Group renders depository services. As of 31 December 2004 the Group had 3,416,936,126 items of securities at nominal account for dealing operations of clients.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As of 31 December 2004 and 2003, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 (Related party disclosures), are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

(c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group` and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 31 December 2004 and 31 December 2003:

	2004 KZT'000		2003 KZT'000	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers, gross	1,294,523	95,538,917	450,958	54,356,251
Allowance for losses on loans to customers	(22,294)	(4,082,689)	68,872	2,287,490
Investment securities:				
- available-for-sale;	114,275	21,478,739	71,800	8,999,865
Subordinated debt	22,399	8,985,452	9,054	4,102,079
Customers accounts	338,626	91,343,273	-	47,643,364
Guarantees issued	5,040	9,062,886	5,913	3,907,898

During the years ended 31 December 2004 and 2003 the Group originated loans and advances to customers – related parties amounting to KZT 977,179 thousand and KZT 335,580 thousand, respectively, and received loans and advances repaid of KZT 133,614 thousand and KZT 256,699 thousand, respectively. The Group has interest income accrued in respect of loans and advances granted to related parties totaling KZT 65,348 thousand and KZT 67,845 thousand, respectively, as of 31 December 2004 and 2003.

During the year ended 31 December 2004 and 2003 the Group received deposits and advances from customers – related parties of KZT 589,789 and KZT nil, respectively and deposits and advances repaid totaling KZT 251,163 and KZT nil, respectively.

As of 31 December 2004 and 2003 the Group purchased securities under repos agreements from related parties for the total of KZT 114,275 thousand and KZT 71,800 thousand, respectively.

During the years ended 31 December 2004 and 2003 the Group issued guarantees and standby letters of credit on behalf of related parties of KZT 646,225 thousand and KZT 123,511 thousand, respectively.

During the years ended 31 December 2004 and 2003 the Group issued on the KASE (Kazakhstani exchange) the debt securities for amount KZT 4,883,373 thousand and KZT 1,927,268 thousand, respectively.

Included in the consolidated profit and loss account for the years ended 31 December 2004 and 2003 are the following amounts which arose due to transactions with relared parties:

	2004 KZT'000		2003 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income		12,396,971		6,962,144
- related companies	135,143		40,768	
- directors	12,383		5,006	
Interest expense		6,355,305		3,333,540
- related companies	1,514		226	
Salary for key management personnel	49,423	1,743,103	31,592	1,160,840

Transactions with related parties entered by the Group during the years ended 31 December 2004 and 2003 and outstanding as of 31 December 2004 and 2003 were made in the normal course of business and mostly under arm-length conditions.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2004 and 2003 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the National Bank of the Republic of Kazakhstan

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Loans and advances to bank

As of 31 December 2004 and 2003, the carrying amount of deposits and advances given is a reasonable estimate of their fair value.

Securities held-for-trading

As of 31 December 2004 and 2003 securities held-for-trading are stated at fair value. The fair value of securities held-for-trading was determined with reference to an active market.

Securities purchased under repurchase agreements

As of 31 December 2004 and 2003, the carrying amount of securities purchased under repurchase agreements is a reasonable estimate of the fair value.

Loans and advances to customers

The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for loan losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities available-for-sale

As of 31 December 2004 and 2003 debt securities available-for-sale are stated at fair value amounting to KZT 21,172,574 thousand and KZT 8,446,759 thousand, respectively, plus accrued coupon income totaling KZT 181,600 thousand and KZT 107,261, respectively. Fair value of securities available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market.

As of 31 December 2003 securities for the amount KZT 44,000 thousands were accounted at cost and 100% allowance for impairment was created.

For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity, in other cases – by reference to the share in estimated equity capital of investee. If such quotes do not exist, management estimation is used.

Securities held-to-maturity

Securities held-to-maturity are stated at cost and adjusted for accretion and amortization of premiums and discounts, respectively. The fair value of securities held-to-maturity as of 31 December 2004 was KZT 45,422 thousand. The fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities the fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Loans and advances from banks

As of 31 December 2004 and 2003 the carrying amount is a reasonable estimate of their fair value.

Customer accounts

As of 31 December 2004 and 2003, the carrying amount of customer deposits and current customer accounts is a reasonable estimate of their fair value.

Securities purchased under repurchase agreements

As of 31 December 2003 the carrying value of securities sold under repos agreement is a reasonable estimate of their fair value.

Subordinated debt

As of 31 December 2004 and 2003 the carrying amount of subordinated debt is a reasonable estimate of its fair value.

31. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Group's provisions for the principal risks.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the NBRK
0%	State debt securities in KZT
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Guarantees
100%	Other assets

The Group's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual amount KZT'000	For Capital Adequacy purposes KZT'000	Ratio For Capital Adequacy purposes %	Minimum Required Ratio %
At 31 December 2004				
Total capital	12,211,423	19,686,218	17.43	8
Tier 1 capital	7,466,920	11,998,453	10.63	4
At 31 December 2003				
Total capital	7,440,592	11,882,954	17.24	8
Tier 1 capital	5,168,010	7,161,970	10.39	4

During computation of total capital for capital adequacy purposes as of 31 December 2003 the Group included the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

32. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimisation. Risk Analysis and Management Department performs determination of the optimim structure of balance, limitis on ligudity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liguidity ratios.

The following table presents an analysis of interest rate risk and liquidity risk on balance sheet.

	2004						
	Up to 1 month KZT'000	1 month to 3 months KZT'000	3 month to 1 year KZT'000	1 year to 5 years KZT'000	Over 5 years KZT'000	Allowance for losses KZT'000	Total KZT'000
ASSETS							
Interest rate bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	3,000,000	-	-	-	-	-	3,000,000
Loans and advances to banks	8,193,289	120,000	672,780	-	-	-	8,986,069
Securities held-for-trading	2,880,611	-	-	-	-	-	2,880,611
Securities purchased under agreement to resell	7,645,278	35,009	157,296	-	-	-	7,837,583
Loans and advances to customers, less allowance for loan losses	4,364,507	7,490,253	41,575,934	39,229,882	224,477	(3,564,111)	89,320,942
Investment securities	19,764,021	-	10,210	1,408,996	44,320	-	21,227,547
Total interest rate bearing	45,847,706	7,645,262	42,416,220	40,638,878	268,797	(3,564,111)	133,252,752
Cash and balances with the National Bank of the Republic of Kazakhstan	5,738,176	-	-	-	-	-	5,738,176
Fixed and intangible assets, less accumulated depreciation	-	-	-	2,673,195	1,214,595	-	3,887,790
Income tax asset	38,289	-	-	-	-	-	38,289
Overdue loans to customers, less allowance for loan losses	518,578	-	-	-	-	(518,578)	-
Loans and advances to banks	729,305	-	-	-	-	-	729,305
Investment securities	124,565	-	-	-	-	-	124,565
Other assets, less allowance for losses	1,146,114	5,182	23,096	1,158,754	246	(4,618)	2,328,774
Interest accrued on interest bearing assets	2,384,015	-	-	-	-	-	2,384,015
TOTAL ASSETS	56,526,748	7,650,444	42,439,316	44,470,827	1,483,638	(4,087,307)	148,483,666
LIABILITIES							
Interest rate bearing liabilities:							
Loans and advances from banks	10,954,076	3,066,618	13,818,438	5,966,480	286,191	-	34,091,803
Customer accounts	10,679,153	9,565,178	15,941,693	31,234,430	-	-	67,420,454
Subordinated debt	-	-	586,631	8,278,015	-	-	8,864,646
Total interest bearing liabilities	21,633,229	12,631,796	30,346,762	45,478,925	286,191	-	110,376,903
Loans and advances from banks	525,172	-	-	-	-	-	525,172
Customer accounts	23,078,380	-	-	-	-	-	23,078,380
Other liabilities	773,614	3,603	7,873	-	27,471	103,479	916,040
Interest accrued on interest bearing liabilities	1,311,751	-	-	-	-	-	1,311,751
TOTAL LIABILITIES	47,322,146	12,635,399	30,354,635	45,478,925	313,662	103,479	136,208,246
Liquidity gap	6,585,121	(4,932,993)	12,043,200	1,600,902	1,169,976		
Interest sensitivity gap	24,217,477	(4,986,534)	12,069,458	(4,840,047)	(17,394)		
Cumulative interest sensitivity gap	24,217,477	19,227,943	31,297,401	26,457,354	26,439,960		
Cumulative interest sensitivity gap as a percentage of total assets	16.31%	12.95%	21.08%	17.82%	17.81%		

	Up to 1 month KZT'000	1 month to 3 months KZT'000	3 month to 1 year KZT'000	2003 1 year to 5 years KZT'000	Over 5 years KZT'000	Allowance for losses KZT'000	Total KZT'000
ASSETS							
Interest rate bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	300,000	-	-	-	-	-	300,000
Loans and advances to banks	6,209,355	-	246,678	57,688	-	-	6,513,721
Securities held-for-trading	1,397,545	-	-	-	-	-	1,397,545
Securities purchased under agreement to resell	29,000	-	35,009	-	-	-	64,009
Loans and advances to customers, less allowance for loan losses	3,603,083	7,186,415	23,947,456	16,477,950	943,499	(1,797,602)	50,360,801
Investment securities	6,863,213	117,539	-	1,466,007	-	-	8,446,759
Total interest rate bearing	18,402,196	7,303,954	24,229,143	18,001,645	943,499	(1,797,602)	67,082,835
Cash and balances with the National Bank of the Republic of Kazakhstan	5,348,630	-	-	-	-	-	5,348,630
Loans and advances to customers	489,888	-	-	-	-	(489,888)	-
Loans and advances to banks	2,979,727	-	-	-	-	-	2,979,727
Investment securitites	489,845	-	-	-	-	(44,000)	445,845
Fixed and intangible assets, less accumulated depreciation	-	-	-	1,589,235	1,099,262	-	2,688,497
Interest accrued on interest bearing assets	1,835,351	-	-	-	-	-	1,835,351
Other assets, less allowance for losses	1,454,010	-	-	78,646	-	(523)	1,532,133
TOTAL ASSETS	30,999,647	7,303,954	24,229,143	19,669,526	2,042,761	(2,332,013)	81,913,018
LIABILITIES							
Interest rate bearing liabilities:							
Loans and advances from banks	1,581,863	1,939,648	11,808,830	4,605,755	-	-	19,936,096
Securities sold under agreement to repurchase	1,332,711	-	-	-	-	-	1,332,711
Customer accounts	4,143,038	7,894,518	11,651,045	7,817,137	-	-	31,505,738
Subordinated debt	-	-	-	644,985	3,398,636	-	4,043,621
Total interest bearing liabilities	7,057,612	9,834,166	23,459,875	13,067,877	3,398,636	-	58,818,166
Loans and advances from banks	605,231	-	-	-	-	-	605,231
Customer accounts	15,772,630	-	-	-	-	-	15,772,630
Income tax liabilities	-	-	62,403	-	-	-	62,403
Other liabilities	404,955	65,153	12,303	35,960	-	38,623	556,994
Interest accrued on interest bearing liabilities	610,510	-	-	-	-	-	610,510
TOTAL LIABILITIES	24,450,938	9,899,319	23,534,581	13,103,837	3,398,636	38,623	74,425,934
Liquidity gap	6,548,709	(2,595,365)	694,562	6,565,689	(1,355,875)		
Interest sensitivity gap	11,344,584	(2,530,212)	769,268	4,933,768	(2,455,137)		
Cumulative interest sensitivity gap	11,344,584	8,814,372	9,583,640	14,517,408	12,062,271		
Cumulative interest sensitivity gap as a percentage of total assets	13.85%	10.76%	11.70%	17.72%	14.73%		

Interest rate and market risks

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

The Treasury Department performs management of interest rate and market risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Group to avoid negative interest margin. Risk Analysis and Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	2004				2003			
	KZT	USD	EURO	Other currency	KZT	USD	EURO	Other currency
ASSETS								
Loans and advances to banks	5.9%	2.3%	2.3%	2%	5.5%	2.5%	-	2.5%
Securities held-for-trading	5.7%	5.6%	-	-	5.5%	4.5%	-	-
Securities purchased under agreement to resell	1.5%	3.1%	-	-	2.5%	1.5%	-	-
Loans and advances to customers	15.18%	14.5%	9.8%	-	16%	15.2%	13.2%	-
Investment securities:				-				-
- securities available-for-sale	4.5%	4.9%	-	-	5.5%	4.5%	-	-
- securities held-to-maturity	-	-	-	-	-	-	-	-
LIABILITIES								
Loans and advances from banks	6%	4.9%	3.9%	-	-	-	-	-
Securities sold under agreement to repurchase	-	-	-	-	2.5%	-	-	-
Customer accounts	10.3%	6.6%	7.1%	-	10%	6.2%	6%	-
Subordinated debt	10.6%	12%	-	-	12%	10%	-	-

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	2004					
	KZT	USD 1USD= KZT 130.00	EUR 1EUR= KZT 177.10	Other currency	Allowance for losses	Total KZT'000
ASSETS:						
Cash and balances with the National Bank of the Republic of Kazakhstan	7,634,212	834,566	246,735	23,557	-	8,739,070
Loans and advances to banks	2,633,373	3,681,283	3,296,246	134,206	-	9,745,108
Securities held-for-trading	212,070	2,699,312	-	-	-	2,911,382
Securities purchased under agreement to resell	7,843,313	-	-	-	-	7,843,313
Loans and advances to customers, less allowance for loan losses	40,260,635	54,601,700	676,582		(4,082,689)	91,456,228
Investment securities	20,261,099	1,272,613	-	-	-	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	-	-	-	-	3,887,790
Income tax assets	38,289	-	-	-	-	38,289
Other assets, less allowance for losses	2,227,107	98,348	7,937	-	(4,618)	2,328,774
TOTAL ASSETS	84,997,888	63,187,822	4,227,500	157,763	(4,087,307)	148,483,666
LIABILITIES:						
Loans and advances from banks	3,310,267	28,997,978	2,654,933	303	-	34,963,481
Customer accounts	56,167,874	33,076,961	1,983,109	115,329	-	91,343,273
Subordinated debt	8,395,730	589,722	-	-	-	8,985,452
Other liabilities	618,428	130,577	57,843	5,713	103,479	916,040
TOTAL LIABILITIES	68,492,299	62,795,238	4,695,885	121,345	103,479	136,208,246
OPEN BALANCE SHEET POSITION	16,505,589	392,584	468,385	36,418		

				2003		
	KZT	USD 1USD=KZT 144.22	EUR 1EUR=KZT 180.23	Other currency	Allowance for losses	Total KZT'000
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	3,700,222	1,685,532	247,474	15,402	-	5,648,630
Loans and advances to banks	1,006,301	7,657,314	623,724	206,714	-	9,494,053
Securities held-for-trading	-	1,412,897	-	-	-	1,412,897
Securities purchased under agreement to resell	68,182	-	-	-	-	68,182
Loans and advances to customers, less allowance for loan losses	29,324,757	24,581,177	450,317	-	(2,287,490)	52,068,761
Investment securities	6,972,210	2,071,655	-	-	(44,000)	8,999,865
Fixed and intangible assets, less accumulated depreciation	2,688,497	-	-	-	-	2,688,497
Other assets, less allowance for losses	1,302,480	225,757	4,391	28	(523)	1,532,133
TOTAL ASSETS	45,062,649	37,634,332	1,325,906	222,144	(2,332,013)	81,913,018
LIABILITIES						
Loans and advances from banks	1,494,441	18,653,546	580,396	-	-	20,728,383
Securities sold under agreements to repurchase	321,010	1,011,701	-	-	-	1,332,711
Customer accounts	28,935,561	17,727,326	851,840	128,637	-	47,643,364
Subordinated debt	3,453,549	648,530	-	-	-	4,102,079
Income tax liabilities	62,403	-	-	-	-	62,403
Other liabilities	376,313	118,495	21,178	2,385	38,623	556,994
TOTAL LIABILITIES	34,643,277	38,159,598	1,453,414	131,022	38,623	74,425,934
OPEN BALANCE SHEET POSITION	10,419,372	525,266	(127,508)	91,122		

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by borrower and product (by industry sector, by region) are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	2004				
	Kazakhstan KZT'000	Other non OECD countries KZT'000	OECD Countries KZT'000	Allowance for losses KZT'000	Total KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	8,739,070	-	-	-	8,739,070
Loans and advances to banks	3,829,796	134,589	5,780,723	-	9,745,108
Securities held-for-trading	2,395,336	-	516,046	-	2,911,382
Securities purchased under agreement to resell	7,843,313	-	-	-	7,843,313
Loans and advances to customers, less allowance for loan losses	95,001,964	533,257	3,696	(4,082,689)	91,456,228
Investment securities	21,533,712	-	-	-	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	-	-	-	3,887,790
Income tax assets	38,289	-	-	-	38,289
Other assets, less allowance for losses	2,333,392	-	-	(4,618)	2,328,774
TOTAL ASSETS	145,602,662	667,846	6,300,465	(4,087,307)	148,483,666
LIABILITIES					
Loans and advances from banks	9,144,018	356,680	25,462,783	-	34,963,481
Customer accounts	91,343,273	-	-	-	91,343,273
Subordinated debt	8,985,452	-	-	-	8,985,452
Other liabilities	812,561	-	-	103,479	916,040
TOTAL LIABILITIES	110,285,304	356,680	25,462,783	103,479	136,208,246
NET BALANCE SHEET POSITION	35,317,358	311,166	(19,162,318)		

	Kazakhstan KZT'000	Other non OECD countries KZT'000	2003 OECD Countries KZT'000	Allowance for losses KZT'000	Total KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	5,648,630	-	-	-	5,648,630
Loans and advances to banks	2,176,328	1,721,979	5,595,746	-	9,494,053
Securities held-for-trading	1,123,923	-	288,974	-	1,412,897
Securities purchased under agreement to resell	68,182	-	-	-	68,182
Loans and advances to customers, less allowance for loan losses	54,356,251	-	-	(2,287,490)	52,068,761
Investment securities, less allowance for impairment	9,043,865	-	-	(44,000)	8,999,865
Fixed and intangible assets, less accumulated depreciation	2,688,497	-	-	-	2,688,497
Other assets, less allowance for losses	1,532,656	-	-	(523)	1,532,133
TOTAL ASSETS	76,638,332	1,721,979	5,884,720	(2,332,013)	81,913,018
LIABILITIES					
Loans and advances from banks	4,188,187	721,617	15,818,579	-	20,728,383
Securities sold under agreements to repurchase	1,332,711	-	-	-	1,332,711
Customer accounts	47,643,364	-	-	-	47,643,364
Subordinated debt	4,102,079	-	-	-	4,102,079
Income tax liabilities	62,403	-	-	-	62,403
Other liabilities	518,371	-	-	38,623	556,994
TOTAL LIABILITIES	57,847,115	721,617	15,818,579	38,623	74,425,934
NET BALANCE SHEET POSITION	18,791,217	1,000,362	(9,933,859)		

33. SUBSEQUENT EVENTS

On 11 February 2005 the Bank has issued Eurobond amounting to USD 200.000 thousand with maturity 2008 and these bonds bear an interest equals to 8%.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Notes	Six months ended 30 June 2006 (unaudited) (KZT'000)	Six months ended 30 June 2005 (unaudited) (KZT'000)
Interest income	4, 18	20,502,086	10,086,084
Interest expense	4, 18	(12,717,560)	(5,820,219)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS.		7,784,526	4,265,865
Provision for impairment losses on interest bearing assets		(2,383,721)	(2,418,113)
NET INTEREST INCOME		5,400,805	1,847,752
Fees and commission income		3,219,782	2,333,640
Fees and commission expense		(387,217)	(241,508)
Net gain on assets held-for-trading		320,768	44,607
Net (loss)/gain on investments available-for-sale		(493)	359,949
Net gain on foreign exchange operations		216,067	568,858
Other income		398,689	276,590
NET NON-INTEREST INCOME		3,767,596	3,342,136
OPERATING INCOME		9,168,401	5,189,888
OPERATING EXPENSES		(4,621,577)	(3,008,875)
OPERATING PROFIT		4,546,824	2,181,013
(Provision)/recovery of provision for impairment losses on other transactions		(634,731)	83,589
PROFIT BEFORE INCOME TAX		3,912,093	2,264,602
Income tax expense	5	(402,869)	(150,949)
NET PROFIT		3,509,224	2,113,653
Attributable to:			
Equity holders of the parent		3,463,866	2,115,523
Minority interest		45,358	(1,870)
		3,509,224	2,113,653
Earnings per share (tenge)	**6**	**43.13**	**52.38**

On behalf of the Board:

Li V.S.
Chairman of the Board

28 July 2006
Almaty

Yrdessov M.N.
Chief Accountant

28 July 2006
Almaty

The notes on pages 8 to 38 form an integral part of these condensed consolidated interim financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2006

	Notes	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan		26,758,954	16,602,181
Loans and advances to banks		26,500,247	37,302,743
Assets held-for-trading	7	6,090,825	34,084,775
Securities purchased under agreement to resell		4,769,630	7,285,923
Loans to customers, less allowance for impairment losses	8, 18	270,724,548	207,886,432
Investments available-for-sale	9	62,337,726	17,719,809
Investments held-to-maturity	10	2,075,320	62,460
Fixed and intangible assets, less accumulated depreciation and amortization		7,241,992	6,105,415
Income tax assets	5	196,760	172,359
Other assets, less allowance for impairment losses	11	3,902,859	3,085,005
TOTAL ASSETS		410,598,861	330,307,102
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks		98,173,122	89,202,443
Securities sold under agreements to repurchase		-	26,445,539
Customer accounts	12, 18	176,946,067	139,592,841
Debt securities issued	13, 18	85,856,303	33,590,145
Other liabilities	14	2,548,707	1,686,434
		363,524,199	290,517,402
Subordinated debt	15, 18	17,639,668	13,578,243
Total liabilities		381,163,867	304,095,645
EQUITY:			
Share capital	16	16,399,781	16,399,781
Investments available-for-sale fair value reserve		342,703	635,707
Fixed assets revaluation reserve		5,263	5,889
Revenue reserve		12,521,251	9,067,728
		29,268,998	26,109,105
Minority interest		165,996	102,352
Total equity		29,434,994	26,211,457
TOTAL LIABILITIES AND EQUITY		410,598,861	330,307,102

On behalf of the Board:

Li V.S.	**Yrdessov M.N.**
Chairman of the Board	**Chief Accountant**
28 July 2006	28 July 2006
Almaty	Almaty

The notes on pages 8 to 38 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share capital (KZT'000)	Fixed assets revaluation reserve (KZT'000)	Investments available-for-sale fair value reserve (KZT'000)	Revenue reserve (KZT'000)	Total (KZT'000)	Minority interest (KZT'000)	Total equity (KZT'000)
31 December 2004..	7,466,920	275,527	426,252	4,042,724	12,211,423	63,997	12,275,420
Share capital increase..................	2,552,789	-	-	-	2,552,789	-	2,552,789
Amortization of fixed assets revaluation reserve..	-	(718)	-	718	-	-	-
Net profit................	-	-	-	2,115,523	2,115,523	(1,870)	2,113,653
30 June 2005 (unaudited).............	10,019,709	274,809	426,252	6,158,965	16,879,735	62,127	16,941,862
Share capital...........	6,380,072	-	-	-	6,380,072	-	6,380,072
Gains on revaluation of investments available-for-sale....	-	-	209,455	-	209,455	-	209,455
Amortization of fixed assets revaluation reserve..	-	(874)	-	874	-	-	-
Disposal of special-purpose companies	-	(268,046)	-	268,046	-	-	-
Change of minority interest	-	-	-	-	-	30,334	30,334
Net profit................	-	-	-	2,639,843	2,639,843	9,891	2,649,734
31 December 2005 .	16,399,781	5,889	635,707	9,067,728	26,109,105	102,352	26,211,457
Loss on revaluation of investments available-for-sale....	-	-	(293,004)	-	(293,004)	-	(293,004)
Amortization of fixed assets revaluation reserve..	-	(626)	-	626	-	-	-
Change in reserves of affiliated companies..............	-	-	-	(10,969)	(10,969)	-	(10,969)
Change of minority interest	-	-	-	-	-	18,286	18,286
Net profit	-	-	-	3,463,866	3,463,866	45,358	3,509,224
30 June 2006 (unaudited).............	16,399,781	5,263	342,703	12,521,251	29,268,998	165,996	29,434,994

On behalf of the Board:

Li V.S.	**Yrdessov M.N.**
Chairman of the Board	**Chief Accountant**
28 July 2006	28 July 2006
Almaty	Almaty

The notes on pages 8 to 38 form an integral part of these condensed consolidated interim financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six month ended 30 June 2006 (unaudited) (KZT'000)	Six month ended 30 June 2005 (unaudited) (KZT'000)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	3,912,093	2,264,602
Adjustments for:		
Provision for impairment losses	2,383,721	2,418,113
Provision/(recovery) for impairment losses on other transactions	634,731	(83,589)
Depreciation and amortization	340,236	229,587
Foreign exchange rate change	366,819	(11,941)
Loss on sale of fixed and intangible assets	3,423	2,280
Net change in accrued income and expenses	1,742,542	353,050
Cash flow from operating activities before changes in operating assets and liabilities	9,383,565	5,172,102
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Loans and advances to banks	(3,761,070)	(3,614,649)
Assets held-for-trading	27,968,214	(2,717,180)
Loans to customers	(64,505,906)	(56,355,789)
Securities purchased under repurchase agreements	2,499,496	4,711,290
Other assets	(774,023)	(556,358)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks	8,756,164	19,689,051
Customer accounts	36,250,069	20,611,386
Securities sold under repurchase agreements	(26,422,168)	-
Other liabilities	862,273	923,154
Cash outflow from operating activities before taxation	(9,743,386)	(12,136,993)
Income tax paid	(427,270)	(150,949)
Net cash outflow from operating activities	(10,170,656)	(12,287,942)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(1,681,658)	(945,331)
Increase of accounts receivable on capital investments	(678,562)	(565,723)
Proceeds on sale of fixed and intangible assets	201,422	31,887
Purchase of investments available-for-sale, net	(44,953,719)	(21,125,739)
Purchase of investments held-to-maturity, net	(2,008,916)	(69,792)
Net cash outflow from investing activities	(49,121,433)	(22,674,698)

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six month ended 30 June 2006 (unaudited) (KZT'000)	Six month ended 30 June 2005 (unaudited) (KZT'000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of ordinary and preference share capital	-	2,552,789
Debt securities issued	50,945,685	(1,498,499)
Subordinated debt	3,980,965	30,344,829
Net cash inflow from financing activities	54,926,650	31,399,119
Effect of foreign exchange rate changes	(84,527)	2.325
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,449,966)	(3,561,196)
CASH AND CASH EQUIVALENTS, beginning of the period	51,284,651	11,244,376
CASH AND CASH EQUIVALENTS, end of the period	46,834,685	7,683,180

Interest paid and received by the Group in cash during the six month period ended 30 June 2006 amounted to KZT 10,022,326 thousand and KZT 19,549,394 thousand, respectively.

Interest paid and received by the Group in cash during the six month period ended 30 June 2005 amounted to KZT 4,403,247 thousand and KZT 9,022,162 thousand, respectively.

On behalf of the Board:

Li V.S.
Chairman of the Board

28 July 2006
Almaty

Yrdessov M.N.
Chief Accountant

28 July 2006
Almaty

The notes on pages 8 to 38 form an integral part of these condensed consolidated interim financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

SELECTIVE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. ORGANISATION

JSC Bank CenterCredit (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions and conducts its business under license number 248 dated 24 January 2006 issued by the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The registered address is: 100, Shevchenko Street, Almaty, Kazakhstan.

The Bank has 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of the Banking Group (the "Group"), consisting of the following enterprises consolidated in the interim financial statements as at 30 June 2006:

		The Bank's ownership interest		
Name	**Country of operation**	**30 June 2006**	**31 December 2005**	**Type of operation**
JSC Capital	Republic of Kazakhstan	88%	85%	Pension Fund
LLP Center Leasing	Republic of Kazakhstan	51%	51%	Finance lease of property
LLP BCC Invest	Republic of Kazakhstan	100%	100%	Securities trading
CenterCredit International B.V.	Netherlands	100%	100%	Formation of capital on international financial markets

Capital was established as a closed joint stock company on 15 October 2001 in accordance with legislation of the Republic of Kazakhstan. On 24 December 2003 CJSC Capital was reregistered as a joint stock company, with certificate of state reregistration #43348 1910-AO. The main activity of the company is the attraction of pension contributions and performance of pension payments. JSC Capital manages pension contributions inflow and accumulation on individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan. JSC Capital has a state general license # 0000021 for the attraction of pension funds and performance of pension payments, dated 19 January 2004.

CenterLeasing was established on 15 January 2002 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, with certificate of state registration #45222-1910 -TOO. The main activity of LLP CenterLeasing is leasing operations. In accordance with article 10 of the Republic of Kazakhstan Law "About financial leasing" LLP CenterLeasing carries out leasing activity without license.

«BCC Invest» is joint stock company, which was originally established on 7 May 1998 as a limited liability partnership «KIB ASSET MANAGEMENT» in accordance with legislation of the Republic of Kazakhstan. On 26 June 2006 company was reregistered as a joint stock company «BCC Invest», certificate of state reregistration #56185 –1910 -AO. The main activity of JSC BCC Invest is operations with securities. The Company has a license #20030154 dated 5 June 1998 for brokerage and dealer activity on the Kazakhstan stock exchange with the right to maintain customer accounts as a nominal holder and license #0403200124 issued on 24 December 2003 for investment portfolio management.

CenterCredit International B.V was registered on 4 January 2006 in Rotterdam, Netherlands as a 100% special purpose subsidiary of the Bank. Company's main activity is formation of capital on international financial markets.

The number of employees of the Group at 30 June 2006 and 31 December 2005 was 3,157 and 2,830, respectively.

As at 30 June 2006 and 31 December 2005 there were no shareholders, individually hold more than 10% of shares of the Bank.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 28 July 2006.

2. BASIS OF PRESENTATION

Accounting basis

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". These condensed consolidated interim financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), except for earning per share amounts and unless otherwise indicated. These condensed consolidated interim financial statements have been prepared on an accruals basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities and financial assets and financial liabilities held-for-trading.

The Group maintains its accounting records in accordance with the Accounting policy authorized by the Resolution of the Board of Directors of the Group. These condensed consolidated interim financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Functional currency

The functional currency of these condensed consolidated interim financial statements is Kazakhstan tenge ("KZT").

Interim reporting

The condensed consolidated interim financial statements should be read in conjunction with the 2005 annual consolidated financial statements of the Group, which were authorized for issue on 24 February 2006.

Since the results of the Group's operation closely relate to and depend on changing market conditions, the results of the Group's operation for the interim period do not necessarily reflect a trend for the total year end results.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial statements of the Bank and its subsidiaries. The entity is consolidated, when the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated interim profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated interim balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. For regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date is accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with NBRK

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts and term deposits with the NBRK with original maturity within 90 days and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD").

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates using the USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on operations with precious metals in other income/expense.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Assets held-for-trading

Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Assets held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's assets held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the condensed consolidated interim financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the condensed consolidated interim financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Derivative financial instruments

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Group include forwards, swaps and foreign currency options.

Derivative financial instruments are initially recorded and subsequently measured at fair value which approximates the fair value of the consideration given, with their subsequent re-measurement to fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Group enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss for the year in which they arise.

Originated loans

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Group with fixed maturities are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the consolidated interim profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the consolidated interim profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has received all available collateral. The decision on writing off bad debt to loan loss allowance for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to profit and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the consolidated interim balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of impairment losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Finance leases

Leases that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and,
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Group as lessor

The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Interest earned on investments available-for-sale is reflected in the consolidated interim profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated interim profit and loss account.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognized in profit and loss.

Investments held-to-maturity

Investments held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated interim profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the condensed consolidated interim financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated interim profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Kazakhstan, where the Group operates also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated interim profit and loss account.

Deposits from banks and customers

Customers and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated interim profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent debentures issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Subordinated debt

Subordinated debt represent bonds issued by the Group to customers. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital

Share capital is recognized at restated cost.

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Retirement and other benefit obligations

The Group does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into nonstate pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the above pension funds. The Group does not have any other pension arrangements schemes.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using effective interest rate method. Interest income also includes income earned on investments and securities held-for-trading. Other income is credited to consolidated interim profit and loss account when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Commission income/expenses are recognized on an accrual basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Rates of exchange

The exchange rates at year-end used by the Group in the preparation of the condensed consolidated interim financial statements are as follows:

	30 June 2006	30 June 2005
KZT/USD	118.69	135.26
KZT/EUR	148.81	163.00

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately.

Reclassifications

Certain reclassifications have been made to the consolidated balance sheet as at 31 December 2005 to conform to the presentation for the six months ended 30 June 2006.

4. NET INTEREST INCOME

	Six months ended 30 June 2006 (unaudited) (KZT'000)	Six months ended 30 June 2005 (unaudited) (KZT'000)
Interest income		
Interest on loans to customers	17,619,609	8,849,055
Interest on debt securities	1,686,447	810,235
Interest on loans and advances to banks	1,011,424	382,144
Interest on reverse repurchase transactions	184,606	44,650
Total interest income	20,502,086	10,086,084
Interest expense		
Interest on customer accounts	5,057,780	3,063,621
Interest on subordinated debt	3,911,690	1,358,195
Interest on loans and advances from banks	3,730,015	1,397,902
Interest on repurchase transactions	18,075	501
Total interest expense	12,717,560	5,820,219
Net interest income before provision for impairment losses on interest bearing assets	7,784,526	4,265,865

5. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2006 and 31 December 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax assets/liabilities consist of the following as at 30 June 2006 and 31 December 2005:

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Deferred assets:		
Loans and advances to banks and customers	1,167,383	960,404
Revaluation of securities	214,007	593,642
Total deferred assets	1,381,390	1,554,046
Deferred liabilities:		
Fixed assets	(566,529)	(507,845)
Revaluation of securities	(158,994)	(471,671)
Total deferred liabilities	(725,523)	(979,516)
Net deferred assets	655,867	574,530
Deferred tax assets at the statutory rate (30%)	196,760	172,359
Net deferred tax assets	196,760	172,359

Relationships between tax expenses and accounting profit for the period ended 30 June 2006 and year ended 31 December 2005 are explained as follows:

	Six months ended 30 June 2006 (unaudited) (KZT'000)	Six months ended 30 June 2005 (unaudited) (KZT'000)
Profit before income tax	3,912,093	2,264,602
Statutory tax rate	30%	30%
Tax at the statutory tax rate	1,173,628	679,381
Tax effect of permanent differences	(770,759)	(528,432)
Income tax expense	402,869	150,949
Current income tax expense	427,270	285,019
Recovery for deferred tax	(24,401)	(134,070)
Income tax expense	402,869	150,949

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Deferred income tax assets		
At beginning of the period	172,359	38,289
Change of the deferred tax for the period	24,401	134,070
At end of the period	196,760	172,359

6. EARNINGS PER SHARE

	Six months ended 30 June 2006 (unaudited) (KZT'000)	Six months ended 30 June 2005 (unaudited) (KZT'000)
Net income	3,463,866	2,115,523
Weighted average number of shares	80,316,695	40,389,947
Earnings per share in KZT	43.13	52.38

7. ASSETS HELD - FOR – TRADING

	Interest to nominal %	30 June 2006 (unaudited) (KZT'000)	Interest to nominal %	31 December 2005 (KZT'000)
Bonds				
Kazakhstan Mortgage Company bonds	7.50-10.70	666,962	-	-
JSC BTA Ipoteka bonds	8.50-10.90	575,782	8.50-9.90	642,666
US treasury bonds	2.63-4.00	568,373	2.63-4.25	29,208,150
Bank of Development of the Republic of Kazakhstan bonds	7.13-8.50	559,661	6.50-8.50	1,619,714
JSC Pavlodarenergoservice bonds	9.00	496,681	-	-
Kazkommerts International B.V. Bonds	8.00-10.13	444,481	10.13	143,734
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	5.70-8.29	323,587	-	-
JSC Halyk Bank Kazakhstan bonds	6.10	319,161	7.75	303,701
JSC ATF Bank bonds	8.50-9.00	314,891	8.88-9.00	154,955
JSC BTA ORIX Leasing bonds	9.00	191,094	-	-
JSC TexakaBank bonds	10.70	163,506	9.90	158,154
JSC Caspian Bank bonds	8.50	155,277	8.50	98,187
JSC Alliance Bank bonds	8.50-10.90	154,188	8.50-10.30	153,963
TuranAlem Finance B.V. bonds	10.00	128,028	10.00	148,888
JSC Tsesna Bank bonds	8.00	99,735	-	-
JSC Kaztranscom bonds	8.00	69,015	8.00	174,379
JSC Bank TuranAlem bonds	9.00	5,708	-	-
Germany treasury bonds	-	-	-	792,425
JSC Vita bonds	-	-	9.95	424,108
Shares				
JSC ATF Bank shares	-	423,345	-	-
JSC Kazzinc shares	-	145,743	-	-
JSC Kazkommertsbank shares	-	95,628	-	-
JSC Kazakhtelecom shares	-	86,886	-	-
JSC Nurbank shares	-	39,591	-	-
Other	-	63,502	-	61,751
		6,090,825		34,084,775

As at 30 June 2006 and 31 December 2005 included in trading securities is accrued interest income on debt securities amounting to KZT 79,968 thousand and KZT 95,491 thousand, respectively.

Corporate bonds represent bonds of prime Kazakhstani corporations with maturities between 3 and 10 years.

US State Treasury Bonds are USD denominated government securities with maturities between 5 and 10 years.

8. LOANS TO CUSTOMERS

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Originated loans	273,341,350	209,045,331
Net investment in finance lease	4,172,062	4,278,650
Accrued interest income on loans to customers	4,594,378	3,595,862
	282,107,790	216,919,843
Less allowance for impairment losses	(11,383,242)	(9,033,411)
Total loans to customers, less allowance for impairment losses	270,724,548	207,886,432
Loans collateralized by real estate	195,206,656	148,283,910
Loans collateralized by goods in turnover	39,548,527	33,705,494
Loans collateralized by equipment	27,517,533	24,565,554
Loans collateralized by corporate guarantees	7,662,293	2,378,413
Loans collateralized by other assets	7,042,274	3,743,768
Loans collateralized by cash	2,699,208	2,082,393
Loans collateralized by precious metals	299,852	267,496
Unsecured loans	2,131,447	1,892,815
	282,107,790	216,919,843
Less allowance for impairment losses	(11,383,242)	(9,033,411)
Total loans to customers, less allowance for impairment losses	270,724,548	207,886,432
Analysis by sector:		
Retail loans and mortgage	96,530,187	66,826,512
Trading	54,378,037	41,586,282
Construction	33,754,841	22,903,700
Food industry	17,700,907	15,285,226
Manufacturing	15,418,773	12,325,166
Agriculture	14,948,997	19,439,428
Real estate	12,665,971	8,779,750
Oil and gas	11,722,618	8,963,713
Transportation and equipment maintenance services	8,597,131	5,370,465
Mining and production of precious metals	4,288,239	3,289,972
Telecommunications and transport	2,342,492	1,219,041
Financial sector	2,118,499	1,973,701
Mass media	1,462,699	2,364,619
Machinery	567,664	806,482
Energy	195,047	133,630
Metallurgy	-	1,083
Other	5,415,688	5,651,073
	282,107,790	216,919,843
Less allowance for impairment losses	(11,383,242)	(9,033,411)
Total loans to customers, less allowance for impairment losses	270,724,548	207,886,432

The components of net investment in finance lease as at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Total minimum lease and maintenance payments	4,172,062	4,278,650
Less: executory costs	-	-
Net minimum lease payments	4,172,062	4,278,650
Less: unearned finance income	-	-
Net investment in finance lease	4,172,062	4,278,650
Current portion	99,509	331,456
Long-term portion	4,072,553	3,947,194
Net investment in finance lease	4,172,062	4,278,650

As of 30 June 2006 and 31 December 2005 included in loans to customers are non-accrual loans amounting to KZT 2,666,161 thousand and KZT 661,996 thousand, respectively, on which interest was not accrued.

As at 30 June 2006 and 31 December 2005 the Group had 7 and 9 loans to customers totaling KZT 29,708,476 thousand and KZT 32,777,641 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

9. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	30 June 2006 (unaudited) (KZT'000)	Interest to nominal %	31 December 2005 (KZT'000)
Debt securities				
NBRK notes	-	51,733,497	-	3,025,037
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.78-8.29	4,265,457	4.00-8.35	6,585,916
Eurobonds issued by the Republic of Kazakhstan	11.13	1,871,059	8.40-9.70	2,186,596
Kazakhstan Mortgage Company	9.29-10.70	1,859,592	8.40-9.70	2,771,157
JSC Halyk Bank Kazakhstan	5.00-11.80	817,236	5.00-11.8	864,288
CJSC Kazatomprom	8.50	424,294	8.50	60,925
JSC Bank Caspian	9.40	291,752	9.00	283,021
JSC Bank TuranAlem	10.90	290,124	9.90-12.00	555,947
JSC BTA Ipoteka	8.20	177,931	8.50	652,504
Municipal bonds of state local authorities	8.60	140,607	8.60	160,206
JSC Astana Finance	11.20	118,646	10.40	120,210
JSC ATF Bank	8.50	101,940	8.50	204,439
JSC Valut Transit Bank	9.00	79,430	9.00	89,155
JSC Alliance Bank	9.00	1,243	9.00	1,331
Other securities	-	-	-	1,102
		62,172,808		17,561,834

	Share %	30 June 2006 (unaudited) (KZT'000)	Share %	31 December 2005 (KZT'000)
Equity securities				
JSC Oil Insurance Company	5.48	42,412	5.48	42,412
JSC Pension Fund Atameken	9.66	36,700	12.47	36,700
JSC Pension Fund Korgau	9.44	28,328	9.44	28,328
JSC Processing Center	1.37	10,000	1.37	10,000
JSC Kazakhstan Stock Exchange ..	2.96	6,601	2.14	2,200
S.W.I.F.T. SCRL...........................	0.01	2,542	-	-
		126,583		119,640
First credit bureau LLP	18.40	37,260	18.40	37,260
Association of Financiers of Kazakhstan	16.60	675	16.60	675
JSC Central Depositary of Securities	1.50	400	1.50	400
		38,335		38,335
Total investments available-for-sale		62,337,726		17,719,809

Interest accrued as at 30 June 2006 and 31 December 2005 amounted to KZT 188,081 thousand and KZT 220,529 thousand, respectively.

10. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	30 June 2006 (unaudited) (KZT'000)	Interest to nominal %	31 December 2005 (KZT'000)
JSC Food contract corporation	8.00	1,037,850	-	-
Bonds of Kazakhstan Mortgage Company	9.00-10.00	994,310	7.20-7.60	33,707
OJSC Astana Finance	10.00	16,653	9.00	16,584
JSC VITA 5	10.00	14,722	-	-
JSC Halyk Saving Bank	8.00	10,165	-	-
Development Bank of the Republic of Kazakhstan	9.00	1,620	8.50	2,000
Notes of NBRK	-	-	7.50	10,169
		2,075,320		62,460

Interest accrued as at 30 June 2006 and 31 December 2005 amounted to KZT 9,394 thousand and KZT 5,450 thousand, respectively.

11. OTHER ASSETS

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Prepayments and receivables on other transactions	1,860,549	1,181,987
Debtors on capital investments	1,468,933	1,216,221
Taxes receivable (other than income tax)	351,063	156,541
Accrued commission	205,980	152,035
Western Union and other wireless transfers	175,289	224,363
Inventory	135,642	89,319
Due from the Government on foreign exchange losses for long term mortgage loans	30,987	49,404
Advances to employees	10,205	1,259
Travelers cheques	7,535	852
Receivable from sale of collateral repossessed	1,718	19,873
	4,247,901	3,091,854
Less allowance for impairment losses on other assets	(345,042)	(6,849)
Total other assets, net	3,902,859	3,085,005

12. CUSTOMER ACCOUNTS

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Time deposits	118,442,178	102,590,883
Repayable on demand	55,441,324	34,944,373
Accrued interest expense on customer accounts	3,062,565	2,057,585
Total customer accounts	176,946,067	139,592,841

As at 30 June 2006 and 31 December 2005 customer accounts amounting to KZT 24,427,808 thousand and KZT 18,948,811 thousand were due to 20 and 7 customers, respectively, which represents significant concentration.

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Analysis by sector:		
Individuals	79,214,687	59,032,961
Fuel	21,764,805	13,053,457
Social Services	16,740,814	14,180,929
Trade	10,202,036	5,582,048
Insurance	9,448,530	13,921,876
Real estate constructions	9,399,035	7,967,456
Manufacturing	6,385,924	6,079,998
Agriculture	5,398,491	3,164,788
Transportation and communication	3,528,578	3,177,166
Metallurgy	2,197,469	2,341,679
Machinery	1,313,638	764,136
Energy	640,725	322,554
Chemical	131,705	44,731
Other	7,517,065	7,901,477
Accrued interest expense on customer accounts	3,062,565	2,057,585
Total customer accounts	176,946,067	139,592,841

13. DEBT SECURITIES ISSUED

Debt securities issued are presented as follows:

	Currency	Maturity Date	Interest rate %	30 June 2006 (unaudited) (KZT'000)	31 December 2005 KZT'000
International bonds............	USD	02/14/2008-03/02/2011	8%	70,497,998	26,543,303
Bank's bonds	KZT	09/24/2007-12/27/2015	7.5%-10.4%	12,969,224	5,978,234
Accrued expenses				2,389,081	1,068,608
Total securities issued				85,856,303	33,590,145

14. OTHER LIABILITIES

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Settlement on other transactions..	1,718,065	1,190,335
Taxes payable, other than income tax..	511,890	236,064
Allowance for impairment losses on guarantees and other commitments..	215,581	129,225
Advances received..	68,784	82,016
Accrued commission expense	34,387	48,794
Total other liabilities...	2,548,707	1,686,434

15. SUBORDINATED DEBT

Subordinated debt is presented as follows:

	Currency	Maturity date (Year)	Interest Rate %	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Subordinated bonds...........	KZT	04/13/2016	8.50%-15%	16,093,342	11,988,663
Subordinated loan	USD	12/15/2011	10.99%	1,186,900	1,339,800
Accrued interest expenses..				359,426	249,780
Total subordinated debt				17,639,668	13,578,243

16. SHARE CAPITAL

As at 30 June 2006 and 31 December 2005 share capital authorized, issued and fully paid comprised of 80,316,695 and 80,316,695 shares.

During the six months period ended 30 June 2006 and year ended 31 December 2005 the Group issued and paid nil and 33,505,451 ordinary and nil and 10,000,000 preferred shares, respectively.

All ordinary shares are ranked equally and carry one vote. Each preferred share has no vote but is entitled for a fixed income calculated as inflation (consumer price index) published by the Statistics Agency of the Republic of Kazakhstan plus 1.5%.

During 2006 the Group did not pay dividends on preferred shares. According to certain requirements of the legislation of the Republic of Kazakhstan in case the Group delays payment of a guaranteed amount of dividends on preferred shares, these preferred shares are granted a voting right.

17. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated interim balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 30 June 2006 and 31 December 2005, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	30 June 2006 (unaudited) (KZT'000)		31 December 2005 (KZT'000)	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitment				
Guarantees issued and other similar commitments	62,348,836	23,286,286	14,841,730	14,841,730
Letters of credit and other transaction related contingent liabilities	6,051,772	5,336,093	7,846,815	3,923,408
Total contingent liabilities and credit commitments	68,400,608	28,622,379	22,688,545	18,765,138

Capital commitments

The Group had no material commitments for capital expenditures outstanding as at 30 June 2006 and 31 December 2005.

Rental commitments

No material rental commitment was outstanding as at 30 June 2006 and 31 December 2005.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are returned to the client. These amounts are the average balance of the clients' funds under the management of the Group during 2006 and 2005, including assets under trusteeship as at 30 June 2006 and 31 December 2005 in the amount of KZT 32,231,998 thousand and KZT 18,268,305 thousand, respectively.

Mentioned assets are not included into consolidated interim balance sheet of the Group, as far as these assets are not the Group assets. Face value of securities presented below is different from market value of the indicated securities. Fiduciary assets are divided by face value into the following categories:

	30 June 2006 (unaudited) (KZT'000)	31 December 2005 (KZT'000)
Securities of investment funds	533,522	307,043
Investment funds deposits placed at other banks	-	256,219
Total fiduciary assets	533,522	563,262

The Group renders depository services. As at 30 June 2006 and 31 December 2005 the Group had 27,685,427,962 and 21,142,582,658 items of securities at nominal account for dealing operations of clients.

The Group maintains accounting and prepares financial statements related to the investment funds assets and operations with them, conducts reconciliations with the managing company in respect of cost, investment fund asset flow and composition, as well as the estimate cost of shares on their subsequent placement or purchase and keeps the investment fund assets and documents certifying the right for the investment fund assets in accordance with the requirements of the legislation of the Republic of Kazakhstan and rules of the Agency of the Republic of Kazakhstan on the regulation and the supervision of financial market and financial organizations (AFM).

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these condensed consolidated interim financial statements.

Taxes

Kazakhstani commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the condensed consolidated interim financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees of the Group receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 30 June 2006 and 31 December 2005, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 (Related party disclosures), are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group (Bank);

(c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (b) or (c) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group` and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties:

	30 June 2006 (unaudited) (KZT'000)		31 December 2005 (KZT'000)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers, gross	8,077,608	282,107,790	4,108,203	216,919,843
Allowance for impairment losses on loans to customers	(599,074)	(11,383,242)	(337,336)	(9,033,411)
Customer accounts	300,000	176,946,067	345,100	139,592,841
Debt securities issued	60,000	85,856,303	662,260	33,590,145
Subordinated debt	735,800	17,639,668	-	13,578,243
Guarantees issued	1,187	62,348,836	8,668	14,841,730

During the period ended 30 June 2006 and year ended 31 December 2005 the Group received related party loans repaid of KZT 7,858,735 thousand and KZT 631,188 thousand, respectively. The Group has interest income accrued in respect of loans granted to related parties totaling KZT 140,457 thousand and KZT 61,341 thousand, respectively, as at 31 December 2005 and 2004.

During the period ended 30 June 2006 and year ended 31 December 2005 the Group repaid deposits and advances from related parties of KZT 14,453 and KZT 35,718, respectively.

As at 30 June 2006 and 31 December 2005 the Group purchased/sold securities under repos agreements from/to related parties for the total of KZT 892,900 thousand and KZT 297,566 thousand, respectively.

During the period ended 30 June 2006 and year ended 31 December 2005 the Group issued guarantees and standby letters of credit on behalf of related parties of nil and KZT 341,889 thousand, respectively.

Included in the consolidated interim profit and loss account for the period ended 30 June 2006 and year ended 31 December 2005 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2006 (unaudited) (KZT'000)		Six months ended 30 June 2005 (unaudited) (KZT'000)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
- related companies	139,708	20,502,086	60,831	10,086,084
- directors	4,312		1,310	
Interest expense				
- related companies	(221)	(12,717,560)	-	(5,820,219)
Salary for key management personnel	(43,813)	(4,621,577)	(32,702)	(3,008,875)

Transactions with related parties entered by the Group during the period ended 30 June 2006 and year ended 31 December 2005 and outstanding as at 30 June 2006 and 31 December 2005 were made in the normal course of business and mostly under arm-length conditions.

19. SEGMENT REPORTING

The Group's primary format for reporting segment information is business segments.

Business Segments

The Group is organised on the basis of four main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment activity – representing financial instruments trading.
- Finance leasing - finance lease services.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment activity	Financial leasing	Eliminations	Year ended 30 June 2006 (unaudited) KZT'000
External interest income	6,851,996	13,312,408	196,295	141,387	-	20,502,086
Interest income from other segments	-	156,569	1,531,769	-	(1,688,338)	-
Total interest income	6,851,996	13,468,977	1,728,064	141,387	(1,688,338)	20,502,086
External interest expense	(3,428,781)	(7,759,200)	(1,529,579)	-	-	(12,717,560)
Interest expense form other segments	-	(1,531,769)	(45,598)	(110,971)	1,688,338	-
Total interest expense	(3,428,781)	(9,290,969)	(1,575,177)	(110,971)	1,688,338	(12,717,560)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	3,423,215	4,178,008	152,887	30,416	-	7,784,526
Provision for impairment losses on interest bearing assets	(715,116)	(1,668,605)	-	-	-	(2,383,721)
NET INTEREST INCOME	2,708,099	2,509,403	152,887	30,416	-	5,400,805
Fee and commission income/(expense)	665,895	2,154,313	12,421	(64)	-	2,832,565
Net gain on assets held-for-trading	-	-	320,768	-	-	320,768
Net gain on foreign exchange operations	24,449	57,049	36,209	98,360	-	216,067
Net loss on investments available-for-sale	-	-	(493)	-	-	(493)
Other income	114,130	266,302	(1,350)	19,607	-	398,689
NET NON-INTEREST INCOME	804,474	2,477,664	367,555	117,903	-	3,767,596
OPERATING INCOME	3,512,573	4,987,067	520,442	148,319	-	9,168,401
OPERATING EXPENSES	(1,304,368)	(3,046,673)	(259,117)	(11,419)	-	(4,621,577)
OPERATING PROFIT	2,208,205	1,940,394	261,325	136,900	-	4,546,824
Provision for impairment losses on other transactions	(135,807)	(316,882)	(182,042)	-	-	(634,731)
PROFIT BEFORE INCOME TAX	2,072,398	1,623,512	79,283	136,900	-	3,912,093
Income tax expense	(117,728)	(274,699)	(2,751)	(7,691)	-	(402,869)
NET PROFIT	1,954,670	1,348,813	76,532	129,209	-	3,509,224
Attributable to:						
Equity holders of the parent	1,954,670	1,348,813	76,668	83,715	-	3,463,866
Minority interest	-	-	(136)	45,494	-	45,358
	1,954,670	1,348,813	76,532	129,209	-	3,509,224
Total consolidated assets	409,683,801		51,381,394	2,367,711	(52,834,045)	410,598,861
Total consolidated liabilities	380,823,530		49,985,802	2,147,184	(51,792,649)	381,163,867

	Retail banking	Corporate banking	Investment activity	Financial leasing	Eliminations	Year ended 30 June 2005 (unaudited) KZT'000
External interest income	2,623,322	7,290,812	98,466	73,484	-	10,086,084
Interest income from other segments	-	56,989	930	15,600	(73,519)	-
Total interest income	2,623,322	7,347,801	99,396	89,084	(73,519)	10,086,084
External interest expense	(2,424,502)	(3,374,728)	(548)	(20,441)	-	(5,820,219)
Interest expense form other segments	-	(16,530)	-	(56,989)	73,519	-
Total interest expense	(2,424,502)	(3,391,258)	(548)	(77,430)	73,519	(5,820,219)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	198,820	3,956,543	98,848	11,654	-	4,265,865
Provision for impairment losses on interest bearing assets	-	(2,418,113)	-	-	-	(2,418,113)
NET INTEREST INCOME	198,820	1,538,430	98,848	11,654	-	1,847,752
Fee and commission income/(expense)	601,326	1,483,082	12,683	(4,959)	-	2,092,132
Net gain on assets held-for-trading	-	-	44,607		-	44,607
Net gain on foreign exchange operations	169,289	395,007	68	4,494	-	568,858
Net gain on investments available-for-sale	-	-	359,949	-	-	359,949
Other income	28,005	65,346	3	241,260	(58,024)	276,590
NET NON-INTEREST INCOME	798,620	1,943,435	417,310	240,795	(58,024)	3,342,136
OPERATING INCOME	997,440	3,481,865	516,158	252,449	(58,024)	5,189,888
OPERATING EXPENSES	(828,034)	(1,932,079)	(111,662)	(195,124)	58,024	(3,008,875)
OPERATING PROFIT	169,406	1,549,786	404,496	57,325	-	2,181,013
Provision for impairment losses on other transactions	25,201	58,801	(413)	-	-	83,589
PROFIT BEFORE INCOME TAX	194,607	1,608,587	404,083	57,325	-	2,264,602
Income tax expense	(43,750)	(102,083)	(3,822)	(1,294)	-	(150,949)
NET PROFIT	150,857	1,506,504	400,261	56,031	-	2,113,653
Attributable to:						
Equity holders of the parent	150,857	1,506,504	402,165	55,997		2,115,523
Minority interest	-	-	(1,904)	34	-	(1,870)
	150,857	1,506,504	400,261	56,031	-	2,113,653
Total consolidated assets	224,444,694		829,159	1,937,171	(2,574,023)	224,637,001
Total consolidated liabilities	207,670,020		47,649	2,094,974	(2,117,504)	207,695,139

20. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Analysis and Management Department performs determination of the optimum structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

The analysis of balance sheet interest risk and liquidity risk is presented in the table below:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2006 (unaudited) (KZT'000)
ASSETS							
Interest bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	15,003,438	-	-	-	-	-	15,003,438
Loans and advances to banks	14,383,784	3,054,386	844,053	755,655	-	-	19,037,878
Assets held-for-trading	2,158,885	527,518	1,580,556	969,171	-	854,695	6,090,825
Securities purchased under agreement to resell	-	4,769,630	-	-	-	-	4,769,630
Loans to customers, less allowance for impairment losses ...	11,403,497	22,785,806	54,669,614	124,659,363	57,206,268	-	270,724,548
Investments available-for-sale	58,116,784	389,371	3,148,587	520,266	-	-	62,175,008
Investments held-to-maturity	-	-	1,075,320	1,000,000	-	-	2,075,320
Total interest bearing assets..........	101,066,388	31,526,711	61,318,130	127,904,455	57,206,268	854,695	379,876,647
Cash and balances with the National Bank of the Republic of Kazakhstan	11,755,516	-	-	-	-	-	11,755,516
Fixed and intangible assets, less accumulated depreciation and amortization...........	-	-	-	-	-	7,241,992	7,241,992
Income tax assets....	196,760	-	-	-	-	-	196,760
Loans and advances to banks	7,462,369	-	-	-	-	-	7,462,369
Investments available-for-sale	162,718	-	-	-	-	-	162,718
Other assets, less allowance for impairment losses ...	3,509,782	393,077	-	-	-	-	3,902,859
TOTAL ASSETS....	124,153,533	31,919,788	61,318,130	127,904,455	57,206,268	8,096,687	410,598,861

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2006 (unaudited) (KZT'000)
LIABILITIES							
Interest bearing liabilities:							
Loans and advances from banks.............	10,099,847	3,499,094	53,433,301	30,953,606	-	-	97,985,848
Securities sold under agreements to repurchase..............	-	-	-	-	-	-	-
Customer accounts..	17,420,640	9,663,493	30,027,509	64,959,621	-	-	122,071,263
Debt securities issued......................	-	6,032,821	3,205,489	69,097,274	7,520,719	-	85,856,303
Subordinated debt...	-	-	984,193	632,123	16,023,352	-	17,639,668
Total interest bearing liabilities....	27,520,487	19,195,408	87,650,492	165,642,624	23,544,071	-	332,553,082
Loans and advances from banks.............	187,274	-	-	-	-	-	187,274
Customer accounts..	54,874,804	-	-	-	-	-	54,874,804
Other liabilities	2,333,126	-	-	-	-	215,581	2,548,707
TOTAL LIABILITIES.........	84,915,691	19,195,408	87,650,492	165,642,624	23,544,071	215,581	381,163,867
Liquidity gap..........	39,237,842	12,724,380	(26,332,362)	(37,738,169)	33,662,197	7,881,106	
Interest sensitivity gap.........................	73,545,901	12,331,303	(26,332,362)	(37,738,169)	33,662,197	854,695	
Cumulative interest sensitivity gap.........	73,545,901	85,877,204	59,544,842	21,806,673	55,468,870	56,323,565	
Cumulative interest sensitivity gap as a percentage of total assets	17.91%	20.92%	14.50%	5.31%	13.51%	13.72%	

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 (KZT'000)
ASSETS							
Interest bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan............	6,501,944	-	-	-	-	-	6,501,944
Loans and advances to banks	28,150,050	320,455	815,945	72,893	-	-	29,359,343
Assets held-for-trading	30,586,694	74,999	936,326	2,425,005	-	61,751	34,084,775
Securities purchased under agreement to resell......................	7,214,277	71,646	-	-	-	-	7,285,923
Loans to customers, less allowance for impairment losses...	11,694,410	20,107,189	60,473,787	93,188,641	22,422,405	-	207,886,432
Investments available-for-sale....	11,480,728	1,359,412	3,479,844	1,241,850	-	-	17,561,834
Investments held-to-maturity.................	-	-	-	62,460	-	-	62,460
Total interest bearing assets.........	95,628,103	21,933,701	65,705,902	96,990,849	22,422,405	61,751	302,742,711
Cash and balances with the National Bank of the Republic of Kazakhstan............	10,100,237	-	-	-	-	-	10,100,237
Fixed and intangible assets, less accumulated depreciation and amortization...........	-	-	-	-	-	6,105,415	6,105,415
Income tax assets....	172,359	-	-	-	-	-	172,359
Loans and advances	7,943,400	-	-	-	-	-	7,943,400

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 (KZT'000)
to banks							
Investments available-for-sale	157,975	-	-	-	-	-	157,975
Other assets, less allowance for impairment losses ...	3,046,517	6,498	31,990	-	-	-	3,085,005
TOTAL ASSETS....	117,048,591	21,940,199	65,737,892	96,990,849	22,422,405	6,167,166	330,307,102
LIABILITIES							
Interest bearing liabilities:							
Loans and advances from banks..............	12,349,249	11,613,734	64,768,457	422,210	-	-	89,153,650
Securities sold under agreements to repurchase...............	26,445,539	-	-	-	-	-	26,445,539
Customer accounts..	9,107,572	6,913,512	36,806,681	51,820,703	-	-	104,648,468
Debt securities issued......................	1,068,608	-	-	27,010,492	5,511,045	-	33,590,145
Subordinated debt...	249,780	-	-	3,475,595	9,852,868	-	13,578,243
Total interest bearing liabilities	49,220,748	18,527,246	101,575,138	82,729,000	15,363,913	-	267,416,045
Loans and advances from banks..............	48,793	-	-	-	-	-	48,793
Customer accounts..	34,944,373	-	-	-	-	-	34,944,373
Other liabilities	1,557,209	-	-	-	-	129,225	1,686,434
TOTAL LIABILITIES	85,771,123	18,527,246	101,575,138	82,729,000	15,363,913	129,225	304,095,645
Liquidity gap	31,277,468	3,412,953	(35,837,246)	14,261,849	7,058,492	6,037,941	
Interest sensitivity gap..........................	46,407,355	3,406,455	(35,869,236)	14,261,849	7,058,492	61,751	
Cumulative interest sensitivity gap.........	46,407,355	49,813,810	13,944,574	28,206,423	35,264,915	61,751	
Cumulative interest sensitivity gap as a percentage of total assets	14.05%	15.08%	4.22%	8.54%	10.68%	0.02%	

Cash flow interest rate risk

Cash flow interest rate risk – the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate and market risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Group to avoid negative interest margin. Risk Analysis and Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	30 June 2006 (unaudited) (KZT'000)				31 December 2005 (KZT'000)			
	KZT	USD	EURO	Other currency	KZT	USD	EURO	Other currency
ASSETS								
Loans and advances to banks	-	5.57%	2.9%	-	2.3%	3.3%	1,2%	7,2%
Assets held-for-trading	8.3%	6.75%	-	-	8.9%	4.0%	2.3%	-
Securities purchased under agreement to resel............................	6.8%		-	6.5%	-	-	-	
Loans to customers......	15.1%	13.8%	11.8%	13.1%	15.4%	13.8%	10.9%	-

	30 June 2006 (unaudited) (KZT'000)				31 December 2005 (KZT'000)			
	KZT	USD	EURO	Other currency	KZT	USD	EURO	Other currency
Investments available-for-sale	3.8%	10.9%	-	-	5.6%	11.0%	0%	-
Investments held-to-maturity	6.8%	-	-	-	8%	-	-	-
LIABILITIES								
Loans and advances from banks	7.45%	6.75%	4.93%	6.8%	4.3%	3.6%	4.00%	6.8%
Securities sold under agreements to repurchase	-	-	-	-	3.9%	5.1%	-	-
Customer accounts	9.4%	7.4%	5.8%	-	9.2%	7.6%	6.8%	-
Debt securities issued	8.6%	8.0%	-	-	7.8%	8%	-	-
Subordinated debt	9.9%	11.0%	-	-	9.6%	11.0%	-	-

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD 1USD= KZT 118.69	EUR 1EUR= KZT 148.81	Other currency	30 June 2006 (unaudited) (KZT'000)
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	23,535,434	2,666,882	507,944	48,694	26,758,954
Loans and advances to banks	2,581,663	23,024,044	827,011	67,529	26,500,247
Assets held-for-trading	4,317,104	1,773,721	-	-	6,090,825
Securities purchased under agreement to resell	4,769,630	-	-	-	4,769,630
Loans to customers, less allowance for impairment losses	115,950,656	149,126,929	5,569,918	77,045	270,724,548
Investments available-for-sale	60,464,124	1,871,060	2,542	-	62,337,726
Investments held-to-maturity	2,075,320	-	-	-	2,075,320
Fixed and intangible assets, less accumulated depreciation and amortization	7,241,992	-	-	-	7,241,992
Income tax assets	196,760	-	-	-	196,760
Other assets, less allowance for impairments losses	3,067,136	524,816	310,505	402	3,902,859
TOTAL ASSETS	224,199,819	178,987,452	7,217,920	193,670	410,598,861
LIABILITIES					
Loans and advances from banks	34,999,022	59,180,593	3,967,593	25,914	98,173,122
Securities sold under agreements to repurchase	-	-	-	-	-
Customer accounts	133,755,689	39,615,907	3,396,064	178,407	176,946,067
Debt securities issued	12,491,057	73,365,246	-	-	85,856,303
Subordinated debt	16,417,786	1,221,882	-	-	17,639,668
Other liabilities	1,743,333	549,536	242,643	13,195	2,548,707
TOTAL LIABILITIES	199,406,887	173,933,164	7,606,300	217,516	381,163,867
OPEN BALANCE SHEET POSITION	24,792,932	5,054,288	(388,380)	(23,846)	

	KZT	USD 1USD= KZT 133.77	EUR 1EUR= KZT 158.54	Other currency	31 December 2005 (KZT'000)
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	12,381,708	3,573,446	615,760	31,267	16,602,181
Loans and advances to banks	1,755,988	34,338,811	940,644	267,300	37,302,743
Assets held-for-trading	2,122,264	31,170,086	792,425	-	34,084,775
Securities purchased under agreement to resell	7,285,923	-	-	-	7,285,923
Loans to customers, less allowance for impairment losses	103,768,822	101,284,914	2,829,911	2,785	207,886,432
Investments available-for-sale	15,533,213	2,186,596	-	-	17,719,809
Investments held-to-maturity	62,460	-	-	-	62,460
Fixed and intangible assets, less accumulated depreciation and amortization	6,105,415	-	-	-	6,105,415
Income tax assets	172,359	-	-	-	172,359
Other assets, less allowance for impairments losses	3,064,518	18,910	1,495	82	3,085,005
TOTAL ASSETS	152,252,670	172,572,763	5,180,235	301,434	330,307,102
LIABILITIES					
Loans and advances from banks	10,976,440	75,472,887	2,752,830	286	89,202,443
Securities sold under agreements to repurchase	4,585,010	21,860,529	-	-	26,445,539
Customer accounts	94,482,906	42,651,576	2,305,432	152,927	139,592,841
Debt securities issued	6,115,532	27,474,613	-	-	33,590,145
Subordinated debt	11,988,663	1,589,580	-	-	13,578,243
Other liabilities	1,160,244	295,478	199,480	31,232	1,686,434
TOTAL LIABILITIES	129,308,795	169,344,663	5,257,742	184,445	304,095,645
OPEN BALANCE SHEET POSITION	22,943,875	3,228,100	(77,507)	116,989	

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by borrower and product (by industry sector, by region) are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non- OECD countries	OECD Countries	30 June 2006 (unaudited) (KZT'000)
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	26,758,954	-	-	26,758,954
Loans and advances to banks	2,877,128	3,637,707	19,985,412	26,500,247
Assets held-for-trading	5,017,868	-	1,072,957	6,090,825
Securities purchased under agreement to resell	4,769,630	-	-	4,769,630
Loans to customers, less allowance for impairment losses	268,157,917	1,045,175	1,521,456	270,724,548
Investments available-for-sale	62,337,726	-	-	62,337,726
Investments held-to-maturity	2,075,320	-	-	2,075,320
Fixed and intangible assets, less accumulated depreciation and amortization	7,241,992	-	-	7,241,992
Income tax assets	196,760	-	-	196,760
Other assets, less allowance for impairment losses	3,902,859	-	-	3,902,859
TOTAL ASSETS	383,336,154	4,682,882	22,579,825	410,598,861
LIABILITIES				
Loans and advances from banks	15,513,665	181,215	82,478,242	98,173,122
Securities sold under repurchase agreements	-	-	-	-
Customer accounts	176,946,067	-	-	176,946,067
Debt securities issued	62,789,814	-	23,066,489	85,856,303
Subordinated debt	4,230,468	-	13,409,200	17,639,668
Other liabilities	2,548,707	-	-	2,548,707
TOTAL LIABILITIES	262,028,721	181,215	118,953,931	381,163,867
NET BALANCE SHEET POSITION	121,307,433	4,501,667	(96,374,106)	

	Kazakhstan	Other non- OECD countries	OECD Countries	31 December 2005 (KZT'000)
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	16,602,181	-	-	16,602,181
Loans and advances to banks	9,396,725	282,291	27,623,727	37,302,743
Assets held-for-trading	3,948,255	-	30,136,520	34,084,775
Securities purchased under agreement to resell	7,285,923	-	-	7,285,923
Loans to customers, less allowance for impairment losses	207,256,562	-	629,870	207,886,432
Investments available-for-sale	17,719,809	-	-	17,719,809
Investments held-to-maturity	62,460	-	-	62,460
Fixed and intangible assets, less accumulated depreciation and amortization	6,105,415	-	-	6,105,415
Income tax assets	172,359	-	-	172,359
Other assets, less allowance for impairment losses	3,085,005	-	-	3,085,005
TOTAL ASSETS	271,634,694	282,291	58,390,117	330,307,102
LIABILITIES				
Loans and advances from banks	19,463,869	84,401	69,654,173	89,202,443
Securities sold under repurchase agreements	4,585,010	-	21,860,529	26,445,539
Customer accounts	139,592,841	-	-	139,592,841
Debt securities issued	33,590,145	-	-	33,590,145
Subordinated debt	12,231,491	-	1,346,752	13,578,243
Other liabilities	1,686,434	-	-	1,686,434
TOTAL LIABILITIES	211,149,790	84,401	92,861,454	304,095,645
NET BALANCE SHEET POSITION	60,484,904	197,890	(34,471,337)	

21. SUBSEQUENT EVENTS

On 19 July 2006 JSC Bank CenterCredit declared subscription of syndicated loan agreement on the amount of USD 300 million. International rating agencies Fitch Ratings and Moody's Investors Services gave long-term rating "BB-/Ba1".

REGISTERED OFFICE OF THE ISSUER

CenterCredit International B.V.
Schouwburgplein 30-34
3012 CL Rotterdam
The Netherlands

REGISTERED OFFICE OF THE GUARANTOR

JSC Bank CenterCredit
100 Shevchenko Street
Almaty 050022
Kazakhstan

PRINCIPAL PAYING AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

FX BANK

JSC Halyk Bank
97 Rozybakiev Street
Almaty 480046
Kazakhstan

REGISTRAR

Deutsche Bank of Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-115 Luxembourg

LEGAL ADVISERS

To the Issuer as to English and Kazakhstan law:

Bracewell & Giuliani LLP
57 Amangeldy Street
Almaty 050012
Kazakhstan

To the Issuer as to Dutch law:

NautaDutilh N.V.
Weena 750
3014 DA Rotterdam
The Netherlands

To the Managers and Trustee as to English law:

White & Case LLP
5 Old Broad Street
London EC2N 1DW
England

To the Managers as to Kazakhstan law:

White & Case LLP
64 Amangeldy Street
Almaty
Kazakhstan

INDEPENDENT AUDITORS TO THE BANK

Deloitte, LLP
Furmanov str., 240-v
Almaty
Kazakhstan