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

The Prospectus has not been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Deutsche Bank AG, London Branch or HSBC Bank plc or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Deutsche Bank AG, London Branch or HSBC Bank plc.

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

U.S.$200,000,000
8.125% Notes due 2010
Issue Price 99.496%

The U.S.$200,000,000 8.125% Notes due 2010 (the "Notes") are issued by JSC ATF Bank ("ATF Bank", the "Issuer" or the "Bank"). Interest on the Notes will accrue from 28 October 2005 and will be payable semi-annually in arrear on 28 April and 28 October of each year, commencing on 28 April 2006. The Notes will be constituted by, subject to, and have the benefit of, a trust deed dated 28 October 2005 (the "Trust Deed") between the Issuer and The Bank of New York, acting through its London branch as trustee for the holders of the Notes (the "Trustee"). Payments of interest on the Notes are subject to withholding taxes in Kazakhstan. The Issuer is, however, obliged to pay additional amounts in certain circumstances if there is such a withholding. See Condition 10 (*Taxation*), "Risk Factors – Risk Factors Relating to the Notes – Taxation in Kazakhstan" and "Taxation – Kazakhstan Taxation".

Application to list the Notes 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 such Notes to be admitted to trading on the London Stock Exchange plc's Gilt Edged and Fixed Interest Market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange plc's Gilt Edged and Fixed Interest Market. The London Stock Exchange plc's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC. In addition, the Bank shall cause the Notes to be listed on the Kazakhstan Stock Exchange ("KASE") within 30 days from the date of their issue.

See "Risk Factors" beginning on page 9 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

The Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S ("Regulation S") under the U.S. Securities Act of 1933, as amended (the "Securities Act").

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

The Notes will be issued in registered form in denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be represented by a global registered note certificate (the "Global Note Certificate") registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for and deposited with a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 28 October 2005. Individual note certificates ("Individual Note Certificates") evidencing holdings of Notes will be available only in certain limited circumstances described under "Summary of Provisions Relating to the Notes in Global Form".

Joint Lead Managers

Deutsche Bank ***HSBC***

Managers

Alpha Bank **JSC ATF Bank** **Parex Bank**

The date of this Prospectus is 26 October 2005

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers (as defined in "Subscription and Sale") to subscribe or purchase, any Notes. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

No person has been authorised in connection with the offering of the Notes to give any information or make any representation regarding the Issuer, the Trustee, the Managers, or the Notes other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorised by the Issuer, the Trustee or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. This Prospectus may only be used for the purposes for which it has been published.

No representation or warranty, express or implied, is made by the Managers or the Trustee as to the accuracy or completeness of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Managers or the Trustee assumes any responsibility for the accuracy or completeness of the information set forth in this document. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

None of the Issuer, the Managers, the Trustee or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

According to Article 22-1 of Kazakhstan's 2003 Law on the Securities Market, the consent of the Agency of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") is required before the Notes can be issued. In addition, KASE must agree to list the Notes following their issue on the "A" or "B" listing category. The consent of the FMSA was obtained on 10 October 2005 and KASE agreed in principle to list the Notes on 13 October 2005, subject to their issue in accordance with the terms of the Trust Deed.

In connection with this issue of the Notes, HSBC Bank plc as the stabilising manager (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period, provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes. However, there is no assurance that HSBC Bank plc (or persons acting on its behalf) 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.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Issuer 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 Issuer 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 Issuer or any such person outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained on the Trust Deed in the courts of England.

The Notes and the Trust Deed are governed by the laws of England and the Issuer has agreed in the Notes and the Trust Deed 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. See Condition 19 (*Governing Law; Jurisdiction and Arbitration*) under "Terms and Conditions of the Notes". 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 the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "Convention"), although there has recently been some doubt as to whether the courts of Kazakhstan would enforce an arbitral award under the Convention. In February 2002, the Constitutional Council of Kazakhstan (the "Constitutional Council") passed a resolution on the interpretation of the Kazakhstan Constitution which stated that when parties enter into a commercial contract which provides that disputes will be submitted to arbitration this will not necessarily exclude the jurisdiction of the courts of Kazakhstan. The resolution made no distinction between foreign and domestic arbitral awards. However, in April 2002, the Constitutional Council passed a further resolution stating that the original decree did not apply to the recognition and enforcement of international and foreign arbitration awards where the procedure for such awards is established by a treaty obligation of the Republic of Kazakhstan. The matter was further clarified by Article 3(2) of the Law No. 23-III of 28 December 2004 on International Commercial Arbitration, which became effective on 17 January 2005, and Article 425-1 of the Law No. 24-III of 28 December 2004 (amending the Civil Procedure Code), which became effective on 17 January 2005, (which Articles are supported by Article 4(3) of the Constitution of the Republic of Kazakhstan). Accordingly, such an arbitration award should 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. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as “estimates”, “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks”, “approximately”, or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Such forward-looking statements include, but are not limited to, the Issuer's objective to increase its customer base and its loan portfolio and to grow its share of the retail market, the impact of the anticipated improvements in operational efficiency and management, statements regarding planned capital expenditures, expectations regarding the increase of the Issuer's equity capital, and improving the composition of the Issuer's loan portfolio. Factors that might affect such forward-looking statements include, among other things, overall economic and business conditions in Kazakhstan; the demand for the Issuer's services; competitive factors in the industries in which the Issuer competes or in which its customers compete; changes in government regulation; changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); results of litigation or arbitration; interest rate 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 Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

RESPONSIBILITY STATEMENT

This Prospectus (including the financial statements attached hereto) is issued in compliance with prospectus rules made under the FSMA for the purposes of giving information with respect to the Issuer and the Notes.

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

The information in this Prospectus contained under the heading "The Banking Sector in Kazakhstan" has been extracted from documents and other publications released by, and is presented on the authority of, various official and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of view among such sources as to such information provided herein. The Issuer accepts responsibility for accurately reproducing such extracts, and as far as the Issuer is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Until 31 December 2003, the Bank was required to maintain its books of account in Tenge in accordance with the relevant laws and with the regulations in Kazakhstan, including the regulations of the National Bank of Kazakhstan (the "NBK") and since January 2004, the Bank is required to comply with the requirements of FMSA (collectively, "Kazakhstan Regulations"). Starting 1 January 2003, the Bank has maintained its books of account and prepared its accounts for regulatory purposes in accordance with International Financial Reporting Standards ("IFRS"). If not otherwise specified, for the sake of the financial analysis and management discussion herein, the term "the Bank" shall mean ATF Bank and its consolidated subsidiaries.

The financial information of the Bank set forth herein, has, unless otherwise indicated, been extracted without material adjustment from its unaudited consolidated balance sheets and consolidated statements of income, cash flows and changes in shareholders' equity as at and for the six months ended 30 June 2005 and 2004 (the "Interim Consolidated Financial Statements") and its audited consolidated balance sheet and consolidated statements of income, cash flows and changes in shareholders' equity as at and for the years ended 31 December 2004 and 2003 (the "Audited Consolidated Financial Statements" and together with the Interim Consolidated Financial Statements, the "Consolidated Financial Statements"). The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), formerly referred to as International Accounting Standards ("IAS").

The Audited Consolidated Financial Statements were audited by Ernst & Young, Kazakhstan, independent auditors ("Ernst & Young") in accordance with International Standards on Auditing. The Interim Consolidated Financial Statements were reviewed by Ernst & Young in accordance with International Standards on Review Engagements.

In this Prospectus, references to "Tenge" or "KZT" are to Kazakhstan Tenge, the lawful currency of Kazakhstan; references to "U.S. Dollars" or "U.S.$" are to United States Dollars, the lawful currency of the United States; and references to "Euro" or "€" are to the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam. References to "Kazakhstan", the "Republic" or the "State" are to the Republic of Kazakhstan, references to the "Government" are to the government of Kazakhstan and the references to the "CIS" are to the Commonwealth of Independent States.

Solely for the convenience of the reader, this Prospectus presents unaudited translations of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any balance sheet data in U.S. Dollars is translated from Tenge at the applicable exchange rate on the date of such balance sheet (or, if no such rate was quoted on such date, the immediately preceding date) and any income statement data in U.S. Dollars is translated from Tenge into U.S. Dollars at the average exchange rate applicable to the period to which such income statement data relate, in each case calculated in accordance with the official exchange rates for U.S. Dollars on the KASE as reported by the NBK. On 31 December 2004, the official U.S. Dollar exchange rate on the KASE as reported by the NBK was KZT130.00 per U.S.$1.00 and the official average exchange rate for the year ended 31 December 2004 as reported by the NBK was KZT136.04 per U.S.$1.00. On 30 June 2005, the exchange rate for U.S. Dollars published by the KASE as reported by the NBK was KZT135.26 per U.S.$1.00. See "Exchange Rates and Exchange Controls".

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

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

MARKET SHARE, INDUSTRY AND ECONOMIC DATA

It is difficult to obtain precise industry and market information on the Kazakhstan banking industry or economic information on Kazakhstan. Generally, information as to the market and competitive position data included in this Prospectus has been obtained from the NBK, the National Statistics Agency (the "NSA"), the FMSA, published financial information and from surveys or studies conducted by third party sources that are believed to be reliable. Such information contained herein has been extracted from documents and other publications released by various officials and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of views among such sources as to the information provided therein.

OVERVIEW OF THE BANK AND THE OFFERING

The following summary information is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the Consolidated Financial Statements appearing elsewhere in this Prospectus. For a discussion of certain factors that should be considered in connection with an investment in the Notes, see "Risk Factors".

Overview

The Bank is the fourth largest commercial bank in Kazakhstan in terms of assets, according to data compiled by the NBK as at 30 June 2005. The Bank's total assets as at 30 June 2005 were KZT266,334 million (U.S.$1,969 million). The Bank's net income for the six months ended 30 June 2005 was KZT1,014 million (U.S.$7.7 million) as compared to KZT1,164 million (U.S.$8.4 million) for the six months ended 30 June 2004. The Bank's shareholders' equity as at 30 June 2005 was KZT22,534 million (U.S.$166.6 million) as compared to KZT18,180 million (U.S.$140 million) as at 31 December 2004.

The Bank's primary business focus is corporate and retail banking. The Bank accepts deposits, extends credits, provides custodian services, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its corporate and retail customers. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

As at the date of this Prospectus, the Bank and its Subsidiaries, in addition to the Bank's head office in Almaty, had 36 full service branches and 18 cash settlement offices located throughout Kazakhstan and Kyrgyzstan. The Bank anticipates opening a further branch in Petropavlovsk and six cash settlement offices during 2005. The Bank currently has two subsidiaries, ATF Policy and EnergoBank in Kyrgyzstan, and one associate company, SPF Otan. EnergoBank anticipates opening a further branch and two cash settlement offices during 2005.

Strategy

In order to capitalise on the growth of the Kazakhstan economy, the Bank aims to expand its market share and increase its profitability through: (i) expanding its banking and other financial services; (ii) diversifying and strengthening its funding base; (iii) strengthening risk management; (iv) enhancing operating efficiency; and (v) expanding its regional and international presence to meet the growing demands of its clients. See "The Bank – Strategy".

Credit Ratings

Currently, the Bank is rated by three rating agencies: Moody's Investors Services Limited ("Moody's"), Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("Standard & Poor's") and Fitch Ratings Ltd. ("Fitch"). The current ratings of the Bank are as follows:

Moody's		**Standard & Poor's**		**Fitch**	
Long-term	Ba1	Long-term	B+	Long-term	B+
Short-term	NR	Short-term	B	Short-term	B
Outlook	Stable	Outlook	Stable	Outlook	Stable

It is expected that, on issue, Moody's, Standard & Poor's and Fitch will assign Ba1, B+ and B+ ratings, respectively, to the Notes. A security rating is not a recommendation to buy, sell or hold the securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Offering

The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and related documents referred to herein. Capitalised terms not specifically defined in this summary have the meaning set out in the "Terms and Conditions of the Notes".

Issuer:

JSC ATF Bank

Joint Lead Managers:

Deutsche Bank AG, London Branch and HSBC Bank plc

Trustee:

The Bank of New York, acting through its London branch

Registrar:

The Bank of New York, acting through its New York branch

Principal Paying and Transfer Agent:

The Bank of New York, acting through its London branch

Issue:

U.S.$200,000,000 principal amount of 8.125% Notes due 2010.

Issue Price:

99.496%

Yield:

8.25%

Interest and Interest Payment Dates:

The Notes will bear interest at a rate of 8.125% per annum. Interest on the Notes will accrue from the Closing Date and will be payable semi-annually in arrear on the interest payment dates falling on 28 April and 28 October of each year, commencing on 28 April 2006.

Maturity Date:

28 October 2010

Status:

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 5 (*Negative Pledge and Certain Covenants*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and (save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 5 (*Negative Pledge and Certain Covenants*)) with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

Form:

The Notes will be issued in registered form. The Notes will be in denominations of U.S.$100,000 each and integral multiples of U.S.$1,000 in excess thereof and will be represented by a Global Note Certificate which will be exchangeable for Notes in definitive form in the limited circumstances described under "Summary of Provisions Relating to the Notes in Global Form"

Negative Pledge:

As long as the Notes remain outstanding neither the Issuer nor any of its subsidiaries shall create, or permit to be created, any Security Interest (other than a Permitted Security Interest) (as defined in the "Terms and Conditions of the Notes"). See Condition 5(a) (*Negative Pledge*).

Certain Covenants:

The Issuer will agree to certain covenants, including, without limitation, covenants with respect to limitation on certain transactions, limitation on payment of dividends and maintenance of capital adequacy.

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 Kazakhstan. See Condition 9(b) (*Redemption for Taxation Reasons*).

Withholding Tax:

Under Kazakhstan's laws as presently in effect, interest payable by a Kazakhstan obligor to non-residents and certain categories of residents is subject to Kazakhstan withholding tax at a rate of 15% unless, in the case of non-residents, reduced by a relevant double tax treaty. See "Taxation – Kazakhstan Taxation".

The Issuer has, however, undertaken subject to certain exceptions, pursuant to Condition 10 (*Taxation*) of the Terms and Conditions, to pay such additional amounts such that Noteholders would receive (after any withholding required to be made on account of Kazakhstan taxes in respect of any payments under the Notes) such amount as would have been received by such Noteholders had no such withholding been required. The enforceability in Kazakhstan of such an undertaking has not to date been determined by the courts in Kazakhstan and as such there may be some doubt as to whether they would enforce such an undertaking. See "Risk Factors – Risk Factors Relating to the Notes – Taxation in Kazakhstan".

Governing Law:

The Notes and the Trust Deed are governed by, and will be construed in accordance with, the laws of England.

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 plc for such Notes to be admitted to trading on the London Stock Exchange plc's Gilt Edged and Fixed Interest Market. In addition, the Bank has obtained the "in-principle" preliminary consent of the KASE to list the Notes in its "A" category, and has undertaken to obtain, prior to the Closing Date, the consent of the KASE for such listing.

Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States. The Notes may be sold in other jurisdictions only in compliance with applicable laws and regulations. The offer and sale of Notes is also subject to restrictions in the United Kingdom and Kazakhstan. See “Subscription and Sale”.

Use of Proceeds:

The net proceeds to the Issuer from the sale of the Notes are expected to be U.S.$197,938,000 before the deduction of certain expenses incurred in connection with the issue of the Notes. The net proceeds will be used by the Issuer to fund loans to its customers and for other general corporate purposes.

Risk Factors:

For a discussion of certain risk factors relating to Kazakhstan, the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see “Risk Factors”.

Security Codes:

ISIN: XS0233829463

Common code: 023382946

Summary Consolidated Financial and Other Information

The summary consolidated financial information presented below as at and for the six months ended 30 June 2005 and 2004 and for the years ended 31 December 2004 and 2003 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements contained elsewhere in this Prospectus.

The Consolidated Financial Statements have been prepared in accordance with IFRS and are presented in Tenge. The Audited Consolidated Financial Statements, included on pages F-26 to F-61 in this Prospectus, were audited by Ernst & Young, whose audit report for the respective periods is included on page F-26 in this Prospectus. The Interim Consolidated Financial Statements, included on pages F-3 to F-25 in this Prospectus, were reviewed by Ernst & Young, in accordance with International Standards on Review Engagements. Noteholders should not rely on interim results as being indicative of results the Bank may expect for the full year.

Prospective investors should read the summary consolidated financial information in conjunction with the information contained in "Risk Factors", "Capitalisation", "Selected Consolidated Financial Information", "Financial Review", "The Bank", "Selected Statistical and Other Information", the Consolidated Financial Statements, and the other financial data appearing elsewhere in this Prospectus. See "Index to Financial Statements".

	For the six months ended 30 June			**For the year ended 31 December**		
	2005	**2005**	**2004**	**2004**	**2004**	**2003**
	(Unaudited)			***(Unaudited)***		
	(U.S.$ thousands)[(1)]	***(KZT millions)***		***(U.S.$ thousands)[(2)]***	***(KZT millions)***	
Income Statement Information:						
Interest income	75,424	9,901	5,606	92,943	12,644	7,884
Interest expense	(45,396)	(5,959)	(2,458)	(42,693)	(5,808)	(3,227)
Net interest income before impairment charge	30,028	3,942	3,148	50,250	6,836	4,657
Impairment charge	(8,540)	(1,121)	(1,038)	(21,273)	(2,894)	(1,694)
Net interest income after impairment charge	21,488	2,821	2,110	28,977	3,942	2,963
Fees and commissions, net[(3)]	9,293	1,220	775	14,393	1,958	1,416
Non-interest income	5,957	782	812	12,643	1,720	1,177
Non-interest expense	(26,929)	(3,535)	(2,202)	(36,702)	(4,993)	(3,341)
Income before income tax expense	9,809	1,288	1,495	19,311	2,627	2,215
Income tax expense	(2,087)	(274)	(331)	(2,257)	(307)	(759)

Net income	7,722	1,014	1,164	17,054	2,320	1,456
Attributable to:						
Equity holder of the Parent	7,731	1,015	1,164	17,054	2,320	1,456
Minority interest	(9)	(1)	—	—	—	—

(1) Translated at the official average U.S. Dollar exchange rate for the six months ended 30 June 2005, as reported by the NBK, of KZT 131.27 = U.S.$1.00.

(2) Translated at the official average U.S. Dollar exchange rate for the year ended 31 December 2004, as reported by the NBK, of KZT 136.04 = U.S.$1.00.

(3) Fee and commission income less fee and commission expense.

	As at 30 June		As at 31 December		
	2005		2004	2004	2003
	(Unaudited)		*(Unaudited)*		
	(U.S.$ thousands)[(1)]	*(KZT millions)*	(U.S.$ thousands)[(2)]	*(KZT millions)*	
Consolidated Balance Sheet:					
Assets					
Cash and cash equivalents	235,495	31,853	108,062	14,048	5,836
Obligatory reserves	18,098	2,448	18,385	2,390	1,775
Amounts due from credit institutions	39,435	5,334	27,008	3,511	—
Financial assets at fair value through profit or loss	52,211	7,062	66,538	8,650	23,890
Investment securities[(3)]	368,135	49,794	205,507	26,716	—
Commercial loans and advances[(4)]	1,199,239	162,209	862,231	112,090	60,488
Reserve for insurance claims, reinsurance share	798	108	—	—	—
Premises and equipment[(5)]	30,038	4,063	25,508	3,316	2,280
Tax assets	8,051	1,089	5,346	695	262
Investments in associates	1,225	166	2,408	313	—
Other assets[(4)]	16,327	2,208	15,515	2,017	919
Total assets	1,969,052	266,334	1,336,508	173,746	95,450
Liabilities					
Amounts due to the Government and NBK	23,148	3,131	25,700	3,341	3,445
Amounts due to credit institutions	382,959	51,799	298,177	38,763	33,638
Amounts due to customers	794,485	107,462	528,823	68,747	44,826
Reserves for insurance claims	4,924	666	2,762	359	159
Debt securities issued	532,005	71,959	333,131	43,307	2,848
Subordinated debt	58,554	7,920	2,000	260	1,498
Provisions	2,358	319	1,954	254	159
Other liabilities	4,021	544	4,115	535	535
Total liabilities	1,802,454	243,800	1,196,662	155,566	87,108
Shareholders' equity					
Share capital:					

Common shares	104,746	14,168	99,008	12,871	4,340
Preferred shares	25,137	3,400	14,615	1,900	1,900
Additional paid in capital	1,797	243	1,554	202	202
Reserves	7,142	966	3,577	465	465
Retained earnings	25,122	3,398	21,092	2,742	1,435
___					
	163,944	22,175	139,846	18,180	8,342
Minority interest	2,654	359	—	—	—
___					
Total shareholders' equity	166,598	22,534	139,846	18,180	8,342
___					
Total liabilities and shareholders' equity	1,969,052	266,334	1,336,508	173,746	95,450
===					

(1) Translated at the official U.S. Dollar exchange rate on the KASE as at 30 June 2005, as reported by the NBK, of KZT 135.26 = U.S.$1.00

(2) Translated at the official U.S. Dollar exchange rate on the KASE as at 31 December 2004, as reported by the NBK, of KZT 130.00 = U.S.$1.00.

(3) Starting from 1 January 2004, the Bank classified securities in held-to-maturity and available-for-sale portfolios in addition to the financial assets at fair value through profit or loss held by the Bank as at 31 December 2003. See note 3, “Summary of Significant Accounting Policies – Investment Securities” to the Consolidated Financial Statements appearing elsewhere in this Prospectus.

(4) Net of allowance for impairment.

(5) Net of accumulated depreciation.

	As at 30 June		As at 31 December	
	2005	2004	2004	2003
	(%)			
Selected Financial Ratios:				
Profitability Ratios				
Net interest margin[(1) (2)]	2.1	3.1	5.8	6.8
Net interest income/average total assets[(2)]	1.8	2.7	5.1	6.1
Net income/average total assets[(2)]	0.5	1.0	1.7	1.9
Net income/average shareholders' equity[(2)]	5.0	10.5	17.5	21.6
Net interest income/total income[(3)]	66.3	66.5	65.0	64.2
Non-interest income/total income[(3)]	13.2	17.1	16.4	16.2
Fees and commissions/total income[(3)]	20.5	16.4	18.6	19.5
Cost/income ratio[(4)]	58.2	43.1	46.7	44.3
Personnel expenses[(5)]/total income[(3)]	23.6	23.2	23.6	23.3
Personnel expenses[(5)]/average total assets[(2)]	0.6	0.9	1.8	2.2
Loan Portfolio Quality				
Non-performing loans[(6)]/gross commercial loans and advances[(7)]	1.2	—	2.0	2.4
Allowance for impairment/gross commercial loans and advances[(7)]	3.6	—	4.7	5.3
Allowance for impairment/non-performing loans[(6)]	299.1	—	234.5	218.9
Balance Sheet Ratios and Capital Adequacy				
Amounts due to customers/total liabilities	44.1	—	44.2	51.5
Shareholders' equity/total assets	8.5	—	10.5	8.7
Tier 1 ratio[(8)]	8.4	—	9.6	8.7
Capital adequacy ratio[(8)]	14.6	—	11.1	13.6
Regulatory total capital ratio[(9)]	13.5	—	13.4	13.2
Commercial loans and advances/total assets	60.9	—	64.5	63.4
Commercial loans and advances/amounts due to customers	150.9	—	163.0	134.9
Commercial loans and advances/shareholders' equity	719.8	—	616.6	725.1
Liquid assets[(10)]/total assets	35.3		30.5	31.1
Liquid assets[(10)]/amounts due to customers	87.5	—	77.0	66.3

(1) Net interest income before provisions as a percentage of average interest-earning assets.

(2) Averages represent opening balance plus closing balance for the period divided by two.

(3) Total income represents net interest income plus fees and commissions plus non-interest income.

(4) Non-interest expense minus other provisions expressed as a percentage of the sum of Net interest income before impairment charge plus Non-interest income plus Fees and commissions.

(5) Personnel expenses represent salaries and bonuses to employees plus payments for social costs, payroll taxes and other staff costs.

(6) Non-performing loans consist of “doubtful” and “loss” loans. See “Selected Statistical and Other Information – IFRS Impairment Assessment”.

(7) Gross Commercial loans and advances represents commercial loans and advances before allowance for impairment.

(8) Calculated in accordance with the Capital Accord of the Basel Committee on Banking Supervision. See “Financial Review – Capital Adequacy and Other Ratios”.

(9) Calculated in accordance with the requirements of the FMSA. See “Financial Review – Capital Adequacy and Other Ratios”.

(10) Liquid assets comprise securities (which includes investment securities and financial assets at fair value through profit or loss) plus cash and cash equivalents and amounts due from credit institutions.

RISK FACTORS

Prior to making an investment decision, prospective purchasers of the Notes should carefully consider, along with all other information contained in this Prospectus, the following risk factors associated with investment in Kazakhstan entities generally and in the Bank specifically. 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.

General Risk Relating to Emerging Markets

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, investing in the Notes is appropriate. Generally, investment in emerging markets is only suitable 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.

Risk Factors Relating to the Bank

Loan Portfolio Growth and Risk Management

The Bank's gross commercial loans and advances (before allowances) have increased rapidly in recent years growing by 75.7% in 2003 to KZT63,885 million, by 84.1% in 2004 to KZT117,593 million and by a further 43.1% in the first half of 2005 to KZT168,333 million. The significant increase in the loan portfolio size has increased the Bank's credit exposure and will require continued monitoring by the Bank's management of credit quality and the adequacy of its impairment assessment and continued improvement in the Bank's credit risk management programme. Growth rates such as those recently experienced by the Bank also require the Bank to attract and retain qualified personnel and to train new personnel.

In addition, the Bank's strategy of further diversifying its customer base, including through increased lending to medium and small corporate clients and retail customers, may also increase further the credit risk exposure in the Bank's loan portfolio. Small and medium sized enterprises (“SMEs”) and retail customers typically are less financially resilient than larger borrowers as there is generally less financial information available about smaller companies and retail customers. Negative developments in Kazakhstan's economy could also affect smaller companies and retail customers more significantly than larger borrowers. As a result, the Bank may need to change its estimates of impairment and implement additional credit risk management policies and procedures. Failure to manage growth and development successfully and to maintain the quality of its assets could have a material adverse effect on the Bank's results of operations and financial condition.

In addition, the growth in the Bank's loan portfolio over the last three years has been higher than the growth in its customer deposits resulting in a commercial loans and advances to amounts due to customers ratio of 150.9%, 163.0% and 134.9% as at 30 June 2005 and 31 December 2004 and 2003, respectively. This has caused the Bank to look for other sources to fund the growth of its loan portfolio, primarily short to medium term inter-bank loans and capital markets instruments which at 30 June 2005 comprised 21.2% and 32.8% of total liabilities, respectively. As at 31 December 2004 short to medium term inter-bank loans and capital markets instruments comprised 24.9% and 28.0% of total liabilities, respectively. This asset to liability structure is consistent with that of most other similar banks in Kazakhstan and as a result market interest rates on loans to customers in Kazakhstan are higher than those charged in more developed markets to cover the higher funding costs. As a consequence, if corporate and retail lending interest rate levels were to decrease significantly in Kazakhstan and the Bank could not raise additional funding through deposit-taking, this could negatively affect the Bank's ability to manage liquidity and to fund further profitable growth.

Concentration of Lending and Deposit Base

As at 30 June 2005, the Bank's 10 largest borrowers accounted for 22.3% of gross commercial loans and advances, compared to 19.8% as at 31 December 2004, and 20.3% as at 31 December 2003. Whilst this reduction reflects, in part, the increase in a number of strong corporate credits in

Kazakhstan as well as the Bank's efforts to diversify its loan portfolio, the Bank will have to continue to place emphasis on credit quality and to further develop financial and management controls to monitor this credit exposure; a failure to achieve this could have a material adverse effect on the Bank's results of operations and financial condition.

As at 30 June 2005, the Bank's 10 largest corporate depositors accounted for approximately 34.3% of total amounts owed to customers, compared to 42.9% as at 31 December 2004, and 47.5% as at 31 December 2003. The Bank intends to reduce the concentration in its deposit base by attracting SME and retail depositors. Failure to reduce such concentration could, however, expose the Bank to increased liquidity risk and have a material adverse effect on the Bank's results of operations and financial condition.

Low Capitalisation

In common with other banks in Kazakhstan, the Bank has previously suffered from being under capitalised. Since the start of 2002, the Bank has strengthened its capital base through the issuance of common shares, preferred shares and domestic subordinated debt securities.

If the Bank's loan portfolio continues to increase as rapidly as it has in previous years, capital will be required in the medium-term to strengthen further the Bank's capital base. The Bank is also required under certain of its financing arrangements to maintain liquid assets (including securities within its investment and financial assets at fair value through profit or loss) at a level of not less than 25% of total assets. In addition, commercial loans funded through increased levels of debt financing from financial institutions and capital markets will also require the Bank to raise additional capital in order to meet required capital adequacy levels. The Bank's current strategy to address its capitalisation requirements involves diversifying its sources of funding, including the use of various lending facilities and the issuance of additional equity, subordinated debt and other securities in the domestic and international capital markets. The Bank may also consider in the near term exploring strategic partnerships with investors to assist the Bank in managing its future capital requirements. The failure to raise capital in the future could substantially limit the Bank's ability to continue to increase the size of its loan portfolio whilst complying with applicable capital adequacy requirements. This could result in breach of the requisite capital adequacy rules and breach of covenants relating to the maintenance of a certain capital adequacy ratio contained in some of its outstanding financing documents. Any such events could have a material adverse effect on the Bank's prospects, business, financial condition and results of operations.

Liquidity Risks

The Bank, like other commercial banks in Kazakhstan and elsewhere, is exposed to maturity mismatches between its assets and liabilities, which could lead to lack of liquidity at certain times. At 31 December 2004, the Bank had a negative cumulative maturity gap for a period of between one and three months, however there was no such negative cumulative maturity gap for the six month period ended 30 June 2005. Although the Bank believes that its level of access to domestic and international inter-bank markets and its liquidity risk management policy, which includes maintaining liquidity reserves sufficient to meet the Bank's liquidity needs for a certain period, allow and will continue to allow the Bank to meet its short-term and long-term liquidity needs, any maturity mismatches between the Bank's assets and liabilities (including by reason of the withdrawal of large deposits) may have a material adverse effect on its results of operations and financial condition. See “Selected Statistical and Other Information – Asset and Liability Management – Liquidity Risk”.

Interest Rate Risks

The Bank is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. While the Bank monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments, interest rate movements may have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank. See “Selected Statistical and Other Information – Asset and Liability Management – Interest Rate Risk”.

Foreign Currency Risks

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Although the Bank is subject to limits on its open currency positions pursuant to NBK and FMSA regulations and the Bank's internal policies, future changes in currency exchange rates and the volatility of the Tenge may adversely affect the Bank's foreign currency positions. See “Selected Statistical and Other Information – Foreign Currency Management”.

Lack of Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to its economy generally or specific economic sectors within it or corporate or financial information relating to companies and other economic enterprises is not as comprehensive as that found in many countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements and recognised debt rating reports, available to the Bank relating to its prospective corporate borrowers or retail 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 impairment assessment and collateralisation requirements, the absence of additional statistical, corporate and financial information may decrease the accuracy of the Bank's assessments of credit risk, thereby increasing the risk of under provisioning and decreasing the likelihood that the Bank would 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.

Competition

The Bank is subject to competition from both domestic and foreign banks. As at 30 June 2005, there were a total of 34 commercial banks in Kazakhstan, excluding the NBK and JSC Development Bank of Kazakhstan (“DBK”), of which 15 were banks with foreign ownership, including subsidiaries of foreign banks. The banking system in Kazakhstan is dominated by the three large domestic banks, JSC Kazkommertsbank, JSC Halyk Bank and JSC Bank TuranAlem, and despite the Bank's position as the fourth largest bank in Kazakhstan in terms of assets according to data compiled by the NBK, it faces significant competition from these banks. In addition, the Bank considers some of the banks with foreign shareholders as its competitors, primarily ABN AMRO Bank Kazakhstan and Citibank Kazakhstan, as their international experience and low-cost funding allow them to attract large domestic and foreign corporate customers. See “The Bank – Competition”.

Regulation of the Banking Industry

In September 1995, the NBK introduced strict 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. These norms apply to the Bank. Further, Kazakhstan banks are also required to join a bank-funded deposit insurance scheme and be audited annually by a public accountancy firm approved by the NBK, which is likely to be one of the leading international firms. Following legislative changes in July 2003, the FMSA was formed, and as at 1 January 2004 took responsibility for most of the supervisory and regulatory functions in the financial sector, which had previously been performed by the NBK. The FMSA's main task is to regulate and supervise the financial markets and financial institutions in Kazakhstan. See “The Banking Sector in Kazakhstan”. Notwithstanding the FMSA's, and previously the NBK's, regulations, 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 more highly developed regulatory regimes. See “Risk Factors Relating to Kazakhstan – Underdevelopment and Evolution of Legislative and Regulatory Framework”. There can be no assurance that the Government will not implement regulations or policies, including policies or regulations or legal interpretations of existing banking or other regulations, relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action, that could have a material adverse effect on the Bank's business, financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

As the Bank continues to expand its international operations, it will become increasingly exposed to additional regulatory risk, particularly in Kyrgyzstan, Russia and other CIS countries.

Reform of the International Capital Adequacy Framework

In 2001, the Basel Committee issued a proposal for a new capital adequacy framework to replace the current 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 with 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 banks, securities firms and corporates. 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 rating of Kazakhstan, possibly resulting in a higher cost of borrowing for Kazakhstan banks, including the Bank.

Dependence on Key Personnel

The Bank's success in growing its business will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel. Competition in Kazakhstan for personnel with relevant expertise is intense due to a disproportionately low number of available qualified and/or experienced individuals compared to demand. The Bank's failure to manage successfully its personnel needs could adversely affect the Bank's business and results of operations.

Regional and International Expansion

According to its strategy, the Bank plans to further expand its revenue base through selective regional and international expansion. In furtherance of this strategy, in June 2004, the Bank acquired a 34.4% stake in JSC EnergoBank in Kyrgyzstan, which was increased to 52.52% in July 2005. In addition, the Bank is in the process of acquiring a regional bank in the Omsk region of the Russian Federation, which borders Kazakhstan to the north and has a large ethnic Kazakh population. The acquisition is pending local regulatory approval. The Bank is also considering acquiring a small bank in Moscow to expand its presence in the capital of the Russian Federation. Although the Bank monitors closely the risks associated with its foreign operations, this international presence exposes the Bank to risks the Bank would not face as a purely domestic bank, including political and economic risks related to the countries into which it expands its operations as well as certain regulatory risks, compliance risks and foreign currency exchange risk. As the Bank further expands its international operations it will be exposed to additional risks. In any event, the Bank will be affected by political and economic developments in other CIS countries, particularly Russia and Kyrgyzstan. Any failure to manage such risks may cause the Bank to incur increased liabilities in respect of such operations. For more information on the recent acquisitions discussed above, see "The Bank – Subsidiaries and Associate Companies".

Risk Factors Relating to Kazakhstan

Most of the Bank's operations are conducted, and substantially all of its customers are located, in Kazakhstan. Accordingly, the Bank's ability to recover on its loans, financial position and results of operations are substantially dependent on the economic and political conditions prevailing in Kazakhstan.

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 was marked in the early years 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 free-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 for access to world markets for a number of its major exports, including oil, steel, copper, ferro-alloys, iron ore, alumina, coal, lead, zinc and wheat.

Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. In addition to taking various steps to promote regional economic integration among neighbouring countries, Kazakhstan signed an agreement in September 2003 with Ukraine, Russia, and Belarus for the creation of a single economic zone, which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs. The aim of the single economic zone is to create a free customs area within which member countries would enjoy free movement of goods, services, capital and labour. The member

countries also intend to co-ordinate their fiscal, credit and currency policies. Government policy advocates further economic integration with the CIS countries, one of the aims of which is to assure continued access to export routes. However, should access to these routes be materially impaired, the economy of Kazakhstan could be adversely affected.

Like other countries in Central Asia, Kazakhstan could be affected by continuing political unrest in the region and the effect any resulting military action may have on the world economy and political stability of other countries. Also, in common with other countries in Central Asia, Kazakhstan could be affected by military or other action taken against sponsors of terrorism in the region. 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 and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects.

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 is 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. Moreover, to mitigate any such negative effect, the Government established the National Fund of Kazakhstan in 2000 for the purpose of supporting the financial markets and the Kazakhstan economy in the event of any sustained drop in oil revenues. Notwithstanding these efforts, however, low commodity prices and weak demand in its export markets may adversely affect Kazakhstan's economy.

The Government began implementing market-based economic reforms following independence (including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment (particularly in the oil and gas sector) and the introduction of an extensive legal framework). Despite uneven progress in this regard, Kazakhstan has experienced extensive economic transformation over the last 12 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. Whilst gross domestic product ("GDP") has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5% in 2001, 9.2% in 2002, 9.2% in 2003 and 9.4% in 2004, there can be no assurance that the GDP will continue to grow and any fall in GDP in subsequent years could adversely affect Kazakhstan's development.

The Tenge is convertible for current account transactions, although it is not fully convertible outside Kazakhstan. Depressed export markets in 1998 and early 1999, 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 NBK instituted a number of expenditure cuts, took revenue increasing measures and in April 1999 allowed the Tenge to float freely. In the period from the adoption of a floating exchange rate policy on 4 April 1999 to 31 December 1999, the Tenge depreciated by 58.0% against the U.S. Dollar, resulting in an overall depreciation of the Tenge of 64.6% against the U.S. Dollar in the year ended 31 December 1999, compared to a depreciation of 10.7% in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge continued to depreciate in value against the U.S. Dollar, although at a much lower rate, depreciating by 3.8% in 2001 and 3.3% in 2002. However, the Tenge appreciated in value against the U.S. Dollar during 2003 to KZT144.22 per U.S.$1.00 as at 31 December 2003 compared to KZT155.60 per U.S.$1.00 as at 31 December 2002. As at 31 December 2004, the exchange rate was KZT130.00 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.

Implementation of Further Market-Based Economic Reforms

The need for substantial investment in many enterprises has driven the Government'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 certain large oil and gas producers, mining companies and the national telecommunications company. However, there remains a need for substantial investment in many sectors of the 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 shadow economy adversely affect the implementation of reforms and restrict the efficient collection of taxes. The Government 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. Currently, the Government is considering the possibility of presenting to Parliament a law establishing a one-time property amnesty aimed at reducing the size of the shadow economy and increasing the size of the country's tax base. 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.

Underdevelopment and Evolution of Legislative and Regulatory Framework

Although a large volume of legislation has come into force since early 1995, including a new tax code in January 2002, laws relating to foreign investments, 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 (although one of the most developed among the CIS countries) is at a relatively early stage of development compared to countries with established market economies. The judicial system in Kazakhstan may not be fully independent of social, economic and political forces and court decisions can be difficult to predict. In addition, senior Government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection. Moreover, 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, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as a lack of any established system of precedent or coherence 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. The Government 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, there can be no assurance that the Government will continue such policy, or that such policy, if continued, will ultimately prove to be successful.

It is expected that the tax legislation in Kazakhstan will become more sophisticated and that there will be additional revenue raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Bank's business and financial condition and on the results of operation of companies operating in Kazakhstan.

Less Developed Securities Market

An organised securities market was established in Kazakhstan in the mid-to-late 1990s 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 Western European countries and the United States, and existing laws and regulations may be applied inconsistently with consequent 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 is available to investors in entities organised in Western European countries or the United States.

Risk Factors Relating to the Notes

Taxation in Kazakhstan

Tax legislation in Kazakhstan currently levies income tax on gains from the sale of securities issued by Kazakhstan companies where such securities are not listed on the official "A" or "B" lists of the KASE. Such income tax would be applicable to holders of securities (including the Notes), regardless of whether the holder is resident in Kazakhstan for tax purposes, unless reduced by an applicable double tax treaty. Under the terms of double tax treaties Kazakhstan has concluded with certain countries, including, among others, the United States, United Kingdom, France, Germany and the Netherlands, gains made by tax residents in such countries are not subject to such Kazakhstan income tax. Holders who are resident for tax purposes in the countries which do not have a double tax treaty with Kazakhstan, however, would be subject to such tax.

Under the terms of the current legislation, holders that realise such a gain and do not qualify for an exemption under the appropriate double tax treaty are obliged to file a tax declaration with the Kazakhstan tax authorities. There is, however, uncertainty as to how the Kazakhstan tax authorities would assess such tax on non-resident foreign holders of the Notes. Prospective purchasers and holders of Notes should consult their own professional advisers as to the tax consequences of them holding or transferring the Notes.

In addition, as discussed in "Taxation – Kazakhstan Taxation", payments of interest on the Notes will be subject to Kazakhstan withholding tax at a rate of 15%, unless, in the case of non-resident holders, reduced by a relevant double tax treaty. The Bank has agreed to pay additional amounts in respect of such withholding. See "Terms and Conditions of the Notes – Condition 10 (*Taxation*)". The enforceability in Kazakhstan of such an agreement has not to date been determined by the courts in Kazakhstan and there may be some doubt as to whether they would enforce such an agreement. The Notes are subject to redemption in whole at their principal amount plus accrued interest (if any) at the option of the Bank, in the event of certain changes in taxation in Kazakhstan. See "Terms and Conditions of the Notes – Condition 9(b) (*Redemption for Taxation Reasons*)".

Emerging Market Risks

The markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, 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. Accordingly, the Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Bank.

Credit Rating

Outstanding sovereign Eurobonds of Kazakhstan are rated Baa3 by Moody's and BBB- by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. The Bank has received a long-term rating of "Ba1" from Moody's, "B+" from Standard and Poor's and "B+" from Fitch. Any change in the credit rating of either the Bank or Kazakhstan could affect the trading price of the Notes.

The Notes are Unsecured Obligations

The Notes are unsecured obligations of the Bank and, therefore, in an insolvency of the Bank rank junior to existing and/or future secured indebtedness of the Bank. Whilst the Bank had no securities subject to repurchase agreements as at 30 June 2005, the Bank has in the past and may in the future secure its repurchase agreements by a pledge over certain of the Bank's financial assets at fair value through profit or loss. The fair value of such pledged securities as at 31 December 2004 was KZT3,989 million. In addition, the Terms and Conditions of the Notes will permit the Bank to incur substantial additional secured indebtedness under some circumstances. See "Terms and Conditions of the Notes – Condition 5 (*Negative Pledge and Certain Covenants*)". If an event of default occurs under a secured credit facility, the lenders may foreclose upon the respective collateral. Thus, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding, the holders of any secured indebtedness of the Bank will be entitled to proceed against the collateral that secured such indebtedness and such collateral will not be available for satisfaction of any amounts owed to holders of the Notes.

USE OF PROCEEDS

The net proceeds to the Bank from the sale of the Notes, after deduction of underwriting commissions but before certain expenses, are expected to be U.S.$197,938,000. Such proceeds will be used by the Bank to fund loans to its customers and for other general corporate purposes.

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.

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 IMF. As a result, the Tenge depreciated from a pre-announcement rate of KZT88 per U.S. Dollar to a rate of about KZT130.00 per U.S. Dollar by May 1999. The Tenge continued to depreciate in nominal terms against the U.S. Dollar until 2003, but towards the end of 2003 the trend reversed. The following table sets out certain period-end, high, average and low Tenge/U.S. Dollar official exchange rates as reported by the NBK:

	Period-end	**High**	**Average**	**Low**
2000	144.50	144.50	142.13	138.20
2001	150.20	150.20	146.74	144.50
2002	155.85	156.29	153.28	150.20
2003	144.22	155.89	149.58	143.66
2004	130.00	143.33	136.04	130.00

Source: NBK

The following table sets out the period-end, high, average and low Tenge/U.S. Dollar official exchange rates for 2005.

	Period-end	**High**	**Average**	**Low**
2005				
January to 30 June	135.26	136.04	131.27	128.83
July	135.71	136.04	135.66	134.99
August	135.25	135.87	135.52	135.05
September	134.03	135.35	134.5	134.01

Source: NBK

On 12 October 2005, the exchange rate for U.S. Dollars on the KASE, as reported by the NBK, was KZT133.74 = U.S.$1.00.

Exchange Controls

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

Kazakhstan recently significantly liberalised its foreign exchange regulations. Since May 2003, a licence has not been needed for a resident of Kazakhstan to invest in foreign investment-grade

securities or to acquire more than 50% of the voting interests in a company incorporated in an OECD country or for an individual to open an account with a bank rated not below A by Standard & Poor's and incorporated in an OECD country or for banks based in Kazakhstan to make loans to non-residents. The NBK intends further to liberalise licensing rules in the next few years.

CAPITALISATION

The following table sets out the consolidated capitalisation of the Bank as at 30 June 2005 (i) on an actual basis and (ii) as adjusted to reflect the issuance of the Notes. This information should be read in conjunction with "Use of Proceeds", "Financial Review", "Selected Consolidated Financial Information" and the Interim Consolidated Financial Statements, and related notes thereto, included elsewhere in this Prospectus.

	As at 30 June 2005			
	Actual		**As Adjusted**	
	(Unaudited)			
	(U.S.$ thousands) [1]	***(KZT millions)***	***(U.S.$ thousands)*** [1]	***(KZT millions)***
Long-term debt	83,003	11,227	83,003	11,227
Debt securities issued	532,005	71,959	732,005	99,011
Subordinated long-term debt	58,554	7,920	58,554	7,920
Total long-term debt[2]	673,562	91,106	873,562	118,158
Common Shares[3]	104,746	14,168	104,746	14,168
Preferred Shares[3]	25,137	3,400	25,137	3,400
Additional paid in capital	1,797	243	1,797	243
Reserves	7,142	966	7,142	966
Retained earnings	25,122	3,398	25,122	3,398
Total shareholders' equity	163,944	22,175	163,944	22,175
Total capitalisation	837,506	113,281	1,037,506	140,333

(1) Translated at the official U.S. Dollar/Tenge exchange rate on the KASE, as reported by the NBK, on 30 June 2005 of KZT 135.26 = U.S.$1.00.

(2) In addition to long-term debt, as at 30 June 2005 the Bank had short-term debt of KZT42,270 million comprising amounts due to the Government and the NBK, and amounts due to credit institutions, in each case maturing within one year.

(3) As at 30 June 2005, the Bank's authorised share capital comprised 16,600,000 common and 3,400,000 preferred shares and the Bank's issued and paid share capital comprised 14,168,485 common and 3,400,000 preferred shares, each having a par value of KZT1,000.

Save as disclosed above, there has been no material change in the Bank's capitalisation since 30 June 2005.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The summary financial information for the Bank set forth below should be read in conjunction with the Consolidated Financial Statements included elsewhere in this Prospectus. The Consolidated Financial Statements have been prepared in accordance with IFRS.

The summary financial information set forth below as at and for the six months ended 30 June 2005 and 2004 and for the years ended 31 December 2004 and 2003 has been extracted from the Consolidated Financial Statements which are included elsewhere in this Prospectus. In the opinion of the management of the Bank, these summarised financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the periods covered thereby. The information should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements.

	For the six months ended 30 June			**For the year ended 31 December**		
	2005	**2005**	**2004**	**2004**	**2004**	**2003**
	(Unaudited)			***(Unaudited)***		
	(U.S.$ thousands)[(1)]	***(KZT millions)***		***(U.S.$ thousands)***[(2)]	***(KZT millions)***	
Income Statement:						
Interest income						
Loans	66,816	8,771	4,874	80,800	10,992	6,655
Securities	6,650	873	660	10,776	1,466	1,116
Credit institutions	1,958	257	72	1,367	186	113
	75,424	9,901	5,606	92,943	12,644	7,884
Interest expense						
Deposits	(16,051)	(2,107)	(1,316)	(20,545)	(2,795)	(2,126)
Borrowings	(8,342)	(1,095)	(734)	(10,563)	(1,437)	(958)
Subordinated debt	(1,478)	(194)	(49)	(463)	(63)	(130)
Debt securities issued	(19,525)	(2,563)	(359)	(11,122)	(1,513)	(13)
	(45,396)	(5,959)	(2,458)	(42,693)	(5,808)	(3,227)
Net interest income	30,028	3,942	3,148	50,250	6,836	4,657
Impairment of interest earning assets	(8,540)	(1,121)	(1,038)	(21,273)	(2,894)	(1,694)
	21,488	2,821	2,110	28,977	3,942	2,963
Fees and commissions						
Fee and commission income	10,878	1,428	970	17,267	2,349	1,635

Fee and commission expense	(1,585)	(208)	(195)	(2,874)	(391)	(219)
___						
	9,293	1,220	775	14,393	1,958	1,416
___						
Non-interest income						
Gains less losses from trading securities	693	91	356	3,352	456	308
Gains less losses from available-for-sale security	160	21	77	110	15	—
Dealing profits (losses)	—	—	1	15	2	35
Gains less losses from foreign currencies:						
dealing	3,839	504	316	5,741	781	528
translation differences	(548)	(72)	(129)	(897)	(122)	(76)
Underwriting income	1,318	173	150	3,514	478	303
Share of income from associates	251	33	11	368	50	—
Other income	244	32	30	441	60	79
___						
	5,957	782	812	12,643	1,720	1,177
___						
Non-interest expense						
Salaries and benefits	(10,680)	(1,402)	(1,099)	(18,237)	(2,481)	(1,686)
Administrative and operating expenses	(9,256)	(1,215)	(631)	(12,790)	(1,740)	(1,056)
Depreciation and amortisation	(1,927)	(253)	(165)	(2,779)	(378)	(251)
Taxes other than income taxes	(4,495)	(590)	(160)	(2,286)	(311)	(220)
Other impairment and provisions	(571)	(75)	(147)	(610)	(83)	(128)
___						
	(26,929)	(3,535)	(2,202)	(36,702)	(4,993)	(3,341)
___						
Income before income tax expense	9,809	1,288	1,495	19,311	2,627	2,215
Income tax expense	(2,087)	(274)	(331)	(2,257)	(307)	(759)
___						
Net income	7,722	1,014	1,164	17,054	2,320	1,456
===						
Attributable to:						
Equity of the parent	7,731	1,015	1,164	17,054	2,320	1,456
Minority interest	(9)	(1)	—	—	—	—

(1) Translated at the official average U.S. Dollar exchange rate for the six months ended 30 June 2005, as reported by the NBK, of KZT131.27 = U.S.$1.00.

(2) Translated at the official average U.S. Dollar exchange rate for the year ended 31 December 2004, as reported by the NBK, of KZT136.04 = U.S.$1.00.

	As at 30 June		As at 31 December		
	2005		2004	2004	2003
	(Unaudited)		*(Unaudited)*		
	(U.S.$ thousands)[(1)]	*(KZT millions)*	*(U.S.$ thousands)*[(2)]	*(KZT millions)*	
Consolidated Balance Sheet:					
Assets					
Cash and cash equivalents	235,495	31,853	108,062	14,048	5,836
Obligatory reserves	18,098	2,448	18,385	2,390	1,775
Amounts due from credit institutions	39,435	5,334	27,008	3,511	—
Financial assets at fair value through profit or loss	52,211	7,062	66,538	8,650	23,890
Investment securities[(3)]	368,135	49,794	205,507	26,716	—
Commercial loans and advances[(4)]	1,199,239	162,209	862,231	112,090	60,488
Reserve for insurance claims, reinsurance share	798	108	—	—	—
Premises and equipment[(5)]	30,038	4,063	25,508	3,316	2,280
Tax assets	8,051	1,089	5,346	695	262
Investments in associates	1,225	166	2,408	313	—
Other assets[(4)]	16,327	2,208	15,515	2,017	919
Total assets	1,969,052	266,334	1,336,508	173,746	95,450
Liabilities					
Amounts due to the Government and NBK	23,148	3,131	25,700	3,341	3,445
Amounts due to credit institutions	382,959	51,799	298,177	38,763	33,638
Amounts due to customers	794,485	107,462	528,823	68,747	44,826
Reserves for claims	4,924	666	2,762	359	159
Debt securities issued	532,005	71,959	333,131	43,307	2,848
Subordinated debt	58,554	7,920	2,000	260	1,498
Provisions	2,358	319	1,954	254	159
Other liabilities	4,021	544	4,115	535	535
Total liabilities	1,802,454	243,800	1,196,662	155,566	87,108
Shareholders' equity					
Share capital:					
Common shares	104,746	14,168	99,008	12,871	4,340

Preferred shares	25,137	3,400	14,615	1,900	1,900
Additional paid in capital	1,797	243	1,554	202	202
Reserves	7,142	966	3,577	465	465
Retained earnings	25,122	3,398	21,092	2,742	1,435
___					
	163,944	22,175	139,846	18,180	8,342
Minority interest	2,654	359	—	—	—
___					
Total shareholders' equity	166,598	22,534	139,846	18,180	8,342
___					
Total liabilities and shareholders' equity	1,969,052	266,334	1,336,508	173,746	95,450
===					

(1) Translated at the official U.S. Dollar exchange rate fixed on the KASE as at 30 June 2005, as reported by the NBK, of KZT 135.26 = U.S.$1.00

(2) Translated at the official U.S. Dollar exchange rate fixed on the KASE as at 31 December 2004, as reported by the NBK, of KZT 130.00 = U.S.$1.00.

(3) Starting from 1 January 2004, the Bank classified securities in held-to-maturity and available-for-sale portfolios in addition to the financial assets at fair value through profit or loss held by the Bank as at 31 December 2003. See note 3, "Summary of Significant Accounting Policies – Investment Securities" to the Consolidated Financial Statements appearing elsewhere in this Prospectus.

(4) Net of allowance for impairment.

(5) Net of accumulated depreciation.

	As at 30 June		As at 31 December	
	2005	2004	2004	2003
	(%)			
Selected Financial Ratios:				
Profitability Ratios				
Net interest margin(1)(2)	2.1	3.1	5.8	6.8
Net interest income/average total assets(2)	1.8	2.7	5.1	6.1
Net income/average total assets(2)	0.5	1.0	1.7	1.9
Net income/average shareholders' equity(2)	5.0	10.5	17.5	21.6
Net interest income/total income(3)	66.3	66.5	65.0	64.2
Non-interest income/total income(3)	13.2	17.1	16.4	16.2
Fees and commissions/total income(3)	20.5	16.4	18.6	19.5
Cost/income ratio(4)	58.2	43.1	46.7	44.3
Personnel expenses(5)/total income(3)	23.6	23.2	23.6	23.3
Personnel expenses(5)/average total assets(2)	0.6	0.9	1.8	2.2
Loan Portfolio Quality				
Non-performing loans(6)/gross commercial loans and advances(7)	1.2	—	2.0	2.4
Allowance for impairment/gross commercial loans and advances(7)	3.6	—	4.7	5.3
Allowance for impairment/non-performing loans(6)	299.1	—	234.5	218.9
Balance Sheet Ratios and Capital Adequacy				
Amounts due to customers/total liabilities	44.1	—	44.2	51.5
Shareholders' equity/total assets	8.5	—	10.5	8.7
Tier 1 ratio(8)	8.4	—	9.6	8.7
Capital adequacy ratio(8)	14.6	—	11.1	13.6
Regulatory total capital ratio(9)	13.5	—	13.4	13.2
Commercial loans and advances/total assets	60.9	—	64.5	63.4
Commercial loans and advances/amounts due to customers	150.9	—	163.0	134.9
Commercial loans and advances/shareholders' equity	719.8	—	616.6	725.1
Liquid assets(10)/total assets	35.3	—	30.5	31.1
Liquid assets(10)/amounts due to customers	87.5	—	77.0	66.3

(1) Net interest income before provisions as a percentage of average interest-earning assets.

(2) Averages represent opening balance plus closing balance for the period divided by two.

(3) Total income represents net interest income plus fees and commissions plus non-interest income.

(4) Non-interest expense minus other provisions expressed as a percentage of the sum of Net interest income before impairment charge plus Non-interest income plus Fees and commissions.

(5) Personnel expenses represent salaries and bonuses to employees plus payments for social costs, payroll taxes and other staff costs.

(6) Non-performing loans consist of "doubtful" and "loss" loans. See "Selected Statistical and Other Information – IFRS Impairment Assessment".

(7) Gross Commercial loans and advances represents commercial loans and advances before allowance for impairment.

(8) Calculated in accordance with the Capital Accord of the Basel Committee on Banking Supervision. See "Financial Review – Capital Adequacy and Other Ratios".

(9) Calculated in accordance with the requirements of the FMSA. See "Financial Review – Capital Adequacy and Other Ratios".

(10) Liquid assets comprise securities (which includes investment securities and financial assets at fair value through profit or loss) plus cash and cash equivalents and amounts due from credit institutions.

FINANCIAL REVIEW

The following discussion should be read in conjunction with the Consolidated Financial Statements 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

The Bank is the fourth largest commercial bank in Kazakhstan in terms of assets according to data compiled by the NBK as at 30 June 2005. The Bank's total assets as at 30 June 2005 were KZT266,334 million (U.S.$1,969 million). The Bank's net income for the six months ended 30 June 2005 was KZT1,014 million (U.S.$7.7 million) as compared to KZT1,164 million (U.S.$8.4 million) for the six months ended 30 June 2004, KZT2,320 million (U.S.$17.1 million) for the year ended 31 December 2004 and KZT1,456 million (U.S.$9.7 million) for the year ended 31 December 2003. The Bank's shareholders' equity as at 30 June 2005 was KZT22,534 million (U.S.$166.6 million) as compared to KZT18,180 million (U.S.$140.0 million) as at 31 December 2004 and KZT8,342 million (U.S.$57.8 million) as at 31 December 2003.

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; for example, real GDP, which fell by 38.6% 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.

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 towards 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% of GDP. Even higher estimates of the contribution of the black market economy, however, have been given.

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

	Year ended 31 December				
	2004	**2003**	**2002**	**2001**	**2000**
Nominal GDP (*KZT millions*)	5,543,000	4,449,800	3,747,200	3,250,593	2,599,902
Real GDP (*percentage change during the 12 months then ended*)	9.4	9.2	9.5	13.5	9.8
Nominal GDP per capita (*KZT*)	367,783	297,844	252,263	219,170	174,854
Population (*millions average annual*)	15.07	14.94	14.86	14.85	14.86

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 and strong commodity prices in recent years.

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**
	(% share of GDP)				
Industry	31.1	29.5	29.3	30.7	31.9
Construction	5.9	6.2	6.1	5.5	5.3
Agriculture	7.9	7.3	7.9	8.7	8.7
Transportation and Telecommunications	12.2	12.1	11.5	11.2	12.0
Trade	11.4	12.1	12.0	12.1	12.6
Other(1)	31.5	32.8	33.2	31.8	29.5
Total	100.0	100.0	100.0	100.0	100.0

Source: NSA

(1) Includes finance and non-production sectors such as medicare, 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 by approximately 40% and that of industry increasing by more than 35% since 1997. 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% of total exports in the first six months of 2005.

Inflation

The year-on-year rate of consumer price inflation has decreased from 9.8% at the end of 2000 to 6.7% as at the end of December 2004, although there have been times in the period when inflationary pressures have resumed, principally 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:

	As at 31 December				
	2004	**2003**	**2002**	**2001**	**2000**
	(%)				
Consumer prices	6.7	6.8	6.6	6.4	9.8

Producer prices	23.8	5.9	11.9	(14.1)	19.4

Source: NSA, NBK

Current account

Based on NBK data, Kazakhstan's current account deficit in 2003 was U.S.$39.0 million as compared to U.S.$843.4 million and U.S.$1,209.3 million in 2002 and 2001, respectively. The current account surplus in the first nine months of 2004 was U.S.$232.6 million. In the first three months of 2005 the current account surplus was U.S.$508.7 million.

Capital and financial account

The current account deficit has been offset by inflows of foreign direct investment. 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 the first nine months of 2004, foreign direct investment was U.S.$3,917.3 million and the capital and financial account surplus was U.S.$2,248.1 million.

Critical Accounting Policies

The Bank's results of operations and financial condition presented in the Consolidated Financial Statements, notes thereto and the selected statistical and other information appearing elsewhere in this Prospectus are substantially influenced by the Bank's accounting policies.

The Bank's significant accounting policies are described in Note 3 to the Audited Consolidated Financial Statements. The Bank has identified the following accounting policies that it believes are the most critical to an understanding of its results of operations and financial condition. These policies require a complex and subjective judgement by management about matters that are inherently uncertain. The effect of and any associated risks related to the Bank's critical accounting policies on its business operations are discussed in this section where these policies affect the Bank's financial results as presented in this Prospectus.

Allowances for Impairment of Financial Assets

The Bank establishes allowances for impairment of financial assets when it is probable that the Bank will not be able to collect principal and interest according to the contractual terms of the related loans issued, securities held-to-maturity and other financial assets, which are carried at cost and amortised cost. The allowances for impairment of financial assets are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument. For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Bank expects to realise the financial instrument.

The allowances are based on the Bank's own loss experience and management's judgement as to the level of losses that will most likely be recognised from assets in each credit risk category by reference to the debt service capability and repayment history of the relevant borrower. The allowances for impairment of financial assets are determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods. If actual loan losses are higher or market conditions are less favourable than those projected by management, additional allowances may be required.

Deferred Taxes

Deferred income tax is calculated using the liability method, which is based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for taxable temporary differences:

• except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of taxable temporary differences with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for deductible temporary differences, carry-forwards of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forwards of unused tax assets and unused tax losses can be utilised:

• except where the deferred income tax asset relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit nor loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to

allow all or part of the deferred income tax asset to be utilised. Deferred income tax and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Financial assets at fair value through profit or loss

As of 1 January 2005, a new category of financial instruments has been introduced, “Financial assets at fair value through profit or loss”. This category, which replaced the Bank's Trading Securities Portfolio, includes trading financial assets as well as any financial assets designated into this category at initial recognition. These assets are measured at fair value with recognition of gains or losses on re-measurement to fair value in net profit or loss. Management of the Bank decided to designate as “financial assets at fair value through profit or loss” all debt and equity securities, except for investments in equity instruments that do not have a quoted market price in an active market, loans issued and held-to-maturity instruments. Such designation is performed at initial recognition of the respective assets. The financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on their market value. In determining market value, all financial assets at fair value through profit or loss are valued at the last bid price.

Securities purchased principally for the purpose of generating a profit from short-term fluctuations in price or dealers' margins are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised under the policy for financial instruments and are subsequently measured at fair value, based on market values as of the balance sheet date. Realised and unrealised gains and losses resulting from operations with financial assets at fair value through profit or loss are recognised in the statement of income as gains less losses from financial assets at fair value through profit or loss. Interest earned on financial assets at fair value through profit or loss is reported as interest income.

Investment securities

The Bank classifies assets held in its securities portfolio as financial assets at fair value through profit or loss or investment securities. Securities purchased principally for the purpose of generating a profit from short-term fluctuations in price or dealers' margin fall within the category financial assets at fair value through profit or loss. Other securities in the Bank's portfolio fall within the category of investment securities.

Starting from 1 January 2004, the Bank expanded the classification of its securities portfolio to include investment securities, which is further broken down into securities held-to-maturity and securities available for sale, in addition to the financial assets at fair value through profit or loss held by the Bank as at 31 December 2003. The Bank classifies investment securities depending upon the intent of management at the time of the purchase of such securities. Shares of associates and subsidiaries held by the Bank exclusively with a view to their future disposal are also classified as available-for-sale.

Investment securities are initially recognised in accordance with the policy stated above and subsequently re-measured using the following policies:

Held-to-maturity investment securities – at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

Available-for-sale investment securities – at fair value, which is equal to the market value as at the balance sheet date. When debt securities with fixed maturities are non-marketable or no information is available on a market for similar instruments, fair value has been estimated as the discounted future cash flows using current interest rates. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for diminution in value, unless there are other appropriate and workable methods of reasonably estimating their fair value.

Gains and losses arising from changes in the fair value of available-for-sale investment securities are recognised in shareholders' equity as the fair value change of available-for-sale financial assets in the period that the change occurs. When the securities are disposed of or impaired, the related accumulated fair value adjustment is included in the statement of income as gains less losses from available-for-sale securities.

Results of Operations for the Years ended 31 December 2004, 2003 and 2002

Net Income

The following table sets forth the main components of the Bank's net income for the years ended 31 December 2004, 2003 and 2002:

	Year ended 31 December			
	2004	**2004**	**2003**	**2002**
	(Unaudited)			
	(U.S.$(1) thousands)	***(KZT millions)***		
Interest income	92,943	12,644	7,884	5,368
Interest expense	(42,693)	(5,808)	(3,227)	(2,412)
Net interest income before impairment charge	50,250	6,836	4,657	2,956
Impairment charge	(21,273)	(2,894)	(1,694)	(892)
Net interest income after impairment charge	28,977	3,942	2,963	2,064

Fees and commissions, net[2]	14,393	1,958	1,416	1,084
Non-interest income	12,643	1,720	1,177	691
Non-interest expense	(36,702)	(4,993)	(3,341)	(2,418)
Income before income tax expense and minority interest	19,311	2,627	2,215	1,421
Income tax expense	(2,257)	(307)	(759)	(413)
Income before minority interest	17,054	2,320	1,456	1,008
Minority interest	—	—	—	(2)
Net income	17,054	2,320	1,456	1,006

(1) Translated at the official average U.S. Dollar exchange rate for the year ended 31 December 2004, as reported by the NBK, of KZT136.04 = U.S.$1.00.

(2) Fee and commission income less fee and commission expense.

The Bank's net income increased by 59.3% to KZT2,320 million in 2004 from KZT1,456 million in 2003, which represented an increase of 44.7% from the Bank's recorded net income of KZT1,006 million in 2002. The increase in net income in 2004 compared to 2003 was primarily a result of the increase in net interest income due to the significant growth of the Bank's loan and securities portfolios in 2004. The growth in the Bank's loan and securities portfolio reflected the continued expansion of the Kazakh economy, as domestic GDP grew by 9.4% in 2004 relative to 2003 and there was continued increased demand for loan and investment capital across the principal sectors of the Kazakh economy. Another factor which contributed to the growth of the Bank's net income in 2004 relative to 2003 was higher profits resulting from a greater volume of securities dealings. This growth in securities dealings was a result of the Bank having significant higher amounts of capital to invest in its securities portfolio due to increased deposits and increased borrowings from capital markets issuances and new and existing syndicated loan facilities. Moreover, the increased domestic confidence in the Tenge in 2004 encouraged substantial growth in the Bank's customer and deposit base, resulting in increases in the Bank's net fees and commissions. These gains were offset in part by lower interest rates as a result of increased competition in the banking sector and higher impairment charges for loan losses and increased staff and administrative costs as the Bank continued to expand its operations.

Similarly, the increase in net income in 2003 compared to 2002 was primarily due to a substantial increase in net interest income and increases in net fees and commissions and profits on securities dealings. As in 2004, the Bank's net income results in 2003 reflected the general growth of the Kazakh economy, which grew by 9.2% in 2003 relative to 2002, and the increased demand for loan and investment capital across the principal sectors of the Kazakh economy. Moreover, the increase in 2003 of the Bank's funding base enabled the Bank to realise higher profits from its securities portfolio. The growth of net income in 2003 was partially offset by higher impairment charges for

loan losses due to the expansion of the Bank's overall loan portfolio, as well as increased staff and administrative costs and income tax expense.

Interest Income

The following table sets forth the components of the Bank's interest income for the years ended 31 December 2004, 2003 and 2002:

	Year ended 31 December			Change from Prior Year	
	2004	2003	2002	2004	2003
	(KZT millions)			(%)	
Loans	10,992	6,655	4,405	65.2	51.1
Securities[1]	1,466	1,116	862	31.4	29.5
Credit Institutions	186	113	101	64.6	11.9
Total	12,644	7,884	5,368	60.4	46.9

(1) In respect of the year ended 31 December 2004, comprised investment securities and trading securities. Prior to 2004, the Bank held no investment securities.

The Bank's interest income increased by 60.4% to KZT12,644 million in 2004 from KZT7,884 million in 2003, reflecting the substantial growth of the Bank's interest-earning assets, as the Bank's loan and securities portfolios grew significantly, in that period. In 2004, the Bank's loan portfolio expanded by 84.1% to KZT117,593 million from KZT63,885 million in 2003 due in large part to significantly higher demand from the Bank's corporate customer base and the growing retail business. Consequently, in 2004 interest income on loans to customers grew by 65.2% to KZT10,992 million from KZT6,655 million in 2003 and the average loan balance in that period increased by 81.2% to KZT86,289 million from KZT47,625 million. See also “Selected Statistical and Other Information – Loan Portfolio.”

In addition, in 2004 the Bank's total securities portfolio increased by 48.0% to KZT35,366 million from KZT23,890 million in 2003 due to the significantly higher levels of funding provided by the Bank's growing deposit base and increased borrowings by the Bank under its existing credit facilities and issuances of additional debt and equity securities in 2004. The Bank uses its securities portfolio principally to manage liquidity in compliance with Kazakh banking regulations. In addition, the Bank is required under certain of its financing arrangements to maintain liquid assets (which are cash and cash equivalents and securities held within its investment and trading portfolios) at a level of not less than 25% of total assets. Interest income on the Bank's securities portfolio, which historically has primarily consisted of Kazakh sovereign securities and U.S. treasury bills, increased by 31.4% to KZT1,466 million in 2004 from KZT1,116 million in 2003 due to the higher levels of funding available to the Bank for investment purposes because of the growth in the deposit and capital base.

The positive effect on interest income attributable to the larger loan and securities portfolio was offset, in part, by a decrease in the average interest rates earned by the Bank on its loan portfolio during this period, which decreased from 14.2% in 2003 to 13.7% in 2004 due to increased competition among banks operating in Kazakhstan. The Bank's interest income growth in 2004 was also partially offset by a decline in the average interest rates earned on its trading securities portfolio, which decreased from 6.6% in 2003 to 5.8% in 2004 and the lower interest rate earned on the investment portfolio portion of the Bank's total securities in 2004, which was approximately 4.8%. The decreasing returns on the Bank's securities portfolio were due in part to declining interest rates for Kazakh sovereign securities and U.S. Treasury bills. See “Selected Statistical and Other Information – Average Balances”.

Interest income earned from deposits with credit institutions increased by 64.6% to KZT186 million in 2004 from KZT113 million in 2003, which in turn represented an increase of 11.9% from KZT101 million in 2002. The increase in interest income earned on deposits with credit institutions in 2004 was attributable, in part, to an increase in the volume of transactions with foreign banks due in part to the Bank depositing with foreign banks the proceeds from the issuance of the Bank's U.S.$100 million 8.5% Notes due 2007 prior to the Bank utilising such funds in May 2004.

The Bank's interest income in 2003 increased by 46.9% to KZT7,884 million from KZT5,368 million in 2002. The increase in interest income in 2003 over 2002 was a result of the growth of the Bank's loan and securities portfolios, which grew significantly in that period. In 2003, the Bank's loan

portfolio expanded by 75.7% to KZT63,885 million from KZT36,358 million in 2002 as a result of general growth in the Kazakh economy and increased demand for loans from the Bank's corporate customer base. Interest income on loans to customers grew by 51.1% in 2003 to KZT6,655 million from KZT4,405 million in 2002 and the average loan balance in that period increased by 61.8% to KZT47,625 million in 2003 from KZT29,441 million in 2002.

In addition, in 2003 the Bank's securities portfolio increased by 56.1% to KZT23,890 million from KZT15,300 million in 2002 due to higher levels of funding for purchasing trading securities provided by the growing deposit base and issuances of debt securities in 2003. Because of this significant growth, the Bank's interest income increased by 29.5% to KZT1,116 million in 2003, from KZT862 million in 2002. These increases were also partially offset by a decline in average interest rates earned under the loan portfolio from 14.8% at the end of 2002 to 14.2% at the end of 2003 due to increased competition among banks operating in Kazakhstan. The Bank's interest income growth was also offset by a decline in the amount of interest rate earned on its securities portfolio, which decreased from 7.3% in 2002 to 6.6% in 2003. See “Selected Statistical and Other Information – Average Balances”.

Interest Expense

The following table sets out the components of the Bank's interest expense for the years ended 31 December 2004, 2003 and 2002:

	Year ended 31 December			**Change from Prior Year**	
	2004	**2003**	**2002**	**2004**	**2003**
	(KZT millions)			**(%)**	
Deposits	(2,795)	(2,126)	(1,663)	31.5	27.8
Borrowings	(1,437)	(958)	(616)	50.0	55.5
Subordinated Debt	(63)	(130)	(134)	(51.5)	(3.0)
Debt securities issued	(1,513)	(13)	—	11,538.5	100.0
	(5,808)	(3,227)	(2,413)	80.0	33.7

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Interest expense increased by 80.0% in 2004 to KZT5,808 million from KZT3,227 million in 2003, which, in turn, represented a 33.7% increase from KZT2,413 million in 2002.

In 2004 and 2003, the growth in interest expense was largely due to higher payments of interest in connection with the Bank's strategy of expanding and diversifying its funding base, including the issuance of U.S.$100 million 8.5% Notes due 2007 in May 2004 and KZT2.8 billion of bonds in December 2003, respectively. The Bank had no debt securities outstanding as at 31 December 2002.

In addition, the significant growth of the Bank's deposit base contributed to the growth in interest expense between 2002 and 2004 as the volume of customer deposits increased by 53.4% in 2004 to KZT68,747 million from KZT44,826 million in 2003, which in turn, represented an increase of 42.1% from KZT31,545 million in 2002. See “Selected Statistical and Other Information – Funding and Liquidity – Customer Accounts”.

Due to the increased activity of the Bank in utilising higher interest bearing external credit facilities and issuing debt instruments in the international capital markets in 2004, the average interest rates paid by the Bank for such securities increased to 9.1% in 2004 from 6.8% in 2003. The increase in interest expense from the Bank's deposit base was partially offset by declining interest rates in Kazakhstan over the same period as inflation rates declined in Kazakhstan. Under the Kazakh deposit insurance system to which the Bank is a member, the insurance scheme establishes maximum interest rates for deposits covered by the scheme which is pegged to the NBK Refining Rate and the declining inflation results decreased the maximum interest rates. As a result, the average interest rate paid by the Bank in respect of customer deposits declined from 5.1% in 2002 to 4.4% in 2003 and 4.3% in 2004 and the average interest rates in respect of deposits from other institutions with the Bank similarly declined in that period. See “Selected Statistical and Other Information – Average Balances”. The Bank's average interest rate on interest-bearing liabilities was 5.5% as at 31 December 2002, 4.9% as at 31 December 2003 and 5.2% as at 31 December 2004. In 2002, as the Bank's funding base from securities issued derived exclusively from domestic issuances, the decrease in interest rates declined in Kazakhstan led to a decrease in the Bank's average interest paid between

2002 and 2003. In 2004, however, the expansion of the Bank's funding base through the issuance of higher interest bearing Eurobonds, led to an increase between 2003 and 2004 in average interest paid.

Net interest income

Net interest income increased by 46.8% to KZT6,836 million in 2004 from KZT4,657 million in 2003, which in turn, represented an increase of 57.6% from KZT2,955 million in 2002. The Bank's net interest margin decreased from 7.1% in 2002 to 6.8% in 2003 and decreased further to 5.8% in 2004. The principal reason for the decline in margins between 2002 and 2004 was the general increase in the Bank's funding costs. Consequently, between 2002 and 2004, the Bank needed to access more expensive additional sources of funding than customer deposits such as tapping its existing credit lines and new issuances of securities and the Bank's aggregate debt issuances increased from KZT134.1 million in 2002 to KZT1,541.9 million in 2003 to KZT17,754.2 million in 2004. In addition, further pressure on the Bank's margins was exerted by declining interest rates both in respect of the Bank's securities and loan portfolios. See also “Selected Statistical and Other Information – Loan Portfolio – Loan Portfolio Structure by Maturity”, “ – Funding and Liquidity – Customer Accounts” and “– Trading and Investment Portfolio”.

Impairment of interest-earning assets

The Bank recorded impairment of interest-earning assets of KZT2,894 million in 2004, which represented an increase of 70.8%, from KZT1,694 million in 2003, which in turn represented an increase of 89.9% from KZT892 million in 2002. The increase was due to the growth of the Bank's commercial loans and advances. However, non-performing commercial loans and advances as a percentage of total commercial loans and advances decreased to 2.0% in 2004 from 2.4% in 2003. These improvements were due to improved credit risk analysis and lending procedures by the Bank, which strengthened the loan portfolio. Moreover, allowances as a percentage of commercial loans and advances decreased to 4.7% in 2004 from 5.3% in 2003, which was an increase from 4.4% in 2002. The decrease between 2004 and 2003 was due to improved credit risk analysis and lending procedures by the Bank. The increase between 2002 and 2003 was due to the Bank over provisioning to address risk management issues as a consequence of its expansion of its regional offices and giving increased autonomy to its regional branches in granting loans. In addition, in compliance with the requirement of the NBK, the strength of the Bank's loan portfolio has been historically supported by the high proportion of collateralised loans, which was 99.7%, 99.7% and 100%, respectively as at 31 December 2004, 2003 and 2002, respectively.

Fees and Commissions

In 2004, net fee and commission income increased by 38.3% to KZT1,958 million from KZT1,416 million in 2003, which in turn, represented an increase of 30.6% from KZT1,084 million in 2002. The Bank derives its fee and commissions from services including maintaining and servicing accounts, transaction fees for cash and foreign exchange operations, guarantee fees for corporate customers and credit and debit card fees. Fees and commissions increased in 2004 relative to 2003 principally due to the increased level of activities undertaken by the Bank as a result of the real growth of the Bank's customer base. The overall increase in fee and commission income in 2004 relative to 2003 was driven in part by increased commissions charged by the Bank to its corporate customers in respect of performance guarantees, which grew by 55% to KZT386 million in 2004 compared to KZT249 million in 2003. Other factors which contributed to overall growth in the Bank's fee and commission income in 2003 included an increase in fees charged in respect of foreign exchange transactions, which increased by 28% to KZT335 million in 2004 from KZT262 million in 2003 and an increase in credit card fees from the Bank's expanding retail business by 33% in 2004 to KZT199 million from KZT150 million in 2003.

Fees and commissions increased in 2003 relative to 2002 also due to the generally higher level of activities undertaken by the Bank as a result of the real growth of the Bank's customer base. The principal contributor to the overall growth in fee and commission income was the significant growth in volume of settlement operations, which increased by 76.2% in 2003 to KZT511 million from KZT290 million in 2002 for customers transferring funds within Kazakhstan and abroad. Another significant factor which contributed to the growth in the Bank's fee and commission income includes the increase in fees charged to corporate customers in respect of performance guarantees, which grew by 94.5% to KZT249 million in 2003 compared to KZT128 million due to increased levels of activity by the Bank's corporate customers. In addition, the Bank realised additional gains in fees and

commissions through continued growth in credit card fees, which increased by 61.3% to KZT150 million in 2003 from KZT93 million in 2002.

Non-interest Income

The Bank's non-interest income increased by 46.1% in 2004 to KZT1,720 million from KZT1,177 million in 2003, which in turn, represented an increase of 70.3% from KZT691 million in 2002. The increase in non-interest income was generally due to the significant growth in the Bank's capital and funding base between 2002 and 2004. The increase in the Bank's non-interest income in 2004 compared to 2003 was mainly due to net gains from trading securities of KZT456 million and increased profits from dealing in foreign currencies of KZT253 million as compared to 2003. These gains were offset by a net loss of KZT122 million as a result of the foreign exchange translation into U.S. dollars. The Bank's non-interest income increased by 70.3% in 2003 as compared to 2002, primarily due to increases in income on dealing securities and underwriting income. Income on dealing securities increased to KZT308 million in 2003 from KZT78 million in 2002 due to an increase of 56.1% in the Bank's securities portfolio, from KZT15,300 million at 31 December 2002 to KZT23,890 million at 31 December 2003.

Non-interest Expense

The Bank's non-interest expense increased by 49.4% in 2004 to KZT4,993 million from KZT3,341 million in 2003, which in turn represented an increase of 38.2% from KZT2,418 million in 2002. The increase in the Bank's non-interest expense in 2004 compared to 2003 was mainly due to an increase in staff costs and administrative and other expenses. In 2004, staff costs increased 47.2% to KZT2,481 million. This increase reflected the 23.7% increase in the Bank's employees to 1,971 in 2004 from 1,593 in 2003. In addition, this increase reflected higher annual salaries and bonuses paid to the Bank's management and employees in 2004 due to competitive employment and the need to attract and retain quality staff and additional costs in connection with the opening of three additional branches. In addition, leasing expenses increased in 2004 to KZT237 million from KZT78 million in 2003 as the Bank opened four additional branches in 2004 and expanded its headquarters to cope with additional staff and equipment. Moreover, advertising expenditures increased in 2004 to KZT232 million from KZT166 million in 2003 as the Bank completed a re-branding campaign as part of its strategy to expand its retail customer base and strengthen its corporate brand.

In 2003, staff costs increased by 32.9% to KZT1,686 million. This increase reflected the 40.8% increase in the Bank's employees to 1,593 at 31 December 2003 from 1,131 at 31 December 2002, which was required to support the growth of the Bank's network of branches and cash settlement offices as well as the overall growth of the Bank's business. In addition, leasing expenses increased in 2003 to KZT78 million from KZT38 million in 2002 as the Bank opened a further four branches. Administrative and other expenses, consisting primarily of advertising, communication and business trip expenses, increased by 36.4% reaching KZT1,056 million in 2003, primarily due to an increase in the Bank's operations. The Bank's cost-to-income ratio (calculated as non-interest expense not including income taxes and impairment charges expressed as a percentage of the sum of net interest income, fees and commissions and non-interest income) was 46.7% in 2004 as compared to 44.3% in 2003 and 49.6% in 2002.

Income Tax Expense

The income tax charge in the consolidated statement of income comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. Taxes, other than on income, are recorded with operating expenses.

During 2003, the Bank changed its estimate of prior year taxes to take a more prudent position with regard to the deductibility of certain impairment charges. During 2004, the tax authorities clarified the tax code with respect of those items, thus allowing those charges to be included as a deduction. Accordingly, the Bank adjusted its income taxes in 2004.

The Bank's income tax expense increased in 2003 relative to 2002 due to two factors: first, there was a 55.9% increase in income before income tax expense and minority interest and second, an increase in income tax expense of KZT142 million in 2003 following the Bank's reassessment of its tax charge relating to the 2002 financial year.

The Bank's effective tax rate was 11.7% in 2004 as compared to 34.3% in 2003 and 29.1% in 2002. The decrease in the Bank's effective tax rate in 2004 relative to 2003 was mainly due to the re-assessment of taxes in relation to prior years. In addition, the Bank's tax exempt income increased from KZT967 million in 2002 to KZT1,393 million in 2003 and to KZT1,943 million in 2004, while non-deductible expenses increased from KZT897 million in 2002 to KZT1,180 million in 2003 and to KZT356 million in 2004. The increase in the effective tax rate between 2002 and 2003 was, in part, as a result of the re-assessment of taxes in relation to prior years.

Cash Flow

The following table sets out the Bank's main sources of cash for the years ended 31 December 2004, 2003 and 2002:

	Year ended 31 December			**Change from Prior Year**	
	2004	**2003**	**2002**	**2004**	**2003**
	(KZT millions)			*(%)*	
Net cash flow from operating activities	(15,578)	(2,324)	179	(570.3)	(1,398)
Net cash flow from investing activities	(29,076)	(783)	(1,123)	(3,613.4)	30.3
Net cash flow from financing activities	53,492	4,602	726	1,062	533.9
Effect of exchange rate changes on cash and cash equivalents	(625)	(137)	115	(356.2)	(219.1)
Cash and cash equivalents at beginning of the year	5,836	4,478	4,582	30.3	(2.3)
Cash and cash equivalents at the end of the year	14,048	5,836	4,478	140.7	30.3

In 2004 and 2003, the Bank used cash in the amount of KZT15,578 million and KZT2,324 million from its operating activities, whilst in 2002 the Bank generated net cash in the amount of KZT179 million from its operating activities. In 2004, the Bank used cash to grant loans to customers in the amount of KZT60,072 million, which was largely generated from its operating activities and from the issuance of debt securities. In 2003, the Bank used cash to grant loans to customers in the amount of KZT29,276 million, which was largely generated from its operating activities. In 2004, 2003 and 2002, the Bank used net cash in the amounts of KZT29,076 million, KZT783 million and KZT1,123 million, respectively, in its investing activities. In 2004, 2003 and 2002, the Bank generated net cash in the amounts of KZT53,492 million, KZT4,602 million and KZT726 million, respectively, from its financing activities.

Recent Developments

The Bank's net interest income increased by 25.2% to KZT3,942 million in the first half of 2005 from KZT3,148 million in the comparable period in 2004 due to the continued rapid growth of the Bank's loan and securities portfolios. As at 30 June 2005, the Bank's loan portfolio had expanded by 43.1% to KZT168,333 million from KZT117,593 million as at 31 December 2004 due in large part to significant demand from the Bank's corporate customer base and its growing retail business caused by the growth in the Kazakhstan economy. Consequently, interest income on loans to customers grew by 80.0% to KZT8,771 million from KZT4,874 million in the same period in 2004. In addition, the Bank's total securities portfolio increased by 60.8% to KZT56,856 million as at 30 June 2005 from KZT35,366 million as at 31 December 2004 since the Bank had excess funds as a result of a less than budgeted increase of the Bank's loan portfolio and at the same time the Bank experienced higher levels of funding provided by its growing deposit base and increased borrowings by the Bank under its existing credit facilities in the first half of 2005. However, gross margins continued to remain adequate. The growth in the Bank's loan and securities portfolio reflected the continued expansion of the Kazakh economy, as domestic GDP continued to grow in the first half of 2005 there was continued increased demand for loan and investment capital across the construction food and agricultural sectors of the Kazakh economy.

The increased domestic confidence in the Tenge in 2004 encouraged substantial growth in the Bank's customer and deposit base, resulting in increases in the Bank's net fees and commissions. In the first half of 2005, net fee and commission income increased by 57.4% to KZT1,220 million from KZT775 million in the first half of 2004. Fees and commissions charged by the Bank to its corporate

customers in respect of performance guarantees grew by 102.3% to KZT261 million in the first six months of 2005 from KZT129 million in the same period in 2004. Fees and commissions charged in respect of cash operations also increased by 62.6% to KZT317million in the first six months of 2005 from KZT195million in the same period in 2004. Further, fees and commissions from transfer operations increased by 34.4% to KZT402 million in the first six months of 2005 from KZT299 million in the same period in 2004.

The gains in net interest income and fees and commissions were offset by the 142.4% increase in interest expense in the first half of 2005 to KZT5,959 million from KZT2,458 million in the same period in 2004. The growth in interest expense was largely due to higher interest charges as a result of the Bank's strategy of expanding and diversifying its funding base (including the issuance of U.S.$100 million 8.5% notes due 2007, U.S.$200 million 8.875% notes due 2009, and U.S.$200 million 9.25% notes due 2012), and due to the significant growth of the Bank's deposit base. The Bank's net interest margin decreased from 3.1% in the first half of 2004 to 2.1% in the first half of 2005. The principal reason for the decline in margins was the general decline in interest rates on loans and increases in the Bank's funding costs.

The gains in net interest income and fees and commissions were further offset by a 60.5% increase in non-interest expense to KZT3,535 million in the first half of 2005 from KZT2,202 million in the same period in 2004, mainly due to increased staff and administrative costs and tax (excluding income tax). Staff costs increased by 27.6% to KZT1,402 million in the first six months of 2005 from KZT1,099 million in the same period in 2004. This increase reflected the 34.4% increase in the number of the Group's employees to 2,344 as at 30 June 2005 from 1,744 as at 30 June 2004. The number of employees increased due to the opening of new branches and the acquisition of EnergoBank. Tax expenses (excluding income tax) increased by 268.8% to KZT590 million in the first six months of 2005 from KZT160 million in the same period in 2004. This increase was primarily due to increases in the amounts paid in connection with the Bank's issued notes, including the issuance of the U.S.$100 million 8.5% notes due 2007, U.S.$200 million 8.875% notes due 2009, and the U.S.$200 million 9.25% notes due 2012. Advertising expenses increased from KZT79 million in the first six months of 2004 to KZT254 million in the same period in 2005. This increase was partly due to the Bank's continuing re-branding campaign as part of its strategy to expand its retail customer base and strengthen its corporate image, and partly due to advertisements in celebration of the Banks' tenth anniversary. As a result of the above, the Bank's net income decreased by 12.9% to KZT1,014 million in the first half of 2005 as compared to KZT1,164 million in the same period in 2004.

Financial Condition as at 30 June 2005, 31 December 2004 and 2003

The following discussion of the Bank's assets and liabilities, segments and off-balance sheet items should be read in conjunction with "Selected Statistical and Other Information".

	As at 30 June		Change from 31 December 2004 to 30 June 2005	As at 31 December			Change 31 December 2003 to 2004
	2005			2004	2004	2003	
	(U.S.$[1] thousands) (Unaudited)	*(KZT millions)*	*(%)*	*(U.S.$[2] thousands) (Unaudited)*	*(KZT millions)*		*(%)*
Cash and cash equivalents	235,495	31,853	126.7	108,062	14,048	5,836	140.7
Cash on hand	46,992	6,356	92.0	25,462	3,310	2,477	33.6
Correspondence accounts with other banks	92,976	12,576	30.0	74,400	9,672	1,617	498.1
Time deposits with the NBK	7,408	1,002	100.0	3,854	501	1,002	(50.0)
Correspondent account with the NBK	56,033	7,579	1241.4	4,346	565	262	115.6
Short term deposits with other banks	32,086	4,340	100.0	—	—	478	(100.0)
Obligatory reserves	18,098	2,448	2.4	18,385	2,390	1,775	34.6
Correspondent account with the NBK allocated to obligatory reserves	18,098	2,448	2.4	18,385	2,390	1,775	34.6
Amounts due from credit institutions	39,435	5,334	51.9	27,008	3,511	—	100.0
Time deposits	17,218	2,329	50.4	11,912	1,549	—	100.0
Correspondent accounts with other banks	15,171	2,052	73.9	9,079	1,180	—	100.0
Loans to local credit institutions	7,046	953	21.7	6,026	783	—	100.0
Less allowance for impairment	—	—	100.0	(9)	(1)	—	(100.0)
Financial assets at fair value through profit and loss	52,211	7,062	(18.4)	66,538	8,650	23,890	(63.8)

Notes of the NBK	—	—	(100.0)	4,623	601	9,454	(93.6)
Euronotes of the Republic of Kazakhstan	17,315	2,342	(25.1)	24,038	3,125	—	100
Treasury bills of the Ministry of Finance	30,149	4,078	(6.0)	33,393	4,340	6,560	(33.8)
Sovereign bonds of the Republic of Kazakhstan	—	—	—	—	—	4,239	(100.0)
U.S. Treasury bills	—	—	—	—	—	2,582	(100.0)
Bonds of local financial organisations	3,882	525	5.2	3,838	499	556	(10.3)
Equity investments	—	—	—	—	—	416	(100.0)
Corporate bonds	865	117	37.6	646	85	83	2.4
	–––	–––		–––	–––	–––	
Investment securities	368,135	49,794	86.4	205,507	26,716	—	100.0
available-for-sale	368,135	49,794	6,943.0	5,438	707	—	100.0
held-to-maturity	—	—	(100.0)	200,069	26,009	—	100.0
	–––	–––		–––	–––	–––	
Commercial loans and advances	1,199,239	162,209	44.7	862,231	112,090	60,488	85.3
Commercial loans	1,233,151	166,796	42.5	900,124	117,016	63,481	84.3
Advances	11,364	1,537	166.4	4,438	577	404	42.8
Less – Allowance for impairment	(45,276)	(6,124)	(11.3)	(42,331)	(5,503)	(3,397)	(62.0)
Reserve for insurance claims, reinsurance share	798	108	100.0	—	—	—	—
	–––	–––		–––	–––	–––	
Premises and equipment	30,038	4,063	22.5	25,508	3,316	2,280	45.4
	–––	–––		–––	–––	–––	
Tax assets	8,051	1,089	56.7	5,346	695	262	165.3
Current tax assets	3,534	478	165.6	1,385	180	176	2.3
Deferred tax assets	4,517	611	18.6	3,961	515	86	498.8
	–––	–––		–––	–––	–––	
Investments in associates	1,225	166	(47.0)	2,408	313	—	100.0
	–––	–––		–––	–––	–––	
Other assets	16,327	2,208	9.5	15,515	2,017	919	119.5
	–––	–––		–––	–––	–––	
Total assets	1,969,052	266,334	53.3	1,336,508	173,746	95,450	82.0
	===	===		===	===	===	

(1) Translated at the official U.S. Dollar exchange rate on the KASE as at 30 June 2005, as reported by the NBK, of KZT135.26 = U.S.$1.00.

(2) Translated at the official U.S. Dollar exchange rate on the KASE as at 31 December 2004, as reported by the NBK, of KZT130.00 = U.S.$1.00.

As at 30 June 2005, the Bank had total assets of KZT266,334 million compared to total assets of KZT173,746 million as at 31 December 2004 and KZT95,450 million as at 31 December 2003. The increase in total assets of 53.3% in the first half of 2005 as compared to 31 December 2004 was primarily due to the significant increase in the Bank's gross loan portfolio, which grew by 43.1% as at 30 June 2005 to KZT168,333 million from KZT117,593 million as at 31 December 2004 as a consequence of general growth in the Kazakh economy and the generally higher demand for loans from the Bank's customer base. Similarly, the increase in total assets of 82.0% in 2004 was also attributable to the significant increase in the Bank's loan portfolio, which grew by 84.1% to KZT117,593 million in 2004 from KZT63,885 million in 2003 which was again, attributable to the growth of the Kazakh economy and the increased demand for loans from the Bank's customer base. Although the stabilisation of the Tenge, higher wages and increased contributions from an emerging pensions fund market has increased the Bank's sources of deposits, the demand for loans between the end of 2004 and the first half of 2005 increased but the absorption rate of funds from debt offerings out-paced the increasing demand. Thus, the Bank's commercial loans and advances to amounts due to customers ratio as at 30 June 2005, 31 December 2004 and 31 December 2003 was 150.9%, 163.0% and 134.9%, respectively. In order to fund this significant demand, the Bank's strategy has been and will be in the near term to diversify its sources of funding to include syndicated loans and various subordinated debt and other capital markets issuances. Although this funding strategy is consistent with that of other similar banks in Kazakhstan, it has resulted in higher market interest on loans to customers in Kazakhstan who are charged at rates that are higher than those charged in more developed markets to cover the higher funding costs. Consequently, if interest rate levels were to decrease significantly in Kazakhstan and the Bank could not raise additional funding through deposit- taking, this could affect the Bank's ability to fund further growth and manage liquidity. See "Risk Factors – Loan Portfolio Growth and Risk Management".

Cash and cash equivalents increased by 126.7% to KZT31,853 million as at 30 June 2005 from KZT14,048 million as at 31 December 2004 which, in turn, represented a 140.7% increase from KZT5,836 million as at 31 December 2003. The increase as at 30 June 2005 was caused by a significant deposit from a pension fund placed by the Bank overnight in correspondent accounts and with the NBK prior to it clearing and being characterised as an amount due to customers. As at 30 June 2005, short-term deposits with other banks amounted to KZT4,340 million, in comparison to 31 December 2004 when the Bank had none. This increase in the volume of transactions with foreign banks was partly due to the Bank depositing with such banks in April 2005 the proceeds from the issuance of its U.S.$200 million notes due 2012 prior to its utilising such funds, and partly due to an increase in demand deposits of the Bank's customers in the first half of 2005. As at 30 June 2005, amounts due from credit institutions was KZT5,334 million of which KZT 2,329 million were deposits with other banks due to debt offerings.

The Bank's total securities portfolio (which comprises both financial assets at fair value through profit and loss and investment securities), increased by 60.8% to KZT56,856 million as at 30 June 2005 from KZT35,366 million as at 31 December 2004 which, in turn, represented a 48.0% increase from KZT23,890 million as at 31 December 2003. This increase in the Bank's securities portfolio was due to the need to adequately manage liquidity as a result of the significant overall growth of the Bank's loan portfolio.

Tax assets increased by 56.7% to KZT1,089 million as at 30 June 2005 from KZT695 million as at 31 December 2004 which, in turn, represented a 165.3% increase from KZT262 million as at 31 December 2003. The 2004 and first half 2005 increases were primarily attributable to increased deferred tax assets which were related to provisions created against loans and other interest earning assets.

Total Liabilities

The following table sets out the Group's liabilities as at 30 June 2005 and 31 December 2004 and 2003:

	As at 30 June		**Change from 31 December to 30 June**	**As at 31 December**			**Change from 31 December 2003 to 2004**
	2005		**2005**	**2004**	**2004**	**2003**	
	(U.S.$ thousands) [(1)] ***(Unaudited)***	***(KZT millions)***	***(%)***	***(U.S.$ thousands)*** [(2)] ***(Unaudited)***	***(KZT millions)***		***(%)***
Amounts due to the Government and NBK	23,148	3,131	(6.3)	25,700	3,341	3,445	(3.0)
Time deposit from NBK	15,444	2,089	3.0	15,608	2,029	2,007	1.1
Kreditanstalt für Wiederaufbau	5,656	765	(15.7)	6,977	907	923	(1.7)
Local municipal authorities	1,708	231	(32.3)	2,623	341	343	(0.6)
World Bank	340	46	(28.1)	492	64	172	(62.8)
Amounts due to credit institutions	382,959	51,799	33.6	298,177	38,763	33,638	15.2
Loans from foreign banks in USD	263,892	35,694	73.0	158,669	20,627	22,438	(8.1)
Loans from foreign banks in Euro	68,712	9,294	(5.5)	75,677	9,838	2,864	243.5
Loans from local banks	10,883	1,472	239.2	3,338	434	—	100.0
Loans from foreign banks in Swedish Krona	880	119	100.0	—	—	—	—
Repurchase agreements	—	—	(100.0)	28,485	3,703	1,120	230.6
Loans from the Small Business Development Fund of Kazakhstan	7,844	1,061	(23.8)	10,715	1,393	1,761	(20.9)
Time deposits from local banks.	20,146	2,725	89.5	11,062	1,438	4,491	(68)
Current accounts	10,602	1,434	7.8	10,231	1,330	6	22,066.7
Overnight deposits	—	—	—	—	—	958	(100.0)
Amounts due to	794,485	107,462	56.3	528,823	68,747	44,826	53.4

customers							
Customer current accounts:							
Individuals	22,934	3,102	76.0	13,554	1,762	1,397	26.1
Commercial	245,845	33,253	71.7	149,008	19,371	15,334	26.3
Term deposits:							
Individuals	138,134	18,684	57.0	91,523	11,898	8,524	39.6
Commercial	378,116	51,144	46.1	269,269	35,005	18,887	85.3
Held as security against letters of credit	9,456	1,279	79.9	5,469	711	684	3.9
	___	___		___	___	___	
Reserves for claims	4,924	666	85.5	2,762	359	159	125.8
Debt securities issued	532,005	71,959	66.2	333,131	43,307	2,848	1,420.6
USD denominated notes	503,290	68,075	73.7	301,462	39,190	—	100.0
KZT denominated bonds	33,506	4,532	—	34,869	4,533	2,920	55.2
Own USD denominated notes held by the Group	—	—	—	—	—	—	—
Own bonds held by the Group	—	—	—	—	—	(72)	100.0
Less unamortised cost of issuance	(4,791)	(648)	(55.8)	(3,200)	(416)	—	(100.0)
	___	___		___	___	___	
Subordinated debt	58,554	7,920	2,946.2	2,000	260	1,498	(82.6)
KTZ denominated notes	56,528	7,646	100.0	—	—	—	—
USD denominated subordinated bonds	10,085	1,364	1.5	10,338	1,344	1,498	(10.3)
Own USD subordinated bonds held by the Group	(8,059)	(1,090)	(0.6)	(8,338)	(1,084)	—	(100.0)
	___	___		___	___	___	
Provisions	2,358	319	25.6	1,954	254	159	59.7
Other liabilities	4,021	544	1.7	4,115	535	535	—
	___	___		___	___	___	
Total liabilities	1,802,454	243,800	56.7	1,196,662	155,566	87,108	78.6
	===	===		===	===	===	

(1) Translated at the official U.S. Dollar exchange rate on the KASE as at 30 June 2005, as reported by the NBK, of KZT135.26 = U.S.$1.00.

(2) Translated at the official U.S. Dollar exchange rate on the KASE as at 31 December 2004, as reported by the NBK, of KZT130.000 = U.S.$1.00.

As at 30 June 2005, the Group had total liabilities of KZT243,800 million compared to KZT155,566 million as at 31 December and KZT87,108 million as at 31 December 2003. The increase in the Bank's total liabilities of 56.7% as at 30 June 2005 relative to 31 December 2004 was primarily attributable to the 56.3% growth of the Bank's deposit base and the increase in the issuance of debt securities by the Bank in the first half of 2005. The increase in the Bank's total liabilities of 78.6% in 2004 relative to 2003 was primarily attributable to the 53.4% growth of the Bank's deposit base and the significant increase in the issuance of debt securities by the Bank in 2004.

Amounts due to credit institutions increased by 33.6% to KZT51,799 million as at 30 June 2005 from KZT38,763 million as at 31 December 2004, which, in turn, represented a 15.2% increase from KZT33,638 million as at 31 December 2003. Amounts due to customers increased by 56.3% to KZT107,462 million as at 30 June 2005 from KZT68,747 million as at 31 December 2004, which, in turn, represented a 53.4% increase from KZT44,826 million as at 31 December 2003.

Debt securities issued increased by 66.2% to KZT71,959 million as at 30 June 2005 from KZT43,307 million as at 31 December 2004, which, in turn, represented a KZT1,420.6 increase from KZT2,848 million as at 31 December 2003. Subordinated debt increased by 2,946.2% to KZT7,920 million as at 30 June 2005 from KZT260 million as at 2004 which, in turn, represented a 82.6% decrease from KZT1,498 million as at 31 December 2003.

As at 31 December 2004, amounts outstanding under repurchase agreements were KZT3,703 million, whereas at 30 June 2005 there were no outstanding repurchase agreements due to the liquidity resulting from the issuance of debt securities. The Bank had no securities subject to repurchase agreements as at 30 June 2005. The Bank has in the past, and may in the future, secure repurchase agreements by a pledge over certain of the Bank's financial assets at fair value through profit or loss. The fair value of such pledged securities as at 31 December 2004 was KZT3,989 million.

Provisions increased by 25.6% to KZT319 million as at 30 June 2005 from KZT254 million as at 31 December 2004 which, in turn, represented a 59.7% increase from KZT159 million as at 31 December 2003 due to the increase in absolute terms of the guarantees and letters of credit commitments.

Foreign Currency Borrowings

Since 1998, the Bank has participated in a number of special programmes for the financing of SMEs and enterprises in specific industries arranged and sponsored by the Ministry of Agriculture, the Ministry of Finance, several local (regional) executive bodies, as well as international financial institutions such as the World Bank, ADB, the EBRD and KfW.

The Bank participates in the Governmental Programme for State Support of Small Business Development funded by the EBRD and ADB, under which the EBRD and ADB provide funds to the Small Business Development Fund, a “quasi-governmental” financial institution, which in turn distributes funds to various participating Kazakhstan banks for further on-lending to small businesses. The Bank grants loans to small businesses on the basis of its analysis of their credit worthiness. The Bank currently has a credit facility through the Small Business Development Fund funded by the EBRD with a total outstanding amount of U.S.$8 million. The Bank anticipates that EBRD's funding of the Programme for State Support of Small Business Development will be ceased by the end of 2005, although as the Bank continues to diversify its funding sources, such funding has become increasingly less strategic.

As at 30 June 2005, the Bank had U.S.$341,490 outstanding under its U.S.$2.6 million facility with the Ministry of Finance funded by the World Bank as part of that institution's U.S.$15 million programme for Kazakhstan's agricultural sector.

As at 30 June 2005, the Bank had an outstanding loan from the Ministry of Finance funded by KfW to finance small and medium importers with a total outstanding amount of Euro 4.7 million maturing in 2009.

Over the course of the past several years, the Bank has entered into several financing arrangements with foreign banks and other financial institutions. Details of some of the more important of these are set out below.

In November 2003, the Bank entered into a one year facility for U.S.$62 million arranged by ABN AMRO Bank N.V. which was extended for a further year in October 2004 and increased to U.S.$75 million. Interest payments on the facility are linked to LIBOR. In December 2003, the Bank entered into a five-year U.S.$10 million loan agreement with Deutsche Investitions-und Entwicklungsgesellschaft GmbH and Nederlandse Financierings-Maatschappij voor

Ontwikkelingslanden N.V. In July 2004, the Bank entered into an eighteen-month U.S.$50 million syndicated loan with Standard Bank.

In April 2005, the Bank entered into a one-year loan for U.S.$20 million arranged by HSH Nordbank AG. Interest payments on the facility are linked to LIBOR.

In addition, as part of its programme to increase its capital base, in January 2002, the Bank issued U.S.$10 million 9% subordinated notes due in 2007. The notes were primarily placed with pension funds and other financial institutions in Kazakhstan. In addition, the Bank placed a further KZT13 billion of subordinated notes on the domestic market on 5 August 2005.

In May 2004, the Bank issued U.S.$100 million of its 8.5% Notes due 2007, its debut international capital markets transaction and, in November 2004, issued U.S.$200 million of its 8.875% Notes due 2009. In April 2005, the Bank issued its debut Rule 144A offering of U.S.$200 million of its 9.25% Notes due 2012.

The following tables set out certain information as to currency and tenor of the Bank's foreign currency liabilities as at 30 June 2005:

	2005	**2006**	**2007**	**2008**	**2009 and later**	**Total**
	(KZT millions)					
U.S. Dollars	35,698	28,093	15,301	3,400	59,210	141,702
Euro	4,501	2,267	716	561	3,701	11,746

The Bank believes that it will be able to meet its obligations under these facilities through an increase in borrowings (including the Notes) and an increase in demand and time deposits.

Capital Adequacy and Other Ratios

The following table sets out certain ratios calculated in accordance with the requirements of the FMSA, formerly the requirements of the NBK, as at the dates indicated:

	FMSA minimum requirements	As at 30 June	As at 31 December	
		2005	2004	2003
		(%, unless otherwise indicated)		
Minimum charter fund[1]	Not less than KZT2,000 million[2]	KZT17,568 million	KZT14,771 million	KZT6,240 million
Capital Adequacy Ratios				
K1 – Tier I capital to total risk-weighted assets	Not less than 6 %	7.7	8.8	7.3
K2 – Own capital to total risk-weighted assets	Not less than 12 %	13.5	13.4	13.2
K4 – Current Liquidity ratio	Greater than 30 %	204.2	169.7	91.8
K5 – Short-term Liquidity Ratio	Greater than 50 %	194.2	127	72.5
Reserves with the NBK and cash	Not less than 6% of average balances of customer accounts	33.7	12.4	13.4
K6 – investments into fixed assets and non financial assets to equity	Not greater than 50 %	16.6	21.1	26.9
Maximum aggregate net open foreign currency position[3]	50% of bank's own capital[4]	5.69	22	4.8
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	30% of bank's own capital[4]	7.93	22.7	4.1
Maximum net short open position in currencies of countries rated from "B" to "A"	15% of bank's own capital[4]	1.77	0.04	0.3
Maximum aggregate on-balance sheet and off-balance sheet exposure to related parties	100% of bank's own capital[4]	12.0	11.7	8.3
Maximum exposure to any single borrower:				
related parties	10 %	2.7	4.1	3.7

other borrowers	25 %	24.1	23.3	23.9
on unsecured loans	10 %	5.0	0.5	0.4

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(1) Under Kazakhstan law, the “charter fund” means capital which must be provided in order to establish a company or a bank. A charter fund may only be formed with cash contributions. No borrowed funds are permitted as a contribution to a charter fund.

(2) For newly established second tier banks with branches.

(3) The difference between the aggregate long and aggregate short foreign currency positions.

(4) The NBK definition of “own capital” is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) less equity investments. Tier I capital is the sum of share capital plus additional paid-in capital plus retained earnings and reserves less intangible assets and Tier II capital is the sum of current profit for the period plus revaluation reserves plus general allowances (to the extent that they do not exceed 1.25% of risk weighted assets) plus subordinated debt (but not more than 50% of Tier I).

	As at 30 June		As at 31 December			
	2005		2004		2003	
	(U.S.$ thousands)	***(KZT millions)***	***(U.S.$ thousands)***	***(KZT millions)***	***(U.S.$ thousands)***	***(KZT millions)***
Tier I capital	138,817	18,776	125,231	16,280	44,668	6,442
Tier II capital	103,078	13,942	22,692	2,950	25,848	3,728
Gross Tier I and Tier II capital	241,895	32,718	147,923	19,230	70,516	10,170
Less investments	(1,450)	(196)	(2,409)	(314)	(132)	(19)
Tier I and Tier II capital	240,445	32,522	145,514	18,917	70,384	10,151
Total risk weighted assets	1,648,513	222,978	1,306,031	169,784	515,684	74,372
Tier I capital adequacy ratio(1)	8.4 %	8.4 %	9.6 %	9.6 %	8.7 %	8.7 %
Total risk weighted capital adequacy ratio(2)	14.6 %	14.6 %	11.1 %	11.1 %	13.6 %	13.6 %

(1) Comprising Tier I capital divided by total risk weighted assets.

(2) Comprising Tier I and Tier II capital divided by total risk weighted assets.

Using ratios established by the Bank for International Settlements to monitor capital adequacy, the Bank had a Tier I capital adequacy ratio of 8.4% at 30 June 2005 compared to 9.6% at 31 December 2004 and 8.7% at 31 December 2003, and a capital adequacy ratio of 14.6% at 30 June 2005 compared to 11.1% at 31 December 2004 and 13.6% at 31 December 2003.

THE BANK

Overview

The Bank is the fourth largest commercial bank in Kazakhstan in terms of assets according to data compiled by the NBK as at 30 June 2005. The Bank's total assets as at 30 June 2005 were KZT266,334 million (U.S.$1,969 million), compared to KZT173,746 million (U.S.$1,337 million) as at 31 December 2004. The Bank's net income for the six months ended 30 June 2005 was KZT1,014 million (U.S.$7.7 million) as compared to KZT1,164 million (U.S.$8.4 million) for the six months ended 30 June 2004. The Bank's net income for the year ended 31 December 2004 was KZT2,320 million (U.S.$17 million) as compared to KZT1,456 million (U.S.$9.7 million) for the year ended 31 December 2003. The Bank's shareholders' equity as at 30 June 2005 was KZT22,534 million (U.S.$166.6 million) compared to was KZT18,180 million (U.S.$140.0 million) as at 31 December 2004 and KZT8,342 million (U.S.$57.8 million) as at 31 December 2003.

The Bank's primary business focus is corporate (including SMEs) and retail banking. The Bank accepts deposits, extends credits, provides custodian services, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its corporate and retail customers. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

As at the date of this Prospectus, the Bank and its Subsidiaries, in addition to the Bank's head office in Almaty, had 36 full service branches and 18 cash settlement offices located throughout Kazakhstan and Kyrgyzstan. The Bank anticipates opening a further branch in Petropavlovsk and six cash settlement offices during 2005. The Bank currently has two subsidiaries, ATF Policy and EnergoBank in Kyrgyzstan, and one associate company, SPF Otan. EnergoBank anticipates opening a further branch and two cash settlement offices during 2005.

In July 2005, the Bank increased its stake in EnergoBank to 52.52%, acquired for KZT137 million (U.S.$1 million), having purchased an initial 34.4% in June 2004. EnergoBank is the sixth largest bank in Kyrgyzstan in terms of assets, according to data compiled by the National Bank of the Kyrgyz Republic, with assets of U.S.$24 million or KZT3,244 million as at 30 June 2005.

The common and preferred shares of the Bank are currently listed on the “A” list of the Kazakhstan Stock Exchange.

The Bank is registered with the Ministry of Justice under certificate number 345-1900-AO(IU). The registered office and the head office of the Bank are at 100 Furmanov Street, Almaty 050000, Kazakhstan. The Bank's telephone number is +7 3272 583 022 and its fax number is +7 3272 501 995. The Bank's current banking licence No. 239 was issued to it by the FMSA in March 2004.

History

The Bank was incorporated on 3 November 1995 as a closed joint-stock company, CJSC Almaty Merchant Bank, by a number of domestic and overseas shareholders, including Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. and MeesPierson, with the purpose of developing a trade finance banking business in Kazakhstan. In 1997, following the acquisition of MeesPierson by the Fortis Group, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. and MeesPierson sold their shareholdings to local investors as Fortis Group had a different international strategy.

In April 2001, the Bank changed its status from a closed joint-stock company to an open joint-stock company and, in June 2002, the Bank's name was changed to OJSC ATF Bank. On 3 October 2003, the Bank completed its re-registration as a joint stock company and adopted a new charter, each in accordance with the Law on Joint Stock Companies of 2003. The Bank is incorporated for an unlimited duration.

In April 2001, shareholders of the Bank acquired all of the share capital of CJSC Kazprombank (“Kazprombank”), a small Kazakhstan bank servicing mainly Kazzinc JSC, a large non-ferrous metals producer company located in eastern Kazakhstan. In August 2001, Kazprombank was merged into the Bank by exchanging all Kazprombank's shares for new common shares in the Bank with a nominal value of KZT1,088 million.

In January 2002, the Bank purchased 89.7% of the issued share capital of OJSC Apogei Bank ("Apogei Bank"), a small Kazakhstan bank operating in the Kostanai region, increasing its holding to 92.8% later that year. In March 2003, the shareholders of both banks agreed to transfer the assets and liabilities of Apogei Bank to the Bank and to exchange their shares in Apogei Bank for the

Bank's common shares at a ratio of one Apogei Bank share for 10 common shares in the Bank. In April 2003, Apogei Bank was merged into the Bank.

Paragraph II of the Bank's Charter provides that its main objects are to, *inter alia*, contribute to the establishment and further development of the market economy of the Republic of Kazakhstan, extend external economic links, improve the financial situation of enterprises, organisations and institutions, generate income for the benefit of its shareholders and preserve its commercial interests and those of its clients.

Strategy

In order to capitalise on the growth of the Kazakhstan economy, the Bank aims to expand its market share and increase its profitability through: (i) expanding its banking and other financial services; (ii) diversifying and strengthening its funding base; (iii) strengthening risk management; (iv) enhancing operating efficiency; and (v) expanding its regional and international presence to meet the growing demands of its clients. As several of the Bank's personnel were trained under the EBRD Small Business Programme, the management believes that this enhances the Bank's ability to service SMEs.

The components of this strategy are discussed below.

Expanding Banking and Other Financial Services

The Bank's strategy is to continue to diversify its business operations in order to become a full-scale universal bank by offering high quality and diverse banking products and services to large, medium and small corporate clients and retail customers. In relation to retail customers, the Bank intends to focus on high net worth individuals and not the mass market.

The Bank is committed to developing further its corporate banking services. The Bank plans to focus on diversifying and expanding its loan portfolio, while maintaining its quality, by attracting new large, medium and small corporate clients (with a particular emphasis on small and medium corporate clients), continuing expansion of its trade financing activities and introducing and expanding new and existing services and products to its corporate clients, such as safe custody, payroll management, investment advisory and custodial services. The Bank's primary objective with respect to its lending activities is to diversify into different sectors of the economy in order to reduce its exposure to particular industries and to increase the proportion of its portfolio represented by the SMEs and the retail sector.

In order to diversify its deposit base and to increase its market share in fee earning retail products, the Bank is increasing its business with high net worth (with an annual income in excess of U.S.$50,000) and middle income (with an annual income ranging from U.S.$30,000 to U.S.$50,000) individuals, primarily management and employees of its corporate clients. The Bank offers these clients a range of retail banking services and products, including traditional services, such as deposit taking and consumer lending (primarily mortgage and car loans), as well as more sophisticated products and services, such as safe custody services, insurance products and credit and debit cards with special attention being paid to the quality of service. As part of its strategy to better service the needs of this target group, the Bank is developing a separate private banking/wealth management service.

As Kazakhstan's capital markets gradually develop, the Bank is taking steps to further develop its expertise in this area and to expand its securities trading and financial advisory activities. To improve its investment banking capabilities, in 2001 the Bank established its Corporate Finance Department. This department provides a broad range of services including investment advisory and financial consulting, market research and mergers and acquisitions structuring advice.

The Bank is also focused on increasing revenue from its wholly-owned non-life insurance subsidiary, ATF Policy. The Bank believes that the insurance sector will be a high growth area and is positioning itself to take advantage of this perceived opportunity.

Diversifying and Strengthening Funding Base

The Bank intends to continue to diversify its funding base and reduce its funding costs through borrowing on the local and international capital markets, borrowing from international development organisations and other multilateral financial institutions and attracting deposits from a wider range of small, medium and large corporate customers and retail clients. See “Financial Review – Foreign Currency Borrowings”.

Strengthening Risk Management

The Bank has established internal rules, policies and guidelines for risk management in line with the requirements of the FMSA, and, previously, the NBK. The Bank's four Credit Committees are responsible for credit risks related to corporate and retail clients. The Bank's Assets and Liability Committee (the “ALCO”) is involved in management of liquidity, maturity, interest rate and foreign exchange risks. In addition, in 2002 the Bank established its Risk Management Department which is primarily responsible for the development and supervision of the Bank's risk management polices and reports directly to the Bank's Board of Directors. The Bank is committed to continue to develop further and strengthen its risk management capabilities. See “Selected Statistical and Other Information – Asset and Liability Management”.

Enhancing Operating Efficiency

The Bank is committed to improving its operational efficiency through organisational restructuring, investment in human resources and increasing use and upgrading of information technology. All of the Bank's full service branches are integrated into a wide area network allowing for on-line communication with the Bank's head office. The branches maintain their own databases independent of the mainframe at the head office and use an email system to connect to the head office for data transmission. Whilst the Bank has certain real-time communication capabilities at branch level (including monitoring cash withdrawals and deposits), management believes that further efficiencies can be obtained through the establishment of additional real-time communications with the branch network, particularly with respect to treasury risk management functions, asset and liability management, liquidity management and monitoring of lending activities. In order to address this, the Bank plans to invest in a more advanced banking information system and to establish a unified computer system connecting all branches on a real-time basis and is in the process of tendering for a supplier to provide such a system. See “– Technology”.

The Bank has designed internal and external training programmes to improve the skill base of its employees. The Bank believes that such programmes together with more clearly defined staffing guidelines and human resources policies will improve the quality of the Bank's personnel.

Expanding Regional and International Presence

As part of its growth strategy, the Bank aims to have a presence in the main industrial regions of Kazakhstan. With its current branch network, the Bank believes it covers the main business centres where it needs to be present.

The Bank believes that high growth potential opportunities exist in neighbouring countries such as Russia and Kyrgyzstan, and as such it plans to establish a presence there. As part of such strategy and following the growing demand from its customers, the Bank opened a representative office in Moscow in 2004.

The Bank also intends to further enhance its presence in Kyrgyzstan where all top five Kazakh banks are currently represented. This is primarily driven by current customer demand, growing trade between the two countries and existing opportunities in the Kyrgyzstan banking sector, including operations in relation to precious metals. On 1 May 2005, the Bank obtained control over the activities of EnergoBank. In July 2005, the Bank increased it stake in EnergoBank to 52.52%, having purchased an initial 34.4% in June 2004. EnergoBank is the sixth largest Kyrgyz bank in terms of assets according to data compiled by the National Bank of the Kyrgyz Republic, with total assets of approximately U.S.$24 million as at 30 June 2005. The Bank has also made a tender offer to acquire up to 80% of EnergoBank for an additional U.S.$ 1.1 million, which it intends to complete before the end of 2005. The Bank's 52.52% stake in EnergoBank was acquired for KZT137 million (U.S.$1 million).

In addition, the Bank is in the process of acquiring a regional bank in the Omsk region of the Russian Federation. It has received all necessary approvals, except for regional approval in Russia for this acquisition. The Bank expects the purchase price for this bank to be approximately U.S.$3.3 million. With a population in excess of one million people, the city of Omsk is one of the larger cities in the Russian Federation, and management believes that there is high growth potential for developing banking services for small and medium enterprises in the region, which is currently under serviced by the banking sector. Additionally, the Bank is actively looking to acquire a Moscow-based bank.

Business of the Bank

Overview

The Bank is a commercial bank in Kazakhstan servicing private commercial enterprises, state-owned enterprises and individual customers. Pursuant to its current banking licence, the Bank is authorised to offer products and services such as retail and corporate deposit taking, discount operations, settlements, custody, issuance of payment cards, foreign currency exchange transactions, issuance of bank guarantees, correspondent banking, securities, cash and transfer operations, lending, trust operations, collateral operations, cash collection, transactions in precious metals, leasing, factoring, forfeiting, broker-dealer transactions, clearing operations, safe keeping operations, issuance of cheque books and promissory note and bill of exchange operations.

Group Structure

In addition to the Bank's head office in Almaty, the network of the Bank and its Subsidiaries as at the date of this Prospectus, comprised 36 full service branches and 18 cash settlement offices located throughout Kazakhstan and Kyrgyzstan.

As at the date of this Prospectus, the Bank had two subsidiaries, ATF Policy and EnergoBank in Kyrgyzstan, and one associate company, SPF Otan. The Bank has a representative office in Moscow, Russia. See “Strategy – Expanding Regional and International Presence”.

The Bank has three core operating divisions:

• “Corporate Banking” which provides services to corporate clients and includes the Credit Department (divided into three divisions each responsible for particular industry sectors), the Medium Term Credit Division (which operates the special lending programmes of the Bank. See “Corporate Banking”) and the SME Credit Division;

• “Retail Banking” which provides services to retail clients; and

• “Investment Banking” which provides investment banking services to large corporate clients including investment advisory and financial consulting, market research and mergers and acquisitions structuring advice and includes the Corporate Finance Department, the Client Relationships Division and the International Department.

The core divisions are supported by the Operational Department, Treasury Department, Risk Management Department, Analysis Department, Credit Security Department, Credit Administrative Division, Custody Division, Economic Research Division, Marketing Divisions, Administrative Division, Accounting Department, Legal Department, Security Department, Information Technology Department, Human Resources Division, Branch Development Division and Branch and Subsidiaries Division.

In addition, the Bank carries on a non-life insurance business through its wholly-owned insurance subsidiary, ATF Policy.

Corporate Banking

When first established in 1995, the majority of the Bank's clients were large industrial and trading companies in Kazakhstan as its initial focus was trade finance. Since then, the Bank has expanded its presence in the small and medium-sized business market. Today, the Bank provides a full range of commercial banking products and services to small, medium and large businesses in Kazakhstan. The Bank currently classifies its corporate clients based on annual turnover. Corporate clients with an annual turnover of less than U.S.$10 million are classified as SMEs and corporate clients with annual turnover in excess of U.S.$10 million or with more than 200 employees as “large”.

The Bank's primary objectives with respect to its corporate lending activities are to diversify into different sectors of the economy in order to reduce its exposure to particular industries and to expand its entire corporate client base and increase the quality of its loan portfolio.

As at 30 June 2005, the Bank had approximately 25,434 corporate accounts and lending to corporate clients represented approximately 51% of the Bank's total assets and 80% of the Bank's gross commercial loans. As at 30 June 2005, according to information compiled by the NBK, the Bank's share of the corporate lending market in Kazakhstan was approximately 7%.

A major part of the Bank's corporate banking activities is the provision of trade finance and short to medium term credit facilities, mostly in Tenge and in U.S. Dollars, including letters of credit, guarantees and working capital facilities. The Bank operates in conjunction with various export credit agencies, such as Hermes Kreditversicherung, Oesterreichische KontrollBank Aktiengesellschaft,

L'Istituto peri Servizi Assicurativi del Commercio Estero and Nederlandsche Credietverzekering Maatschappij, and offers various banking products to its corporate customers with the benefit of guarantees from such agencies.

Through various credit facilities offered within a framework of inter-governmental agreements, the Bank participates in a number of special programmes for financing SMEs and enterprises in targeted industries, which have been arranged and sponsored by the Ministry of Agriculture, the Ministry of Finance and several local or regional executive bodies as well as international financial institutions such as the EBRD, KfW, ADB and the World Bank. See “Financial Review – Foreign Borrowings” and “Selected Statistical and Other Information – Funding and Liquidity”.

In addition to lending, the Bank offers a wide range of banking products and services to its corporate clients, which include deposit taking, payroll management and custody services.

Historically, the Bank was one of the leading participants in Kazakhstan's precious metals markets. The Bank offers a broad range of services including sales of standard gold bullion domestically, gold loans, hedging and is engaged in financing Kazakhstan's gold mining industry. The country's major gold producers are among the Bank's clients. Due to changes in Kazakhstan tax legislation in 2002, which introduced value-added taxation of precious metals sales, the Bank reduced the volume of its business in precious metals in Kazakhstan. In an effort to restore the Bank's overall volume of business in precious metals, the Bank established a presence in Kyrgyzstan, where there are a number of gold producers. The Bank also introduced a new product line for paper trading of gold and is currently developing internal policies and guidelines in relation to this new product.

In line with other banks, the Bank plans to start offering limited tele-banking and internet banking to its corporate customers. The Bank does not anticipate significant demand for these services and in particular for internet banking services, in the short term, as the penetration of appropriate telecommunications capacities in Kazakhstan remains relatively low.

Retail Banking

The retail banking market in Kazakhstan experienced considerable expansion following the introduction of the bank-funded deposit insurance system in 1999. The Bank is a participant in the system. Furthermore, the Government announced a tax amnesty during June and July 2001 in relation to any amounts deposited with banks during those months. The programme was successful and brought approximately U.S.$480 million into the banking system.

Historically, the Bank did not have a significant retail business. However, following the expansion of the retail banking market in 2001 and in an effort to position ATF as a full service bank for its corporate clients, management has recognised the retail banking market as an increasingly important source of business. As part of this strategy, the Bank is developing its business with high net worth (with an annual income in excess of U.S.$50,000) and middle income (with an annual income ranging from U.S.$30,000 to U.S.$50,000) individuals, primarily management and employees of the Bank's existing corporate clients. The Bank offers these clients a range of retail banking services and products, including traditional services, such as deposit taking and consumer lending (primarily mortgage and car loans), as well as more sophisticated products and services, such as safe custody services, insurance products and credit and debit cards. The Bank aims to distinguish itself from competitors in the retail market by focusing on the quality of service it provides to its customers.

The Bank believes that its network of branches and cash settlement offices will allow it to expand its individual customer and depositor base. As at 30 June 2005, the Bank held KZT18,684 million of retail term deposits in approximately 121,100 individual accounts.

The Bank also provides loans to its retail customers. As at 30 June 2005, such loans represented 16% of the Bank's gross loan portfolio compared to 14.0% as at 31 December 2004. Of the Bank's retail loan portfolio, mortgages account for 3.5%, consumer loans account for 15.3% and car loans account for 15.2%. Security is taken in respect of all mortgages, consumer loans and car loans and the Bank requires borrowers to insure any cars acquired using such car loans and to insure any real estate acquired using such mortgage loans. See "Selected Statistical and Other Information – Loan Portfolio – Loan Portfolio Structure by Sector".

In March 1999, the Bank became a participating member in the VISA system and began issuing VISA Classic, VISA Gold and VISA Business debit and credit cards. The Bank uses the card processing centres of CJSC Processing Centre, a subsidiary of the NBK, and Halyk Bank. The Bank will introduce its own processing centre by the first quarter of 2006. As at 30 June 2005, the Bank had issued approximately 38,200 debit and 4,800 credit cards which represents approximately 1.5%

market share according to data provided by the NBK, with total payments in the first six months of 2005 amounting to KZT5,646 million compared to KZT4,124 million for the same period in 2004 and KZT12,369 million for the full year in 2004. The Bank requires customers to have cash in the amount of U.S.$1,000 for VISA Gold and U.S.$500 for VISA Classic debit and credit cards deposited in their accounts as security for credit cards. The Bank plans to increase its market share of the debit and credit card market aligned to the growth in its retail clients.

Currently, the Bank has 30 ATMs in almost all regions of Kazakhstan and is in the process of installing an additional 12 ATMs by the end of 2005. The Bank has also entered into ATM sharing agreements with all the major banks including Halyk Bank, Bank TuranAlem and Kazkommertsbank, allowing its customers to use their ATM networks, giving the Bank's customers access to around 1,000 ATMs in Kazakhstan. In common with other retail banks in Kazakhstan, customers of the Bank are charged a small fee per withdrawal.

In September 1999, the Bank became a participating member of the Western Union payment system for international money transfers within Central Asia and Kazakhstan.

Early in 2003, the Government adopted a programme for gradual liberalisation of the currency regime in Kazakhstan through 2003 and 2004 and the removal of restrictions on individuals investing in foreign investment-grade securities and opening accounts with OECD banks. The Bank's management expects that such developments will increase demand for new product lines from retail customers, and as such, the Bank intends to introduce domestic and foreign investment advisory and consultancy services and asset management services.

Investment Banking

Kazakhstan's capital markets are gradually developing as the economy grows. An important factor in this was the establishment in 1998 of domestic private pension funds and asset management companies.

The Bank has been active as a broker dealer on the Kazakhstan securities market since November 1995. In 1997, the Bank was granted the status of a Primary Dealer for Government securities, providing a full range of services to corporate and retail clients wishing to invest in Government securities.

To further enhance its investment banking services, the Bank established its Corporate Finance Department in 2001. This department provides a broad range of investment banking services including investment advisory and financial consulting, market research and mergers and acquisitions structuring advice. In 2003, the Bank was appointed as the financial adviser and sole lead manager for the issue of municipal bonds by the Western Kazakhstan region. The Bank intends to expand its securities trading and financial advisory activities.

Insurance Services

The insurance market is developing rapidly in Kazakhstan following enhanced regulatory supervision and general economic development in Kazakhstan. According to data provided by the NBK, there are currently 36 insurance companies operating in Kazakhstan, with a total capital estimated at approximately KZT28 billion as at 30 June 2005 compared to KZT29.6 billion as at 31 December 2004.

The Bank offers a broad range of property and casualty insurance products through its wholly-owned subsidiary, ATF Policy. Based on data compiled by the NBK, as at 30 June 2005, ATF Policy had approximately a 2.3% share of the insurance market in Kazakhstan (in terms of premium income) and total assets of KZT1,025 million compared to a market share as at 31 December 2004 of approximately a 3.1% and total assets of KZT992 million. ATF Policy's obligations are reinsured with various international insurance organisations. The Bank is focused on enhancing its penetration of the insurance market over the next few years and, in the longer term, intends to obtain authorisation to expand its range of products to include life insurance as the market for such products develops. See "– Subsidiaries and Associate Companies – ATF Policy".

Branch Operations

The branch network of the Bank and its Subsidiaries as at the date of this Prospectus, comprised, in addition to the Bank's head office, 36 full service branches and 18 cash settlement offices, located throughout Kazakhstan and Kyrgyzstan. The Bank anticipates opening a further branch in Petropavlovsk and six cash settlement offices before the end of 2005. EnergoBank anticipates opening

a further branch and two cash settlement offices during 2005. The operations of each branch are subject to its own internal regulations and to oversight by the Bank's head office. Each full service branch provides a broad range of banking services. In comparison with branches, cash settlement offices provide a limited number of banking services such as utility payments, cash withdrawals and money transfers, mainly for individual customers.

Each branch has limits on its lending authority set by the Principal Credit Committee which range from U.S.$3,000 to U.S.$150,000 for any single corporate borrower and from U.S.$3,000 to U.S.$75,000 for any single retail borrower. The aggregate lending limit of an individual branch is limited by the total deposit base of such branch. The Credit Department co-ordinates and plans the operations of the branches and monitors their operations and financial results. It is also responsible for the development of branch policies and expansion strategies. See "Selected Statistical and Other Information – Lending Policies and Procedures – General". Cash settlement offices do not make loans.

Technology

The Bank operates an integrated banking system and has a unified payment system, which allows for on-line interactive communication between the head office of the Bank and its branches throughout the entire branch network. In addition, branches maintain their own databases, independent of the mainframe at the head office, and use an email system to connect to the head office for data transmission. However, whilst the Bank has certain real-time communication capabilities at branch level, management believes that inefficiencies and technical capability issues may arise in the absence of further real-time communication with the branches, particularly with respect to treasury risk management functions, asset and liability management, liquidity management and monitoring of lending activities. In order to address these problems, the Bank plans to invest in a more advanced banking information system and to establish a unified computer system to provide comprehensive real-time, interactive communication between the branches and the head office, and has recently concluded a tender for the supplier to provide a system for such purpose. The Bank will roll out the new system, the T24 provided by Temenos, over the next 18 months throughout its entire branch network. The Bank has a budgeted capital expenditure amount of U.S.$14 million allocated for its technology systems in 2005 to 2009.

Competition

As at 30 June 2005, there were 34 commercial banks, excluding the NBK and the DBK, operating in Kazakhstan. The commercial banks can be divided into four groups: large domestic banks, such as Kazkommertsbank, Halyk Bank and Bank TuranAlem; foreign owned or controlled banks, known as banks with foreign participation, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan; medium sized domestic banks, such as ATF Bank, Bank CenterCredit and Temirbank, and various small domestic banks.

The banking system in Kazakhstan is dominated by the three large domestic banks, Kazkommertsbank, Halyk Bank and Bank TuranAlem from which the Bank faces significant competition. In addition, the Bank considers some of the banks with foreign participation as its competitors, primarily ABN AMRO Bank Kazakhstan and Citibank Kazakhstan, as their international experience and low cost funding allow them to attract large domestic and foreign corporate customers. The management of the Bank believes that the Bank faces materially less competition from other medium and small domestic banks.

The following table sets out total assets and shareholders' equity (based on Kazakhstan Regulations) relating to the Bank and several other domestic banks and banks with foreign participation:

	As at 30 June 2005	
	Assets	Shareholders' Equity
	(KZT millions)	
Large Domestic Banks		
Kazkommertsbank	740,238	69,324
Bank TuranAlem	736,558	67,360
Halyk Bank	498,503	40,904
Medium-sized Domestic Banks		
ATF Bank	265,171	22,583
Alliance Bank	225,540	17,029
Bank CenterCredit	224,445	16,775
Banks with Foreign Participation		
ABN AMRO Bank Kazakhstan	55,792	5,523
HSBC Kazakhstan	36,696	3,769
Citibank Kazakhstan	36,421	5,540

Source: Published financial statements (based on Kazakhstan Regulations) filed with the NBK.

In 2001, the Government and a number of local executive bodies founded DBK. The purpose of DBK is to provide medium- and long-term financing for large industrial projects (at least U.S.$5 million), export financing, guarantees for investment projects and to act as principal paying and collection agent for the Government. DBK is restricted from lending to financial institutions and taking 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 the purposes of market share and ranking computations in this Prospectus.

Subsidiaries, Associate Companies and Affiliates

As at the date of this Prospectus, the Bank had two subsidiaries, ATF Policy and EnergoBank in Kyrgyzstan, one associate company, SPF Otan, and one affiliate, ATF Leasing.

ATF Policy

ATF Policy was established in December 1999 as a closed joint stock company and as at 30 June 2005, it had an authorised issued and fully paid up share capital of KZT475 million, shareholders' equity of KZT421 million and total assets of KZT1,025 million. For the years ended 31 December 2004 and 2003, ATF Policy did not pay any dividends. ATF Policy offers a full range of property and casualty insurance products and according to data provided by the NBK as at 30 June 2005, it had approximately a 2.3% share of the insurance market in Kazakhstan (in terms of premium income) compared to 3.1% as at 31 December 2004. The Bank is focused on furthering its penetration of the insurance market over the next few years and, in the longer term, intends to obtain authorisation to expand its range of products to include life insurance as the market for such products develops.

ATF Policy holds state insurance licence No. 24-1/1 issued in March 2001. The registered address of ATF Policy is 83 Kabanbai Batyr Street, Almaty 480091, Kazakhstan.

EnergoBank

In July 2005, the Bank completed its acquisition of an additional 18.1% stake in EnergoBank, for KZT137 million, taking its total holding to 52.52%. The Bank acquired a 34.4% stake in EnergoBank initially in June 2004. The shares comprised new shares issued by EnergoBank. EnergoBank is the sixth largest bank in Kyrgyzstan in terms of assets, according to data compiled by the National Bank of the Kyrgyz Republic. EnergoBank has assets of U.S.$24 million or KZT3,244 million as at 30 June 2005. EnergoBank has its head office in Bishkek and currently has seven branches located in Kyrgyzstan. The Bank intends to increase its holding in EnergoBank to 80% by the end of 2005 by

subscribing for shares in the secondary market or by purchasing shares from existing shareholders at an anticipated cost of U.S$1.1 million. The Bank views EnergoBank as a strategic opportunity to expand its operations in Kyrgyzstan.

Savings Pension Fund Otan

In April 2004, the Bank purchased a 24.3% holding in SPF Otan for KZT119.0 million. As at 30 June 2005, SPF Otan had assets under management exceeding KZT10.4 billion, and, according to data provided by the NBK, it had a 1.9% market share of the pension fund market in Kazakhstan. For the six months ended 30 June 2005, SPF Otan's net income, as derived from unaudited management records of SPF OTAN was KZT39 million compared to KZT31 million for the same period in 2004 and KZT37 million for the year ended 31 December 2004.

ATF Leasing

As at 30 June 2005, the Bank held 9% of the issued share capital of its former wholly-owned subsidiary ATF Leasing, having sold 91% of its shares in April 2001 for U.S.$91,000 to various third parties. Prior to the disposal of these shares, ATF Leasing depended on the Bank for its funding and, as a related party under Kazakh law, the Bank was prohibited from making loans to ATF Leasing that exceeded 10% of the Bank's capital. Consequently, to free ATF Leasing from this limitation, the Bank reduced its ownership interest. Whilst the Bank is represented on the supervisory board of ATF Leasing, it does not now exercise any significant influence over the operating and financial affairs of ATF Leasing and is no longer consolidated in the Bank's financial statements. As the Bank's total capital has grown considerably since 2001, the Bank believes it has sufficient capital to fund ATF Leasing and intends to reacquire a controlling interest in ATF Leasing in the medium term. ATF Leasing provides financial expertise and leasing services to various corporate clients.

Employees

As at 30 June 2005, the Group had 2,344 full-time employees, of which 1,220 were employed at the Bank's branches. Currently, none of the Bank's employees are represented by a labour union. The Bank has never experienced industrial action or other work stoppages resulting from labour disputes. All employees in professional positions hold university degrees. A number of key staff have been trained at the Bank's main correspondent banks including Deutsche Bank AG, Dresdner Bank AG, ING Bank N.V., Commerzbank AG and within the Credit Suisse Group.

The Bank's plans for growth will require the recruitment of new staff in the branches established in early 2005 and in other areas of the Bank.

The Bank also intends to introduce a new social plan for employees, including a training programme, in the short-term.

Property

The Bank owns its head office at 100 Furmanov Street, Almaty and the nearby building in Almaty which houses the Almaty head branch and operating units. In addition, the Bank owns the properties used by all of its other branches apart from the branches which are leased premises.

The Bank leases offices used by its cash settlement offices.

Legal Proceedings

Neither the Bank nor any of its subsidiaries is party to any material legal proceedings and there are no material legal proceedings pending or, to the knowledge of the Bank, threatened, with respect to the properties, assets or operations of the Bank or any of its subsidiaries.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the Bank as of and for the periods indicated. Accordingly, the information below should be read in conjunction with the Consolidated Financial Statements, including the notes thereto, and included elsewhere in this Prospectus and the information included in "Financial Review".

Certain of the information included below has, where indicated, been derived from management accounts, being the unaudited accounts prepared from the Bank's accounting records, and used by management for monitoring and control purposes.

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.

The Bank monitors and manages its asset and liability position through ALCO, which reports to the Management Board. The ALCO is headed by the Chairman of the Management Board and comprises the Bank's First Deputy Chairman, the Managing Director of the Treasury Department, the Managing Director of the Credit Department, the Managing Director of the Retail Business Department, the Director of the Risk Management Department, the Director of the International Department and the Head of the Analysis Division. The ALCO's principal duty is to manage the Bank's liquidity and to maximise the Bank's net interest margin within liquidity parameters prescribed by the Bank's management. The ALCO meets every other week to review the Bank's asset and liability position based on information provided by the Bank's Analysis Division and 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 compliance with operational ratios established by the NBK and FMSA, exchange rates, inflation rates and other economic data and general national and international political and economic trends.

Based on a review of this information, the Bank manages its credit risk by placing limits on the amount of risk accepted in relation to one borrower or counterparty, or group of borrowers or counterparties and to industry and geographical segments. Compliance with limits is monitored continuously and limits are reviewed at least monthly. In 2002, the Bank established the Risk Management Department which is responsible for devising, implementing and monitoring the Bank's risk management policies.

The Bank conducts its risk management at several levels, depending upon the amount of risk involved. The Bank has four main credit committees located within its head office which are responsible for approving credit decisions within the Bank: (i) the Retail Business Credit Committee, (ii) the Small Credit Committee, (iii) the Medium Credit Committee and (iv) the Principal Credit Committee. See "Lending Policies and Procedures".

Liquidity Risk

The following table summarises the Bank's banking assets and liabilities by maturity as at 30 June 2005 and contains certain information regarding the liquidity risk facing the Bank. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they fall due. See also "– Funding and Liquidity".

	On demand	Up to 1 Month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(KZT thousands)						
Monetary assets:							
Cash and cash equivalents	26,510,913	1,147,376	4,194,225	—	—	—	31,852,514
Obligatory reserves	—	—	—	—	—	2,448,200	2,448,200
Amounts due from credit institutions	—	867,338	1,797,952	2,668,902	—	—	5,334,192
Financial assets at fair value through profit or loss	7,061,543	—	—	—	—	—	7,061,543
Available-for-sale investment securities	49,794,776	—	—	—	—	—	49,794,776
Commercial loans and advances	—	17,343,113	7,477,120	44,070,147	83,016,489	16,425,778	168,332,647
Reserves for insurance claims, reinsurance share	108,582	—	—	—	—	—	108,582
Tax assets	—	478,454	—	—	—	—	478,454
Other assets	7,603	1,689,163	4,666	30,099	93,440	292,809	2,117,780
	83,483,417	21,525,444	13,473,963	46,769,148	83,109,929	19,166,787	267,528,688
Monetary liabilities:							
Amounts due to the Government and the NBK	—	2,084,277	4,723	85,375	957,005	—	3,131,380
Amounts due to credit institutions	1,433,720	7,659,060	2,804,966	29,631,250	9,932,918	336,656	51,798,570
Amounts due to	36,354,384	5,834,184	10,266,772	36,723,511	15,975,053	2,307,832	107,461,736

customers							
Reserves for insurance claims	666,321	—	—	—	—	—	666,321
Debt securities issued	—	—	—	—	44,985,748	26,972,891	71,958,639
Subordinated debt	—	—	—	—	273,980	7,645,559	7,919,539
Other liabilities	258,625	239,530	5,043	21,268	19,685	—	544,151
___							
	38,713,050	15,817,051	13,081,504	66,461,404	72,144,389	37,262,938	243,480,336
___							
Net position	44,770,367	5,708,393	392,459	(19,692,256)	10,965,540	(18,096,151)	24,048,352
===							
Accumulated gap	44,770,367	50,478,760	50,871,219	31,178,963	42,144,503	24,048,352	
	===	===	===	===	===	===	

The above table does not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT6,192 million as at 30 June 2005.

The following tables summarises the Bank's banking assets and liabilities by maturity as at 31 December 2004 and contains certain information regarding the liquidity risk facing the Bank.

	On demand	**Up to 1 Month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
___							
	(KZT thousands)						
Monetary assets:							
Cash and cash Equivalents	13,547,255	500,625	—	—	—	—	14,047,880
Obligatory reserves	—	—	—	—	—	2,389,710	2,389,710
Amounts due from credit institutions	—	71,855	1,268,769	2,151,663	20,000	—	3,512,287
Financial assets at fair value through profit or loss	8,650,301	—	—	—	—	—	8,650,301
Investment securities:							

– available-for-sale	*707,475*	—	—	—	—	—	*707,475*
– held-to-maturity	—	*319,223*	*7,271,303*	*14,084,069*	*1,021,389*	*3,312,136*	*26,008,120*
Commercial loans and advances	—	6,416,233	7,479,362	32,655,260	62,341,415	8,701,285	117,593,555
Tax assets	—	—	180,294	—	—	—	180,294
Other assets	197,456	1,390,483	6,382	59,251	33,549	378,734	2,065,855
–––							
	23,102,487	8,698,419	16,206,110	48,950,243	63,416,353	14,781,865	175,155,477
–––							
Monetary liabilities:							
Amounts due to the Government and the NBK	—	22,501	4,390	2,181,045	1,133,012	—	3,340,948
Amounts due to credit institutions	1,329,573	3,752,643	406,184	22,978,695	9,396,154	899,457	38,762,706
Amounts due to customers	21,132,548	19,346,902	3,907,468	11,763,174	10,979,395	1,617,341	68,746,828
Debt securities issued	—	—	—	—	43,307,137	—	43,307,137
Subordinated debt	—	—	—	—	259,695	—	259,695
Reserves for insurance claims, net of reinsurance	359,253	—	—	—	—	—	359,253
Other liabilities	370,339	139,314	789	9,001	15,961	—	535,404
–––							
	23,191,713	23,261,360	4,318,831	36,931,915	65,091,354	2,516,798	155,311,971
–––							
Net position	(89,226)	(14,562,941)	11,887,279	12,018,328	(1,675,001)	12,265,067	19,843,506
===							
Accumulated gap	(89,226)	(14,652,167)	(2,764,888)	9,253,440	7,578,439	19,843,506	
	===	===	===	===	===	===	

The above table does not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT5,574 million as at 31 December 2004.

The Bank's liquidity management policies seek to ensure that funds will be available at all times to honour all cash flow obligations as they become due. The above maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

The issuance of the Notes is one of the steps being taken by management to extend the maturity of its funding sources. In addition, on 21 October 2004, the FMSA approved an additional increase in the Bank's share capital by KZT8.4 billion. Consequently, the Bank commenced an offering of common shares and preference shares in October 2004 which resulted in the Bank issuing an additional 3,180,000 common shares which were subscribed for by certain existing shareholders for a total consideration of KZT3.2 billion. See "Share Capital and Principal Shareholders". The Bank has issued U.S.$33 million of subordinated bonds to investors on the domestic market in January 2005.

Interest Rate Risk

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 and hedges interest rate exposure on a non-speculative basis.

Although the relative maturities of the Bank's assets and liabilities shown under "Liquidity Risk" above 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 by the Bank's ability to adjust the applicable rate of interest or call for repayment in another currency under some of its loan agreements. Furthermore, in the event of material changes in circumstances, the Bank is also entitled to call for prepayment of loans. Accordingly, a substantial portion of the Bank's assets are susceptible to repricing prior to maturity. Nevertheless, as the average maturity of the Bank's loan portfolio increases, the Bank will, without a matching increase in the average maturity of its liabilities, face increasing interest rate risk and will be obliged to introduce more sophisticated risk management techniques and/or more sophisticated standard terms and conditions in its loan agreements.

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 NBK and FMSA regulations and covenants contained in the Bank's various EBRD credit facilities. See "Financial Review – Foreign Currency Borrowings". Liquidity risk exists 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 daily basis by the Treasury Department according to real-time requirements and forecasts for all the Bank's divisions and branches. The Risk Management Department sets daily limits on the minimum proportion of maturing funds available to cover cash outflows and the minimum level of inter-bank and other borrowed facilities required to cover deposit withdrawals at unexpected levels of demand. In addition, the ALCO reviews the Bank's liquidity guidelines and strategy on a monthly basis.

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

	As at 30 June	**As at 31 December**[1]	
	2005	**2004**	**2003**
	(%)	**(%)**	
Commercial loans and advances/total assets	60.9	64.5	63.4
Commercial loans and advances/amounts due to customers	150.9	163.0	134.9
Commercial loans and advances/shareholders' equity	719.8	616.6	725.1
Liquid assets[1]/total assets	35.3	30.5	31.1
Liquid assets[1]/amounts due to customers	87.5	77.0	66.3

(1) Securities plus cash and cash equivalents and amounts due from credit instructions.

The Bank's funding base consists largely of customer deposits, and as at 31 December 2004, 42.9% of total deposits comprised those of the Bank's 10 largest corporate depositors. As at 30 June 2005, this had fallen to 34.3%. This structure positively affects funding costs and improves the Bank's liquidity. Other important sources of funding are bilateral and special purpose facilities from banks and financial institutions, as well as issuance of senior and subordinated debt securities, including U.S.$500 million senior debt issued in 2004 and 2005 in the international capital markets and U.S.$33 million of subordinated debt issued in the domestic market in January 2005. The Bank intends to reduce the concentration in its deposit base by attracting small and medium corporate and retail depositors. Failure to reduce such concentration could, however, expose the Bank to increased liquidity risk and have a material adverse effect on the Bank's result of operations and financial condition. New borrowings, together with the proceeds of the offering of the Notes, will contribute to the Bank's medium-to long-term funding base.

The following table sets out the Bank's sources of funds as at the dates indicated:

	As at 30 June		**As at 31 December**			
	2005		**2004**		**2003**	
	(KZT millions)	***(%)***	***(KZT millions)***	***(%)***	***(KZT millions)***	***(%)***
Amounts due to customers	107,462	44.3	68,747	44.4	44,826	51.6
Loans from other banks and financial institutions	47,640	19.6	35,995	23.2	28,183	32.5
Deposits from banks	4,159	1.7	2,768	1.8	5,455	6.3
Amounts due to the Government and NBK	3,131	1.3	3,341	2.2	3,445	4.0
Debt securities issued	71,959	29.6	43,307	27.9	2,848	3.3
Subordinated debt	7,920	3.3	260	0.2	1,498	1.7
Other liabilities	544	0.2	535	0.3	535	0.6

Total liabilities	242,815	100.0	154,953	100.0	86,790	100.0

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Customer Accounts

The Bank increased the total amount of its deposits by 56.3% to KZT107,462 million as at 30 June 2005 from KZT68,747 million as at 31 December 2004 which, in turn, represented a 53.4% increase from KZT44,826 million as at 31 December 2003. A significant portion of the Bank's funding base is represented by corporate customer accounts. The share of corporate deposits in the Bank's deposit base has remained relatively unchanged amounting to 78.5%, 79.1% and 76.3% of amounts owed to customers as at 30 June 2005, 31 December 2004 and 31 December 2003 respectively. As at 30 June 2005, the Bank's 10 largest depositors accounted for approximately 34.3% of total amounts owed to customers, compared to 42.9% as at 31 December 2004 and 47.5% as at 31 December 2003. Such depositors include leading industrial companies and trading corporations, such as JSC KazMunaiGas, JSC KazTranOil, JSC Kazakhstan Electricity Grid Operating Company, JSC Kazakhstan Temir Zholy and JSC KazzInc. The Bank intends further to reduce the concentration of domestic funding by attracting SME and retail depositors.

The Bank continued to increase its retail deposit funding base in the first half of 2005, which represents an increasingly important source of funding for the Bank and the Bank hopes to continue

to do so for the remainder of 2005. Because retail funding mainly consists of term deposits, it is less volatile than corporate funding, but also more costly for the Bank. The Bank intends to expand its market share of the high net worth and middle-income customers retail market by increasing the range and quality of services it offers. Retail deposits represented 20.3%, 19.9% and 22.1% of the Bank's total amounts owed to customers as at 30 June 2005, 31 December 2004 and 31 December 2003, respectively. As at 30 June 2005, approximately 99.4% of the Bank's retail accounts were covered by the deposit insurance scheme, compared to 74.1% as at 31 December 2004 and 46.5% as at 31 December 2003. See “The Banking Sector in Kazakhstan”.

As at 30 June 2005, term deposits were KZT69,828 million or 65.0% of total amounts owed to customers, as compared to KZT46,903 million or 68.2% of total amounts owed to customers as at 31 December 2004 and KZT27,411 million or 61.1% of total amounts owed to customers as at 31 December 2003, respectively.

The following table sets out details of customer accounts (retail and corporate) broken down into term and demand deposits as at the dates indicated:

	As at 30 June	**As at 31 December**	
	2005	**2004**	**2003**
	(KZT millions)	***(KZT millions)***	
Demand deposits:			
Retail	3,102	1,762	1,397
Corporate	33,253	19,371	15,334
Total	36,355	21,133	16,731
Term deposits:			
Retail	18,684	11,898	8,524
Corporate	51,144	35,005	18,887

Total	69,828	46,903	27,411
Held as security against letters of credit and guarantees	1,279	711	684
Total deposits	107,462	68,747	44,826

Interest rates on the Bank's deposits are close to the average rates on the market and the Bank offers rates which are competitive with those of other institutions in Kazakhstan. Restrictions on the maximum deposit rate are imposed by the Deposit Insurance Fund on insured retail deposits, which only insures deposits that do not exceed KZT7 million. According to the Deposit Insurance Fund, the maximum deposit rate varies depending on the tenor of the deposit as set out in the table below:

	As at 30 June				**As at 31 December**			
	2005		**2004**		**2004**		**2003**	
	Deposits in KZT	**Deposits in Foreign Currency**	**Deposits in KZT**	**Deposits in Foreign Currency**	**Deposits in KZT**	**Deposits in Foreign Currency**	**Deposits in KZT**	**Deposits in Foreign Currency**
	(% per annum)							
Tenor								
Up to 6 months	6	4	7	4.5	6	4	7.5	5
Up to 12 months	9	5	10	5.5	9	5	10.5	6
Up to 36 months	10	6.5	11	7.0	10	6.5	11.5	7.5
Over 36 months	11	7.5	12	8.0	11	7.5	12.5	8.5

The following table sets out the average interest rates on the Bank's deposits calculated on the basis of average daily balances as at the dates indicated:

	As at 30 June[(1)]		As at 31 December[(1)]	
	2005	2004	2004	2003
	(%)			
KZT deposits:				
Demand deposits	0.5	0.9	0.7	0.6
Time deposits	7.9	6.8	6.5	6.0
Foreign currency deposits:				
Demand deposits	0.4	0.7	0.7	0.9
Time deposits	7.3	7.6	7.1	7.5

(1) Derived from management accounts.

The following table indicates average net interest-earning assets, interest income, interest expense, yield, margin and spread calculated on the basis of average daily balances for the six months ended 30 June 2005 and 2004 and the years ended 31 December 2004 and 2003:

	As at 30 June[(1)]		As at 31 December[(1)]	
	2005	2004	2004	2003
	(KZT millions)			
Average interest-earning assets	190,604	100,180	118,663	68,080
Interest income	9,901	5,606	12,644	7,884
Net interest income	3,942	3,148	6,836	4,657
Yield (%)[(2)]	5.19	5.60	10.7	11.6
Net interest margin (%)[(3)]	2.1	3.14	5.8	6.8
Spread (%)[(4)]	1.66	2.70	4.93	5.69

(1) Derived from management accounts.

(2) Interest income before impairment charge as a percentage of average interest-earning assets.

(3) Net interest income before impairment charge as a percentage of average interest-earning assets.

(4) Average rate on interest-earning assets minus average rate on interest-bearing liabilities.

Securities Portfolio

The Bank classifies assets held in its securities portfolio as financial assets at fair value through profit or loss or investment securities. Securities purchased principally for the purpose of generating a profit from short-term fluctuations in price or dealers' margin fall within the category of financial assets at fair value through profit or loss.

As of 1 January 2004, the Bank expanded the classification of its securities portfolio to include investment securities, including securities held-to-maturity and securities available-for-sale in addition to the trading portfolio held by the Bank as at 31 December 2003. As of 1 January 2005, a new category of financial instruments has been introduced, "Financial assets at fair value through profit or loss". This category, which replaced the Bank's trading securities portfolio, includes trading financial assets as well as any financial assets designated into this category at initial recognition. These assets are measured at fair value with recognition of gains or losses on re-measurement to fair value in net profit or loss. Management of the Bank decided to designate as "financial assets at fair value through profit or loss" all debt and equity securities, except for investments in equity instruments that do not have a quoted market price in an active market, loans issued and held-to-maturity instruments. Such designation is performed at initial recognition of the respective assets. The financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on their market value. In determining market value, all financial assets at fair value through profit or loss are valued at the last bid price.

The Bank classifies investment securities depending upon the intent of management at the time of the purchase of such securities. Shares of associates and subsidiaries held by the Bank exclusively with a view to their future disposal are also classified as available-for-sale. See also "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies – Financial Assets of Fair Value through profit and loss" and "Management's Discussion and

Analysis of Financial Condition and Results of Operation – Critical Accounting Policies – Investment Securities".

The Bank structures its securities portfolio based on a number of factors, including the liquidity, diversification and yield-to-maturity of the securities held by it. Due to its status as a primary dealer for Government securities in Kazakhstan, a significant portion of the Bank's total securities portfolio (73.06% as at 30 June 2005 compared to 87.8% as at 31 December 2004 and 84.8% as at 31 December 2003) is comprised of Government, Ministry of Finance and NBK securities. The remaining portfolio consists of Government securities of OECD countries, bonds of local financial institutions, corporate bonds and securities issued by Kazakhstan issuers.

The following table shows the composition of the Bank's securities portfolio as at the dates indicated:

	As at 30 June	**As at 31 December**	
	2005	**2004**	**2003[1]**
	(KZT millions)		
Financial assets at fair value through profits and loss[2]:			
Treasury bills of the Ministry of Finance	4,078	4,340	6,560
Euronotes of the Republic of Kazakhstan	2,342	3,125	—
Bonds of local financial organisations	525	499	556
Corporate bonds	117	85	83
Notes of the NBK	—	601	9,454
Sovereign bonds of the Republic of Kazakhstan	—	—	4,239
U.S. Treasury bills	—	—	2,582
Equity investments	—	—	416

Total financial assets at fair value through profit or loss	7,062	8,650	23,890
___			
Investment Securities			
Available-for-sale securities	—	—	
Notes of the NBK	29,899	—	—
Government securities of other countries	10,231	—	—
Treasury bills of the Ministry of Finance	5,222	—	—
Bonds of foreign financial institutions	3,388	—	—
Bonds of local financial institutions	681	—	—
Corporate Bonds	256	—	—
Sovereign bonds of the Republic of Kyrgyzstan	117	—	—
U.S. Treasury bills	—	707	—
Treasury bills of Germany	—	—	—
Held-to-maturity securities			
Notes of the NBK	—	21,675	—
Treasury bills of the Ministry of Finance	—	1,325	—
U.S. Treasury bills	—	3,009	—
___			
Total investment securities	49,794	26,716	—
___			
Total securities	56,856	35,366	23,890
===			

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(1) Prior to 1 January 2004, the Bank did not have an investment securities portfolio.

(2) As from 1 January 2005, the Bank's Trading Securities portfolio was reclassified to Financial Assets and Liabilities at Fair Value through profit or loss.

The Bank's total securities portfolio increased by 60.8% to KZT56,856 million in the first half of 2005 compared to KZT35,366 million as at 31 December 2004, which in turn, represented a 48.0% increase from KZT23,890 million in 2003. A significant portion of this increase was due to significant increases in the Bank's holding of Government securities of other countries and NBK notes. The Bank's holdings of Government securities of other countries increased from nil as at 31 December 2004 to KZT10,231 million as at 30 June 2005. The Bank's holdings of NBK notes increased from KZT9,454 million as at 31 December 2003 to KZT22,276 million as at 31 December 2004 to KZT29,899 million as at 30 June 2005.

In 2002, in order to manage country risks and improve the liquidity of its securities portfolio, the Bank decided to diversify its securities portfolio to include U.S. Treasury bills. A significant portion of the increase between 2002 and 2003 in the Bank's total securities portfolio was due to increased investment in U.S. Treasury bills. Total trading and investment in U.S. Treasury bills increased by 43.9% to KZT3,716 million as at 31 December 2004, compared to KZT2,582 million as at 31 December 2003, which in turn, represented an increase of 288.3% compared with the Bank's U.S. Treasury bill holdings of KZT665 million as at 31 December 2002. As at 30 June 2005, the Bank held no U.S. Treasury bills.

The following table[1] sets out the Bank's securities portfolio by maturity and average weighted yield as at 31 December 2004:

	Up to	**Avera**	**1-3**	**Avera**	**3**	**Avera**	**1-5**	**Avera**	**More**	**Avera**	**Total**

	1 month	ge Weighted Yield	months	ge Weighted Yield	months-1 year	ge Weighted Yield	years	ge Weighted Yield	than 5 years	ge Weighted Yield	
	(KZT millions)										
Trading securities:											
Notes of the NBK	601,289	5.07	—	—	—	—	—	—	—	—	601,289
Treasury bills of the Ministry of Finance	4,340,452	6.09	—	—	—	—	—	—	—	—	4,340,452
Sovereign bonds of the Republic of Kazakhstan	3,125,184	11.13	—	—	—	—	—	—	—	—	3,125,184
U.S. treasury bills	—	—	—	—	—	—	—	—	—	—	—
Bonds of local finance organisations	499,400	8.62	—	—	—	—	—	—	—	—	499,400
Equity investments	—	—	—	—	—	—	—	—	—	—	—
Corporate bonds	83,976	8.73	—	—	—	—	—	—	—	—	83,976
Investment securities:											
Available-for-sale securities											
U.S. Treasury bills	707,475	—	—	—	—	—	—	—	—	5.38	707,475
Held-to-maturity securities											
Notes of	319,2	3.58	7,271,	4.07	14,084,	6.27	—	—	—	—	21,674,

the NBK	23		303		069						595
Treasury bills of the Ministry of Finance	—	—	—	—	—	—	1,021,389	6.18	303,748	5.7	1,325,137
U.S. Treasury bills	—	—	—	—	—	—	—	—	3,008,388	4.27	3,008,388

(1) Derived from management accounts.

Foreign Currency Management

In 2004 and 2003, the Tenge appreciated against the U.S. Dollar by 9.3% and 7.3%, respectively. In 2002, it declined to 3.6%.

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Risk Management Department monitors the Bank's net currency position and advises on the Bank's strategy accordingly. The ALCO sets the Bank's limits on the level of exposure to various currencies. These limits comply with the requirements of the NBK or the FMSA, as applicable.

Regulation and monitoring of the net foreign currency positions of banks are carried out by the NBK and FMSA. According to current NBK and FMSA regulations, the ratio of a bank's net open foreign currency position relative to its own capital must not exceed 50% and the net open foreign currency position for any currency of a country rated “A” by Standard & Poor's (or equivalent rating from other international rating agencies) or higher or the Euro must not exceed 30% of its own capital. The open long and short position for any currency of a country rated from “B” to “A” by Standard & Poor's (or equivalent rating from other international rating agencies) is limited to 5% and 15% of own capital, respectively. See “Financial Review – Capital Adequacy and Other Ratios”. The NBK and FMSA regulations define a bank's net open foreign currency position as the difference between the Tenge equivalent of all its foreign currency assets and all foreign currency liabilities. Foreign currency assets include all foreign currency claims and the total value of forward currency purchases. Foreign currency liabilities include all foreign currency accounts and the total value of forward currency sales. The Bank furnishes a report on foreign currency position maintenance to the NBK and FMSA on a weekly basis.

The following table shows details of the net foreign currency position of the Bank as at the dates indicated:

	As at 30 June(1)	**As at 31 December(1)**	
	2005	**2004**	**2003**
Net long (short) position (KZT millions)	1,216	(1,901)	1,320.0
Net position as a percentage of shareholders' equity (%)	5.40	(10.5)	15.8
Net position as a percentage of foreign currency liabilities (%)	0.78	(1.8)	2.6

(1) Derived from management accounts.

Treasury Operations

The main objective of the Bank's treasury operations is efficient management of the Bank's liquidity, interest rate and market risk by using the foreign exchange and money markets, thus managing foreign currency exposure and funding costs and maximising investment returns. The Treasury Department calculates the Bank's cash position on a daily basis and provides the Bank's management with weekly reports on the Bank's liquidity and cash flows.

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 the underdeveloped nature of the local banking sector means that futures, options and forward currency trading is rare. The Bank is one of the principal banks in Kazakhstan involved in money market operations and Government securities trading. See "– Trading and Investment Portfolio".

Loan Portfolio

Introduction

Loans to customers represent the largest part of the Bank's assets. Financing is provided for various purposes, although the majority of corporate loans are for working capital and trade finance purposes with a maturity of two years or less. However, as demand for longer-term financing from existing customers and other high quality corporate credits increases, the Bank intends to increase its maturity limits, provided that it can match its funding base with longer-term funding through an increase in borrowings and term deposits. Lending to individuals primarily comprises mortgages, car loans and other loans to finance purchases of consumer products.

The Bank's loan portfolio, net of allowances for impairment, grew by 44.7% to KZT162,209 million as of 30 June 2005 from KZT112,090 million as at 31 December 2004 which, in turn, represented a 85.3% increase from KZT60,488 million as at 31 December 2003. As at June 2005, the 10 largest borrowers accounted for 22.3% of the Bank's gross loan portfolio, as compared to 19.8% as at 31 December 2004 and 20.3% as at 31 December 2003.

Loans, Guarantees and Letters of Credit

The following table sets out the composition of the Bank's loans and contingent liability exposure as at the dates indicated:

	As at 30 June	**As at 31 December**	
	2005	**2004**	**2003**
	(KZT millions)		
Loans			
Loans and advances to customers, gross	168,333	117,593	63,885
Allowances for impairment	(6,124)	(5,503)	(3,397)
Loans and advances to customers	162,209	112,090	60,488
Contingent liabilities			
Undrawn loan commitments	23,386	17,930	7,544
Guarantees	19,967	16,108	6,364
Letters of credit	3,990	5,037	2,987

Provisions	(319)	(254)	(159)
Cash collateral	(1,279)	(711)	(684)
Total contingent liabilities	45,745	38,110	16,051
Total loans and contingent liabilities	207,954	150,200	76,539

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

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

	As at 30 June		As at 31 December[1]			
	2005[1]		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Up to $50,000	23,580	14.0	14,568	12.4	9,101	14.2
$50,001 – $200,000	13,009	7.7	8,880	7.6	6,737	10.5
$200,001 – $1,000,000	17,432	10.4	12,807	10.9	11,635	18.2
$1,000,001 – $3,000,000	24,150	14.3	17,548	14.9	14,484	22.7
$3,000,001 – $5,000,000	16,500	9.8	14,365	12.2	9,499	14.9
Over $5,000,000	73,662	43.8	49,425	42.0	12,429	19.5
Total	168,333	100.0	117,593	100.0	63,885	100.0

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(1) Derived from management accounts.

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:

	As at 30 June		As at 31 December[1]			
	2005[1]		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Up to 1 month	17,343	10.3	6,416	5.5	2,083	3.3
1-3 months	7,477	4.4	7,479	6.4	6,954	10.9
3-6 months	11,233	6.7	10,195	8.7	9,719	15.2
6-12 months	32,837	19.5	22,460	19.1	14,666	23.0
1-2 years	24,500	14.6	19,417	16.5	10,437	16.3
2-3 years	15,286	9.1	15,888	13.5	9,634	15.1
3-5 years	43,231	25.7	27,036	23.0	5,015	7.9
Over 5 years	16,426	9.7	8,701	7.4	5,377	8.4
Total	168,333	100.0	117,593	100.0	63,885	100.0

(1) Derived from management accounts.

Loan Portfolio Structure by Sector

The Bank's primary objective with respect to its lending activities is to diversify into different sectors of the economy in order to reduce its exposure to particular industries.

The following table sets out certain information as to the structure of the Bank's gross commercial loans portfolio, not including advances and before allowances, by economic sector, as at the dates indicated:

	As at 30 June		**As at 31 December**			
	2005		**2004**		**2003**	
	(KZT millions)	***(%)***	***(KZT millions)***	***(%)***	***(KZT millions)***	***(%)***
Wholesale trading	34,616	21	21,565	18	14,416	23
Individuals	27,343	16	17,017	14	7,034	11
Food industry	22,837	14	17,023	14	5,456	9
Construction	14,558	9	10,570	9	9,600	15
Agriculture	12,076	7	8,773	7	6,722	11
Transport	8,011	5	3,931	3	1,135	2
Retail trading	6,944	4	6,232	5	6,348	10
Hospitality	5,699	3	3,208	3	1,107	2
Light industry	5,558	3	4,876	4	187	1
Services	5,472	3	4,648	4	—	—
Mining	2,625	2	2,391	2	355	1
Oil and Gas	2,078	1	3,124	3	1,134	2
Communications	1,818	1	1,866	2	518	1
Metallurgy	1,742	1	1,727	1	898	1
Real Estate	1,627	1	1,211	1	—	—
Chemical	1,441	1	777	1	863	1
Entertainment	429	0	264	1	217	1
Other	13,459	8	8,390	8	7,895	10
	168,333	100	117,593	100	63,885	100

The Bank increased its gross commercial loans and advances to customers by 43.1% to KZT168,333 million as at 30 June 2005 from KZT117,593 million as at 31 December 2004 which, in turn, represented an 84.1% increase from KZT63,885 million in 2003. Wholesale trading companies continued to represent the Bank's largest borrowing sector, borrowing a total of KZT 34,616 million for the six months ended 30 June 2005, KZT21,565 million for the year ended 31 December 2004 and KZT14,416 million as at 31 December 2003, or 21%, 18% and 23% respectively of the total volume of loans extended. Despite the continued predominance of lending to this sector, loans to it decreased in percentage terms, due mainly to the growth in the total volume of the Bank's lending and the Bank's decision to diversify its lending activities into other sectors.

The Bank had KZT27,343 million in loans to individuals outstanding by the end of the first half of 2005, which represented 16% of the Bank's loan portfolio. As at 31 December 2004, the Bank had KZT17,017 million in loans to individuals outstanding which represented 14% of the Bank's loan portfolio. As at 31 December 2003, loans to individuals were KZT7,034 million, or 11% of total gross loans. The increase is attributable to expanding consumer confidence in the economy and the Bank's strategic decision to increase its exposure to retail customers, in particular high net worth and middle-income individuals. The Bank anticipates significant growth in applications for car loans and mortgages, and expects its lending activities to increase in these areas accordingly.

Loans to the food industry also comprised 14% of the Bank's loan portfolio and increased to KZT22,837 million as at 30 June 2005 from KZT17,023 million as at 31 December 2004 which, in turn, represented 14% of the Bank's loan portfolio and an increase from KZT5,456 million as at 31 December 2003.

Construction companies increased their borrowing by 38% to KZT14,558 million as at 30 June 2005 KZT10,570 million as at 31 December 2004 which, in turn, represented a 10% increase from KZT9,600 million as at 31 December 2003. The Bank reduced its total exposure to construction companies as a percentage of its total gross loan portfolio to 9%. Following an announcement by the

Government in mid-2004 to promote low-cost housing in major cities such as Astana and Almaty, the Bank decided to reduce its exposure to this sector in anticipation of a downward trend in the high-end construction market which formed a significant portion of the market serviced by its construction customers. However, at the same time, the Bank decided to increase its exposure to companies supplying construction materials to low-cost housing construction companies and to construction companies.

Loans to the agricultural sector increased from KZT6,722 million as at 31 December 2003 to KZT8,773 million as at 31 December 2004 and to KZT12,076 million as at 30 June 2005. Despite this year-on-year growth as a proportion of the Bank's total loan portfolio, lending to this sector decreased to 7% as at 30 June 2005 and 31 December 2004 as compared to 11% as at 31 December 2003.

Loan Portfolio Structure by Currencies

In line with the Bank's policy of limiting its exposure to currency fluctuations, non-Tenge loans comprise the major part of the Bank's loan portfolio, of which U.S. Dollar obligations are the most significant. As at 30 June 2005 and 31 December 2004 and 2003, U.S. Dollar and Euro denominated or indexed loans comprised 68.2%, 68.9% and 66.4% of the Bank's gross commercial loans and advances, respectively. However, following increased domestic demand and an expanded Tenge funding base as well as relatively stable interest rates on Tenge loans, the Bank increased its Tenge denominated loan portfolio in 2003, 2004 and 2005. Tenge denominated loans represented 33.6%, 31.1% and 31.5% of the Bank's gross commercial loans and advances as at 31 December 2003 and 2004 and 30 June 2005, respectively. However, such loans have a shorter-term maturity profile and usually contain provisions to allow the Bank to increase interest rates or demand early repayment in the event of devaluation of the Tenge.

The following table sets out certain information as to the currency profile of the Bank's gross commercial loans and advances as at the dates indicated:

	As at 30 June		**As at 31 December**[(1)]			
	2005[(1)]		**2004**		**2003**	
	(KZT millions)	***(share %)***	***(KZT millions)***	***(share %)***	***(KZT millions)***	***(share %)***
Tenge	53,008	31.5	36,562	31.1	21,490	33.6
U.S. Dollars	104,747	62.2	71,204	60.6	38,208	59.8
Euro	10,125	6.0	9,827	8.3	4,187	6.6

Others	453	0.3	—	—	—	—
___						
Total	168,333	100.0	117,593	100.0	63,885	100.0
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(1) Derived from management accounts.

Lending Policies and Procedures

General

The FMSA sets strict guidelines in relation to the credit approval process of banks, credit levels, terms, and interest rates of loans. Relevant regulations limit the exposure to any single borrower or group of borrowers to 10% of a bank's equity, for parties related to the bank, and to 25% of a bank's equity for unrelated parties. See “Financial Review – Capital Adequacy and Other Ratios” and “Transactions with Related Parties”. The Bank's own credit approval process is based on FMSA regulations and the internal procedures are established by the Management Board and the Board of Directors.

The Bank has four main credit committees based at its head office which are responsible for approving credit decisions within the Bank. The Retail Business Credit Committee is responsible for implementation of the Bank's credit policy in respect of retail customers and approving the terms of loans to individuals extended by the Bank for amounts up to U.S.$150,000. The Small Credit Committee is responsible for approving the terms of credit facilities and/or guarantees extended by the Bank to corporate clients for amounts up to U.S.$100,000. The Medium Credit Committee is responsible for implementation of the Bank's credit policy in respect of small and medium-sized enterprises and approving the terms of credit facilities and/or guarantees extended by the Bank to

corporate clients for amounts from U.S.$100,000 to U.S.$600,000. The Principal Credit Committee is responsible for implementation of the Bank's credit policy in respect of large corporate customers and approving the terms of credit facilities and/or guarantees extended by the Bank for amounts above U.S.$150,000 for retail customers and U.S.$600,000 for corporate clients. The Management Board must also approve any loan in excess of U.S.$10,000,000 in addition to the approval of the Principal Credit Committee. The Board of Directors must approve all transactions above U.S.$15,000,000 and all transactions with related parties.

Within each branch, credit decisions on loans below the credit level set for that branch are approved by the credit committee within the branch. The levels for each branch are set by the Principal Credit Committee and range from U.S.$3,000 to U.S.$150,000 for any single corporate borrower and from U.S.$3,000 to U.S.$75,000 for any single retail borrower. As the Bank grows, these limits are expected to be increased. The Credit Administration Division monitors loans approved by individual branches. 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. Lending limits are reviewed on a quarterly basis.

All applications for credit/guarantee by corporate and retail customers must be submitted to the Bank on its standard forms. In the case of corporate customers, an application submitted to the head office, depending on the type of the borrower, the credit and the industry sector, is reviewed by one of three divisions of the Credit Department (each of which is responsible for a particular industry sector), the SME Credit Division (which is responsible for small and medium businesses) or the Medium Term Credit Division (which is responsible for credits financed under the Bank's programmes with EBRD, KfW, ADB or the World Bank), as appropriate. In the case of retail clients, an application is reviewed by the Retail Business Department. The relevant division/ 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 such results. If applicable, the Security Department obtains references on the potential borrower from third parties including other banks and various governmental authorities, such as taxation bodies, the NBK, FMSA and the Interior Ministry. If the loan is collateralised, the Credit Security Department of the Bank makes an appraisal of the collateral being offered, including an appraisal as to valuation, legality and enforceability. The Bank's Legal Department or external legal counsel retained by the Bank from time to time reviews legal documentation involved in the lending process.

Depending on the amount of the credit/guarantee, 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.

The application review process within the branches is similar to that of the head office. If the application is for an amount in excess of U.S.$500,000 a representative of the relevant division/ department of head office of the Bank, as described above, is involved in an on-site review and analysis of the application.

Maturity Limit

The maximum maturity of a loan depends on the type of loan as indicated in the following table:

Nature of the Loan	**Maximum Maturity**
Working capital facilities	1.5 years
Consumer credits	3 years
Project finance	5 years
Inter-bank credit	up to 1 year
Mortgage loans	10 years
Mortgage loans to employees	15 years

Collateralisation

To reduce its credit risks, the Bank requires collateral from borrowers. Collateral includes but is not limited to real estate, inventories and equipment (including machinery and motor vehicles, industrial equipment, industrial goods and food stocks and other commercial goods), as well as cash deposits, securities and financial institution guarantees. The Bank regularly monitors the quality of the collateral. In certain cases when existing collateral declines in value, additional collateral may be requested. In addition, the terms of its 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:

Collateral Categories	**Loan/Collateral Value**
	(%)
Cash	100
Guarantees from financial institutions	100
Government debt securities	100
Precious metals	100
Real estate	60-80
Inventories	50-60
Equipment	50-70

The following table sets forth the nominal amount of the Bank's collateralised and non-collateralised gross commercial loans (not including advances and before allowances) and such amount as a percentage of total gross commercial loans as at the dates indicated:

	As at 30 June		As at 31 December			
	2005[(1)]		**2004**		**2003**	
	(KZT millions)	***(%)***	***(KZT millions)***	***(%)***	***(%)***	***(KZT millions)***
Collateralised	166,347	98.8	116,661	99.7	63,314	99.7
Uncollateralised	1,986	1.2	932	0.3	167	0.3
Total gross loans	168,333	100.0	117,593	100.0	63,481	100.0

(1) Derived from management accounts.

Where borrowers of the Bank are connected or related in some way, by for example, having common shareholders or being owned by other related companies, these borrowers are treated as a single borrower by the Bank and are required to provide collateral for each other. Thus, if there is a default by one company in the group, all the other companies of the same group become jointly and severally liable and the Bank can enforce collateral given 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, security over immovable property and certain types of movable property is required to be registered with local departments of the Ministry of Justice (for immovable property and certain types of movable property), the Interior Ministry (for vehicles) or with other relevant registering authorities (for securities and some others). No such registration is required for security over certain types of movable property. However, registration of security over either immovable or movable property establishes priority of that security over an unregistered security. The Bank requires all of its security to be so registered.

Loan Classification and Impairment Assessment

General

The Bank's Risk Management Department, which is not involved in the loan approval process, is responsible for evaluating of the Bank's loan portfolio and establishing allowances and provisions in relation thereto. In order to establish adequate allowances and provisions, loans are classified by their perceived risk criteria in accordance with the Bank's policies and the requirements of IFRS taking into account NBK/FMSA classification and impairment assessment guidelines. The Risk Management Department also conducts evaluations of other assets and off-balance sheet contingent liabilities.

NBK and FMSA Classification and Impairment Assessment Guidelines

Until 2003, banks classified their portfolio and established allowances for impairment for regulatory purposes under NBK policy based on event-oriented criteria relying primarily on the timeliness of a borrower's payment of interest and principal. As of 1 January 2003, the NBK (and now the FMSA) revised its policies regarding loan classifications and requirements for provisions and allowances.

Pursuant to revised NBK/FMSA guidelines, the Risk Management Department, in classifying the Bank's loan and off-balance sheet exposures, performs detailed credit reviews and assesses the borrower's financial condition and operating results, if these have deteriorated since the origination of the loan, the current performance of the borrower with regard to the timely repayment of principal and interest, if there has been any extensions of interest or principal payments granted or if other modifications have been made to the original loan agreement, the quality and quantity of any collateral provided, the basic fundamentals of the purpose of the loan and whether there has been any unauthorised use of the loan proceeds. In addition to these assessments, the Risk Management Department performs other analytical procedures and takes into consideration any macro and microeconomic factors specifically relating to the Kazakhstan economy and industry sector analysis.

Based on these assessments and other analytical procedures, the Risk Management Department classifies loans according to their risk and the exposure that they potentially present to the Bank. At present, the Risk Management Department uses the following classifications as set out in the NBK/ FMSA regulations:

“Standard” – the financial condition of the borrower is assessed as good and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. Interest and principal is being repaid in full in a timely fashion. The borrower is considered as having the capability of repaying the loan in accordance with its terms and conditions. Security provided for the loan is highly liquid (which may include a guarantee of the government or a bank with an individual rating not lower than AA from one of the rating agencies, cash collateral, government securities or precious metals, the value of which covers 100% of exposure).

Borrowers with Temporary Deterioration in Financial Condition

“Doubtful 1” – there is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. However, there is evidence to suggest that the borrower will be able to cope with such temporary difficulties and there is a low probability that the borrower will be unable to repay the loan and interest in full. The borrower is repaying the loan principal and the interest without delay and in full.

“Doubtful 2” – there is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of a marker share. However, there is evidence to suggest that the borrower will be able to cope with such temporary difficulties and there is a low probability that the borrower will be unable to repay the loan and interest in full, but the borrower is repaying the loan with delays and not in full. The value of collateral covers 90% of the Bank's exposure.

Borrowers with Severe Deterioration in their Financial Condition

“Doubtful 3” – there is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower raises concerns as to the ability of the borrower to stabilise and improve its current financial performance and casts doubt on the borrower's ability to repay the loan and the interest in full, but notwithstanding the more severe deterioration, the borrower is still repaying the loan and interest in full and without a delay.

“Doubtful 4” – there is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower raises concerns as to the ability of the borrower to stabilise and improve its current financial performance and impairs the borrower's ability to repay the loan and the interest in full and the borrower is repaying the loan with delays and not in full. The quality of collateral is classified as satisfactory, covering not less than 100% of borrower's outstanding debt (including both principal and interest), or is highly liquid collateral, the value of which covers not less than 75% of the borrower's outstanding debt.

“Doubtful 5” – the deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative shareholders' equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The quality of collateral is classified as unsatisfactory, the value of which covers nearly but not less than 50% of borrower's outstanding debt.

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

The loan classifications described above are used to determine the adequacy of the allowance for impairment of loans and the adequacy of the allowance for other assets and off-balance sheet risks for regulatory purposes in accordance with the NBK and FMSA regulations.

The following provisioning rates are used by the Bank to establish regulatory allowances:

Standard – 0% to 5%
Doubtful 1 – 5%
Doubtful 2 – 10%
Doubtful 3 – 20%
Doubtful 4 – 25%
Doubtful 5 – 50%
Loss – 100%.

The following table sets out the Bank's loans according to its classification under NBK/FMSA regulations as at 30 June 2005:

	As at 30 June 2005[1]	
Group of loans according to the classification	**Total principal amount**	**Total amount of actual created provisions**
	(KZT millions)	
Standard	153,363	3,344
Doubtful 1st Category (5%)	*8,121*	*400*
Doubtful 2nd Category (10%)	*3,675*	*368*
Doubtful 3rd Category (20%)	*248*	*49*
Doubtful 4th Category (25%)	*883*	*217*
Doubtful 5th Category (50%)	*533*	*264*
Total Doubtful	13,459	1,298
Loss Loans (100%)	1,510	1,482
Total	168,333	6,124

(1) Derived from management accounts.

IFRS Impairment Assessment

For the purposes of the IFRS financial statements closing and preparation, the Bank makes specific allowances for possible loan losses on a case-by- case basis and actual allowances established take into account the value of any collateral or third party guarantees. The allowances for impairment of loans are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. The allowances for impairment of financial assets in the accompanying consolidated financial statements are determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment for financial assets in future periods.

The following table sets out certain information relating to the Bank's gross loans and allowances in relation to them in accordance with IFRS as at the dates indicated:

	As at 30 June 2005[1]			**As at 31 December[1]**					
Rate of Estimated Impairment	**Total exposure**	**Total Allowances**	**Allowances Exposure [2]**	**Total exposure**	**2004 Total Allowances**	**Allowances Exposure [2]**	**Total exposure**	**2003 Total Allowances**	**Allowances Exposure [2]**
	(KZT millions except for percentages)								
Standard (0% – 5%)	153,363	3,344	2.18%	107,380	2,008	1.87%	43,635	569	1.3%
Sub-standard (5% – 10%)	11,796	768	6.51%	3,333	158	4.73%	15,486	1,000	6.5%
Unsatisfactory (10% – 25%)	1,131	266	23.52%	1,921	403	20.98%	3,006	589	19.6%
Doubtful (25% – 50%)	533	264	49.62%	2.947	1,271	43.13%	985	467	47.4%
Loss (50% – 100%)	1,511	1,482	98.08%	2,011	1,663	82.65%	773	772	99.9%
Total	168,333	6,124	3.6%	117,593	5,503	4.7%	63,885	3,397	5.3%

(1) Derived from management accounts.

(2) Allowances are stated net of the estimated value of any realisable collateral that could be estimated with reasonable accuracy.

The effective level of allowances in accordance with IFRS decreased to 4.7% as at 31 December 2004 as compared to 5.3% as at 31 December 2003, which represented an increase of 0.9% from 2002. Allowances as at 30 June 2005 declined further to 3.6% since there were several large repayments by borrowers of the Bank in the amount of KZT2 billion which had been classified as “doubtful” and “loss” as of 31 December 2004. These borrowings were repaid in the first half of 2005.

Provisions are made against off-balance sheet exposures when it is more likely than not that there will be a loss. In such cases an adequate provision is made.

Portfolio Monitoring and Write Offs

The review and monitoring of the loan portfolio of the Bank is conducted by the Risk Management Department and the Credit Administration Division. The Credit Administration Division is responsible for daily monitoring through an automated centralised programme of timely debt service of particular loan or off-balance sheet exposure. This allows the Credit Administration Division to identify problem loans at an early stage. Immediate action is taken by the relevant division of the Credit Department, the Small and Medium Business Credit Division, the Medium Term Credit Division or the Retail Business Department, as appropriate, if any principal or accrued interest repayment problems arise. The Risk

Management Department reviews and monitors the Bank's credit activity on a weekly basis. The Risk Management Department provides weekly and monthly reports to the Bank's Management Board detailing all aspects of the Bank's credit activity. In addition, an in-depth review of each borrower is carried out on site by representatives of the relevant division of the Credit Department, the Small and Medium Business Credit Division, the Medium Term Credit Division or Retail Business Division, as appropriate, on a semi-annual basis in order to assess the financial condition of the borrower and the status of any collateral. Any overall deterioration in the quality of the Bank's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Bank's Management Board.

The Bank's determination of whether a repayment problem has arisen is based on a number of objective and subjective criteria, including changes in the borrower's turnover in accounts held by the Bank, changes in the borrower's economic and financial activity giving rise to a suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfil the terms and conditions of its loan agreement and refusal of a borrower to co-operate in supplying current information. Once any repayment problem arises the Bank's Credit Security Department is immediately notified. The Bank believes that it has a good record of enforcing its security and attempts to resolve security enforcement without resorting to court action or arbitration where possible. In particular, the Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any collateral either in reliance on its legal rights or with the co-operation of the customer.

MANAGEMENT

Management

The Bank's management bodies comprise the Board of Directors (a supervisory body) the Management Board (an executive body) and the Reviser (who is responsible for overseeing the financial and economic control of the Bank's activities). Members of the Board of Directors and the Management Board cannot be appointed as the Reviser. The Reviser audits the financial statements of the Bank prior to approval by the general shareholders' meeting. The general shareholders' meeting represents the highest corporate body of the Bank. Kazakhstan law vests in the general shareholders' meeting authority for the final approval of certain major corporate decisions, including the authorisation to issue the Notes.

The shareholders elect the Board of Directors and the Reviser. 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 Chairman of the Management Board of banks 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. The Reviser oversees the Bank's accounting and internal control processes and reports to the shareholders.

Board of Directors

The Board of Directors is not directly involved in day-to-day management and has no authority to act on its own behalf or to perform any executive functions. 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), calling extraordinary general shareholders' meetings and approving the Bank's budget.

The current members of the Board of Directors are:

Name	Position	Other Significant Positions
Serik Svyatov	Chairman of the Board of Directors	None
Timur Issatayev	Director	Chairman of the Management Board
Timur Bergaliyev	Director	President of JSC Fintrade
Nurlan Smagulov	Director	President of LLP Astana Motors
Marat Mukhambetov	Director	President of ATF Group

The business address of the Members of the Board of Directors is 100 Furmanov Street, Almaty 050000, Kazakhstan.

Management Board

The Management Board is responsible for the day-to-day management and administration of the Bank's activities. The Management Board's responsibilities include making executive business decisions, implementing the Bank's business strategy, appointing senior management and branch representatives, approving all loans in excess of U.S.$10 million and dealing with all other matters not reserved to the Board of Directors or the general meeting of shareholders.

The Management Board consists of nine members. The members of the Management Board are elected for a period of five years. The business address of the Members of the Management Board is 100 Furmanov Street, Almaty 050000, Kazakhstan.

The current members of the Management Board are:

Name	Position
Timur Issatayev	Chairman
Berik Beisengaliyev	First Deputy Chairman
Kairat Rakhmanov	Managing Director
Aidar Seitbekov	Managing Director
Irina Sindonis	Managing Director
Talgat Abdukhalikov	Managing Director
Nurlan Kosakov	Managing Director
Aida Derevyanko	Chief Accountant
Nadim Shaidarov	Managing Director

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

Timur Issatayev (36), Chairman, graduated from the Kazakhstan State University in 1991 with a degree in philosophy and from Yale University in 1993 with a Masters degree in economics. Mr. Issatayev was the head of the representative office of ING Bank in Kazakhstan from April 1996 to April 1999 and the First Deputy Chairman of ABN AMRO Bank Kazakhstan from April 1999 to April 2001. Mr. Issatayev has been Chairman of the Management Board since September 2003. Previously he had been Deputy Chairman since joining the Bank in May 2003.

Berik Beisengaliyev (39), First Deputy Chairman, graduated from the Karaganda State University in 1990 with a degree in finance and in 1999 graduated from the Kazakhstan State University with a degree in law. In 1997, Mr. Beisengaliyev was appointed Director of the Akmola branch of TuranAlem Bank. In 1998, he joined the Bank as Director of the Akmola branch; Mr Beisengaliyev has been in his current position since March 2004.

Kairat Rakhmanov (40), Managing Director, graduated from the Kazakhstan State University of Management in 1995 with a degree in economics. Mr. Rakhmanov was the Deputy Director of the Operations Department at Alem Bank Kazakhstan from September 1993 to February 1997. In July 1997, Mr. Rakhmanov joined the Bank as the Director of the Operations Department. In January 2002, he took up the position of Managing Director of Investment Activities at Halyk Bank until June 2004, at which time he returned to the Bank in his current position.

Aidar Seitbekov (40), Managing Director, was educated at Lomonosov Moscow State University, from which he graduated in 1987 with a degree in mathematics. He also holds a degree in finance and credit studies from Eurasia Market Institute. Mr. Seitbekov joined the Bank in 1995, as head of its IT division and has been in his current position since November 1998.

Irina Sindonis (43), Managing Director, graduated from Finance College in 1980 with a degree in banking accounting and the Almaty Institute of National Economy in 1986 with a degree in finance. Mrs. Sindonis was Managing Director of the Halyk Savings Bank of Kazakhstan from March 1999, before being appointed Director of Operations in February 2000 and Chief Accountant in June 2000. Mrs. Sindonis has been in her current position since joining the Bank in May 2001.

Talgat Abdukhalikov (42), Managing Director, graduated from the Almaty Managers School in 1998 with a degree in finance and credit studies. Mr. Abdukhalikov started his career at the Bank in 1995 as head of the Securities division and became head of the Assets Management division in 1996. In 1998; Mr. Abdukhalikov was appointed Director of the Treasury Department and he has been in his current position since January 2002.

Nurlan Kosakov (32), Managing Director, graduated from the Kazakhstan State University of Management in 1994 with a degree in Accounting and Cybernetics. Mr. Kosakov started his career at the Bank in 1997 as a leading specialist of the Credit Department and was appointed Director of the Credit Department in 2002. He has been in his current position since July 2002.

Aida Derevyanko (43), Chief Accountant, graduated from Finance College in 1980 with a degree in banking accounting and the Almaty Institute of National Economy in 1987 with a degree in accounting and business analysis. Mrs. Derevyanko was appointed Chief Accountant of the Almaty branch of Alem Bank Kazakhstan in 1993 and Deputy Chief Accountant in 1991 of Commercial Bank Bereke. Mrs. Derevyanko has been in her current position since October 1997.

Nadim Shaidarov (40), Managing Director, graduated from the University of Moscow in 1990 with a degree in economy and business planning. In 1997, Mr. Shaidarov was appointed Deputy Director of

commercial activity of the Almaty branch of Halyk Bank and in 1998 he was appointed First Deputy Director of the Akmola branch of Halyk Bank. Mr. Shaidarov has been in his current position since joining the Bank in July 2002.

Corporate Governance

The Board of Directors of the Bank is reviewing a new code on corporate governance, the final form of which will be introduced during 2005.

Controller

The current Controller is Mrs. Nelchai Satova, Chief Accountant of Otan Accumulation Pension Fund. She was elected in 2003 for a three-year term.

Conflicts of Interest

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

Management Remuneration

In accordance with the Bank's charter, the remuneration of the senior management of the Bank and 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 the senior and middle management of the Bank as at 31 December 2004:

Name	**As at 30 June 2005**
	(KZT thousands)
Timur Issatayev	45,394
Talgat Abdukhalikov	16,098
Aida Derevyanko	31,354
Aidar Seitbekov	41,301
Nurlan Kosakov	4,615
Kairat Rakhmanov	0
Timur Bergaliyev	0
Nadim Shaidarov	49,796

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Total	188,558

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There are no other outstanding loans or guarantees granted by the Bank to the senior and middle management of the Bank, nor to any parties related to them.

SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

Share Capital

As at 30 June 2005, the Bank's issued and outstanding share capital comprised 16.6 million common voting shares and 3.4 million preferred shares each having a nominal value of KZT1,000. Each common voting share is entitled to one vote and shares equally in dividends declared. Preferred shares carry a cumulative dividend of a minimum of 10% of the nominal value per annum and do not have voting rights unless the Bank fails to make payment of dividends.

In accordance with a general shareholders' meeting resolution, the Bank declared dividends of KZT319.0 million on preferred shares and KZT694.3 million on ordinary shares in 2004. In 2003, and in accordance with a general shareholders' meeting resolutions, the Bank declared dividends of KZT240.8 million on preferred shares and KZT1,163.9 million on common shares. The share capital was increased by KZT902.8 million in 2003 through the capitalisation of dividends on common shares.

In accordance with a general shareholders' meeting resolution, the Bank declared dividends of KZT319.0 million on preferred shares and KZT694.3 million on ordinary shares in 2004. In 2003, and in accordance with a general shareholders' meeting resolutions, the Bank declared dividends of KZT240.8 million on preferred shares and KZT1,163.9 million on common shares. The share capital was increased by KZT902.8 million in 2003 through the capitalisation of dividends on common shares.

During 2003, the share capital was increased by KZT20,180,000 through conversion of the minority shareholders' shares in the former banking subsidiary Apogei Bank to common shares of the Bank.

In December 2003, the Bank commenced an equity offering of up to 5,351,238 shares to existing and new shareholders for a total consideration of KZT5.4 billion (KZT 1,000 per share). The equity issue was fully subscribed prior to August 2004.

In 2004, the Bank declared dividends of KZT304 million on preferred shares and KZT694 million on common shares. The share capital of the Bank was increased through the capitalisation of dividends declared on common shares of KZT588 million.

In October 2004, the Bank issued 3,180,000 common shares to existing shareholders for a total consideration of KZT3.2 billion (KZT1,000 per share). In addition, the Bank offered up to 1,500,000 preferred shares for an aggregate consideration of KZT1.5 billion and up to 3,729,239 common shares for an aggregate consideration of a further KZT3.8 billion to existing and new shareholders. The subscription period for such additional preferred and common shares is open for up to one year. As of 1 January 2005, the Bank had placed 12,870,761 common shares and 1,900,000 preferred shares among local investors. As of 1 July 2005, the Bank had placed 14,168,485 common shares and 3,400,000 preferred shares among institutional investors. As of 1 September 2005, the Bank had placed 14,918,485 common shares and 3,400,000 preferred shares among local investors.

The Bank's common voting shares and preferred shares are listed on the “A” list of the Kazakhstan Stock Exchange. Among the Bank's shareholders are various industrial companies, pension funds and private investors.

Principal Shareholders

The following table sets forth certain information with respect to the ownership of the Bank's outstanding common shares as at 30 June 2005:

Shareholder	Number of Common Shares	Percentage of Common Shares
___	___	___
The Bank of New York (Nominal holder)	3,833,859	27.06
JSC Saving Pension Fund of Halyk Bank of Kazakhstan	1,195,724	8.44
LLC Rink-Invest	1,705,552	12.04
JSC Pension Fund “BTA Kirmet-Kazakhstan”	1,000,000	7.06
LLC Stels Company	726,640	5.13
Others	5,706,710	40.28
___		
Total	14,168,485	100
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As at 30 June 2005, entities related to certain members of the Board of Directors held in aggregate 580 common shares representing less than 0.1% of the Bank's voting share capital. In addition, as at 30 June 2005, the Bank's senior and middle management directly or indirectly held in aggregate 6,077 preferred shares of the Bank which represents less than 0.1% of the issued and outstanding share capital of the Bank.

TRANSACTIONS WITH RELATED PARTIES

As at the dates indicated, the Bank had the following outstanding transactions with related parties:

	As at 30 June			As at 31 December		
	2005			2004		
	Related party balances	**Percentage on normal conditions**	**Total asset or liability category**	**Related party balances**	**Percentage on normal conditions**	**Total asset or liability category**
	(KZT thousands, unless otherwise indicated)					
Loans and advances	1,937,191	100%	168,332,647	1,994,205	100%	117,593,555
Shareholders	275,035	100%		290,035	100%	
Management	324,631	100%		194,946	100%	
Associates	1,337,525	100%		1,509,224	100%	
Amounts owed to customers	783,363	100%	107,461,736	672,861	100%	68,746,828
Shareholders	247,087	100%		204,762	100%	
Management	251,881	100%		225,040	100%	
Associates	284,395	100%		243,059	100%	
Commitments and guarantees	2,131	100%	47,342,816	5,628	100%	39,075,029
Shareholders	586	100%		466	100%	
Management	—	100%		—	100%	
Associates	1,545	100%		5,162	100%	

	For the sixth months ended 30 June			For the year ended 31 December		
	2005			2004		
	Related party transaction	**Percent on normal conditions**	**Total category**	**Related party transaction**	**Percent on normal conditions**	**Total category**
	(KZT thousands, unless otherwise indicated)					
Interest income – loans	99,486	100%	8,771,022	68,154	100%	4,874,264
Shareholders	13,908	100%		9,528	100%	
Management	12,574	100%		8,430	100%	
Associates	73,004	100%		50,196	100%	

Fee and commission income	116	100%	1,428,243	184	100%	969,878
Shareholders	26	100%		16	100%	
Management	90	100%		—	100%	
Associates	—	100%		168	100%	
Interest and expense – deposits	18,230	100%	2,106,566	15,937	100%	1,315,825
Shareholders	9,025	100%		7,890	100%	
Management	5,713	100%		4,994	100%	
Associates	3,492	100%		3,053	100%	

Related parties for purposes of this discussion follows the definition set out in IAS 24. Under such definition, related parties include:

(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) associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and

(e) 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 Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

All transactions with related parties outstanding at the dates indicated above, were made in the normal course of business and at arm's length and were approved by the Board of Directors of the Bank.

As at 30 June 2005, the Bank held 9% of the issued share capital of its former wholly-owned ATF Leasing. Accordingly, ATF Leasing is not regarded as a related party although the Bank provides financial support to ATF Leasing (which would be a related party if the Bank held 10% of its issued share capital) and, in the medium term, intends to reacquire a controlling stake in ATF Leasing.

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 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 in the case of the NBK's Governor) and remove the NBK's Governor and 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, replacing Grigori Marchenko, for a six year term, unless earlier dismissed or resigned.

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 of Kazakhstan 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, to organise banking settlement systems, to conduct currency regulation and control, to assist in ensuring stability of the financial system and to 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, previously performed by the NBK.

The FMSA is an independent institution reporting directly to the President. The President has appointed Bolat Zhamishev, former Deputy Governor of the NBK, as the Chairman of the FMSA.

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 to, 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 1 January 2004, the NBK.

Banking Reform and Supervision

Reform of the banking sector commenced in 1996 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 periodic reporting by commercial banks to the NBK, now the FMSA. In 2003, all banks were required to develop and install an internal risk management system.

The FMSA monitors compliance with capital adequacy standards (in compliance with international standards set by the Basel Committee), current liquidity ratios, maximum credit exposure to single borrowers for bank insiders or otherwise, maximum investments in fixed and other non-financial assets and contingent obligations and the limits on 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 objectives of these reforms were to bring supervisory practices closer to international standards and 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 banks to diversify their activities in the financial services sector (for example, by managing pension and investment funds and establishing leasing and insurance companies).

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 1 November 2004, 33 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal deposits in an amount of up to KZT7 million in any currency and current accounts, with a coverage amount of up to KZT400,000 in total at any given bank. Only banks participating in such 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% or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity holding 10% or more of a Kazakhstan bank must have a credit rating at least equal to that of the Republic of Kazakhstan.

Commercial Banks

As at 30 June 2005, there were 34 banks in Kazakhstan, compared to 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% stake in Halyk Savings Bank, by means of privatisation through a public auction. This stake has since been sold to a group of companies, including ATF Bank. 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 KZT2.1 billion.

As at 31 December 2004, two commercial banks failed to comply with prudential regulatory requirements, compared to one as at 31 December 2003 and one as at 31 December 2002. These banks did not meet current liquidity ratio, own capital ratios, the single borrower exposure ratio, the open currency position ratio and the maximum asset investment ratio. Provisions for bad debts as at 31 December 2004 amounted to KZT56.3 billion.

In accordance with the Decree of the FMSA No. 172 dated 2 June 2005, the license granted to JSC Nauryz Bank for performing operations in national and foreign currency was terminated. On 13 June 2005, FMSA filed a lawsuit seeking liquidation of JSC Nauryz Bank, however as at 13 September 2005 no decision has been rendered by the court.

The financial standing of Kazakhstan's banks varies. As at 31 December 2004, 17 of the 34 commercial banks had registered capital of over KZT2 billion, 16 banks had registered capital of KZT1 billion to KZT2 billion and two banks had registered capital of KZT500 million to KZT1 billion. There are no banks with a registered capital of less than KZT500 million; any bank whose capital falls below this level is required to submit to the FMSA an application for voluntary reorganisation into an organisation performing only limited banking operations.

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 or 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 30 June 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.

Furthermore, the aggregate registered capital of banks with foreign participation may not exceed 50% of the aggregate registered capital of all Kazakhstan banks, unless authorised by the FMSA. As at 31 December 2004, the aggregate registered capital of all banks with foreign participation represented approximately 36.6% of the aggregate registered capital of all Kazakhstan banks.

A number of foreign banks have opened representative offices in Kazakhstan, including Dresdner Bank, Deutsche Bank, Credit Commercial de France, Commerzbank and ING Bank.

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 Certificate (if issued):

The U.S.$200,000,000 8.125% Notes due 2010 (the "Notes", which expression includes any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) of JSC ATF Bank (the "Issuer") are (a) subject to, and have the benefit of, a trust deed dated 28 October 2005 (as amended or supplemented from time to time, the "Trust Deed") between the Issuer and The Bank of New York, acting through its London branch as trustee (the "Trustee", which expression includes all persons for the time being appointed as trustee for the holders of the Notes ("Noteholders") under the Trust Deed) and (b) are the subject of a paying agency agreement dated 28 October 2005 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, the Trustee and The Bank of New York, acting through its London branch as principal paying and transfer agent (the "Principal Paying and Transfer Agent", which expression includes any successor principal paying and transfer agents 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 Bank of New York, acting through its New York branch in its capacity as Registrar (the "Registrar", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying and Transfer Agent and the Paying and Transfer Agents. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London, E14 5AL, United Kingdom.

1. Form, Denomination and Title

(a) *Form and denomination*

The Notes are in registered form, serially numbered. Notes will be issued in minimum denominations of U.S.$100,000 or any amount in excess thereof which is an integral multiple of U.S.$1,000 (each an "authorised denomination").

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Conditions 2 and 3. The holder (as defined below) of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing thereon by any Person (as defined below) (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof; and no Person will be liable for so treating the holder.

In these Conditions, "Person" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, "Noteholder" or "holder" means the Person in whose name a Note is registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "holders" shall be construed accordingly.

Notes are being sold to investors outside the United States in reliance on Regulation S under the U.S. Securities Act 1933, as amended (the "Securities Act") and will be represented by a Global Note Certificate. The Global Note Certificate will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

Ownership of beneficial interests in the Global Note Certificate will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Note Certificate will be shown on, and transfers

thereof will be effected through, records maintained in book-entry form by Euroclear, Clearstream, Luxembourg and their participants as applicable. The Global NoteCertificate will be exchangeable for Notes in definitive form only in certain limited circumstances.

(c) *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 Issuer will cause a register (the "Register") to be kept at the specified office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and all transfers and redemptions of the Notes.

3. Transfer of Notes

(a) *Transfer*

Notes may, subject to the terms of the Agency Agreement and to Conditions 3(b), 3(c) and 3(e), be transferred in whole or in part in an authorised denomination by lodging the relevant Note (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within five Business Days (as defined below) of any duly made application for the transfer of a Note, deliver a new Note to the transferee (and, in the case of a transfer of part only of a Note, deliver a Note for the untransferred balance to the transferor), at the specified office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Note by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(b) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

(c) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal or interest in respect of the Notes.

(d) *Business Day*

In these Conditions, "Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in both New York City and the city in which the specified office of the Principal Paying and Transfer Agent is located.

(e) *Regulations Concerning Transfer and Registration*

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Trust Deed. The regulations may be changed by the Issuer to reflect changes in legal requirements or in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee.

4. Status

The Notes constitute direct, general, unconditional, unsubordinated 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* in right of payment 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

(a) *Negative Pledge*

So long as any Note remains outstanding (as defined in the Trust Deed) the Issuer shall not, and shall not permit any of its Subsidiaries to create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money of the Issuer, any such Subsidiary or any other Person or any Indebtedness Guarantee in respect of any Indebtedness for Borrowed Money 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.

(b) *Limitations on Certain Transactions*

For so long as any Note remains outstanding, the Issuer will not, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$3,000,000 unless such transaction or series of transactions is or are at a Fair Market Value.

(c) *Limitation on Payment of Dividends*

For so long as any Note remains outstanding, the Issuer 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 12 (*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, (x) more frequently than once during any calendar year or (y) in an aggregate amount exceeding 50% of the Issuer's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with IFRS, for which purpose, the amount of the Issuer's net income shall be determined by reference to its audited financial statements for the period in respect of which the dividend is being paid. The foregoing limitation shall not apply to the payment of (i) any dividends in respect of any preferred shares of the Issuer which may be issued by the Issuer from time to time and (ii) any dividends in respect of any common shares of the Issuer which are paid through the issuance of additional common shares.

(d) *Maintenance of Capital Adequacy*

The Issuer shall not permit its total capital ratio calculated in accordance with the recommendations of the Basel Committee on Banking Supervision (the "Committee") to fall below 10%, 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 Issuer prepared in accordance with IFRS and to other financial data derived from the Bank's accounting records.

(e) *Provision of Financial Information*

So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer shall deliver to the Trustee:

(i) not later than 120 days after the end of each of the Issuer's financial years, copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS, together with the corresponding financial statements for the preceding period, and all such annual financial statements of the Issuer shall be accompanied by the report of the Issuer's independent auditors thereon; and

(ii) not later than 90 days after the end of the first six months of each of the Issuer's financial years, copies of its unaudited or, as the case may be, audited consolidated financial statements for such six-month period, prepared in accordance with IFRS, together with the corresponding interim financial statements for the preceding period.

(f) *Certificate of Directors*

The Issuer shall send to the Trustee, within 14 days (or such longer period as the Trustee may determine) of its annual audited financial statements (which are to be prepared in accordance with IFRS) and its interim financial statements being made available to its members, and also within 14 days (or such longer period as the Trustee may determine) of any request by the Trustee, a certificate of the Issuer signed by any two of its Directors that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the “Certification Date”) (i) not more than five days before the date of the certificate no Event of Default or Potential Event of Default (as defined in the Trust Deed) or other breach of the Trust Deed had occurred since the Certification Date of the last such certificate or (if none) the date on which the Trust Deed was first executed by the Issuer or, if such an event had occurred, giving details of it, (ii) the total amount of transactions or series of transactions that the Issuer has entered into or suffered to exist at less than Fair Market Value since the date on which the Trust Deed was first executed by the Issuer, (iii) a statement that the Issuer has not paid any dividends or made any other distributions which would breach Condition 5(c) (*Limitation on Payment of Dividends*), (iv) a statement of the Issuer's total capital ratio calculated in accordance with the recommendation of the Committee, as at the date of the certificate and (e) a statement that the Issuer is in compliance with Condition 5(a) (*Negative Pledge*) and that the Issuer has not exceeded the limits imposed by Permitted Security Interests generally, and, in particular, Clauses (h), (i) and (j) of the definition thereof.

6. Definitions

For the purposes of these Conditions:

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

“**Fair Market Value**” 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 Issuer of the Fair Market Value of a transaction may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties.

“**IFRS**” means International Financial Reporting Standards as in effect from time to time (formerly referred to as International Accounting Standards).

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

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

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (a) moneys borrowed, (b) amounts raised by acceptance under any acceptance credit facility, (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (d) 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.

"**Permitted Security Interest**" means any Security Interest:

(a) granted in favour of the Issuer by any Subsidiary to secure Indebtedness for Borrowed Money owed by such Subsidiary to the Issuer,

(b) being liens or rights of set-off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set-off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property of the Issuer held by financial institutions,

(c) arising in the ordinary course of the Issuer's or a Subsidiary's business and (i) which is necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Issuer's or such Subsidiary's business or (ii) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer's or such Subsidiary's customers,

(d) 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,

(e) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Subsidiary), 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 Issuer's foreign exchange dealings or other proprietary trading activities including, without limitation, Repos, entered into by the Issuer in the ordinary course of its business for liquidity management purposes,

(f) 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,

(g) granted upon or with regard to any property hereafter acquired by the Issuer or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property,

(h) granted by the Issuer in favour of a Development Organisation to secure Indebtedness for Borrowed Money owed by the Issuer to such Development Organisation pursuant to any loan agreement or other credit facility entered into between the Issuer and such Development Organisation, provided, however, that (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 15% of the Issuer's loans and advances to customers before allowances for impairment (calculated by reference to the most recent audited consolidated financial statements of the Issuer 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 Issuer in relation thereto,

(i) created or outstanding upon any property or assets of the Issuer 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 where the recourse in relation to the Indebtedness for Borrowed Money secured by such property or assets is limited to such property or assets, provided that, the amount of Indebtedness for Borrowed Money so secured pursuant to this clause (i) at any one time shall not exceed an amount in any currency or currencies equivalent to 15% of the Issuer's loans and advances to customers before allowances for impairment (calculated by reference to the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS),

(j) not included in any of the above exceptions, in aggregate securing Indebtedness for Borrowed Money or Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money with an aggregate principal amount at any time not exceeding U.S.$20,000,000 (or its equivalent in other currencies) at that time.

"**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 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% 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.

7. Interest

(a) *Interest Accrual*

Each Note bears interest from 28 October 2005 (the "Issue Date") at the rate of 8.125% per annum payable semi-annually in arrear on 28 April and 28 October in each year (each, an "Interest Payment Date"), subject as provided in Condition 8 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

(b) *Cessation of Interest*

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

(c) *Calculation of Interest for an Interest Period*

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the 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).

(d) *Calculation of Interest for any other period*

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

The determination of the amount of interest payable under Conditions 7(c) (*Calculation of Interest for an Interest Period*) and 7(d) (*Calculation of Interest for any other period*) by the Principal Paying Agent shall, in the absence of manifest error, be binding on all parties.

8. Payments

(a) *Principal*

Payment of principal in respect of the Notes and payment of interest due other than on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date (as defined below) and subject to the surrender of the Notes at the specified office of the Register or of the Paying and Transfer Agents.

(b) *Interest and other Amounts*

Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.

(c) *Record Date*

"Record Date" means the fifteenth day before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Notes pursuant to Conditions 8(a) (*Principal*) and (b) (*Interest and other Amounts*) will be made by United States dollar cheque drawn on a branch of a bank in New York City mailed to the holder of the relevant Note at his address appearing in the Register. However, upon application by the holder to the specified office of the Registrar or any Paying and Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a United States dollar account maintained by the payee with a bank in New York City.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 8(a) (*Principal*), if later, on the business day on which the relevant Note is surrendered as specified in Condition 8(a) (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

(e) *Agents*

The names of the initial Paying and Transfer Agents and Registrar and their specified offices are set out below. The Issuer reserves the right under the Agency Agreement at any time with the prior written approval of the Trustee to remove any Paying and Transfer Agent or the Registrar and to appoint other or further Paying and Transfer Agents or another Registrar, provided that it will at all times maintain (i) a Principal Paying and Transfer Agent, (ii) Paying and Transfer Agents in at least two major European cities approved by the Trustee, including Luxembourg, for so long as the Notes are listed on the Luxembourg Stock Exchange, (iii) 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 European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and (iv) a Registrar. Notice of any such removal or appointment and of any change in the specified office of any Paying and Transfer Agent or Registrar will as soon as practicable be given to Noteholders in accordance with Condition 15 (*Notices*).

(f) *Payments subject to Fiscal Laws*

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

(g) *Delay in Payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day, (ii) if a cheque mailed in accordance with this Condition arrives after the date for payment.

(h) *Business Days*

In this Condition, “business day” means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and London and, in the case of presentation or surrender of a Note, in the place of the specified office of the Registrar or relevant Paying and Transfer Agent, to whom the relevant Note is presented or surrendered.

9. Redemption and Purchase

(a) *Scheduled redemption*

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 28 October 2010, subject as provided in Condition 8 (*Payments*).

(b) *Redemption for Taxation Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, 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 (i) the Issuer has or will become obliged to pay on the next date on which any amount would be payable with respect to the Notes additional amounts as provided or referred to in Condition 10 (*Taxation*) to any greater extent than would have been required had such a payment been required to be made on 26 October 2005 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 but excluding any such change or amendment which obliges the Issuer to pay additional amounts in respect of Notes held by or on behalf of a person resident, domiciled or organised in the Republic of Kazakhstan, in respect of whom no additional amounts would be required to be paid in relation to a payment of interest on the Notes if it were required to be made on 26 October 2005), which change or amendment becomes effective on or after 26 October 2005 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (x) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (y) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 9(b) (*Redemption for Taxation Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b) (*Redemption for Taxation Reasons*).

(c) *No other redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) and 9(b) (*Redemption for Taxation Reasons*) above.

(d) *Purchase*

The Issuer or any of its Subsidiaries 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. The Notes so purchased may be held or resold (provided that such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 9(e) (*Cancellation of Notes*) below. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 14(a) (*Meetings of Noteholders*).

(e) *Cancellation of Notes*

All Notes which are redeemed pursuant to Condition 9(b) (*Redemption for Taxation Reasons*) or submitted for cancellation pursuant to Condition 9(d) (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are listed on the Official List of the Financial Services Authority and admitted to trading on the Gilt Edged and Fixed Income Interest Market of the London Stock Exchange plc (the "London Stock Exchange"), the Issuer shall promptly inform the London Stock Exchange of the cancellation of any Notes under this Condition 9(e) (*Cancellation of Notes*).

10. Taxation

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by 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 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 presented for payment:

(a) *Other Connection*

by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Republic of Kazakhstan other than the mere holding of the Note;

(b) *Presentation more than 30 days after the Relevant Date*

more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note for payment on the last day of such period of 30 days;

(c) *Payment to Individuals*

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) *Payment by another Paying and Transfer Agent*

by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying and Transfer Agent in a Member State of the European Union.

(e) *Taxing jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan, references in this Condition 10 (*Taxation*) to the Republic of Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction.

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Paying and Transfer Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to

the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

The Trust Deed provides that if and for so long as the Notes are represented by a Global Note Condition 10(a) (Other Connection) will not apply to any of the Notes unless the Trustee agrees that such Condition shall apply.

11. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 (*Payments*) within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

12. 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 to its satisfaction) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "Event of Default") occurs:

(a) *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 10 days; or

(b) *Breach of other obligations*

The Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 12 (*Events of Default*)) and, where such default or breach is, in the opinion of the Trustee, capable of remedy, such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer by the Trustee; or

(c) *Cross-default*

(a) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries (i) becomes (or becomes capable of being declared) due and payable prior to the due date for the payment thereof by reason of default of the Issuer or (as the case may be) the relevant Subsidiary, or (ii) is not paid when due or within any originally applicable grace period, if any; or (b) any Indebtedness Guarantee given by the Issuer or any of its Subsidiaries is not honoured when due and called, provided that the amount of Indebtedness for Borrowed Money referred to in (a) above and/or the amount payable under any Indebtedness Guarantee referred to in (b) above individually or in the aggregate exceeds U.S.$5,000,000 (or its equivalent in any other currency or currencies (as determined by the Trustee)); or

(d) *Judgment default*

A judgment or order or arbitration award for the payment of an aggregate amount in excess of U.S.$5,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against the Issuer or any Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or

(e) *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 or any of its 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 or any of its 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 or any of its 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 or any of its 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 in its sole discretion); or

(f) *Substantial Change in Business*

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

(g) *Maintenance of Business*

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

(h) *Material Compliance with Applicable Laws*

The Issuer fails to comply in any (in the 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 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

(i) *Invalidity or unenforceability*

(a) the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes, the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(b) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement; or

(c) all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of the events specified in this Condition 12(i) (*Invalidity or unenforceability*), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(j) *Government intervention*

(a) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government; or

(b) the Issuer or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 12(j) *(Government Intervention*), the Trustee is of the opinion in its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders.

As used in this Condition 12 (*Events of Default*), “Material Subsidiary” means, at any given time, any Subsidiary of the Issuer whose gross assets or gross revenues represent at least 10% of the consolidated gross assets or, as the case may be, consolidated gross revenues of the Issuer 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 Issuer 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.

13. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any Paying and Transfer Agent with its specified office in London subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes must be surrendered before replacements will be issued.

14. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*

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

(b) *Written resolution*

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) 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 or (ii) if such Noteholders have been given at least 21 days' notice of such resolution, by or on behalf of persons holding three-quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) *Modification without Noteholders' consent*

The Trustee may, without the consent of the Noteholders agree (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.

15. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

So long as any of the Notes are represented by the Global Note Certificate, notices required to be published in accordance with Condition 15 (Notices) may be given by delivery of the relevant notice to the Euroclear Operator and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London(which is expected to be the Financial Times).

16. Trustee

(a) *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 and any entity relating to the Issuer without accounting for any profit.

(b) *Exercise of power and discretion*

In the exercise of its powers and discretion 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.

(c) *Enforcement; Reliance*

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 unless:

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

(ii) it has been indemnified or provided with security to its satisfaction.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

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

The Trustee is not liable for any failure to monitor compliance by the Issuer with the Conditions (including Conditions 5 (*Negative Pledge and Certain Covenants*) and 12 (*Events of Default*)) and may rely upon the information provided pursuant to Condition 5(e) (*Provision of Financial Information*) and the certificates provided pursuant to Condition 5(f) (*Certificate of Directors*).

(d) *Failure to act*

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

(e) *Confidentiality*

Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the Luxembourg Stock Exchange, the Trustee shall not be required to disclose to any Noteholder any confidential financial or other information made available to the Trustee by the Issuer.

17. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

18. Currency Indemnity

If any sum due from the Issuer in respect of the Notes 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 or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar or any Paying and Transfer Agent with 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 the Issuer and shall give rise to a separate and independent cause of action.

19. Governing Law; Jurisdiction and Arbitration

(a) *Governing law*

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

(b) *Submission to Jurisdiction; Arbitration*

The Issuer has in the Trust Deed (i) 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; (ii) 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; (iii) designated Bracewell & Giuliani L.L.P. at 1 Cornhill, London EC3V 3ND to accept service of any process on its behalf in England; (iv) consented to the enforcement of any judgement; (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction; and (vi) agreed that the Trustee may elect by written notice to the Issuer 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.

FORM OF NOTES AND SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

Form of Notes

The Notes will be represented by a Global Note Certificate which will be registered in the name of The Bank of New York Depositary (Nominees) Limited as nominee for and deposited with The Bank of New York as common depositary for Euroclear and Clearstream, Luxembourg.

Exchange

The Global Note Certificate will become exchangeable in whole, but not in part, for individual note certificates ("Individual 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) the Issuer fails to pay an amount in respect of the Notes within five days of the date on which such amount became due and payable under the Conditions. Thereupon, the Holder may give notice to the Issuer of its intention to exchange the Global Note Certificate for Individual Note Certificates.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Notices

Notwithstanding Condition 14 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System; *provided, however, that,*so long as the Notes are admitted to trading on the London Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

Payment

Payments in respect of Notes represented by a Global Note Certificate will be made 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 such Global Note Certificate 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 on behalf of the Issuer on the schedule to the Global Note Certificate. Payment while Notes are represented by a Global Note Certificate will be made in accordance with the procedures of Euroclear and Clearstream, Luxembourg or any alternative clearing system as appropriate.

Cancellation

Cancellation of any Note will be effected by a reduction in the principal amount of the Notes in the Register.

Transfers

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch and HSBC Bank plc (the "Joint Lead Managers"), Alpha Bank AE, JSC ATF Bank and SC Parex Banka (together with the Joint Lead Managers, the "Managers"), have, pursuant to a subscription agreement (the "Subscription Agreement") dated 26 October 2005, jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe for the Notes. The Bank has agreed to pay certain costs and expenses in connection with the issue of the Notes.

The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Bank. The Bank has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale 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.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell 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 commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each 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 an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; 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.

Kazakhstan

Each Manager has agreed that it will only 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, in compliance with the laws of Kazakhstan.

General

No action has been or will be taken in any jurisdiction by the Bank or any 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 Bank and the Managers 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.

TAXATION

Kazakhstan Taxation

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.

Under Kazakhstan's laws as presently in effect, interest payable by a Kazakhstan obligor to (i) 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") or (ii) residents in Kazakhstan, or to non-residents who maintain a registered permanent establishment in Kazakhstan (together, "Kazakhstan Holders"), other than individuals, banks resident in Kazakhstan, share investment funds and Kazakhstan accumulative pension funds, will be subject to Kazakhstan withholding tax at a rate of 15%, unless, in the case of Non-Kazakhstan Holders, reduced by a applicable double tax treaty. The Bank has agreed to pay additional amounts in respect of such withholding, subject to certain exceptions. See "Terms and Conditions of the Notes – Condition 10 (*Taxation*)". The enforceability in Kazakhstan of such an agreement has not to date been determined by the courts in Kazakhstan and as such there may be some doubt as to whether they would enforce such an agreement. The Notes are subject to redemption in whole at their principal amount plus accrued interest (if any) at the option of the Bank, in the event of certain changes in taxation in Kazakhstan. See "Terms and Conditions of the Notes – Condition 9(b) (*Redemption for Taxation Reasons*)". See "Risk Factors – Risk Factors Relating to the Notes – Taxation in Kazakhstan".

Tax legislation in Kazakhstan currently levies income tax on gains from the sale of securities issued by Kazakhstan companies where such securities are not listed on the official "A" or "B" lists of the KASE. Such income tax would be applicable to holders of securities (including the Notes), regardless of whether the holder is resident in Kazakhstan for tax purposes, unless reduced by an applicable double tax treaty. Under the terms of double tax treaties Kazakhstan has concluded with certain countries, including, among others, the United States, United Kingdom, France, Germany and The Netherlands, gains made by tax residents in such countries are not subject to such Kazakhstan income tax. Holders who are resident for tax purposes in countries which do not have a double tax treaty with Kazakhstan, however, would be subject to such tax.

Under the terms of the current legislation, holders that realise such a gain and do not qualify for an exemption under the appropriate double tax treaty are obliged to file a tax declaration with the Kazakhstan tax authorities. There is, however, uncertainty as to how the Kazakhstan tax authorities would assess such tax on non-resident foreign holders of the Notes. Prospective purchasers and holders of Notes should consult their own professional advisers as to the tax consequences of them holding or transferring the Notes.

European Union Taxation

The EU has adopted a Directive (2003/48/EC) regarding the taxation of savings income. From 1 July 2005 Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg 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.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the Common Code 023382946. The International Securities Identification Number for the Notes is XS0233829463.

2. 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.

3. In addition, the Bank shall cause the Notes to be listed on the Kazakhstan Stock Exchange within 30 days from the date of their issue.

4. So long as any of the Notes remains listed on the Official List of the London Stock Exchange plc, copies in English of the following documents will, when published, be available from the specified office of the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted)

(a) the Charter of the Company;

(b) copies of the authorisations listed below;

(c) a copy of this Prospectus, together with any supplement to this Prospectus;

(d) the Agency Agreement;

(e) the Trust Deed, which includes the forms of the Global Notes and the definitive note certificates;

(f) the audited consolidated financial statements of the Bank for the years ended 31 December 2004 and 2003; and

(g) the unaudited consolidated financial statements of the Bank in respect of each of the six months ended 30 June 2005 and 2004.

5. The Bank has obtained all necessary consents, approvals and authorisations required in connection with the issue and performance of the Notes. The issuance of the Notes was authorised by the Bank by a resolution of the board passed on 26 August 2005 and a decision of the general shareholders' meeting passed on 17 March 2005.

6. The Bank's independent auditors are Ernst & Young. The Bank's consolidated financial statements for the years ended 31 December 2004, 2003 and 2002, included in this Prospectus, were audited by Ernst & Young. Ernst & Young's audit report is included on page F-26 of this Prospectus.

7. The Trust Deed provides that any certificate or report of any expert called for by or provided to the Trustee in accordance with or pursuant to the Conditions or the Trust Deed may be relied upon by the Trustee without liability to the Noteholders, whether or not the expert's liability in respect thereof is limited by a monetary cap or otherwise.

8. There has been no material adverse change in the prospects of the Bank and its subsidiaries since 31 December 2004 nor has there been any significant change in the financial or trading position of the Bank and its subsidiaries, taken as a whole, which has occurred since 30 June 2005.

9. Neither the Bank not its subsidiaries are, nor have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank or its subsidiaries are aware) during the 12 months before the date of this Prospectus which may have, or have had in the recent past, significant effects on the Bank or its subsidiaries.

9. The Bank has not entered into any material contracts outside the ordinary course of its business which could result it being under an obligation or entitlement that is material to the Bank's ability to make payments under the Notes.

10. The total fees and expenses in connection with the admission of the Notes to trading on the London Stock Exchange plc's Gilt Edged and Fixed Interest Market are expected to be approximately £568,600.

INDEX TO FINANCIAL STATEMENTS

Consolidated Interim Financial Statements as at and for the Six Months Ended 30 June 2005

Consolidated Financial Statements as at and for the Years Ended 31 December 2004, 2003 and 2002

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