IMPORTANT NOTICE

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

THE PROSPECTUS CONSTITUTES A FINANCIAL PROMOTION WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("U.S. SECURITIES ACT") OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THE PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A **"QIB")** OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities referred to in the Prospectus, you must be (i) a person that is outside the United States or (ii) a QIB that is acquiring the securities for its own account or for the account of another QIB. By accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that you are outside the United States or that you are a QIB and that you consent to delivery of the Prospectus by electronic transmission. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. The Prospectus does 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 an offer of the securities 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, such offer shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer or the Bank in such jurisdiction. Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the final prospectus. The information contained in the Prospectus is directed solely at persons (i) outside the United Kingdom or (ii) within the United Kingdom having professional experience in matters relating to investments or to persons of a kind described in Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). Persons who are not relevant persons must not rely on or act upon the information contained in the Prospectus.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the underwriters, as named in the Prospectus, nor any person who controls an underwriter nor any director, officer, employee nor agent of it 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 Citigroup Global Markets Limited or ING Bank N.V., London Branch.

The information in the Prospectus is subject to amendment and completion. The Prospectus may not be passed on in the United Kingdom except to investment professionals or other persons in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer or the Bank. The Prospectus is not an offer to sell the Notes and is not soliciting an offer to buy the Notes in any jurisdiction where such offer is not permitted.

(%JF)Bank

ATF Capital B.V.

(a limited liability company incorporated in The Netherlands)

U.S.$450,000,000 9.25% Notes due 2014

unconditionally and irrevocably guaranteed by

JSC ATFBank

(a joint stock company organised in the Republic of Kazakhstan)

Issue price: 99.369%

The U.S.$450,000,000 9.25% Notes due 2014 (the "Notes") are issued by ATF Capital B.V. (the "Issuer") and are guaranteed by JSC ATFBank (the "Bank" or the "Guarantor"). Interest on the Notes will accrue from 21 February 2007 and will be payable semi-annually in arrear on 21 February and 21 August of each year, commencing on 21 August 2007. The Bank will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes pursuant to a trust deed to be dated 21 February 2007 (the "Trust Deed") between the Issuer, the Bank and The Bank of New York acting through its London Branch, as trustee for the holders of the Notes (the "Trustee"). The Notes will be subject to, and have the benefit of, the Trust Deed, which will contain the Bank's guarantee (the "Guarantee"). Payments of interest on the Notes are subject to withholding tax in Kazakhstan. The Issuer is, however, obliged to pay additional amounts in certain circumstances if there is such a withholding. See "Terms and Conditions of the Notes - Condition 10 (Taxation)" 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 Gilt Edged and Fixed Interest Market of the London Stock Exchange pic. 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 Gilt Edged and Fixed Interest Market of the London Stock Exchange pic. The Gilt Edged and Fixed Interest Market of the London Stock Exchange pic. is a regulated market for the purposes of Directive 93/22/EEC. Application has also been made for the Notes to be designated as eligible for trading on The PORTAL^{SM} Market of The NASDAQ Stock Market, Inc. ("PORTAL").

See "Risk Factors" beginning on page 14 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 an offering in the United States to "qualified institutional buyers" (as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act")) in reliance on Rule 144A and in offshore transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Subscription and Sale" and "Form of Notes and Transfer Restrictions".

THE NOTES HAVE NOT BEEN AND WELL NOT BE REGISTERED UNDER THE SECURI1TES 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.

Notes which are offered and sold in reliance on Regulation S will be represented by beneficial interests in a permanent global Note (the "Unrestricted Global Note") in registered form, without interest coupons attached, which will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, and shall be deposited on or about 21 February 2007 (the "Closing Date") with The Bank of New York, acting through its London Branch, as common depositary for, and in respect of interests held through, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, societe anonyme ("Clearstream, Luxembourg"). Notes which are offered and sold in reliance on Rule 144A will be represented by beneficial interests in a permanent global Note (the "Restricted Global Note" and together with the Unrestricted Global Note, the "Global Notes") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with The Bank of New York, New York, as custodian for, and registered in the name of Cede & Co., as nominee for, The Depository Trust Company ("DTC"). Notes will be issued in minimum denominations of U.S.$100,000 or any amount in excess thereof which is an integral multiple of U.S.$l,000. See "Terms and Conditions of the Notes". Interests in the Restricted Global Note will be subject to certain restrictions on transfer. See "Form of Notes and Transfer Restrictions". Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes.

Joint Lead Managers and Bookrunners

Citigroup ING Wholesale Banking

The date of this Prospectus is 19 February 2007

This Prospectus constitutes a Prospectus for the purpose of Article 5 of Directive 2003171/EC and for the purpose of giving information with regard to the Issuer, the Bank and the Notes which, according to the particular nature of the Issuer, the Bank and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Bank and of the rights attaching to the Notes. This Prospectus is to be read in conjunction with the Bank's unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2006 and the audited consolidated financial statements for the years ended 31 December 2005, 31 December 2004 and 31 December 2003 which form part of and are included herein.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Bank or the Managers (as defined in "Subscription and Sale") to subscribe for 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, the Bank 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 Bank, 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 Bank, 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 the Bank 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 Bank, 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.

In connection with this issue of the Notes, Citigroup Global Markets Limited 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% of the aggregate principal amount of the Notes. However, there is no assurance that Citigroup Global Markets Limited (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.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

U.S. INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING (WITHIN THE MEANING OF U.S. INTERNAL REVENUE SERVICE CIRCULAR 230) OF THE NOTES. THIS DESCRIPTION IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF THE NOTES, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

ENFORCEABILITY OF JUDGMENTS

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

The Notes and the Trust Deed are governed by the laws of England and the Guarantor and the Issuer have agreed in the Trust Deed that disputes arising thereunder or in respect of the Notes are subject to the jurisdiction of the English courts or, at the election of the Trustee or, in certain circumstances, a Noteholder, to arbitration in London, England. Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is a treaty in effect 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")** and, 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 Bank'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 Bank's equity capital, and improving the composition of the Bank'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 Bank's services; competitive factors in the sectors in which the Bank 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 exchange rate fluctuations; economic and political conditions, 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.

Neither the Bank nor the Issuer is 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 Bank, or the Issuer, or persons acting on behalf of the Bank or the Issuer, 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

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

Certain information in this Prospectus contained under the headings "Management's Discussion and Analysis of Results of Operations and Financial Condition - Kazakhstan's Economy" and "The Banking Sector in Kazakhstan" has been extracted from documents and other publications released by the National Bank of Kazakhstan (the **"NBK")** and Kazakhstan's National Statistical Agency (the "NSA"). The Issuer and the Bank accept responsibility for accurately reproducing such extracts and as far as they are aware and are able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 NBK and since January 2004, the Bank has been required to comply with the requirements of the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations ("FMSA"). Since 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 ("JUb'KS"). If not otherwise specified, in the financial analysis and management's discussion herein, the term the **"Bank"** shall mean JSC ATFBank and its consolidated subsidiaries.

The financial information of the Bank set forth herein, has, unless otherwise indicated, been extracted without material adjustment from its audited consolidated balance sheet and consolidated statements of income, cash flows and changes in shareholders' equity of the Bank as at and for the years ended 31 December 2005, 2004 and 2003 (the **"Audited Financial Statements")** and from the Bank's unaudited interim condensed consolidated financial statements as of and for the nine months ended 30 September 2006 (the **"Unaudited Interim Financial Statements").** The Audited Financial Statements were prepared in accordance with IFRS and the Unaudited Interim Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting" **("IAS** 34").

The Audited Financial Statements were audited by Ernst & Young LLP, Kazakhstan, (Ernst & Young LLP, Kazakhstan and Ernst & Young LLP are each referred to as **"Ernst & Young")** independent auditors in accordance with International Standards on Auditing and the Unaudited Interim Financial Statements were reviewed by Ernst & Young LLP in accordance with International Standards on Review Engagements 2410. A review is substantially less than an audit performed in accordance with International Standards of Auditing. Therefore, Ernst & Young has not rendered an audit opinion on the Unaudited Interim Financial Statements.

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 Netherlands" are to the Kingdom of The Netherlands excluding the Netherlands Antilles and Aruba, 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 Kazakhstan Stock Exchange Incorporated ("KASE") as reported by the NBK. Further details can be found in the section headed "Exchange Rates and Exchange Controls".

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

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

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OVERVIEW OF THE BANK AND THE OFFERING

The following overview information is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the Audited Financial Statements and Unaudited Interim 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 fifth largest commercial bank in Kazakhstan in terms of assets, according to data compiled by the NBK as at 30 September 2006. The Bank's total assets as at 30 September 2006 were KZT586,630 million and its net income for the nine months then ended was KZT2,173 million as compared to KZT1.795 million for the nine months ended 30 September 2005. The Bank's shareholders' equity as at 30 September 2006 was KZT44.883 million as compared to KZT27.544 million as at 31 December 2005.

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 corporate and retail customers and small and medium-sized enterprises ("SMEs"). The Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan.

As at 30 September 2006, the Bank had four subsidiaries, JSC Insurance Company ATF Policy in Kazakhstan, OJSC ATFBank-Kyrgyzstan (formerly known as OJSC Energobank) in Kyrgyzstan, CJSC Omsk Commercial Bank Sibir in Russia, the Issuer in The Netherlands, one associate company, JSC Open Savings Pension Fund Otan in Kazakhstan, and one affiliated company, JSC ATF Leasing in Kazakhstan. See "The Bank - Subsidiaries, Associated and Affiliated Companies".

As at 30 September 2006, the Bank and its subsidiaries had 67 branches, consisting of 43 branches of the Bank, including its head office in Almaty and 19 regional and 24 full and limited service branches in Kazakhstan, and 24 branches of the subsidiaries in various locations in Kazakhstan, Russia and Kyrgyzstan. As at 1 January 2007, the Bank, following FMSA requirements, had converted 17 of its limited service branches into one full service branch and 16 additional offices of full service branches of the Bank. See "The Bank - Branch Operations". During 2007, the Bank anticipates opening up to two full service branches and 109 additional offices of full service branches in Kazakhstan, eight full service branches and additional office of a full service branch in Kyrgyzstan and six additional offices of full service branches in Russia.

Strategy

The Bank's overall strategic objective is to expand its market share and increase profitability. The Bank intends to achieve these goals through the following measures:

- expanding its banking and other financial services offered to corporate, SME and retail customers;
- diversifying and strengthening its funding base;
- strengthening risk management;
- enhancing operational efficiency; and
- expanding its regional and international presence.

Credit Ratings

Currently, the Bank is rated by three rating agencies: Moody's Investors Service Limited **("Moody's"),** Standard & Poor's, 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	Bal	Long-term	B+	Long-term	
Short-term	NP	Short-term	B	Short-term	B
Outlook	Stable	Outlook	Positive	Outlook	Stable

It is expected that, on issue, Moody's, Standard & Poor's and Fitch will assign ratings of Bal, B+ and BB-, 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 overview does not purport to be a complete overview of all material terms of the offering and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and related documents referred to herein. Terms not specifically defined in this overview and defined in the "Terms and Conditions of the Notes" are used in the overview as so defined.

Issuer:	ATF Capital B.V., a wholly-owned subsidiary of the Bank, incorporated in The Netherlands with limited liability
Guarantor:	JSC ATFBank
Joint Lead Managers:	Citigroup Global Markets Limited and ING Bank N.V., London Branch
Trustee:...	The Bank of New York, acting through its London branch
Registrar:......................................	The Bank of New York, acting through its London branch
Principal Paying and Transfer Agent:	The Bank of New York, acting through its London branch
Issue:...	U.S.$450,000,000 principal amount of 9.25% Notes due 2014.
Issue Price:	99.369%
Yield:	9.375% per annum. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Interest and Interest Payment Dates:...	The Notes will bear interest at a rate of 9.25% 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 21 February and 21 August of each year, commencing on 21 August 2007.
Maturity Date:	21 February 2014
Guarantee:	The Bank will, on or prior to the Issue Date, enter into the Trust Deed under which the Bank will guarantee, on an unconditional and irrevocable basis, due payment of all sums from time to time payable by the Issuer under the Notes or the Trust Deed.
Status:..	The Notes constitute direct, 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,* without any preference among themselves and at least *pari passu* in right of payment with all other present and future unsubordinated obligations of the Issuer from time to time outstanding, except such obligations as may be preferred by mandatory provisions of applicable law of general application and save that, in each case where amounts of principal, interest and additional amounts (if any) are stated in the Conditions or in the Trust Deed to be payable in respect of the Notes, Noteholders must rely solely and exclusively on (i) the covenant of the Issuer to pay under the Conditions and (ii) the obligations of the Guarantor under its Guarantee in respect of the Notes contained in the Trust Deed (described in Condition 4 *{Status, Guarantee and Limited Recourse)).* Noteholders shall have no recourse (direct or indirect) to any asset of the Issuer, except that they may have recourse to the Issuer's receivables from the Bank under (i) the deposit agreement in respect of the Notes dated 21 February 2007 between the Issuer and Guarantor and as amended, restated and/or supplemented from time to time and (ii) up to a maximum of €2,000,000, the share premium deposit agreement dated 12 October 2006, between the Issuer and the Bank and as amended, restated and/or supplemented from time to time.

The obligations of the Bank under the Guarantee constitute direct, general, unconditional, unsubordinated and (subject to Condition 5 *{Negative Pledge and Certain Covenants))* unsecured obligations of the Bank which rank and will rank at least *pari passu* in right of payment with all other present and future unsubordinated obligations of the Bank, except such obligations as may be preferred by mandatory provisions of applicable law of general application. See Condition 4 *{Status and Guarantee).*

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 the Global Notes which will be exchangeable for Notes in definitive form in the limited circumstances described under "Form of Notes and Transfer Restrictions".

Negative Pledge:........................... As long as the Notes remain outstanding neither the Issuer, the Bank, nor (in the case of the Bank) any of its subsidiaries shall create, or permit to be created, any Security Interest (other than a Permitted Security Interest). See Condition 5(a) *{Negative Pledge of the Issuer)* and Condition 5(b) *{Negative Pledge of the Guarantor).*

Certain Covenants:...................... The Bank will agree to certain covenants, including, without limitation, covenants with respect to 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 The Netherlands or 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 and the Bank have, however, undertaken subject to certain exceptions as provided in Condition 10 *{Taxation),* to pay such additional amounts such that Noteholders would receive (after any withholding required to be made on account of Netherlands or Kazakhstan taxes in respect of any payments under the Notes or the Guarantee) such amount as would have been received by 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".

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 pic. for such Notes to be admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange pic.

Application has also been made for the Notes to be designated as eligible for trading on PORTAL.

Selling Restrictions: .... The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person, except to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in the United Kingdom and Kazakhstan. See "Form of Notes and Transfer Restrictions".

Use of Proceeds:	The net proceeds of the issue of the Notes, expected to amount to approximately U.S.$444,636,000 after deduction of the combined management and underwriting commission and estimated expenses incurred in connection with the issue of the Notes, will be deposited by the Issuer with the Bank. The Bank will use the proceeds to fund the Bank's loan portfolio and for general corporate purposes.
Risk Factors:	For a discussion of certain risk factors relating to Kazakhstan, the Bank, the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "Risk Factors".
Regulation S Security Codes........	ISIN: XS0286908867 Common Code: 028690886
Rule 144A Security Codes...........	ISIN: US00211MAA45 CUSIP:00211MAA4 Common Code: 028836848

Summary Consolidated Financial and Other Information

The summary consolidated financial information presented below as at 30 September 2006 and 2005 and for the years ended 31 December 2005, 2004 and 2003 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Unaudited Interim Financial Statements and the Audited Financial Statements, respectively, contained elsewhere in this Prospectus.

The Audited Financial Statements have been prepared in accordance with IFRS while the Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 and are presented in Tenge. The Audited Financial Statements, were audited by Ernst & Young, whose audit report for the respective years is included on page F-4 of this Prospectus. The Unaudited Interim Financial Statements, were reviewed by Ernst & Young, whose review report is included on page F-54 of this Prospectus. Prospective investors should read the summary consolidated financial information in conjunction with the information contained in "Risk Factors", "Capitalisation", "Selected Consolidated Financial Information", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "The Bank", "Selected Statistical and Other Information", the Audited Financial Statements, the Unaudited Interim Financial Statements and the other financial data appearing elsewhere in this Prospectus. See "Index to Financial Statements".

	For the nine months ended 30 September				For the year ended 31 December			
	2006	2005	2006	2005	2005	2005	2004	2003
	(U.S.S thousands)"24'		*(KZTmillions)*'4'		*(U.S.S thousands)*13-4'	*(KZTmillions)*'4'		
Consolidated Income Statement Information:								
Interest income	258,752	124,613	32,476	16,515	183,791	24,422	12,644	7,884
Interest expense	(174,464)	(82,396)	(21,897)	(10,920)	(121,441)	(16,137)	(5,808)	(3,227)
Net interest income before impairment charge	84,288	42,217	10,579	5,595	62,350	8,285	6,836	4,657
Impairment charge	(45,359)	(14,563)	(5,693)	(1,930)	(15,811)	(2,101)	(2,894)	(1,694)
Net interest income after impairment charge	38,929	27,654	4,886	3,665	46,539	6,184	3,942	2,963
Fees and commissions, net(5)	24,309	14,872	3,051	1,971	20,523	2,727	1,921	1,416
Non-interest income	17,520	12,550	2,199	1,663	21,735	2,888	2,052	1,310
Non-interest expense	(58,139)	(38,935)	(7,297)	(5,160)	(52,461)	(6,971)	(5,288)	(3,474)
Income before income tax expense	22,619	16,141	2,839	2,139	36,336	4,828	2,627	2,215
Income tax expense	(5,306)	(2,596)	(666)	(344)	(5,802)	(771)	(307)	(759)
Net income	17,313	13,545	2,173	1,795	30,534	4,057	2,320	1,456
Attributable to:								
Equity holders of the Parent	17,130	13,582	2,150	1,800	30,450	4,046	2,320	1,456
Minority interest	183	(38)	23	(5)	84	11	—	—
Basic and Diluted Earnings per share	0.79	0.81	99	107	2	235	224	248

(1) Translated at the average U.S. Dollar exchange rate for the nine months ended 30 September 2006, as reported by the NBK, of KZT125.51 = U.S.S1.00.

(2) Translated at the average U.S. Dollar exchange rate for the nine months ended 30 September 2005, as reported by the NBK, of KZT132.53 = U.S.S 1.00.

(3) Translated at the average U.S. Dollar exchange rate for the year ended 31 December 2005, as reported by the NBK, of KZT132.88 = U.S.S1.00.

(4) Except earnings per share data which is given in KZT or U.S.S as indicated.

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

	As at 30 September			As at 31 December		
	2006	**2006**	**2005**	**2005**	2004	2003
	(U.S.S thousands)[1]	*(KZT millions)*	*(U.S.S*	*(KZT millions)*		
*thousands)**[21]						
Consolidated Balance sheet				33,05		
				0		
information: Assets				4,26	14,0	5,83
Cash and cash equivalents	316,827	40,275	246,678	4	48	6
Obligatory reserves	280,310	35,633	31,826	3,39	2,39	1,77
Amounts due from credit institutions^	93,148	11,841	25,309	1	0	5
Financial assets at fair value through profit					3,51	23,89
or loss	542,865	69,009	196,894	26,38	1	0
Investment securities[00]	217,834	27,691	246,417	0		
Commercial loans and advances[(4)]	3,000,346	381,404	1,827,691	33,01	8,650	60,48
Insurance reserves, reinsurance share	44,596	5,669	26,399	5	26,71	8
Premises and equipment[(5)]	50,299	6,394	39,110	244,8	6	190
Current tax assets	2,509	319	2,881	74	112,0	2,280
Deferred tax assets	826	105	—	3,537	90	176
Investments in associates	2,832	360	1,261	5,240	156	86
Other assets[(4)]	62,382	7,930	35,543			
Total assets	4,614,774	586,630	2,680,009	359,068	173,902	95,640
Liabilities						
Amounts due to the Government and the				9,260	3,34	3,445
NBK	69,635	8,852	69,114	83,64	1	33,63
Amounts due to credit institutions	1,047,160	133,115	624,295	3	38,76	8
Amounts due to customers	1,825,850	232,102	870,890	116,6	3	44,82
Insurance reserves	52,203	6,636	31,482	82	68,74	6
Debt securities issued	1,105,947	140,588	734,662	4,218	7	349
Subordinated debt	142,723	18,143	132,698	98,43	515	2,848
Provisions	3,265	415	2,112	0	43,30	1,498
Other liabilities	14,915	1,896	9,173			
Total liabilities	4,261,698	541,747	2,474,426	331,524	155,722	87,298
Shareholders' equity						
Share capital:						
Common shares	253,304	32,200	123,899	16,6	12,8	4,34
Preferred shares	26,746	3,400	25,377	00	71	0
Treasury shares	(212)	(27)	—	3,40	1,90	1,90
Additional paid in capital	1,471	187	1,806	0	0	0
Reserves	5,680	722	5,105			
Retained earnings	64,954	8,257	47,977	242	202	202
Attributable to shareholders of the parent.	351,943	44,739	204,164	27,354	18,180	8,342
Minority interest	1,133	144	1,419	190		
Total shareholders' equity	353,076	44,883	205,583	27,544	18,180	8,342
Total liabilities and shareholders' equity....	4,614,774	586,630	2,680,009	359,068	173,902	95,640

(1) Translated at the official U.S. Dollar exchange rate on the KASE as at 30 September 2006, as reported by the NBK, of KZT127.12 = U.S.S1.00

(2) Translated at the official U.S. Dollar exchange rate on the KASE as at 31 December 2005, as reported by the NBK, of KZT133.98 = U.S.S1.00

(3) Starting from 1 January 2004, the Bank classified investment securities as comprising those securities which are in the "held to maturity" portfolio, the "available for sale" portfolio or are financial assets at fair value through profit or loss. See note 3, "Summary of Significant Accounting Policies - Investment Securities" to the Audited Financial Statements appearing elsewhere in this Prospectus.

(4) Net of allowance for impairment.

(5) Net of accumulated depreciation.

	As at 30 September	As at 31 December		
	2006	2005	2004	2003
Selected Financial Ratios:				
Profitability Ratios				
Net interest margin(1)(2)	3.4(11)	3.5	5.8	6.9
Net interest income/average total assets09	3.0(n)	3.2	5.3	6.2
Net income/average total assets(2)	0.6(n)	1.6	1.8	1.9
Net income/average shareholders'equity(2)	8.0(11)	17.5	17.5	22.0
Net interest income/total income00	66.8	59.6	63.2	63.1
Non-interest income/total income04	33.2	40.4	36.8	36.9
Fees and commissions, net/total income00	19.3	19.6	17.8	19.2
Cost/income ratio(4)	48.0	53.5	52.9	50.0
Personnel expenses(5)/total income00	23.0	21.9	23.0	22.8
Personnel expenses(5)/average total assets(2)	1.0(n)	1.2	1.9	2.2
Basic and diluted earnings per share (KZT)	99	235	224	248
Loan Portfolio Quality				
Non-performing loans(6)/gross commercial loans and advances00	0.9	1.6	2.0	2.4
Allowance for impairment/gross commercial loans and advances00	3.3	3.0	4.7	5.3
Allowance for impairment/non-performing loans(6)	348.2	191.4	234.5	218.9
Balance Sheet Ratios and Capital Adequacy				
Amounts due to customers/total liabilities	42.8	35.2	44.1	51.3
Shareholders' equity/total assets	7.7	7.7	10.5	8.7
Tier I ratio00	10.3	8.3	9.6	8.7
Capital adequacy ratio(8)	14.4	12.4	11.1	13.6
Regulatory total capital ratio(9)	14.1	12.7	13.4	13.2
Commercial loans and advances/total assets	65.0	68.2	64.5	63.2
Commercial loans and advances/amounts due to customers	164.3	209.9	163.0	134.9
Commercial loans and advances/shareholders' equity	849.8	889.0	616.6	725.1
Liquid assets(10)/total assets	25.4	26.7	30.5	31.1
Liquid assets(10)amounts due to customers	64.1	82.1	77.0	66.3

(1) Net interest income before impairment charge as a percentage of average daily interest-earning assets.
(2) Averages were calculated on daily basis.
(3) Total income represents net interest income plus non-interest income (including net fee and commissions).
(4) Non-interest expense expressed as a percentage of the sum of net interest income before impairment charge plus non-interest income (including net 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 loans in respect of which payments are overdue for more than 60 days.
(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 "Management's Discussion and Analysis of Results of Operations and Financial Condition - Capital Adequacy and Other Ratios".
(9) Calculated in accordance with the requirements of the FMSA. See "Management's Discussion and Analysis of Results of Operations and Financial Condition - 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.
(11)Annualised.

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 56.2% during the nine months ended 30 September 2006 to KZT394,334 million, by 114.7% in 2005 to KZT252,523 million, by 84.1% in 2004 to KZT117,593 million and by 75.7% in 2003 to KZT63.885 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 SME clients and retail customers, may also increase further the credit risk exposure in the Bank's loan portfolio. SME and retail customers typically are less financially transparent 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 164.3%, 209.9%, 163.0% and 134.9% as at 30 September 2006, 31 December 2005, 2004 and 2003, respectively. This has caused the Bank to look for other sources to fund the growth of its loan portfolio, primarily inter-bank loans and capital markets instruments which at 30 September 2006, 31 December 2005, 2004 and 2003 comprised 53.9%, 60.3%, 52.9% and 43.5% 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 September 2006, the Bank's 10 largest borrowers accounted for 23.9% of gross commercial loans and advances, compared to 24.7% at the end of 2005, to 19.8% at the end of 2004, and 20.3% at the end of 2003. The Bank will 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 September 2006, the Bank's 10 largest corporate depositors accounted for approximately 34.2% of total amounts owed to customers, compared to 34.7% as at 31 December 2005, 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.

Influence of Key Shareholder

The family of Mr. Bulat Utemuratov, (including his two sons, Mr. Alidar Bulatovich Utemuratov and Mr. Anuar Bulatovich Utemuratov) a senior government official, directly owns approximately 51.92% of the Bank's share capital, including the 21.61% of the Bank's share capital owned by Mr. Bulat Utemuratov. Mrs. Bayshuakova, the wife of Mr. Bulat Utemuratov, is entitled, pursuant to a trust management agreement, to exercise the voting rights in respect of Mr. Bulat Utemuratov's shares. See "Share Capital and Principal Shareholders". Mr. Bulat Utemuratov does not participate in the management of the Bank but meets periodically with the Bank's senior management to review the Bank's strategy and performance. Mr. Alidar Utemuratov, Mr. Bulat Utemuratov's son, is a member of the Bank's Board of Directors.

Due to the size of its shareholding, the Utemuratov family has the ability to influence significantly the Bank's business through actions that require approval of the shareholders, including appointments of the members of the Board of Directors and any increase of the share capital of the Bank required for funding purposes. See "- Low Capitalisation".

No assurance can be given that, if the Bank requires a capital increase, that the Utemuratov family will procure the subscription for any new shares or otherwise provide financing to the Bank. Furthermore, no assurance can be given that the Utemuratov family will not sell all or any part of its shareholding at any time nor that it may look for alternative sources of funding for the Bank, be that by way of public offering of the shares of the Bank, by sale to a strategic investor, or otherwise. The Bank is actively considering such sources of funding and in the event that the Bank conducts a public offering of its shares, the Utemuratov family could be required to sell part or all of its shareholding or be diluted in its ownership.

Low Capitalisation

In common with other banks in Kazakhstan, the Bank has previously suffered from being undercapitalised. Since the beginning 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 further strengthen 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 its 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 is actively considering a public offer of its shares. In the medium term, the Bank may also consider 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 a breach of the requisite capital adequacy rules and a 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. See "- Influence of Key Shareholder", "Selected Statistical and Other Information -Funding and Liquidity" and "Share Capital and Principal Shareholders".

Liquidity Risk

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 30 September 2006, the Bank had a negative liquidity gap of KZT36.069 million extending to one year. Management monitors the Bank's liquidity needs and positions and during the last quarter of

2006, the Bank significantly reduced the liquidity gap extending it from one month to one year, mainly following the issuance of Perpetual Non-Cumulative Notes of U.S.$100 million in November 2006. 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 Risk

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 Risk

The Bank is exposed to the effects of fluctuation in 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 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 September 2006, there were a total of 34 commercial banks in Kazakhstan, excluding the NBK and JSC Development Bank of Kazakhstan ("DBK"), of which 14 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 Bank TuranAlem and JSC Halyk Bank, and despite the Bank's position as the fifth 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 JSC Citibank Kazakhstan, as their international experience and low-cost funding allow them to attract large domestic and foreign corporate customers.

As part of its expansion plans, the Bank is planning to target more retail and SME investors with the aim of increasing its market share in these sectors. See "- Loan Portfolio Growth and Risk Management". Although the Bank believes that it is well positioned to compete in the retail and SME markets due to its quality of service and plans to substantially increase its branch network, it faces competition from a number of existing participants in the Kazakhstan banking sector. In particular, as the retail banking sector continues to expand in Kazakhstan, the Bank will face increased competition for retail customers from both larger Kazakhstan banks and smaller banks which are primarily concentrated on servicing the SME and retail sector. Similarly, there is no assurance that the Bank will continue to be able to attract the business of SMEs. See "The Bank - Competition".

Regulation of the Banking Industry

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

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

Recent changes to NBK Minimum Reserve Requirements and potential restrictions imposed by the FMSA on attracting short-term indebtedness may affect the Bank's ability to attract foreign and short-term funding.

On 14 July 2006, the NBK implemented new measures to raise reserve requirements for Kazakhstan banks in an effort to limit borrowings, including foreign borrowings, as a result of concerns about excessive money supply in the economy, predominantly from abroad. These new measures increased reserve requirements for borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (irrespective of residence) to 8% from 6%, although the rate applied for borrowings from residents remains 6%. In common with the other major banks in the country, a significant portion of the Bank's funding is in U.S. Dollars from syndicated loan and capital market transactions, and the increase by the Bank of its reserve amounts placed with the NBK to cover its foreign funding operations made in accordance with the new Minimum Reserve Requirements will have a negative impact on the Bank's profitability. This change will also have a negative impact on the Bank's primary competitors.

In addition, the FMSA implemented new measures on 30 June 2006 to restrict banks in Kazakhstan from having outstanding external short-term financings which exceed their own capital. These measures may limit the Bank's ability to extend the maturity of certain short-term facilities and the Bank may have to look to longer term financings or customer deposits to replace such short-term facilities. A failure to replace these facilities could lead to an increase in the Bank's funding costs, an increase in its liquidity and interest rate risk or both. As at the date of this Prospectus, the Bank is in compliance with the NBK and FMSA requirements set forth above.

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

In January 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA proposed certain amendments to Kazakhstan's capital adequacy regulations. These regulations, if enacted, will limit the total amount of foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital". Under the proposed amendments, "external liabilities" means all liabilities to non-residents, except for (i) correspondent accounts and current accounts held by foreign companies and individuals that have a permanent presence in Kazakhstan and (ii) debt securities directly issued by such bank which are held by non-residents.

The draft amendments set out several time limits for compliance and, as proposed, will be in full effect as of 1 March 2007. Banks in Kazakhstan will have until 1 October 2007 to bring their ratio of "external capital" to "own capital" to within intermediate ratios established by the proposed amendment and, by 1 March 2008, to comply with the final ratios. The final ratio of "external capital" to "own capital" will be between two and five, depending on the size of a bank's "own capital" and the type of the ratio calculated. If enacted, the effect of the amendments will mean that banks will not be permitted to increase borrowing held by non-domestic holders (subject to the exceptions set out above) at a rate faster than the bank increases its "own capital". If implemented, these proposed amendments may result in banks exceeding the prescribed ratios and needing to take steps to either repay foreign-sourced debt or increase their "own capital" in order to avoid being in breach of the new regulations. Accordingly, the Bank's access to the foreign loan and capital markets to support their operations may be curtailed.

Notwithstanding the relatively strict regulatory standards in Kazakhstan, prospective investors should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement by the regulators thereof may differ from those applicable to banking operations in countries with more highly developed regulatory regimes. As a result, investors may not have the benefit of all of the protections available in such other countries. See "- Risk Factors relating to Kazakhstan - Underdevelopment and Evolution of Legislative and Regulatory Framework".

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

To meet business challenges and retain the effectiveness of its operations, the Bank must continue to recruit and retain appropriately skilled personnel. In particular, the Bank's success in growing its business will depend largely on its ability to continue to attract, retain and motivate qualified staff. The Bank relies on its senior management for the implementation of its strategy and operation of its day-to-day activities. As competition for skilled personnel at the senior management level, is intense, the Bank seeks to further refine its compensation schemes and to take other measures to attract and motivate skilled personnel. If the Bank is unable to retain key members of its senior management and cannot hire new qualified personnel in a timely manner, its business and results of operations could be adversely affected.

Regional and International Expansion

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 34.4% of the shares in OJSC Energobank in Kyrgyzstan. During 2005, the Bank made an additional contribution of KZT135 million to the working capital of OJSC Energobank and during the first nine months of 2006, increased its holding in OJSC Energobank by 12.01%. On 14 December 2006, OJSC Energobank was re-registered as OJSC ATFBank-Kyrgyzstan. As of the date of this Prospectus, the Bank owned 85.91% of the share capital of OJSC ATFBank-Kyrgyzstan.

The Bank acquired CJSC Omsk Commercial Bank Sibir in November 2005 for KZT58.7 million. CJSC Omsk Commercial Bank Sibir is a regional bank in the Omsk region of Russia, which borders Kazakhstan to the north and has a large ethnic Kazakh population. The Bank anticipates that in 2007, it will need to contribute approximately KZT1.3 billion to the capital of CJSC Omsk Commercial Bank Sibir in order to ensure compliance with local capital adequacy requirements.

On 26 September 2006, the Bank's Board of Directors approved the acquisition of 75.1% of OJSC Sohibcorbank of Tajikistan including both its common and preferred shares and the Bank obtained the approval of the National Bank of Tajikistan for the acquisition of 65.0% of the shares of OJSC Sohibcorbank. As of 31 December 2006, the Bank had acquired 24.1% of the issued charter capital of OJSC Sohibcorbank (which amounted to 16.67% of the authorised charter capital) and had obtained the approval of the National Bank of Tajikistan for the further acquisition of 20.0% of its shares.

The Bank is also considering acquiring banks in Moscow, Ukraine and Uzbekistan to expand its presence in the CIS. See "The Bank - Strategy - Expanding Regional and International Presence".

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, Associated and Affiliated 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, economic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation and instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a 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. To support 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. In furtherance of this goal and the agreement signed in September 2003 stating the intention to create a single economic zone, on 22 August 2006, the Government authorised the signing of an agreement in respect of investment activities and free movement of capital in participant countries. This agreement calls for the integration of infrastructure of the financial markets of Kazakhstan, Ukraine, Belarus and Russia in accordance with international standards.

In March 2005, a revolution in Kyrgyzstan removed the incumbent president and in elections held in July 2005 the head of the provisional administration, who had governed the country since March, was elected president. However, the political situation in Kyrgyzstan is fragile and its economy is in poor condition so further instability is a distinct possibility.

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, 9.8% in 2002, 9.2% in 2003, 9.4% in 2004, 9.4% in 2005 and 10.6% during the nine months ended 30 September 2006, there can be no assurance that the GDP will continue to grow and any fall in GDP growth 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. The Tenge subsequently appreciated against the U.S. Dollar by 7.3% during 2003, by a further 9.9% during 2004 before depreciating against the U.S. Dollar by 2.9% in 2005 to KZT133.98 per U.S.S1.00 as at 31 December 2005. According to the NBK during the nine months ended 30 September 2006 the Tenge appreciated by approximately 5% against the U.S. Dollar. As at 30 September 2006, the official KZT/ U.S.S rate of exchange reported by the NBK was KZT127.12 per U.S.S1.00 and KZT124.18 per U.S.S1.00 as at 14 February 2007. See "Exchange Rates and Exchange Controls - Exchange Rates". 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.

Under development 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

Payments of interest to individuals within a Member State of the EU could be subject to taxation under EC Council Directive 2003I48IEC

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

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying

Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

*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

Kazakhstan's sovereign eurobonds 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 "Bal" from Moody's, "B+" from Standard and Poor's and "BB-" from Fitch. Any change in the credit rating of either the Bank or Kazakhstan could affect the trading price of the Notes.

The Guarantee is an Unsecured Obligation

The Guarantee is an unsecured obligation of the Bank and therefore, in an insolvency of the Bank, ranks junior to existing and/or future secured indebtedness of the Bank. The Bank has secured certain repurchase agreements by a pledge over certain of the Bank's financial assets. The fair value of such pledged securities as at 30 September 2006 and 31 December 2005 was KZT 12,292 million and KZT10 million, respectively. In addition the Bank, as of 30 September 2006 and 31 December 2005, had pledged securities at fair value of KZT27,671 million and KZT4.732 million, respectively, as collateral against interbank borrowings. As at 30 September 2006, the Bank had pledged deposits in the amount of KZT947 million with two credit institutions based in OECD countries, compared to nil as at 31 December 2005. The Bank may in the future secure repurchase agreements over other financial assets. In addition, the Terms and Conditions of the Notes will permit the Bank to incur substantial additional secured indebtedness under some circumstances. See 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 under the Guarantee.

Risk Factors Relating To The

Issuer ***Limited*** *Resources of* ***the***

Issuer

The Issuer is a private limited liability company incorporated in The Netherlands on 24 April 2006. The Issuer has no employees and its business consists primarily of raising funds in the international capital markets and on lending such funds by depositing them with the Bank. The Issuer is a finance subsidiary of the Bank without independent operations or revenues. As such, its ability to meet its obligations under the Notes will be dependent upon the support of the Bank.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately U.S.$444,636,000 after deduction of the combined management and underwriting commission and estimated expenses incurred in connection with the issue of the Notes, will be deposited by the Issuer with the Bank. The Bank will use the proceeds to fund its loan portfolio and for 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.$1.00 to a rate of about KZT130.00 per U.S. Dollar by May 1999. The Tenge subsequently appreciated against the U.S.S1.00 during 2003 and 2004 before depreciating against the U.S. Dollar in 2005. According to the NBK, during the nine months ended 30 September 2006 the Tenge appreciated by approximately 5% against the U.S. Dollar. As at 30 September 2006, the official KZT/U.S.S rate of exchange on the KASE, as reported by the NBK, was KZT127.12 per U.S.S1.00.

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

Year ended 31 December	Period end	High	Average(1)	Low
1999	138.20	141.00	119.65	83.80
2000	144.50	144.50	142.13	138.20
2001	150.20	150.20	146.73	145.00
2002	155.60	155.60	153.28	150.60
2003	144.22	155.89	149.50	143.66
2004	130.00	143.33	136.05	130.00
2005	133.98	136.12	132.88	129.83
2006	127.00	128.02	127.83	127.00

	Period end	High	Average(1)	Low
31 March 2004	138.93	142.91	139.80	138.41
30 June 2004	136.06	138.92	137.23	136.00
30 September 2004	134.29	134.36	135.71	134.28
31 December 2004	130.00	134.41	131.40	130.00
31 March 2005	132.59	132.59	130.25	129.83
30 June 2005	135.26	136.00	132.17	130.28
30 September 2005	133.89	136.12	135.16	133.89
31 December 2005	133.87	134.12	133.94	133.46
31 March 2006	128.45	133.82	131.10	127.40
30 June 2006	118.69	128.95	123.11	118.26
30 September 2006	127.12	127.22	122.32	117.25
31 December 2006	127.00	128.02	127.83	127.00

(1) The weighted average rate reported by the NBK for each year or month, as applicable, during the

relevant period.

The middle KZT/U.S.S rate of exchange for the nine months ended 30 September 2006 and 2005 on the KASE, as reported by the NBK was KZT125.51 and KZT132.53, respectively per U.S.S1.00. On 14 February 2007, the exchange rate for U.S. Dollars on the KASE, as reported by the NBK, was KZT124.18 = U.S.S1.00.

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

Exchange Controls

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

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

Specifically, no NBK licence is currently required to open accounts in foreign banks for a Kazakhstan financial organisation in connection with transactions with financial instruments on international securities markets or a Kazakhstan legal entity for the purposes of securing its obligations towards non-resident lenders, for certain Kazakhstan financial organisations or other residents acting through a licensed professional securities market participant, to acquire foreign securities or to enter into derivative transactions with non-residents or for the acquisition by residents of more than 10.0% of voting shares of a non-resident company.

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

Since 1 January 2007, it has not been necessary to obtain an NBK licence for any foreign currency transactions including, the opening by Kazakhstan residents of accounts with foreign banks. Further, since then, most foreign currency transactions only require notification to the NBK.

CAPITALISATION OF THE BANK

The following table sets out the consolidated capitalisation of the Bank as at 30 September 2006 on an actual basis and as adjusted to reflect the issuance of the Notes. This information should be read in conjunction with "Use of Proceeds", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "Selected Consolidated Financial Information" and the Audited Financial Statements and the Unaudited Interim Financial Statements included elsewhere in this Prospectus.

	As at 30 September 2006			
	Actual		**As Adjusted**	
	(unaudited)		*(unaudited)*	
	(U.S.$ thousands)(1)	*(KZT millions)*	*(U.S.S thousands)<1}*	*(KZT millions)*
Long-term debt(2)(3)	226,975	28,853	226,975	28,853
Debt securities issued	1,002,572	127,447	1,449,733(7)	184,290(7
Subordinated long-term debt	140,670	17,882	140,670	17,882
Total long-term debt(4)	1,370,217	174,182	1,817,378	231,025
Common Shares(5)	253,304	32,200	253,304	32,200
Preferred Shares(6)	26,746	3,400	26,746	3,400
Additional paid in capital	1,471	187	1,471	187
Reserves	5,680	722	5,680	722
Retained earnings	64,954	8,257	64,954	8,257
Treasury Shares	(212)	(27)	(212)	(27)
Total shareholders' equity, attributable to shareholders of the parent	351,943	44,739	351,943	44,739
Total capitalisation	1,722,160	218,921	2,169,321	275,764

(1) Translated at the official U.S. Dollar/Tenge exchange rate on the KASE, as reported by the NBK, on 30 September 2006 of KZT127.12 = U.S.S1.00.

(2) On 27 November 2006, the Bank entered into a two-year, unsecured loan agreement with Deutsche Bank AG, London Branch, pursuant to which the Bank was permitted to draw up to U.S.S185 million for the purpose of funding of loans to two of the Bank's specific corporate clients and/or for general corporate purposes. The loan bears interest at a margin over LIBOR and was fully drawn down on 28 November 2006.

(3) On 13 December 2006, the Bank entered into, and has since drawn in full, a U.S.S50 million loan facility with Standard Bank PLC. This facility consists of three tranches of U.S.S25 million, U.S.S12.5 million and U.S.S12.5 million, respectively. The first tranche matures in December 2007 and bears interest at a rate per annum of LIBOR plus 1.20%. The second tranche matures in June 2008 and bears interest at a rate per annum of LIBOR plus 1.40% and the third tranche matures in December 2008 and bears interest at a rate per annum of LIBOR plus 1.65%.

(4) In November 2006, the Bank issued, through the Issuer, U.S.S100 million Perpetual Non-Cumulative Notes under Regulation S.

(5) In February 2006, the Bank's shareholders approved an increase in the Bank's authorised capital by 27,000,000 common shares thus increasing the total amount of authorised common shares to 43,600,000. 3,120,000 common shares (out of the newly authorised 27,000,000 common shares) were issued in March 2006 and had been fully placed by 1 August 2006 for a total consideration of KZT15.6 billion or KZT 5,000 per share.

(6) In August 2006, the Bank's shareholders approved a change in its capital by increasing the number of authorised preferred shares by 8,000,000 and decreasing the number of authorised common shares by the same number. All the newly authorised preferred shares were issued and placed by 31 December 2006 for consideration of KZT12 billion or KZTl,500 per share.

(7) The "As Adjusted" column includes the proceeds from the issue of the Notes (i.e., the principal amount of the Notes multiplied by the issue price of 99.369%) before deducting any fees, commissions or other expenses of the issue.

Save as disclosed above, there has been no material change in the Bank's capitalisation since 30 September 2006.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The summary financial information set forth below for the Bank for the nine months ended 30 September 2006 and 2005 and for the years ended 31 December 2005, 2004 and 2003 has been extracted from the Unaudited Interim Financial Statements and the Audited Financial Statements, respectively, which are included elsewhere in this Prospectus. The Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 and are stated on a basis substantially consistent with the Audited Financial Statements and the Audited Financial Statements have been prepared in accordance with IFRS. The information should be read in conjunction with, and is qualified in its entirety by reference to, the Unaudited Interim Financial Statements and the Audited Financial Statements, as the case may be.

	For the nine months ended 30 September				For the year ended 31 December			
	2006	2005	2006	2005	2005	2005	2004	2003
	(U.S. $ thousands)	(U.S. $ thousands)	(KZT millions)	(KZT millions)	(U.S. $ thousands)	(KZT millions)		
Consolidated Income Statement:								
Interest income								
Loans....................	231,256	109,673	29,025	14,535	163,238	21,691	10,992	6,655
Securities..............	20,915	10,737	2,625	1,423	14,788	1,965	1,466	1,116
Credit institutions..	6,581	4,203	826	557	5,765	766	186	113
	258,752	124,613	32,476	16,515	183,791	24,422	12,644	7,884
Interest expense								
Deposits	(41,614)	(26,56	(5,223)	(3,520)	(38,727)	(5,146)	(2,795)	(2,126
Borrowings	(52,426)	(14,59	(6,580)	(1,934)	(20,741)	(2,756)	(1,437)	(958)
Subordinated debt	(9,123)	(4,029	(1,145)	(534)	(6,893)	(916)	(63)	(130)
[illegible]	[illegible]	(37,21	(8,949)	(4,932)	(55,080)	(7,319)	(1,513)	(13)
	(174,464)	(82,396)	(21,897)	(10,920)	(121,441)	(16,137)	(5,808)	(3,227)
Net interest income	84,288	42,217	10,579	5,595	62,350	8,285	6,836	4,657
Impairment of interest earning assets........	(45,359)	(14,563)	(5,693)	(1,930)	(15,811)	(2,101)	(2,894)	(1,69
	38,929	27,654	4,886	3,665	46,539	6,184	3,942	2,963
Fees and commissions								
Fee and commission income	26,755	16,962	3,358	2,248	24,007	3,190	2,349	1,63
Fee and commission		(2,090)	(307)	(277)	(3,484)	(463)	(428)	(21
	24,309	14,872	3,051	1,971	20,523	2,727	1,921	1,416

Non-interest income								
Gains less losses from	(1,554)	498						
financial assets at				71				
fair			(19	66	45	61	45	308
value through	(56)	536						35
					9		6	
profit or								
loss		6,0	5)			5		
Gains less losses		14	1,21	79	9,33	1,24	781	52
from		(44	2	7	2	0	(12	8
available-for-sale		5)	(2	(5	(34	(4	2)	(7
security................			9)	9)	6)	6)		6)
Dealing profits less losses,	9,657 (231)							
precious metals.....								
Gains less losses from foreign	7,266							
currencies:								
Dealing	303	272	38	36	301	40	50	79
Translation	2,135	189	268	25	4,410	586	60	
differences	17,520	12,550	2,199	1,663	21,735	2,888	2,052	1,310
Earned premiums, net of reinsurance...........								
Share of income from associates								
Other income								

	For the nine months ended 30 September				For the year ended 31 December			
	2006	2005	2006	2005	2005	2005	2004	2003
	(U.S. $ thousands)[1,4]	(U.S. $ thousands)[2,4]	(KZT millions)[4]	(KZT millions)[4]	(U.S. $ thousands)[3,4]	(KZT millions)[4]		
Non-interest expense								
Salaries and benefits	(29,026)	(16,253)	(3,643)	(2,154)	(22,930)	(3,047)	(2,481)	(1,686)
Administrative and other operating expenses	(17,465)	(13,454)	(2,192)	(1,783)	(17,806)	(2,366)	(1,702)	(1,056)
Depreciation and amortisation	(4,932)	(3,041)	(619)	(403)	(4,440)	(590)	(378)	(251)
Taxes other than income taxes	(2,629)	(2,143)	(330)	(284)	(3,033)	(403)	(311)	(220)
Other impairment and provisions	(1,251)	(1,358)	(157)	(180)	(1,008)	(134)	(83)	(128)
Insurance claims incurred, net of reinsurance	(2,836)	(2,686)	(356)	(356)	(3,244)	(431)	(333)	(133)
Non-interest expense	(58,139)	(38,935)	(7,297)	(5,160)	(52,461)	(6,971)	(5,288)	(3,474)
Income before income tax expense	22,619	16,141	2,839	2,139	36,336	4,828	2,627	2,215
Income tax expense	(5,306)	(2,596)	(666)	(344)	(5,802)	(771)	(307)	(759)
Net income	17,313	13,545	2,173	1,795	30,534	4,057	2,320	1,456
Attributable to:								
Equity holders of the parent	17,130	13,582	2,150	1,800	30,450	4,046	2,320	1,456
Minority interest	183	(38)	23	(5)	84	11	—	—
Basic and Diluted earnings per share	0.79	0.81	99	107	2	235	224	248

(1) Translated at the average U.S. Dollar exchange rate for the nine months ended 30 September 2006, as reported by the NBK, of KZT125.51 =U.S.$1.00.
(2) Translated at the average U.S. Dollar exchange rate for the nine months ended 30 September 2005, as reported by the NBK, of KZT132.53 = U.S.$1.00.
(3) Translated at the average U.S. Dollar exchange rate for the year ended 31 December 2005, as reported by the NBK, of KZT132.88 = U.S.$1.00.
(4) Except earnings per share data which is given in KZT or U.S.$ as indicated.

	As at 30 September		As at 31 December			
	2006	2006	2005	2005	2004	2003
	(U.S. $ thousands)[1]	*(KZT millions)*	*(U.S. $ thousands)[m]*	*(KZTmillions)*		
Consolidated Balance Sheet:						
Assets						
Cash and cash equivalents	316,827	40,275	246,678	33,050	14,048	5,836
Obligatory reserves	280,310	35,633	31,826	4,264	2,390	1,775
Amounts due from credit institutions^	93,148	11,841	25,309	3,391	3,511	—
Financial assets at fair value through profit or loss	542,865	69,009	196,894	26,380	8,650	23,890
Investment securities[3]	217,834	27,691	246,417	33,015	26,716	—
Commercial loans and advances[4]	3,000,346	381,404	1,827,691	244,874	112,090	60,488
Insurance reserves, reinsurance share	44,596	5,669	26,399	3,537	156	190
Premises and equipment^	50,299	6,394	39,110	5,240	3,316	2,280
Current tax assets	2,509	319	2,881	386	180	176
Deferred tax asset	826	105	—	—	515	86
Investments in associates	2,832	360	1,261	169	313	—
Other assets[4]	62,382	7,930	35,543	4,762	2,017	919
Total assets	4,614,774	586,630	2,680,009	359,068	173,902	95,640
Liabilities						
Amounts due to the Government and the NBK	69,635	8,852	69,114	9,260	3,341	3,445
Amounts due to credit institutions	1,047,160	133,115	624,295	83,643	38,763	33,638
Amounts due to customers	1,825,850	232,102	870,890	116,682	68,747	44,826
Insurance reserves	52,203	6,636	31,482	4,218	515	349
Debt securities issued	1,105,947	140,588	734,662	98,430	43,307	2,848
Subordinated debt	142,723	18,143	132,698	17,779	260	1,498
Provisions	3,265	415	2,112	283	254	159
Other liabilities	14,915	1,896	9,173	1,229	535	535
Total liabilities	4,261,698	541,747	2,474,426	331,524	155,722	87,298
Shareholders' equity						
Share capital:						
Common shares	253,304	32,200	123,899	16,600	12,871	4,340
Preferred shares	26,746	3,400	25,377	3,400	1,900	1,900
Treasury Shares	(212)	(27)	—	—	—	—
Additional paid in capital	1,471	187	1,806	242	202	202
Reserves	5,680	722	5,105	684	465	465
Retained earnings	64,954	8,257	47,977	6,428	2,742	1,435
Attributable to shareholders of the parent	351,943	44,739	204,164	27,354	18,180	8,342
Minority interest	1,133	144	1,419	190	—	—
Total shareholders' equity	353,076	44,883	205,583	27,544	18,180	8,342
Total liabilities and shareholders'equity		4,614,774	586,630	2,680,009	359,068	173,902

....95,640

(1) Translated at the U.S. Dollar exchange rate on the KASE as at 30 September 2006, as reported by the NBK, of KZT127.12 = U.S.S1.00.

(2) Translated at the U.S. Dollar exchange rate fixed on the KASE as at 31 December 2005, as reported by the NBK, of KZT133.98 = U.S.S1.00.

(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 Audited Financial Statements appearing elsewhere in this Prospectus.

(4) Net of allowance for impairment.

(5) Net of accumulated depreciation.

	As at 30 September	As at 31 December		
	2006	200S	2004	2003
Selected Financial Ratios: Profitability Ratios				
Net interest margin[(1)(2)]	3.4[(11)]	3.5	5.8	6.9
Net interest income/average total assets[(2)]	3.0[(11)]	3.2	5.3	6.2
Net income/average total assets[(2)]	0.6[(U)]	1.6	1.8	1.9
Net income/average shareholders' equity[(2)]	8.0[(U)]	17.5	17.5	22.0
Net interest income/total income[(3)]	66.8	59.6	63.2	63.1
Non-interest income/total income[(3)]	33.2	40.4	36.8	36.9
Fees and commissions, net/total income[(3)]	19.3	19.6	17.8	19.2
Cost/income ratio[(4)]	48.0	53.5	52.9	50.0
Personnel expenses[(5)]/total income[(3)]	23.0	21.9	23.0	22.8
Personnel expenses[(5)]/average total assets[(2)]	1.0[(u)]	1.2	1.9	2.2
Basic and diluted earnings per share (KZT)	99	235	224	248
Loan Portfolio Quality				
Non-performing loans[(6)]/gross commercial loans and advances[00]	0.9	1.6	2.0	2.4
Allowance for impairment/gross commercial loans and advances[00]	3.3	3.0	4.7	5.3
Allowance for impairment/non-performing loans[(6)]	348.2	191.4	234.5	218.9
Balance Sheet Ratios and Capital Adequacy				
Amounts due to customers/total liabilities	42.8	35.2	44.1	51.3
Shareholders' equity/total assets	7.7	7.7	10.5	8.7
Tier I ratio[(8)]	10.3	8.3	9.6	8.7
Capital adequacy ratio[(8)]	14.4	12.4	11.1	13.6
Regulatory total capital ratio[<9)]	14.1	12.7	13.4	13.2
Commercial loans and advances/total assets	65.0	68.2	64.5	63.2
Commercial loans and advances/amounts due to customers	164.3	209.9	163.0	134.9
Commercial loans and advances/shareholders'equity	849.8	889.0	616.6	725.1
Liquid assets[(10)]/total assets	25.4	26.7	30.5	31.1
Liquid assets[(10)]/amounts due to customers	64.1	82.1	77.0	66.3

(1) Net interest income before impairment charge as a percentage of average daily interest-earning assets.
(2) Averages were calculated on daily basis.
(3) Total income represents net interest income plus non-interest income (including net fee and commissions).
(4) Non-interest expense expressed as a percentage of the sum of net interest income before impairment charge plus non-interest income (including net 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 loans in respect of which payments are overdue for more than 60 days.
(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 "Management's Discussion and Analysis of Results of Operations and Financial Condition - Capital Adequacy and Other Ratios".
(9) Calculated in accordance with the requirements of the FMSA. See "Management's Discussion and Analysis of Results of Operations and Financial Condition - 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.
(11) Annualised.

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

The following discussion should be read in conjunction with the Audited Financial Statements and the Unaudited Interim 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 fifth largest commercial bank in Kazakhstan in terms of assets, according to data compiled by the NBK as at 30 September 2006. The Bank's total assets as at 30 September 2006 were KZT586,630 million. The Bank's net income for the nine months ended 30 September 2006 was KZT2.173 million as compared to KZT1.795 million for the nine months ended 30 September 2005. The Bank's shareholders' equity as at 30 September 2006 was KZT44,883 million as compared to KZT27,544 million as at 31 December 2005.

The Audited Financial Statements were prepared in accordance with IFRS and audited by Ernst & Young. The Unaudited Interim Financial Statements were prepared in accordance with IAS 34 and reviewed by Ernst & Young in accordance with International Standard on Review Engagements 2410 and are stated on a basis substantially consistent with the Audited Financial Statements. The Audited Financial Statements and the Unaudited Interim Financial Statements are consolidated and reflect the results of operations of the Bank and its four subsidiaries as of 30 September 2006, JSC Insurance Company ATF Policy, OJSC ATFBank-Kyrgyzstan, CJSC Omsk Commercial Bank Sibir and the Issuer, the Bank's associate company JSC Open Saving Pension Fund Otan.

The discussion in relation to the Bank's consolidated financial statements as at and for the nine months ended 30 September 2006 and 2005 and as at and for the years ended 31 December 2005, 2004 and 2003 is, unless otherwise stated, based upon the Unaudited Interim Financial Statements and the Audited Financial Statements, as the case may be. This discussion, insofar as it refers to average amounts, unless otherwise stated has been based upon daily balances for the period as calculated on the basis used in the Bank's Unaudited Interim Financial Statements and the Audited Financial Statements, respectively.

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 35.0% 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:

	Nine months ended 30 Septembe	Year ended 31 Decembe			
	2006	**2005**	**2004**	**2003**	**2002**
Nominal GDP *(KZT billions)*..........	7,077	7,453	5,870	4,612	3,776
Real GDP *(percentage change during the period then ended)*...............	10.6	9.4	9.2	9.5	13.5
Nominal GDP per capita *(KZT)*......	461,042	489,685	389,516	308,701	254,105
Population *(millions average annual)*	15.35	15.22	15.07	14.94	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 nonferrous metallurgy sectors), increases in agricultural production and strong commodity prices in recent years.

***GDP** by Source*

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

	As **at 30 Septembe**	As **at 31 December**					
	2006	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
			(% share of GDP)				
Industry	31.8	29.7	31.1	29.5	29.3	30.7	31.9
Construction	8.2	7.4	5.9	6.2	6.1	5.5	5.3
Agriculture	5.1	6.5	7.9	7.3	7.9	8.7	8.7
Transportation and Telecommunications	11.2	11.6	12.2	12.1	11.5	11.2	12.0
Trade	12.2	12.4	11.4	12.1	12.0	12.1	12.6
Other[(1)]	31.5	32.4	31.4	32.8	33.2	31.8	29.5
Total	100.00	100.00	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 contribution of agriculture decreasing from 8.7% in 2000 to 6.5% in 2005. During the same period the Construction sector has grown in terms of contribution to GDP (from 5.3% to 7.4%) whereas the Industrial sector's contribution decreased from 31.9% to 29.7%.

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 75.6% of total exports in the first nine months of 2006, compared to 74.4% and 74.0% of total exports for the same period in 2005 and in the whole of 2005, respectively.

Inflation

The year-on-year rate of consumer price index has decreased from 9.8% at the end of 2000 to 6.6% as at 30 September 2006, 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 index and producer price index as at the dates indicated:

	As at 30 September	As at 31 December					
	2006	2005	2004	2003	2002	2001	2000
Consumer prices	**3..** 6.6	**7.5**	**6.7**	**6.8**	6.6	6.4	9.8
Producer prices	14.6	20.3	23.8	**5.9**	11.9	(14.1)	19.4

Source: NSA, NBK

Balance of Payments

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

	Nine months ended	Year ended 31 December				
	30 September 2006	2005	2004	2003	2002	2001
			(U.S.S millions)			
Current account	359.3	(724.0)	335.4	(272.6)	(1,024.3)	(1,389.5)
Capital and financial account	7,838.9	943.0	4,679.5	2,738.0	1,239.3	2.428.7

Source: NSA, NBK

Based on NBK data, Kazakhstan's current account surplus in the nine month period ended 30 September 2006 was U.S.$359.3 million. The current account deficit in 2003 was U.S.S272.6 million compared with a surplus of U.S.S335.4 million in 2004 and deficit of U.S.$724.0 million in 2005.

The current account deficit has been offset by inflows of foreign direct investment. In 2005 and the nine month period ended 30 September 2006 foreign direct investment was U.S.$6,533.7 million and U.S.$7,835.3 million, respectively, which resulted in a capital and financial account surplus of U.S.S943.0 million and U.S.S7838.9 million, respectively. In 2004, foreign direct investment was U.S.$9,659.4 million which resulted in a capital and financial account surplus of U.S.$4,679.5 million. In 2003, foreign direct investment was U.S.$4,479.6 million and the capital and financial account surplus was U.S.$2,738.0 million. In 2002, foreign direct investment for the year amounted to U.S.$3,681.8 million, which resulted in a capital and financial account surplus of U.S.$1,239.2 million. In 2001, foreign direct investment in the amount of U.S.$4,652.7 million resulted in a capital and financial account surplus of U.S.$2,428.7 million.

Critical Accounting Policies

The Bank's results of operations and financial condition presented in the Audited Financial Statements and the Unaudited Interim 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 Financial Statements and in Note 2 to the Unaudited Interim 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 are currently inherent from assets in each credit risk category by reference to the debt service capability and repayment history of the relevant Bank. 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. 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 the deductible temporary differences, carry-forwards of unused tax assets and unused tax losses.

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 assets 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 at 1 January 2005, a new category of financial instruments has been introduced, "Financial assets at fair value through profit or loss". This category comprises trading financial assets (financial assets which are acquired for the purpose of sale in the short term) 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 the income statement. The financial assets at fair value through profit or loss are initially recognised at fair value 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. Directly attributable transaction costs are recognised as expenses when they are incurred.

Investment securities

The Bank classified its investment securities into two categories:

- Securities with fixed maturities and fixed or determinable payments that management has both the positive intent and the ability to hold to maturity are classified as held-to-maturity. The Bank does not classify any financial assets as held-to-maturity if the Bank had, during the current financial year or during the preceding two financial years sold, transferred or exercised a put option on more than insignificant portion of held-to-maturity investments before their maturity; and
- Securities that are not classified by the Bank as held-to-maturity or financial assets at fair value through profit or loss are included in the available-for-sale portfolio.

The Bank classifies investment securities depending upon the intent of management at the time of the purchase. 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 are subsequently re-measured at fair value, which is equal to the market value as at the balance sheet date. Gains and losses arising from changes in the fair value of available-for-sale investment securities are recognised in shareholders' equity as 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.

Since a significant amount of the held-to-maturity securities were sold during the reporting period, the Bank is prohibited to classify any securities as held-to-maturity until 1 January 2008.

Results of Operations for the Nine Months ended 30 September 2006 and 2005

Net Income

The following table sets forth the main components of the Bank's consolidated net income for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September	
	2006	**2005**
	(KZT millions)	
Interest income	32,476	16,515
Interest expense	(21,897)	(10,920)
Net interest income before impairment charge	10,579	5,595
Impairment charge	(5,693)	(1,930)
Net interest income after impairment charge	4,886	3,665
Fees and commissions, net®	3,051	1,971
Non-interest income	2,199	1,663
Non-interest expense	(7,297)	5,160
Income before income tax expense	2,839	2,139
Income tax expense	(666)	(344)
Net income	2,173	1,795
Attributable to:		
Equity holders of the parent	2,150	1,800
Minority interest	23	(5)

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

The Bank's net income increased by 21.1% to KZT2,173 million during the nine month period ended 30 September 2006 from KZT1.795 million during the nine month period ended 30 September 2005. The increase in net income for the nine months ended 30 September 2006 compared to the corresponding period in 2005 was primarily a result of a significant increase in the loan and securities portfolios of the Bank from KZT304,269 million as at 31 December 2005 to KZT478J04 million as at 30 September 2006. Higher volumes of customer transactions also enhanced net fee and commission income. The growth in the Bank's loan and securities portfolio reflected the continued expansion of the Kazakhstan economy, as domestic GDP grew by 10.6% during the nine month period ended 30 September 2006 relative to the nine month period ended 30 September 2005 and there was continued increased demand for loan and investment capital across the principal sectors of the Kazakhstan economy. Another factor which contributed to the growth of the Bank's net income during the nine months ended 30 September 2006 relative to the same period in 2005 was higher profits resulting from the purchase and sale of foreign currency by the Bank and its clients. The substantial growth in the Bank's customer and deposit base and higher volumes of customer transactions led to increases in the Bank's net fees and commissions.

Interest Income

The following table sets forth the components of the Bank's consolidated interest income for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September		Variation
	2006	**2005**	**2006/2005**
	(KZT millions)		*(%)*
Loans	29,025	14,535	99.7
Securities	2,625	1,423	84.5
Credit Institutions	826	557	48.3
Interest Income	32,476	16,515	96.6

The Bank's interest income increased by 96.6% to KZT32.476 million for the nine months ended 30 September 2006 from KZT16,515 million for the same period in 2005, reflecting the substantial growth of the Bank's interest-earning assets, as the Bank's loan and securities portfolios grew significantly, during the nine months ending 30 September 2006. See also "Selected Statistical and Other Information - Loan Portfolio."

Interest income on the Bank's loan portfolio grew 99.7% to KZT29.025 million for the nine months ended 30 September 2006 from KZT14,535 million for the same period in 2005, due in large part to significantly higher demand from the Bank's corporate customer base and growing retail business and the average net loan balance in that period increased by 104.6% to KZT309,895 million from KZT151,440 million.

Interest income on the Bank's securities portfolio, which historically has primarily consisted of Kazakhstan sovereign securities and U.S. treasury bills, increased by 84.5% to KZT2,625 million for the nine months ended 30 September 2006 from KZT1,423 million for the corresponding period in 2005 due to the growth in the Bank's holdings of Kazakhstan government securities and corporate bonds and the higher effective interest rates on those financial assets.

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 12.83% during the nine months ended 30 September 2005 to 12.52% during the nine months ended 30 September 2006 due to increased competition among banks in Kazakhstan.

Interest income earned on deposits with credit institutions increased by 48.3% to KZT826 million for the nine months ended 30 September 2006 from KZT557 million for the nine months ended 30 September 2005. This increase was mainly attributable to a 249.2% increase in amounts due from credit institutions.

Interest Expense

The following table sets out the components of the Bank's interest expense for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September		Variation
	2006	2005	2006/2005
	(KZT millions)		
Deposits	(5,223)	(3,520)	48.4
Borrowings................	(6,580)	(1,934)	240.2
Subordinated Debt....		(534)	114.4
Debt securities issued.		(4,932)	81.4
Interest Expense......	(21,897)	(10,920)	100.5

Total interest expense increased by 100.5% during the nine months ended 30 September 2006 to KZT21,897 million from KZT10.920 million for the same period in 2005.

The growth in interest expense during the nine months ended 30 September 2006 was largely due to higher payments of interest in connection with the Bank's strategy of expanding and diversifying its funding base. An increase of interest rates on interbank loans which was driven by the growth of LIBOR rates during 2006, has also led to the growth in interest expense.

An expansion of the Bank's funding base through the issuance of higher interest-bearing Eurobonds, led to an increase between 2005 and 2006 in average interest paid.

The average interest rate on time deposits for the nine months ended 30 September 2006 was 7.2% in local currency and 6.4% in foreign currency and for the year ended 31 December 2005 was 8.3% in local currency and 8.0% in foreign currency. As of 30 September 2006, the amount of subordinated debt increased to KZT18,143 million and interest on subordinated debt increased by 156.3%.

The following table sets out the Bank's total yield on average interest-earning assets and the cost of the average interest-bearing liabilities for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September	
	2006(1)	2005(1)
	{unaudited)	
Total yield on average interest-earning assets.	10.36	9.72
Cost of average interest-bearing liabilities	6.88	6.78
Net interest spread..	3.48	2.94

(1) Annualised.

Net interest income

Net interest income increased by 89.1% to KZT10,579 million during the nine months ended 30 September 2006 from KZT5.595 million during the same period of 2005. The Bank's overall net interest margin increased from 3.29% for the nine months ended 30 September 2005 to 3.37% for the nine months ended 30 September 2006. The increase was primarily a result of increased yields on the Bank's investment securities portfolio, which were somewhat offset by the decrease in the yield on the Bank's loan portfolio. See also "Selected Statistical and Other Information - Loan Portfolio - Loan Portfolio Structure by Maturity" and "- Funding and Liquidity - Customer Accounts".

***Provisions for impairment** losses*

The following table sets out data on the Bank's provisions for impairment losses made in the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September		**Variation**
	2006	**2005**	**2006/2005**
	(KZT millions)		(%)
Provisions for impairment losses on interest-earning assets.......	5,693	1,930	195.0
Provisions for impairment losses on other transactions.............	157	180	(12.8)
Total provisions for impairment losses	5,850	2,110	177.3
Total provisions for impairment losses/net interest income before provisions for impairment losses on other operations, expressed as a percentage..	36.9	22.9	14.0

***Impairment of Interest-Earning** Assets*

The Bank recorded impairment of interest-earning assets of KZT5,693 million during the nine month period ended 30 September 2006, which represented an increase of 195.0% from KZT1.930 million in 2005. This increase was due to the growth of the Bank's commercial loans and advances. The higher charge for the nine months ended 30 September 2006 compared to the respective period in 2005 was due to the growth of the Bank's commercial loans and advances and a slight decrease in the credit quality of certain loans. The Bank believes that the decreasing credit quality of such loans is not due to any deficiencies in the Bank's credit approval procedures or policies.

*Fees **and** Commissions*

The following table sets out the Bank's fees and commissions, net for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September	
	2006	**2005**
	(KZT millions)	
Fee and commission income..	3,358	2,248
Fee and commission expense.	(307)	(277)
Fees **and commissions, net ..**	3,051	1,971

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Fee and Commission Income

Fee and commission income for the nine month period ended 30 September comprised the following:

	Nine months ended 30 September	
	2006	**2005**
	(KZT millions,)	
Cash operations	963	531
Settlement operations	936	719
Guarantees	430	340
Commission income on foreign currency trading	403	306
Debit / Credit cards	259	167
Project management	53	35
Custodian activity	53	10
Cash collections	49	28
Bank references	22	**14**
Reinsurance commission	14	13
Other	176	85
Fee and commission income	3,358	2,248

During the nine month period ended 30 September 2006, net fee and commission income increased by 54.8% to KZT3.051 million from KZT1,971 million for the nine month period ended 30 September 2005. 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 during the nine month period ended 30 September 2006 relative to the nine month period ended 30 September 2005 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.

Fee and Commission Expense

The following table sets out the components of the Bank's fee and commission expense for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September	
	2006	**2005**
	(KZT millions)	
Debit / Credit cards	112	106
Settlement operations	78	70
Securities	41	27
Reinsurance commission	29	26
Foreign currency banknote transactions	24	25
Guarantees	5	2
Custodian services	4	—
Other	14	21
Fee and commission expense	307	277

The Bank's fee and commission expense increased by 10.8% to KZT307 million during the nine month period ended 30 September 2006 as compared to KZT277 million in same period in 2005. This increase was primarily due to a higher number of customers and higher volumes of customer transactions.

Non-interest Income

The following table sets out the component's of the Bank's non-interest income for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September	
	2006	2005
	(KZT millions)	
Gains less losses from financial assets at fair value though profit and loss	(195)	66
Gains less losses from available-for-sale securities	(7)	71
Gains less losses from foreign currencies:		
- dealing	1,212	797
- translation difference	(29)	(59)
Earned insurance premiums, net of reinsurance	912	727
Share of income from associate	38	36
Other income	268	25
Non-interest income	2,199	1,663

The Bank's non-interest income increased by 32.2% during the nine month period ended 30 September 2006 to KZT2,199 million from KZT1,663 million during the same period of 2005. The increase in the Bank's non-interest income for the nine months ended 30 September 2006 compared to the same period in 2005 was mainly due to the increase in dealing gains less losses and insurance activity.

The increase in gains less losses from foreign currencies dealing was primarily due to (i) significant foreign exchange rate fluctuations and (ii) increased margins on, and increased number of, foreign exchange transactions by the Bank and its customers. Earned insurance premiums, net of reinsurance, increased as a result of a large contract with a new customer of JSC Insurance Company ATF Policy, general growth of the Kazakhstan insurance market and an increase in the range of insurance products offered by JSC Insurance Company ATF Policy.

Non-interest Expense

The following table sets out the components of the Bank's non-interest expense for the nine months ending 30 September 2006 and 2005:

	Nine ended 30 September	
	2006	2005
	(KZT millions)	
Salaries and benefits	3,643	2,154
Administrative and other operating expenses..	2,192	1,783
Depreciation and amortization	619	403
Taxes other than income taxes	330	284
Other provisions	157	180
Insurance claims incurred, net of reinsurance.	356	356
Non-interest expense	7,297	5,160

The Bank's non-interest expense increased by 41.4% during the nine month period ended 30 September 2006 to KZT7,297 million from KZT5.160 million during the same period in 2005. The increase in the Bank's non-interest expense for the nine months ended 30 September 2006 compared to 2005 was mainly due to an increase in salaries and bonuses and administrative and other expenses resulting from the Bank's continued expansion. The increase in salaries and bonuses was partly due to higher annual salaries and bonuses paid to the Bank's management and employees in the nine month period ending 30 September 2006 due to the competitive employment market and the need to attract and retain quality staff. This increase was also due to a 25.7% increase in the number of employees from 2,616 as at 31 December 2006 to 3,082 as at 30 September 2006.

In addition, administrative expenses, a large part of which comprised advertising, insurance, maintenance and repairs, rent expenses and other administrative expenses increased in the nine months ended 30 September 2006 from the same period in 2005. In particular, rent expenses and maintenance and repair expenses increased as a result of the expansion strategy of the Bank. For a detailed breakdown of the components of administrative expenses, please see Note 20 to the Unaudited Interim Financial Statements.

***Income** Tax Expense*

The Bank's effective tax rate was 24% during the nine month period ended 30 September 2006 as compared to 16% for the same period in 2005. The increase in the Bank's effective tax rate during the nine month period ended 30 September 2006 relative to the same period in 2005 was mainly due to a reduction in the components of income which were exempt from tax as certain benefits were cancelled by Kazakhstan tax authorities. The corporate income tax rate in Kazakhstan is 30%.

Cash Flow

The following table sets out the Bank's main sources of cash for the nine months ended 30 September 2006 and 2005:

	Nine months ended 30 September	
	2006	**2005**
	(KZT millions)	
Net cash flow used in operating activities	(85,250)	(22,68
Net cash flows from/used in investing activities	2,391	(30,64
Net cash flows from financing activities	90,720	50,266
Effect of exchange rate changes on cash and cash equivalents	(636)	256
Cash and cash equivalents at beginning of the year	33,050	14,048
Cash and cash equivalents at the end of the year	40,275	11,236

The Bank used cash in the amount of KZT85,250 million and KZT22.688 million in its operating activities during the nine month periods ended 30 September 2006 and 2005, respectively. During the nine month period ended 30 September 2006, the Bank used cash to grant loans to customers in the amount of KZT153,662 million and used cash for additional investments to the investment securities portfolio, in particular, to the financial assets at fair value through profit or loss, of KZT43,474 million. In addition, due to the change in banking regulations, the Bank increased its obligatory reserves with the NBK by KZT31,369 million. Significant cash outflows for lending and investing activities were offset, in part, by the increased cash inflows from the Bank's interbank borrowings, growth of customer deposits and generating cash from operating income of KZT27,463 million, KZTl 18,121 million and KZT10,032 million, respectively.

Lack of cash from operating activities was compensated for by cash inflows from financial activities in the amount of KZT90,720 million, which was the result of an issue of debt securities in the amount of KZT48,261 million, long-term borrowings from financial institutions in the amount of KZT29,298 million and additional contributions of shareholders in the amount of KZTl 5,600 million.

Net cash inflows from investment activity for the nine month period ended 30 September 2006 was not significant and comprised KZT2,391 million which resulted mainly from the release of the investments classified as available-for-sale, while the Bank made significant investment to the investment portfolio in the corresponding period which resulted in significant cash outflows of KZT30,646 million.

Financial Condition as at 30 September 2006 and 31 December 2005

The following discussion of the Bank's assets and liabilities should be read in conjunction with "Selected Statistical and Other Information".

The following table sets out certain information as to the Bank's assets as at 30 September 2006 and 31 December 2005:

	As at 30 2006	As at Decemb 2005
	(KZT millions)	
Cash on hand	8,079	7,271
Correspondence accounts with other banks	6,394	12,835
Correspondent account with the NBK	20,777	9,043
Short term deposits with other banks	5,025	3,901
Cash and cash equivalents	40,275	33,050
Correspondent account with the NBK allocated to obligatory reserves	35,633	4,264
Obligatory reserves	35,633	4,264
Time deposits	10,563	3,235
Loans to local credit institutions	1,278	156
Amounts due from credit institutions	11,841	3,391
Notes of the NBK	33,947	13,181
Euronotes of the Republic of Kazakhstan	2,084	2,226
Treasury bills of the Ministry of Finance	4,045	6,110
U.S. Treasury bills	12,193	2,308
Bonds of local financial organisations	9,909	1,413
Bonds of foreign financial organisations	4,247	—
Equity securities	261	—
Government securities of OECD countries	—	674
Corporate bonds	2,323	468
Financial assets at fair value through profit or loss	69,009	26,380
Government securities of OECD based countries	9,448	10,034
Bonds of foreign financial institutions	7,442	5,439
Treasury bills of the Ministry of Finance	4,186	9,856
Corporate bonds	3,922	3,691
Bonds of local financial institutions	1,806	1,453
Government bonds of Russia	639	—
Sovereign bonds of the Republic of Kazakhstan	248	260
US Treasury bills	—	2,154
Notes of the NBK	—	128
Available-for-Sale Investments	27,691	33,015
Commercial loans	391,781	251,38[illegible]
Advances	2,553	1,138
Less - Allowance for impairment	(12,930)	(7,6[illegible])
Commercial loans and advances	381,404	244,87[illegible]
Insurance reserves, reinsurance share	5,669	3,537
Premises and equipment	6,394	5,240
Current tax assets	319	386
Deferred tax assets	105	—
Tax assets	424	386
Investments in associates	360	169
Other assets	7,930	4,762
Total assets	586,630	359,068

At 30 September 2006, the Bank's total assets increased by KZT227,562 million or 63% to KZT586.630 million compared to KZT359.068 million at 31 December 2005. In spite of substantial growth, the structure of the Bank's assets did not change significantly during this period except for substantial growth of investments classified as financial assets at fair value through profit or loss by 162% and decrease of the available-for-sale investment securities portfolio by 16%. However, the aggregate value of all investment securities did not change, while the proportion of total assets represented by the loan portfolio decreased by 3% compared to December 31, 2005. In accordance with the Bank's asset and liability management policy, as well as to ensure compliance with certain covenants, the Bank aims to ensure that of its total assets, approximately 60% to 70% comprise commercial loans and advances, 15% to 25% comprise the investment securities portfolio and 7% to 12% consist of cash and cash equivalents.

During the nine month period ended 30 September 2006, the Bank continued to extend loans to private companies with a focus on large national corporations, the SME sector, individual entrepreneurs, and retail customers. The Bank's loan portfolio increased by 56% to KZT381,404 million in this period from KZT244,874 million as at the end of 2005, reflecting its strategy of increasing its market share.

The structure of the Bank's loan portfolio changed over the nine month period ended 30 September 2006; in particular, the proportion represented by consumer and mortgage lending, as well as lending to the construction sector, increased, while lending to wholesale trading companies slightly decreased. These structural changes resulted mainly from management's strategy to expand retail lending, including mortgages, to comprise up to 30% of the total loan portfolio. To achieve this goal, the Bank increased the authority of its branches in retail lending and offered its clients more attractive credit conditions, such as credit without confirmation of income, longer grace periods and longer maturities. The retail loan portfolio increased by 109% from KZT42,208 million as at 31 December 2005 to KZT88,272 million as at 30 September 2006 and comprised 22.4% of the total loan portfolio.

An increase in overall housing demand and rising real estate prices resulted in the Bank increasing its exposure to the construction sector by 130% from KZT29,328 million as at 31 December 2005 to KZT67,441 million as at 30 September 2006. Housing has become more affordable, primarily due to better mortgage terms and a general increase in disposable income.

Historically, the wholesale trading sector represented the largest part of the Bank's loan portfolio due to the Bank's expertise in trade finance. However, taking into account the continuing changes in the economic environment in Kazakhstan over the last few years, the Bank has recognised the need to diversify its growing loan portfolio. Thus, despite the growth of the wholesale trading loan portfolio by KZT6,934 million over the first nine months of 2006, the proportion in the total loan portfolio of loans to that sector decreased by 5.0% they comprised 13.6% of the portfolio as of 30 September 2006.

Despite the relatively stable quality of the loan portfolio, the Bank's provision for impairment losses increased from 3.0% of the loan portfolio at 31 December 2005 to 3.3% as at 30 September 2006 as a result of the the growth of the Bank's commercial loans and advances and a slight decrease in the credit quality of certain loans. The Bank believes that the decreasing credit quality of such loans is not due to any deficiencies in the Bank's credit approval procedures or policies.

The Bank's investment securities portfolio contains financial assets at fair value through profit or loss and available-for-sale securities. The Bank's investment securities portfolio as at 30 September 2006 increased by 62.8% to KZT96.700 million from KZT59,395 million as at 31 December 2005. The investment securities portfolio comprised 16.5% of total assets as at 30 September 2006, unchanged as a proportion of total assets from the end of 2005.

Cash and cash equivalents increased by 21.9% to KZT40.275 million as at 30 September 2006 from KZT33,050 million as at 31 December 2005. The increase was primarily due to the redemption of NBK notes held by the Bank as part of its investment securities portfolio and receipt by the Bank of amounts in its correspondent account with the NBK.

The amount of obligatory reserves held with the NBK increased by 735.7% and comprised KZT35,633 million as at 30 September 2006 compared to KZT4,264 million as at 31 December 2005 due to changes in regulation aimed at reducing external borrowings of the banking system and slowing the growth of lending in order to reduce inflationary pressures in the economy.

The Bank's premises and equipment increased by 22.0% from 31 December 2005 to KZT6,394 million as at 30 September 2006 when a significant proportion of other assets comprised amounts due to customers in respect of capital expenditures resulting from the Bank's overall expansion strategy.

As at 30 September 2006, amounts due from credit institutions increased by 249.2% to KZT11,841 million from KZT3,391 million as at 31 December 2005 primarily due to an increase in time deposits with banks based in OECD countries.

The growth of the reinsurance reserve from KZT3.537 million to KZT5,669 million resulted mainly from the overall growth of the insurance business of JSC Insurance Company ATF Policy in the first nine months of 2006. As at 30 September 2006, the reinsurance share of the insurance reserve represented 85.4% of the total, in line with the Bank's risk management strategy, which remained unchanged over the last two years. The insurance share of the Bank was KZT6,636 million as of 30 September 2006 compared with KZT4,218 million as at 31 December 2005. See "Selected Statistical and Other Information".

Total Liabilities

The following table sets out certain information as to the Bank's liabilities as at 30 September 2006 and 31 December 2005:

	As at 30 Septemb	**As at 31 Decembe**
	(KZT millions)	
Amounts due to the Government under International financing programs.	5,697	7,058
Time deposit from NBK	3,077	2,059
Local municipal authorities	78	143
Amounts due *to* the Government and NBK	8,852	9,260
Loans from foreign banks	90,350	54,474
Loans from local banks	11,829	10
Repurchase agreements	12,004	1,968
Loans from the Small Business Development Fund of Kazakhstan	765	25,874
Time deposits from local banks	17,44	1,317
Current accounts		
Amounts due to credit institutions	133,115	83,643
Customer current accounts:		
Legal entities	87,316	45,313
Individuals	5,558	4,768
Term deposits:		
Legal entities	94,706	43,340
Individuals	43,225	22,292
Held as security against letters of credit		969
Amounts due to customers	232,102	116,682
Reserves for insurance claims	6,636	4,218
USD denominated notes	137,096	94,752
KZT denominated bonds	4,680	4,532
Other bonds Issued	6	
Own KZT denominated bonds held by the Group	(52)	(854)
Less unamortised cost of issuance	(1,142)	
Debt securities issued	140,588	98,430
KZT nominated notes	17,988	17,624
USD denominated subordinated bonds	1,277	1,346
Own USD subordinated bonds held by the Group	(1,014)	(1,0
Less unamortised cost of issuance		
Subordinated debt	18,143	17,779
Provisions	415	283
Other liabilities	1,896	1,229
Total liabilities	541,747	331,524

Total liabilities of the Bank as at 30 September 2006 increased by 63.4% from KZT331,524 million as at 31 December 2005 to KZT541,747 million, primarily due to an increase in amounts due to customers, amounts due to credit institutions, debt securities issued and subordinated debt.

As at 30 September 2006, amounts due to customers had increased by 98.9% to KZT232.102 million as compared to KZT116,682 million as at 31 December 2005. As at 30 September 2006, term deposits comprised KZT139,228 million or 60.0% of the customer base of the Bank. Term deposits of legal entities (i.e. corporate customers) were KZT94,706 million or 68.0% of total term deposits as at 30 September 2006. Current accounts as a proportion of the total customers' deposits remained relatively stable over the period with legal entities' (i.e. corporate customers') balances amounting to KZT87,316 million or 94.0% of total current accounts as at 30 September 2006 compared to KZT45,313 million or 90.5% at the end of 2005; and individuals' balances amounting to KZT5,558 million or 6.0% of the total current accounts at 30 September 2006 compared to KZT4.768 million or 9.5% at the end of 2005. Management of the Bank believes that the growth of customer deposits reflects customers' confidence in the growth of the Bank.

As at 30 September 2006, debt securities issued by the Bank amounted to KZT140,588 million, an increase of 42.8% from KZT98.430 million as at 31 December 2005 resulting from the $350 million 10 year Eurobonds issued in May 2006. The Bank intends to continue issuing various debt and equity instruments to form a stable funding base for the further expansion of its business.

Amounts due to credit institutions increased by 59.1% from KZT83,643 million as at 31 December 2005 to KZT133,115 million as at 30 September 2006, again reflecting management's strategy of stabilising and diversifying its funding base.

Off-Balance Sheet Arrangements

In the normal course of business, the Bank enters into certain financial instruments in order to meet the needs of its customers. These instruments, which include undrawn loan commitments, letters of credit and guarantees, involve varying degrees of risk and are not reflected on the balance sheet of the Bank but are disclosed in a footnote as financial commitments and contingencies.

The following table sets forth the financial commitments and contingencies of the Bank as at 30 September 2006 and 31 December 2005:

	As at 30 September 2006	**As at 31 Decembe 2005**
	(KZT millions)	
Undrawn loan commitments	74,265	33,306
Guarantees	19,354	15,029
Letters of credit	3,929	3,601
Less - Provisions	(415)	(283
Less - Cash collateral	(1,297)	(969
Total commitments and contingencies	95,836	50,684

Similar to the growth of the loan portfolio of the Bank, undrawn loan commitments comprise 77.5% of total commitments and contingencies and grew by 123.0% between 31 December 2005 and 30 September 2006. The total commitments and contingencies of the Bank increased during this period by 89.1% and totalled KZT95.836 million as at 30 September 2006.

The Bank's maximum exposure to credit losses for these commitments is reflected in the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total contractual amount does not necessarily represent future cash requirements.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as for its on-balance sheet operations. To mitigate against potential losses on guarantees, the Bank sets aside provisions applying similar principles as those applied in assessing the required allowances for losses under other credit facilities. As at 30 September 2006 and 31 December 2005, the Bank set aside provisions of KZT415 million and KZT283 million, respectively. The increase in the amount of provisions is due to the increase in the size of the commitments.

In respect of commercial letters of credit, as these credit lines are extended to customers who generally use them in transactions to purchase goods, the Bank mitigates its risk by taking collateral over the goods.

As at 30 September 2006, the top 10 guarantees of the Bank accounted for 46.8% of total financial guarantees, respectively, and represented 20.2% of total shareholders' equity. As at 30 September

2006, the top 10 letters of credit of the Bank accounted for 75.8% of total commercial letters of credit, and represented 6.6% of total shareholders' equity.

Foreign Currency Borrowings

SME Financing Facilities

Since 1998, the Bank has participated in a number of special programmes for the financing of small and medium sized enterprises and enterprises in specific industries arranged and sponsored by the Ministry of Agriculture, the Ministry of Finance, several local (regional) executive bodies, as well as international financial institutions such as the World Bank, Asian Development Bank ("ADB"), EBRD and Kreditanstalt fur Wiederaufbau ("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. As at 30 September 2006, the Bank had a credit facility through the Small Business Development Fund funded by the EBRD with a total outstanding amount of U.S.S6.02 million, maturing in July 2007. Additionally the Bank had U.S.S18.1 million and €6.7 million outstanding under the EBRD's Trade Finance Programme, maturing in the first half of 2007, U.S.$10.2 million outstanding under the Kazakhstan small business programme, maturing in 2008 and U.S.$3.1 million under AGRI-EQUIPMENT Program maturing in 2010.

As at 30 September 2006, the Bank had U.S.S0.14 million outstanding under its U.S.$2.4 million facility with the Ministry of Finance funded by the World Bank for Kazakhstan's agricultural sector.

As at 30 September 2006, 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 €3.9 million maturing during the period 2007 to 2009.

Other Trade Finance Facilities

The Bank regularly enters into various other interbank facilities with foreign banks, pursuant to which the Bank is permitted to draw various amounts in a foreign currency, for the purpose of on-lending funds to finance clients' export-import operations **("Trade Finance Facilities").** The Bank's clients are thus provided with medium-term financing, generally for up to five years, for the import of goods and services.

As at the date of this Prospectus, the Bank maintains Trade Finance Facilities with Bayerische Hypo-Und Vereinsbank Aktiengesellschaft (Germany), Export-Import Bank of Korea (Korea), Deer Credit (USA), Dresdner Bank AG (Germany), Deutsche Bank AG (Germany), Raiffeisen Zentralbank Osterreich AG (Austria), ING Bank N.V. (The Netherlands), Fortis Bank N.V. (The Netherlands) and EBRD.

The Bank has good credit relationships with many export-credit agencies, including Euler-Hermes Germany, European Export-Credit Agency and Export-Import Bank of the United States of America.

Generally, Trade Finance Facilities bear interest at a rate between 3.64% and 7.85% depending on the amount, term and other conditions of the loan, and the types of goods traded under the contract.

As at 30 September 2006, the aggregate outstanding principal balance under Trade Finance Facilities was approximately U.S.$583 million, with maturities ranging between two and five years. The Bank intends to continue to fully repay all amounts when due under the Trade Finance Facilities.

Deutsche Bank Facility

On 27 November 2006, the Bank entered into a two-year, unsecured loan agreement with Deutsche Bank AG, London Branch, pursuant to which the Bank was permitted to draw up to U.S.$185 million for the purpose of funding of loans to two of the Bank's specific corporate clients and/or for general corporate purposes. The loan bears interest at a margin over LIBOR and was fully drawn down on 28 November 2006.

Standard Bank Facility

On 13 December 2006, the Bank entered into, and has since drawn in full, a U.S.$50 million loan facility with Standard Bank PLC. This facility consists of three tranches of U.S.$25 million, U.S.$12.5 million and U.S.$12.5 million, respectively. The first tranche matures in December 2007 and bears interest at a rate per annum of LIBOR plus 1.20%. The second tranche matures in June 2008 and bears interest at a rate per annum of LIBOR plus 1.40% and the third tranche matures in December 2008 and bears interest at a rate per annum of LIBOR plus 1.65%.

On 13 February 2006, the Bank entered into a one-year loan facility agreement with Standard Bank PLC, pursuant to which the Bank was granted a loan in an aggregate amount of U.S.$30 million for financing of the Bank's general corporate purposes. As at 30 September 2006, the principal amount outstanding under this facility was U.S.$30 million and on 14 February 2007, this facility was fully repaid.

Other

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.S200 million of its 8.875% Notes due 2009. In April 2005, the Bank made its debut Rule 144A offering through an issue of U.S.S200 million of its 9.25% Notes due 2012. In October 2005, the Bank issued U.S.$200 million of its 8.125% Notes due 2010. In May 2006, the Bank issued U.S.$350 million of its 9.0% Notes due 2016 under Regulation S and Rule 144A. In November 2006, the Bank issued, through the Issuer, U.S.S100 million Perpetual Non-Cumulative Notes under Regulation S.

In April 2006, the Bank entered into a U.S.S100 million DPR Securitisation Programme due 2011. On 12 October 2006, the Bank, through the Issuer, entered into a U.S.S550 million Syndicate Term Loan with a tenor of 370 days.

The following table sets out certain information as to the currency and tenor of the Bank's foreign currency liabilities as at 30 September 2006 in thousands of Tenge:

						2010 and	**2006**
	2007	**2008**	**2009**	**2010**	**later**	**Total**	
U.S. Dollars..............	106,238.4	47,735.9	4,119.6	29,783.9	27,340.1	86,205.4	301,423.3
Euro..........................	4,171.8	5,832.9	3,025.9	2,782.1	1,518.2	701.0	18,032.0

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.

Results of Operations for the Years ended 31 December 2005, 2004 and 2003

Net ***Income***

The following table sets forth the main components of the Bank's net income for the years ended 31 December 2005, 2004 and 2003:

	Year Ended 31 December		
	2005	**2004**	**2003**
		(KZT millions)	
Interest income..	24,422	12,644	7,884
Interest expense...	(16,137)	(5,808)	(3,227)
Net interest income before impairment charge	8,285	6,836	4,657
Impairment charge	(2,101)	(2,894)	(1,694)
Net interest income after impairment charge	6,184	3,942	2,963
Fees and commissions, net[(2)]..	2,727	1,921	1,416
Non-interest income..	2,888	2,052	1,310
Non-interest expense...	(6,971	(5,288)	(3,474)
Income before income tax expense	4,828	2,627	2,215
Income tax expense..	(771)	(307)	(759)
Net income	4,057	2,320	1,456
Attributable to:			
Equity holders of the parent...	4,046	2,320	1,456
Minority interest...	11	—	—

The Bank's net income increased by 74.9% to KZT4,057 million in 2005 from KZT2,320 million in 2004, in turn increased by 59.3% from the Bank's recorded net income of KZT1.456 million in 2003. The increase in net income in 2005 compared to 2004 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 2005. The growth in the Bank's loan and securities portfolio reflected the continued expansion of the Kazakhstan economy, as domestic GDP grew by 9.4% in 2005 relative to 2004 and there was continued increased demand for loan and investment capital across the principal sectors of the Kazakhstan economy. Another factor which contributed to the growth of the Bank's net income in 2005 relative to 2004 was higher profits resulting from dealing in foreign currencies due to the increasing volume of applications received from the Bank's clients for the purchase or sale of foreign currency. Moreover, the continued domestic confidence in the Tenge in 2005 encouraged substantial growth in the Bank's customer and deposit base and higher volumes of customer transactions led to increases in the Bank's net fees and commissions. Net fee and commission income was also enhanced by increased commissions from higher levels of use of debit and credit cards by the Bank's customers. These gains were offset in part by lower interest rates as a result of increased competition in the banking sector and higher overall levels of interest expense due in large part to significant issuances of debt securities by the Bank in both the international and domestic markets in 2005.

The Bank's net income increased by 59.3% to KZT2,320 million in 2004 from KZT1,456 million in 2003. 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 Kazakhstan economy, as domestic GDP grew by 9.2% in 2004 relative to 2003 and there was continued increased demand for loan and investment capital across the principal sectors of the Kazakhstan 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 significantly higher amounts of capital to invest in its securities portfolio due to the 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 and higher volumes of customer transactions led to 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.

Interest Income

The following table sets forth the components of the Bank's interest income for the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December			**Change from Prior Year**	
	2005	**2004**	**2003**	**2005**	**2004**
	(KZT millions)				
Loans	21,691	10,992	6,655	97.3	65.2
Securities	1,965	1,466	1,116	34.0	31.4
Credit Institutions	766	186	113	311.8	64
Total	24,422	12,644	7,884	93.2	60.4

The Bank's interest income increased by 93.2% to KZT24,422 million in 2005 from KZT12.644 million in 2004, 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 2005, the Bank's loan portfolio expanded by 114.7% to KZT252.523 million from KZT117,593 million in 2004 largely due to significantly higher demand for financing from the Bank's corporate customers and the growth of the Bank's retail business. Consequently, in 2005 interest income on loans to customers grew by 97.3% to KZT21.691 million from KZT10,992 million in 2004 and the average net loan balance in that period increased by 114.6% to KZT172,774 million from KZT80.521 million. See also "Selected Statistical and Other Information - Loan Portfolio".

Interest income on the Bank's securities portfolio, which historically has primarily consisted of Kazakhstan sovereign securities and U.S. treasury bills, increased by 34.0% to KZT1.965 million in 2005 from KZT1,466 million in 2004 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 13.7% in 2004 to 12.6% in 2005 due to increased competition among banks operating in Kazakhstan. The Bank's interest income growth in 2005 was also partially offset by a decline in the average interest rates earned on securities the Bank classifies as "financial assets at fair value through profit or loss" (which category comprises all of the Bank's trading securities), which decreased from 5.8% in 2004 to 3.3% in 2005 and the lower interest rate earned on the investment portfolio portion of the Bank's total securities in 2005, which was approximately 4.0% as compared to 4.8% in 2004. The decreasing returns on the Bank's securities portfolio were due in large part to declining interest rates for Kazakhstan sovereign securities. See "Selected Statistical and Other Information - Average Balances".

Interest income earned from deposits with credit institutions increased by 311.8% to KZT766 million in 2005 from KZT186 million in 2004, which in turn represented an increase of 64.6% from KZT113 million in 2003. The increase in interest income earned on deposits with credit institutions in 2005 was attributable, in part, to an increase in the volume of transactions with other banks and in part due to the Bank depositing with other banks the proceeds from the issuance of U.S.$200 million 9.25% Notes due 2012 in April 2005 and the U.S.$200 million 8.125% Notes due 2010 in October 2005 prior to the Bank utilising such funds, as well as to increased interest rates obtained by the Bank on deposits with certain Kazakhstan domestic banks in 2005 as compared to 2004.

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 net loan balance in that period increased by 72.1% to KZT80,521 million from KZT46,778 million. See also "Selected Statistical and Other Information - Loan Portfolio".

In addition, in 2005 the Bank's total securities portfolio increased by 67.9% to KZT59,395 million. 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 2005 and 2004. The Bank uses its securities portfolio principally to manage liquidity in compliance with Kazakhstan 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 20.0% of total assets.

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 and to 12.6% in 2005 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 financial assets at fair value through profit or loss portfolio, which decreased from 6.6% in 2003 to 5.8% in 2004 and to 3.3% in 2005 and the lower interest rate earned on the investment portfolio portion of the Bank's total securities in 2005, which was approximately 4.0%. The decrease in returns on the Bank's securities portfolio was due in part to declining interest rates for Kazakhstan sovereign securities. 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. 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 U.S.S100 million 8.5% Notes due 2007 prior to the Bank utilising such funds in May 2004.

***Interest** Expense*

The following table sets out the components of the Bank's interest expense for the years ended 31 December 2005, 2004, and 2003:

	Year ended 31 December Year			**Change from Prior**	
	2005	**2004**	**2003**	**2005**	**2004**
	(KZT millions)			*(%j)*	
Deposits....................	(5,146)	(2,795)	(2,126)	84.1	31.5
Borrowings...............	(2,756)	(1,437)	(958)	91.8	50.0
Subordinated Debt.....	(916)	(63)	(130)	1,354.0	(51.5
Debt securities issued.	(7,319)	(1,513)	(13)	383.7	11,538.5
	(16,137)	(5,808)	(3,227)	177.8	80.0

Interest expense increased by 177.8% in 2005 to KZT16,137 million from KZT5,808 million in 2004, which, in turn, represented a 80.0% increase from KZT3,227 million in 2003.

In 2005, 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.S200 million 9.25% Notes due 2012 in April 2005, U.S.$200 million, 8.125% Notes due 2010 in October 2005, KZT13 billion 8.5% Notes due 2012 in May 2005, U.S.S100 million 8.5% Notes due 2007 in May 2004 and KZT2.9 billion of bonds in December 2003, respectively.

In addition, the significant growth of the Bank's deposit base contributed to the growth in interest expense between 2003 and 2005 as the volume of customer deposits increased by 69.7% in 2005 to KZTl 16,682 million from KZT68.747 million in 2004 and by 53.4% in 2004 from KZT44.826 million in 2003. See "Selected Statistical and Other Information - Funding and Liquidity - Customer Accounts".

Due to increased borrowings under higher interest bearing external credit facilities and the issuance of debt instruments in the international capital markets in 2005 and 2004, the average interest rates paid by the Bank for such borrowings and securities increased to 10.5% in 2005 from 9.1% in 2004. In 2003, the Bank issued debt securities in KZT bearing interest at 8.5% per annum. 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 Kazakhstan deposit insurance system to which the Bank is a member, maximum interest rates are established for deposits covered by the scheme. The maximum interest rates are pegged to the NBK Refinancing Rate which in turn is affected by the prevailing rate of inflation. As a result, the average interest rate paid by the Bank in respect of customer deposits decreased from 5.2% in 2003 to 4.8% in 2004 and increased to 5.3% in 2005. Along with higher inflation rates in Kazakhstan in 2005, the increase in 2005 was due to increased competition for customer deposits in the Kazakhstan market and an increase in longer-term deposits held with the Bank. See "Selected Statistical and Other Information -Average Balances".

*Net **interest income***

Net interest income increased by 21.2% to KZT8,285 million in 2005 and by 46.8% to KZT6.836 million in 2004 from KZT4,657 million in 2003. The Bank's net interest margin decreased from 6.9% in 2003 to 5.8% in 2004 and to 3.5% in 2005. The principal reason for the decline in margins between 2003 and 2005 was the general increase in the Bank's funding costs. Consequently, between 2003 and 2005, 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 KZT2,848 million in 2003 to KZT43,307 million in 2004 and to KZT98,430 million in 2005. 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" and "Selected Statistical and Other Information - Funding and Liquidity - Customer Accounts".

***Impairment** of **interest-earning** assets*

The Bank recorded impairment of interest-earning assets of KZT2,101 million in 2005, which represented a decrease of 27.4% from KZT2,894 million in 2004, which represented an increase of

70.8%, from KZT1.694 million in 2003. The decrease in 2005 was due to an improvement in the quality of the loan portfolio as a result of repayments made by certain higher risk borrowers and better overall credit quality. The Bank's credit policy also became more strict in relation to its borrowers and the Bank increased its monitoring of borrowers. The increase in the years 2004 and 2003 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 from 5.3% in 2003 to 4.7% in 2004 and to 3.0% in 2005. The decrease between 2004 and 2003 was due to improved credit risk analysis and lending procedures by the Bank. 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 98.9%, 99.7% and 99.7%, respectively as at 31 December 2005, 2004 and 2003, respectively.

Fees and Commissions

In 2005, net fee and commission income increased by 42.0% to KZT2.727 million from KZT1,921 million in 2004. The Bank derives its fees 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 2005 relative to 2004 principally due to the increased level of activities undertaken by the Bank as a result of the significant growth of the Bank's customer base. The overall increase in fee and commission income in 2005 relative to 2004 was driven in part by increased commissions relating to the Bank's settlement options, which grew by 46.0% to KZT1.009 million in 2005 compared to KZT691 million in 2004. Other factors which contributed to overall growth in the Bank's fee and commission income in 2005 included an increase in fees charged in respect of cash operations, which increased by 60.9% to KZT774 million in 2005 from KZT481 million in 2004 and an increase in payment card fees from the Bank's expanding retail business by 26.1% in 2005 to KZT251 million from KZT199 million in 2004.

Fees and commissions increased in 2004 compared to 2003 mainly due to the increased level of activities undertaken by the Bank as a result of the significant growth of the Bank's customer base. The overall increase in fee and commission income in 2004 compared 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 55.0% 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 2004 included an increase in fees charged in respect of foreign exchange transactions, which increased by 27.9% to KZT335 million in 2004 from KZT262 million in 2003 and an increase in payment card fees from the Bank's expanding retail business by 32.7% to KZT199 million from KZT150 million in 2003.

Non-interest Income

The Bank's non-interest income increased by 40.7% in 2005 to KZT2,888 million from KZT2,052 million in 2004. The increase in the Bank's non-interest income in 2005 compared to 2004 was mainly due to an increase in dealing gains less losses in 2005 of KZT1,24O million in 2005 as compared to KZT781 million in 2004 as well as increases in other income to KZT586 million in 2005 from KZT60 million in 2004. The increase in other income in 2005 was largely due to fees received in 2005 by the Bank for consulting services provided to a large Kazakhstan raw materials producer.

The Bank's non-interest income increased by 56.6% in 2004 to KZT2,052 million from KZTl,310 million in 2003. 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 financial assets at fair value through profit or loss 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 incurred as a result of KZT- U.S. Dollars exchange translation.

Non-interest Expense

The Bank's non-interest expense increased by 31.8% in 2005 to KZT6,971 million from KZT5.288 million in 2004. The increase in the Bank's non-interest expense in 2005 compared to 2004 was mainly due to an increase in salaries and bonuses and administrative and other expenses. In 2005, salaries and bonuses increased by 22.8% to KZT3,047 million. This increase reflected the 34.8%

increase in the number of the Bank's employees to 2,616 in 2005 from 1,940 in 2004 due to the acquisitions of CJSC Omsk Commercial Bank Sibir and OJSC ATFBank-Kyrgyzstan and the expansion of the Bank's operations in Kazakhstan. In addition, the increase in staff costs reflected higher annual salaries and bonuses paid to the Bank's management and employees in 2005 due to the competitive employment market and the need to attract and retain quality staff.

During 2004 the Bank opened four additional full service branches which were fully operational by 2005. As a result, leasing expenses increased by 31.6% to KZT312 million in 2005 from KZT237 million in 2004.

Advertising expenses increased in 2005 by 131.0% to KZT536 million from KZT232 million in 2004, partially as a result of the celebration of the tenth anniversary of the Bank. In addition, consulting expenses increased by 280.0% in 2005 to KZT95 million from KZT25 million in 2004, largely in connection with increased consulting fees paid in connection with the Bank's Eurobond issuances and IT services.

The Bank's non-interest expense increased by 52.2% in 2004 to KZT5,288 million from KZT3.474 million in 2003. 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 21.8% increase in the number of the Bank's employees to 1,940 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 the competitive employment market and the need to attract and retain quality staff and additional costs in connection with the opening of the four additional full service branches. In addition, leasing expenses increased in 2004 by 200.0% to KZT237 million from KZT79 million in 2003 as the Bank opened additional branches and expanded its headquarters to provide space for additional staff and equipment. Advertising expenses increased in 2004 by 39.8% 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.

***Income** Tax Expense*

The Bank's effective tax rate was 16.0% in 2005 as compared to 11.7% in 2004 and 34.3% in 2003. The decrease in the Bank's effective tax rate in 2004 relative to 2003 was mainly due to the reassessment of taxes in relation to prior years. In addition, the Bank's tax exempt income increased from KZT418 million in 2003 to KZT582 million in 2004 and to KZT1,514 million in 2005. The tax-exempt income increased in 2005 due to active lending in 2003-2004 of long-term loans classified as investment and mortgage loans, the income of which is not subject to tax, while non-deductible expenses increased from KZT496 million in 2003 to KZT76 million in 2004 and to KZT820 million in 2005.

Cash Flow

The following table sets out the Bank's main sources of cash for the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December Year			Change from Prior	
	2005	2004	2003	2005	2004
	(KZT millions)			(%)	
Net cash flows from operating activities	(48,383)	(15,578)	(2,324)	(210.6)	(570.3)
Net cash flow from investing activities	(8,630)	(29,076)	(783)	70.3	(3,613.4)
Net cash flow from financing activities	75,679	53,492	4,602	41.5	1,062.4
Effect of exchange rate changes on cash and cash equivalents	336	(626)	(137)	53.7	(356.9)
Cash and cash equivalents at beginning of the year	14,048	5,836	4,478	140.7	30.3
Cash and cash equivalents at the end of the year	33,050	14,048	5,836	135.3	140.7

In 2005, 2004 and 2003, the Bank used cash in the amount of KZT48,383 million, KZT15,578 million and KZT2,324 million from its operating activities. In 2005, the Bank used cash to grant loans to customers in the amount of KZT129.123 million, which was largely generated from its operating activities and the issuance of debt securities. 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 2005, 2004 and 2003, the Bank used net cash in the amounts of KZT8,630 million, KZT29,076 million and KZT783 million, respectively, in its investing activities. In 2005, 2004 and 2003, the Bank generated net cash in the amounts of KZT75,679 million, KZT53,492 million and KZT4,602 million, respectively, from its financing activities.

Financial Condition as at 31 December 2005, 2004 and 2003

The following discussion of the Bank's assets and liabilities should be read in conjunction with "Selected Statistical and Other Information".

The following table sets out certain information as to the Group's assets as at 31 December 2005, 2004 and 2003.

	As at 31 December		Change from 31 December	As at 31 December		Change from 31 December
	2005			2004	2003	
	(U.S.S thousands)'0 (unaudited)	(KZT millions) 7,271	(%) 119.7	(KZT millions) 3,310	2,477	(%) 33.6
Cash on hand	54,269					
Correspondence accounts with other banks	95,798	12,835	32.7	9,672	1,617	498.1
Time deposits with the NBK .	67,495	9,043	(100.0)	501	1,002	(50.0)
Correspondent account with the NBK	29,116	3,901	1,500.5	565	262	115.6
Short term deposits with other banks.			100.0		478	(100.0)
	246,678	33,050	135.3	14,048	5,836	140.7
Cash and cash equivalents.....	31,826	4,264	78.4	2,390	1,775	34.6
Correspondent account with the NBK allocated to obligatory reserves	31,826	4,264	78.4	2,390	1,775	34.6
	24,145	3,235	108.8	1,549		100.0
	1,164	156	(100.0)	1,180	—	100.0
Obligatory reserves			(80.1)	783		100.0
Time deposits			(100.0)	(1)		(100.0)
Correspondent accounts with other banks	25,309	3,391	(3.4)	3,511	9,454	100.0
	98,380	13,181	2,093.2	601		(93
Loans to local credit institutions.............................	16,614	2,226	(28.8)	3,125	—	100.0
Less allowance for impairment	45,604	6,110	40.8	4,340	6,560	(33.8)
Amounts due from credit institutions...	17,226	2,308	0.0	499	4,239	(100.0)
Notes of the NBK..................	10,546	1,413	100.0		2,582	(100.0)
Euronotes of the Republic of Kazakhstan			183.2		556	(10.3
			0.0		416	
Treasury bills of the Ministry of Finance	5,031	674	100.0	85	83	2.4
	3,493	468	450.6			
Sovereign bonds of the Republic of Kazakhstan	196,894	26,380	205.0	8,650	23,890	(63.8)
U.S. Treasury bills			4,569.7	707		100.0
Bonds of local financial organisations	246,417	33,015	(100.0)	26,009		100
Equity investments................	246,417	33,015	23.6	26,716	63,48	100.0
Government securities of OECD based countries	1,876,288	251,385	114.8	117,016	1 404	84.3
Corporate bonds....................	8,494	1,138	97.2	577	(3,397)	42.8
	(57,091)	(7,649)	39.0	(5,503)		(62
Financial assets at fair value through profit and loss	1,827,691	244,874	118.5	112,090	60,488	85.3
available-for-sale	26,399	3,537	2,167.3	156	190	17.9
held-to-maturity	39,110	5,240	58.0	3,316	2,280	45.4
	2,881	386	114.4	180	176	2.3
Investment securities.............			(100.0)	515	86	498.8
Commercial loans	2,881	386	(44.5)	695		165.3
Advances...............................	1,261	169	(46.0)	313	262	
Less - Allowance for impairment............................	35,543	4,762	136.1	2,017	919	100.0
	2,680,009	359,068	106.5	173,902	95,640	81.8
Commercial loans and advances						
Insurance reserves, reinsurance share...						
Premises and equipment						
Current tax assets..................						
Deferred tax assets................						
Tax assets..............................						
Investments in associates.......						
Other assets...........................						
Total assets						

(1) Translated at the official U.S. Dollar exchange rate on the KASE as at 31 December 2005, as reported by NBK, of KZT133.98 =U.S.$1.00

As at 31 December 2005, the Bank had total assets of KZT359,068 million compared to total assets of KZT173.902 million as at 31 December 2004 and KZT95,640 million as at 31 December 2003. The increase in total assets of 106.5% in 2005 as compared to 31 December 2004 was primarily due to the significant increase in the Bank's gross loan portfolio, which grew by 114.8% as at 31 December 2005 to KZT252,523 million from KZT117,593 million as at 31 December 2004 as a consequence of general growth in the Kazakhstan economy and the generally higher demand for loans from the Bank's customers. Similarly, the increase in total assets of 81.8% in 2004 was also attributable to the significant increase in the Bank's loan portfolio, which grew by 84.3% to KZT117,593 million in 2004 from KZT63,885 million in 2003 which was attributable to the growth of the Kazakhstan 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 end of 2005 increased. Thus, the ratio of the Bank's commercial loans and advances to amounts due to customers as at 31 December 2005, 2004 and 2003 was 209.9%, 163.0% and 134.9%, respectively. In order to fund this significant demand, the Bank's strategy has been and will be in the medium 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 with 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 - Risk Factors Relating to the Bank - Loan Portfolio Growth and Risk Management".

Cash and cash equivalents increased by 135.3% to KZT33,050 million as at 31 December 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 31 December 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 31 December 2005, short-term deposits with other banks amounted to KZT3,901 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 the proceeds from the issuance in April 2005 of its U.S.S200 million notes due 2012 and the proceeds from the issuance in October 2005 of its U.S.S200 million notes due 2010 prior to its utilising such funds, and partly due to an increase in demand deposits of the Bank's customers in 2005.

The Bank's total securities portfolio (which comprises both financial assets at fair value through profit and loss and investment securities), increased by 67.9% to KZT59,395 million as at 31 December 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 to cover outflows of deposits and other funds.

Tax assets (current and deferred) decreased by 44.5% to KZT386 million as at 31 December 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 increase was primarily attributable to increased deferred tax assets which were related to provisions created against loans and written off assets and provisions.

Total Liabilities

The following table sets out certain information as to the Group's liabilities as at 31 December 2005, 2004 and 2003:

	As at 31 December		Change from 31 December	As at 31 December		Change from 31 December
	2005			2004	2003	
	(U.S.S thousands)'° *(unaudited)*	*(KZT millions)*	*(%)*	*(KZT millions)*		*(%)*
Time deposit from NBK	15,368	2,059	1.5	2,029	2,007	1.1
Local municipal authorities	1,067	143	(58.1)	341	343	(0.6)
Amounts due to the Government under International Financing Programs	52,679	7,058	626.8	971	1,095	(11.3)
Amounts due to the Government and NBK	69,114	9,260	177.2	3,341	3,445	(3.0)
Loans from foreign banks in USD	340,461	45,615	120.9	20,652	22,438	(8.0)
Loans from foreign banks in Euro	65,920	8,832	(13.8)	10,247	2,864	257.8
Loans from foreign banks in Swedish Krona	202	27	100.0			
Repurchase agreements	75	10	(99.7)	3,703	1,120	230.6
Loans from the Small Business Development Fund of Kazakhstan	14,689	1,968	41.3	1,393	1,761	(20.9)
Time deposits from local banks	193,118	25,874	1,699.3	1,438	4,491	(68.0)
Current accounts	9,830	1,317	(1.0)	1,330	6	22,066.7
Overnight deposits					958	(100.0)
Amounts due to credit institutions	624,295	83,643	115.8	38,763	33,638	15.2
Customer current accounts:						
Individuals	35,587	4,768	106.6	2,308	1,397	65.2
Commercial	338,207	45,313	140.7	18,825	15,334	22.
Term deposits:						
Individuals	166,383	22,292	75.0	12,740	7,854	62.2
Commercial	323,48	43,340	26.9	34,16	19,557	74.
Held as security against letters of credit	7,232	969	36.3	711	684	3.9
Amounts due to customers	870,890	116,682	69.7	68,747	44,826	53.4
Reserves for claims	31,482	4,218	719.0	515	349	47.6
USD denominated notes	707,210	94,752	141.8	39,191	2,920	100.0
KZT denominated bonds	33,826	4,532	(105.3)	4,532	(72)	55.2
Own USD bonds held by the Group	(6,374)	(854)		(416)		100.0
Less unamortised cost of issuance						(100.0)
Debt securities issued	734,662	98,430	127.3	43,307	2,848	1,420.6
KTZ denominated notes	131,54	17,62	100.0			
USD denominated subordinated bonds	10,046	1,346	0.1	1,344	1,498	(IO.3)
Own USD subordinated bonds held by the Group	(7,979)	(1,069)	(1.4)	(1,084)	—	(100.0)
Less unamortised cost of issuance	(911)	(122)	100.0			
Subordinated debt	132,698	17,779	6738.1	260	1,498	(82.6)
Provisions	2,112	283	11.4	254	159	59.7
Other liabilities	9,173	1,229	129.7	535	535	
Total liabilities	2,474,426	331,524	112.9	155,722	87,298	78.4

(1) Translated at the U.S. Dollar exchange rate on the KASE as at 31 December 2005, as reported by NBK, of KZT133.98 = U.S.S1.00.

As at 31 December 2005, the Bank had total liabilities of KZT331,524 million compared to KZT155,722 million as at 31 December 2004 and KZT87,298 million as at 31 December 2003. The increase in the Bank's total liabilities of 112.9% as at 31 December 2005 relative to 31 December 2004 was primarily attributable to the 69.7% growth of the Bank's deposit base and the increase in the issuance of debt securities by the Bank in 2005. The increase in the Bank's total liabilities of 78.4% 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 115.8% to KZT83,643 million as at 31 December 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 69.7% to KZT116,682 million as at 31 December 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 127.3% to KZT98,430 million as at 31 December 2005 from KZT43,307 million as at 31 December 2004, which, in turn, represented a 1,420.6% increase from KZT2,848 million as at 31 December 2003. Subordinated debt increased by 6,738.1% to KZT17.779 million as at 31 December 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 2005, amounts outstanding under repurchase agreements were KZT10 million. 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 11.4% to KZT283 million as at 31 December 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.

Off-Balance Sheet Arrangements

In the normal course of business, the Bank enters into certain financial instruments in order to meet the needs of its customers. These instruments, which include undrawn loan commitments, letters of credit and guarantees, involve varying degrees of risk and are not reflected on the balance sheet of the Bank but which are reflected in a footnote as financial commitments and contingencies.

The following table sets forth the financial commitments and contingencies of the Bank as at 31 December 2005, 2004 and 2003:

	As **at 31 December**		
	2005	**2004**	**2005**
		(KZT millions)	
Undrawn loan commitments	33,306	17,930	7,544
Guarantees	15,029	16,108	6,364
Open letters of credit	3,60	5,037	2,9
Total commitments and contingencies	51,936	39,075	16,895

The Bank's maximum exposure to credit losses for these commitments is reflected in the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total contractual amount does not necessarily represent future cash requirements.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as for its on-balance sheet operations. To mitigate against potential losses on guarantees, the Bank sets aside provisions applying similar principles as those applied in assessing the required allowances for losses under other credit facilities. As at 31 December 2005, 2004 and 2003, the Bank set aside provisions of KZT283 million, KZT254 million, and KZT159 million, respectively. The increase in the amount of provisions is due to the increase in the size of the commitments.

In respect of commercial letters of credit, as these credit lines are extended to customers who generally use them in transactions to purchase goods, the Bank mitigates its risk by taking collateral over the goods.

The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies but may include deposits held by the Bank, government securities, guaranteed letters of credits and other assets. As at 31 December 2005, 2004 and 2003, the Bank had cash collateral against such commitments of KZT969 million, KZT771 million and KZT683 million, respectively, as security against letters of credit and guarantees.

As at 31 December 2005, 2004 and 2003, the top 10 guarantees of the Bank accounted for 62.0%, 70.0% and 67.0% of total financial guarantees, respectively, and represented 34.0%, 63.0% and 51.0% of total shareholders' equity. As at 31 December 2005, 2004 and 2003, the top 10 letters of credit of the Bank accounted for 64.0%, 81.0% and 84.0% of total commercial letters of credit, respectively, and represented 8.0%, 23.0%, and 30.0% of total shareholders' equity.

Capital Adequacy and Other Ratios

The following table sets out certain ratios^[10] 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 September	As at 31 December		
		2006	2005	2004	2003
		(%, unless otherwise indicated)			
Minimum Share Capital[1]	Not less than KZTl,500 million	KZT35,600 million	KZT20,000 million	KZT14.771 million	KZT6,240 million
Capital Adequacy Ratios					
Kl - Tier I capital to total risk-weighted assets................	Not less than 6%[4]	7.8	8.3	8.8	7.3
K2 - Own capital[3] to total risk-weighted assets...........	Not less than 12%[4]	14.1	12.4	13.4	13.2
K4 - Current Liquidity ratio	Greater than 30%	117.9	169.0	169.7	91.8
K5 - Short-term Liquidity Ratio	Greater than 50%	66.1	119.6	127.0	72.5
Reserves with the NBK and cash[5]	A monthly average of not less than 6% of average balances of deposits with a maturity of less than three months[6]	8.91	10.4	12.4	13.4
K6 - investments into fixed assets and non financial assets to equity..........................	Not greater than 50% of bank's own capital®	20.5	15.8	21.1	26.9
Maximum aggregate net open foreign currency position[2]...	25%[7] of bank's own capital[3]	4.13	11.3	22.0	4.8
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	12.5%[8] of bank's own capital™	0.16	12.2	22.7	4.1
Maximum net open (short or long) position in currencies of countries rated below to "A"	5% of bank's own capital[0]	3.98	0.3	0.1	0.3
Maximum aggregate onbalance sheet and off-balance sheet exposure to related parties....	100% of bank's own capital[01]	19.7	3.3	11.7	8.3
Maximum exposure to any single borrower[19]:					
related parties.................	Not greater than 10%	9.4	1.1	4.1	3.7
other borrowers..............	Not greater than 25%	20.6	14.3	23.3	23.9
on unsecured loans..........	Not greater than 10%	2.2	3.8	0.5	0.4

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

(2) Ratio of net currency position (including balance sheet items) to equity in accordance with FMSA requirements.

(3) The FMSA's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and, starting from 1 January 2006, Tier III capital (not exceeding 250% of the part of Tier I capital aimed to cover market risk) less equity investments. Tier I capital is the sum of share capital plus share premium plus retained earnings less intangible assets, and, starting from 22 November 2005, qualified term-less debt obligations or Tier I subordinated debt in an amount not exceeding 15% of Tier I capital. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general

provisions (to the extent that they do not exceed 1.25 % of risk-weighted assets) plus Tier II subordinated debt (but no more than 50% of Tier I capital) and, starting from 22 November 2005, Tier I subordinated debt not included into the calculation of Tier I capital. Starting from 1 January 2006, Tier III capital is the sum of Tier III subordinated debt plus Tier II subordinated debt not included into the calculation of Tier II capital. Since November 2005, for a bank with a banking holding company (that is, an entity holding more than 25.0% of its voting share capital, alone or together with affiliated companies) among its shareholders, Kl must be not less than 5.0% and for other banks it must not be less than 6.0%, as before, and K2 must be not less than 10.0% and for other banks it must be not less than 12.0%, as before. In addition, starting from 1 January 2006, assets weighted by credit, market and operational risk (as opposed to only credit risk-weighted before) have to be taken into account when calculating the K2 ratio.

(4) Under new FMSA regulations Kl and K2 ratios should be not less than 6.0% and 12.0%, respectively, while for commercial banks whose shareholders have the status of bank holding company under FMSA rules, these ratios should exceed 5.0% and 10.0%, respectively.

(5) Ratio of actual reserves to reserve liabilities. From 1 October 2005, reserve requirements have been calculated as a percentage of internal liabilities of the bank (basically, average customer account balances) plus the positive difference, if any, between the amount of external liabilities and the amount of external reserve assets of the bank. External liabilities include liabilities to international financial organisations, special purpose deposits of subsidiaries, debt security liabilities and subordinated debts.
External reserve assets include hard currency and certain other assets abroad. The percentage stays unchanged at 6.0%.

(6) With effect from 14 July 2006, the NBK requirement of a minimum monthly average of 6.0% of deposits with a maturity of less than three months, has been changed to the minimum requirement of 6.0% of all domestic liabilities and 8.0%, of all non-domestic liabilities.

(7) 25.0% starting from 1 September 2006.

(8) 12.5% starting from 1 September 2006.

(9) Starting from 22 November 2005, this ratio was eliminated and replaced with the requirement that the aggregate credit exposure to borrowers where each exposure exceeds 10.0 % of bank's own capital should not exceed 8 times bank's own capital.

(10) Starting from 30 June 2006, the FMSA introduced three new limits in relation to currency liquidity. From 1 October 2006, the Bank had to be in compliance with these limits. The current currency liquidity limit (to be greater than 0.9) is calculated as foreign currency denominated high liquidity assets averaged monthly divided by paid-on-demand liabilities in the same currency averaged monthly. The short-term currency liquidity limit is calculated similarly to the current currency liquidity limit by taking assets/liabilities with maturities less than three months; this ratio should not exceed 0.8. Similarly, the medium-term currency liquidity limit is calculated by taking assets/liabilities with maturities of less than one year; it should not be greater than 0.6.
Limits are calculated for each foreign currency where liabilities denominated in such currency exceed 1.0%, of the monthly averaged liabilities of a bank.

The following table gives information relating to the Bank's risk weighted capital adequacy as at the dates indicated.

	As at 30 September		As at 31 December					
	2006		2005		2004		2003	
	(U.S.$ thousands)	(KZT millions)	(U.S.$ thousands)	(KZT millions)	(U.S.$ thousands)	(KZT millions)	(U.S.$ thousands)	(KZT millions)
Tier I capital	353,081	44,884	205,587	27,545	125,231	16,280	44,668	6,442
Tier II capital	141,155	17,944	103,207	13,828	22,692	2,950	25,848	3,728
Gross Tier I and Tier II capital	494,236	62,828	308,794	41,373	147,923	19,23[illegible]	70,516	10,17[illegible]
Less investments	—				[illegible]	[illegible]	(132)	[illegible]
Tier I and Tier II capital	494,236	62,828	308,794	41,373	145,514	18,917	70,384	10,151
Total risk weighted assets	[illegible]	435,15[illegible]	2,483,7[illegible]	332,77[illegible]	1,306,0[illegible]	169,78[illegible]	515,68[illegible]	74,372
Tier I capital adequacy ratio(1)	10.3%	10.3%	8.3%	8.3%	9.6%	9.6%	8.7%	8.7%
Total risk weighted capital adequacy ratio(2)	14.4	14.4	12.4%	12.4	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 10.3% at 30 September 2006 compared to 8.3% at 31 December 2005, 9.6% at 31 December 2004 and 8.7% at 31 December 2003, and a capital adequacy ratio of, 14.4% at 30 September 2006 compared to 12.4% at 31 December 2005 compared to 11.1% at 31 December 2004 and 13.6% at 31 December 2003 compared to the minimum of 6% for Tier I and 8% for total capital.

THE ISSUER

History

The Issuer was incorporated as a private company with limited liability (a besloten vennootschap met beperkte aansprakelijkheid or B.V.) under and subject to the laws of The Netherlands on 24 April 2006 for an unlimited duration. Its number in the commercial register of Rotterdam, The Netherlands is 24394541. The Issuer is a direct, wholly-owned subsidiary of the Bank.

Capitalisation

The following table sets out the capitalisation of the Issuer as at 31 December 2006, as adjusted to reflect the issue and sale of the Notes before deducting commissions and expenses.

	Actual		**As adjusted**	
	(U.S.$)[(1)] *(unaudited)*	*(Euro)* *(unaudited)*	*(U.S.$)*[(1)] *(unaudited)*	*(Euro)* *(unaudited)*
Senior long-term liabilities®......	550,000,000	417,615,793	1,000,000,000	759,301,443
Subordinated long term liabilities	100,000,000	75,930,144	100,000,000	75,930,144
Total shareholders'equity...........	2,651,547	2,013,323	2,651,547	2,013,323
Total shareholders' equity and long-term liabilities................	652,651,547	495,559,261	1,102,651,547	837,244,910

(1) At the exchange rate of €1 = U.S.S1.317 (from the European Central Bank) as of 29 December 2006.
(2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated.

In October 2006, the Issuer entered into a U.S.S550 million syndicated term loan facility agreement, unconditionally and irrevocably guaranteed by the Bank, with a tenor of twelve months, bearing interest at 1% over LIBOR and arranged by Deutsche Bank AG, London Branch and Raiffeisen Zentralbank Aktiengesellschaft. In November 2006, the Issuer issued U.S.S100 million 10% perpetual non-cumulative notes.

Except as stated in the table above, the Issuer has no outstanding indebtedness in the nature of borrowings or guarantees or contingent liabilities as at the date of the Prospectus.

The authorised share capital of the Issuer is €90,000, divided into ordinary shares with a par value of €1 each. As at the date of this Prospectus, the Issuer's issued share capital is €18,000, consisting of 18,000 ordinary shares which have been issued and fully paid at par and are directly owned by the Bank.

There has been no material adverse change in the prospects of the Issuer since the date of its incorporation.

The net proceeds of the issue will be deposited by the Issuer with the Bank.

Business

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

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

Financial Statements

Since the date of its incorporation and at the date of this Prospectus, no financial statements of the Issuer have been prepared. To comply with a NBK requirement that the accounts of overseas subsidiaries of Kazakhstan banks be independently audited, the Issuer has engaged Mazars Paardekooper Hoffman N.V., Rotterdam, The Netherlands, a member of Koninklijk Nederlands

Instituut van Registeraccountants, to conduct annual audits of its statutory financial statements. The Issuer is not required to, and does not intend to, produce interim financial statements.

Management

The Issuer has two managing directors, K.A. Rakhmanov, who is a Managing Director of the Bank, with his business address at 100 Furmanov Street, Almaty, 050000, Kazakhstan, and Equity Trust Co. N.V. **("Equity Trust")** a company with limited liability incorporated in The Netherlands, which has its registered office at Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands. The directors of Equity Trust are F. van der Rhee, R.G.A. de Schutter and J.C.W. van Burg (each a managing director) and W.P. Ruoff, J. P. Everwijn and W.H. Kamphuijs (each a deputy director), each jointly authorised to represent Equity Trust as a managing director of the Issuer. Equity Trust may also be represented by each of its (managing or deputy) directors and each of its registered proxyholders jointly.

The only potential conflict of interest between any duties of the Issuer's managing directors towards the Issuer and their private interests and/or other duties is, as stated above, that K.A. Rakhmanov is a Managing Director of both the Issuer and the Bank. Consequently, there may be situations where it is not possible for K.A. Rakhmanov to simultaneously act in the best interests of the Issuer and the Bank. Under Dutch corporate law, each managing Director who has a conflict of interest with a company in relation to a certain transaction must disclose such conflict to the general meeting of shareholders of the company which has the power in such circumstances to appoint an attorney to replace the managing board for the purpose of representing the company.

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

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

General Information

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

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

THE BANK

Overview

The Bank is the fifth largest commercial bank in Kazakhstan in terms of assets according to data compiled by the NBK as at 30 September 2006. The Bank's total assets as at 30 September 2006 were KZT586.630 million, compared to KZT359,068 million as at 31 December 2005. The Bank's net income for the nine months ended 30 September 2006 was KZT2,173 million as compared to KZT 1,795 million for the nine months ended 30 September 2005. The Bank's shareholders' equity as at 30 September 2006 was KZT44,883 million compared to KZT27,544 million as at 31 December 2005 and KZT18,180 million as at 31 December 2004.

The Bank's business focus is corporate, SME 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, SME and retail customers. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

As at 30 September 2006, the Bank had four subsidiaries, JSC Insurance Company ATF Policy, OJSC ATFBank-Kyrgyzstan in Kyrgyzstan, CJSC Omsk Commercial Bank Sibir in Russia, the Issuer in The Netherlands, one associate company, JSC Open Savings Pension Fund Otan in Kazakhstan, and one affiliated company, JSC ATF Leasing in Kazakhstan. As at 30 September 2006, the Bank and its subsidiaries had 67 branches, consisting of 43 branches of the Bank, including its head office in Almaty and 19 regional and 24 full and limited service branches in Kazakhstan, and 24 branches of the subsidiaries in various locations in Kazakhstan, Russia and Kyrgyzstan. As at 1 January 2007, the Bank, following FMSA requirements, has converted 17 of its limited service branches into one full service branch and 16 additional offices of full service branches of the Bank. During 2007, the Bank anticipates opening up to two full service branches and 109 additional offices of full service branches in Kazakhstan, eight full service branches, one additional office of a full service branch in Kyrgyzstan and six additional offices of full service branches in Russia.

On 26 September 2006, the Bank's Board of Directors approved the acquisition of 75.1% of OJSC Sohibcorbank of Tajikistan including both its common and preferred shares and the Bank obtained the approval of the National Bank of Tajikistan for the acquisition of 65.0% of the shares of OJSC Sohibcorbank. As of 31 December 2006, the Bank had acquired 24.1% of the issued charter capital of OJSC Sohibcorbank (which amounted to 16.67% of the authorised charter capital) and had obtained the approval of the National Bank of Tajikistan for the further acquisition of 20.0% of its shares.

As at 31 December 2006, the Bank has increased its shareholding in JSC Open Savings Pension Fund Otan to 61.9%, making it a subsidiary of the Bank. On 17 November 2006, JSC ATFFinance was formed and the Bank currently owns 100% of the shares of JSC ATFFinance.

The common and preferred shares of the Bank are currently listed on the "A" list of KASE.

The Bank is registered with the Ministry of Justice under certificate number 345-199-AO (HY). 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 general banking licence No. 239 was issued to it by the FMSA in February 2006.

History

The Bank was incorporated on 3 November 1995 as CJSC Almaty Merchant Bank, by a number of domestic and foreign 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 ATFBank. On 3 October 2003, the Bank completed its re-registration as a joint stock company and adopted a new charter, in order to comply with the requirements of the Law on Joint-Stock Companies in Kazakhstan dated 13 May 2003 (as amended). 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 JSC Kazzinc, 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 KZTl,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.

Strategy

The Bank's overall strategic objective is to expand its market share and increase its profitability. The Bank intends to achieve these goals through the following measures:

- expanding its banking and other financial services offered to corporate, SME and retail customers;
- diversifying and strengthening its funding base;
- strengthening risk management;
- enhancing operational efficiency; and
- expanding its regional and international presence.

Expansion of Banking and Other Financial Services

The Bank's strategy is to continue to diversify its business operations as a full-scale universal bank by offering high quality and diverse banking products and services to corporate clients, SME and retail customers. In relation to retail customers, the Bank has in the past focused mainly on middle and high net worth individuals but as the Bank's expansion continues, it intends to focus more attention on the broader retail market.

The Bank is committed to further developing its corporate banking services. The Bank plans to focus on diversifying and increasing its loan portfolio, while maintaining its quality, by attracting new corporate clients and SME clients, continuing expansion of its trade financing activities and introducing new and expanding existing services and products to its corporate clients, such as safe keeping, payroll management, investment advisory and custodian 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 loan portfolio represented by the SME sector 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 and SME 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 keeping and custodian services, insurance products and the issue of credit and debit cards with special emphasis on 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 a 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 and ING Private Banking Asia are in the process of establishing a joint venture company to take over the investment banking, asset management and brokerage role of the Bank's Corporate Finance Department. The company, JSC ATFFinance, was registered as a participant of the Almaty Regional Financial Centre in November 2006. The management board of this company has been formed and the Bank currently owns all of its shares. As of the date of this Prospectus, the Bank is waiting to obtain approval for the joint venture from the FMSA. JSC ATFFinance is also hoping to obtain a broker-dealer's licence from the FMSA. See "- Subsidiaries, Associated and Affiliated Companies -JSC ATFFinance".

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 "Management's Discussion and Analysis of Results of Operations and Financial Condition - 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 three 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 a 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 Operational 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. The Bank intends to roll out the new system, the T24 provided by Temenos, over the next 18 months throughout its entire branch network. 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 has established its presence in the main business centres throughout Kazakhstan.

The Bank believes that potential opportunities of high growth exist in neighbouring countries such as Russia, Kyrgyzstan, Tajikistan, Ukraine and Uzbekistan, 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 Kazakhstan banks are currently represented. This is primarily driven by current customer demand, growing trade between the two countries and opportunities existing in the Kyrgyzstan banking sector, including operations in relation to precious metals. During 2005, the Bank made an additional contribution of KZT135 million to the working capital of OJSC ATFBank-Kyrgyzstan and as of 31 December 2005, the Bank owned 73.9% of OJSC ATFBank-Kyrgyzstan having purchased an initial 34.4% in June 2004. During the nine month period ended 30 September 2006, the Bank increased its holding in OJSC ATFBank-Kyrgyzstan by 12.01% to 85.91% through a capitalisation of dividends of KZT20 million, a purchase of shares from the secondary market of KZT32 million and a contribution to the share capital of KZT149 million. OJSC ATFBank-Kyrgyzstan is the fifth largest bank in Kyrgyzstan in terms of assets, according to data compiled by the National Bank of Kyrgyzstan, with assets of U.S.S59 million or KZT7,508 million as at 30 September 2006.

The Bank owns CJSC Omsk Commercial Bank Sibir in the Omsk region of Russia. With a population of more than one million people, the city of Omsk is one of the largest cities in Russia, and management believes that there is high growth potential for developing banking services for SMEs in the region, which is currently under-serviced by the existing banks. Additionally, the Bank is considering acquiring a Moscow-based bank to expand its presence in the capital of Russia.

On 24 April 2006, the Bank established the Issuer in The Netherlands, and as at 30 September 2006 the Bank owned 100.0% of the share capital of the Issuer.

On 26 September 2006, the Bank's Board of Directors approved the acquisition of 75.1% of OJSC Sohibcorbank of Tajikistan including both its common and preferred shares and the Bank obtained the approval of the National Bank of Tajikistan for the acquisition of 65.0% of the shares of OJSC Sohibcorbank. As of 31 December 2006, the Bank had acquired 24.1% of the issued charter capital of OJSC Sohibcorbank (which amounted to 16.67% of the authorised charter capital) and had obtained the approval of the National Bank of Tajikistan for the further acquisition of 20.0% of its shares.

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

As at 30 September 2006, the Bank had four subsidiaries, JSC Insurance Company ATF Policy in Kazakhstan, OJSC ATFBank-Kyrgyzstan in Kyrgyzstan, CJSC Omsk Commercial Bank Sibir in Russia, the Issuer in the Netherlands, one associate company, JSC Open Savings Pension Fund Otan in Kazakhstan, and one affiliated company, JSC ATF Leasing in Kazakhstan. As at 30 September 2006, the Bank and its subsidiaries had 67 branches, consisting of 43 branches of the Bank, including its head office in Almaty and 19 regional and 24 full and limited service branches in Kazakhstan, and 24 branches of the subsidiaries in various locations in Kazakhstan, Russia and Kyrgyzstan. As at 1 January 2007, the Bank, following FMSA requirements, has converted 17 of its limited service branches into one full service branch and 16 additional offices of full service branches of the Bank. During 2007, the Bank anticipates opening up to two full service branches and 109 additional offices of full service branches in Kazakhstan, eight full service branches, and one additional office of a full service branch in Kyrgyzstan and six additional offices of full service branches in Russia.

The Bank also has a representative office in Moscow, Russia. See "- Strategy - Expanding Regional and International Presence".

The Bank has three core business lines:

- Corporate Banking which provides services to corporate clients and is managed by the Credit Department (divided into five divisions, two of which cover regional branches and three of which are responsible for particular industry sectors, namely the mining and construction sectors, the agriculture and industrial commerce sectors and the wholesale trade sector. See "- Corporate Banking");
- SME Banking which provides services to SME clients (See "- SME Banking"); and
- Retail Banking which provides services to retail clients (See "- Retail Banking").

The three core business lines 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 Department, Administrative Division, Accounting Department, Legal Department, Security Department, Information Technology Department, Human Resources Division and Regional Development Department and the Bank's Branch and Subsidiaries Division.

In addition, the Bank provides insurance services (not including life insurance) through its wholly-owned insurance subsidiary, JSC Insurance Company ATF Policy.

Corporate Banking

When the Bank was first established in 1995, the majority of its clients were large industrial and trading companies in Kazakhstan as it was primarily focused on trade finance. Since then, the Bank has expanded its presence in the retail and SME banking services market and now 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.S10 million are classified as SMEs (See "- SME Banking") and corporate clients with an annual turnover in excess of U.S.S10 million or with more than 200 employees are classified 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 September 2006, the Bank had approximately 26,969 corporate accounts and lending to corporate clients represented approximately 52.2% of the Bank's total assets and 77.6% of the Bank's gross loan portfolio. As at 30 September 2006, according to information compiled by the NBK, the Bank's share of the corporate lending market in Kazakhstan was approximately 8.5%.

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 Kontroll Bank 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.

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 market. The Bank offers a broad range of services including sales of standard gold bullion domestically, gold loans and hedging and provides finance to 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 applied value added tax to precious metals sales, the Bank reduced its business in this area. However, 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 has 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 mobile-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.

SME Banking

The Bank has been working in the SME sector since 1997 and currently offers SME banking services in 20 branches. The Bank is committed to further developing its SME banking services and as part of its expansion plans, intends to open additional branches for servicing SME customers.

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 "Management's Discussion and Analysis of Results of Operations and Financial Condition - Foreign Currency Borrowings" and "Selected Statistical and Other Information - Funding and Liquidity".

Retail Banking

The retail banking market in Kazakhstan experienced considerable expansion following the introduction of mandatory bank-funded deposit insurance carried out by the Deposit Insurance Fund in 1999, of which the Bank became a member in the same year. 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 the Bank as a full service bank for its corporate clients, management has recognised the retail banking market as increasingly important for the growth of the Bank's 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 and SME 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 keeping and custodian 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 plans to substantially increase its branch network will allow it to expand its individual customer and depositor base. As at 30 September 2006, the Bank held KZT43.225 million of retail term deposits in approximately 64,905 individual accounts.

The Bank also provides loans to its retail customers. As at 30 September 2006, such loans represented 22.4% of the Bank's gross loan portfolio and 16.7% as at 31 December 2005, compared to 14.5% as at 31 December 2004. Mortgage loans accounted for 45.6%, consumer loans accounted for 17.2% and car loans accounted for 3.2% of the Bank's gross loan portfolio. All mortgages, consumer loans and car loans are collateralised 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. In addition, the Bank provides loans to individuals under programmes for SME financing representing 25.1% of the Bank's gross loan portfolio and EBRD programmes, representing 8.9% of the Bank's gross portfolio, both as at 30 September 2006. As at such date, the total number of loans to individuals amounted to KZT88,272 million. See "Selected Statistical and Other Information - Loan Portfolio - Loan Portfolio Structure by Sector".

In March 1999, the Bank became a participating member of the VISA system and began issuing VISA Classic, VISA Gold and VISA Business debit and credit cards. In January 2007, the Bank became a participating member of the Mastercard system. Up until March 2006, the Bank used the card processing centres of CJSC Processing Centre, a subsidiary of the NBK, and JSC Halyk Bank, before introducing its own processing centre in March 2006. As at 30 September 2006, the Bank had issued 66,509 payment cards, of which 56,605 were debit cards and 9,904 were payment cards with an overdraft facility which represents a market share of approximately 2%, with total payments for the nine months ended 30 September 2006 amounting to KZT20,514 million. As at 31 December 2005, the Bank had issued approximately 39,659 debit cards and 6,854 payment cards with an overdraft facility which represents approximately 1.5% market share according to data provided by the NBK, with total payments for the year ended 31 December 2005 amounting to KZT16,486 million compared to KZT10,885 million for the year ended 2004. The Bank requires customers to have cash deposited in their accounts as security for their obligations in respect of credit cards in the amount of U.S.$l,000 for VISA Gold and U.S.$500 for VISA Classic debit and credit cards. The Bank plans to increase its market share of the debit and credit card market in line with the growth in its retail clients.

Currently, the Bank has 70 ATMs in almost all regions of Kazakhstan and is hoping to install an additional 280 ATMs during 2007. The Bank aims to have up to 700 new ATMs installed by the end of 2009. The Bank has also entered into ATM sharing agreements with all the major banks including JSC Halyk Bank, JSC Bank TuranAlem and JSC Kazkommertsbank, 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 Organisation for Economic Cooperation and Development **("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 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 and ING Private Banking Asia are in the process of establishing a joint venture company to take over the investment banking, asset management and brokerage role of the Bank's Corporate Finance Department. The company, JSC ATFFinance, was registered as a participant of the Almaty Regional Financial Centre in November 2006. The management board of this company has been formed and the Bank currently owns all of its shares. As of the date of this Prospectus, the Bank is waiting to obtain approval for the joint venture from the FMSA. JSC ATFFinance is also hoping to obtain a broker-dealer's licence from the FMSA. See "- Subsidiaries, Associated and Affiliated Companies - JSC ATFFinance".

Insurance Services

The Bank currently offers a broad range of property and casualty insurance products through its wholly-owned subsidiary, JSC Insurance Company ATF Policy. As at 30 September 2006, JSC Insurance Company ATF Policy had total assets of KZT3,041 million. Based on data compiled by the NBK, as at 30 September 2006, JSC Insurance Company ATF Policy had approximately a 5.7% share of the insurance market in Kazakhstan (in terms of premium income). JSC Insurance Company ATF Policy's obligations are reinsured with various international insurance organisations. The Bank is considering selling JSC Insurance Company ATF Policy in order to fully concentrate on its core business lines of corporate, SME and retail banking. See "- Subsidiaries, Associated and Affiliated Companies - JSC Insurance Company ATF Policy".

Branch Operations

As at 30 September 2006, the Bank and its subsidiaries had 67 branches, consisting of 43 branches of the Bank, including its head office in Almaty and 19 regional and 24 full and limited service branches in Kazakhstan, and 24 branches of the subsidiaries in various locations in Kazakhstan, Russia and Kyrgyzstan. As at 1 January 2007, the Bank, following FMSA requirements, had converted 17 of its limited service branches into one full service branch and 16 additional offices of the Bank. According to recent amendments to the banking legislation, limited service branches (in the language of the legislation "retail units") were required to be converted to full service branches or additional offices of existing full service branches by the end of 2006. Each full service branch provides a broad range of banking services whereas additional offices of full service branches provide a more limited range of services. During 2007, the Bank anticipates opening up to two full service branches and 109 additional offices of full service branches in Kazakhstan, eight full service branches and one additional office of a full service branch in Kyrgyzstan and six additional offices of full service branches in Russia.

Each branch has limits on its lending authority set by the Principal Credit Committee which range from U.S.$50,000 to U.S.$3,000,000 for any client of the Bank. The aggregate lending limit of an individual branch is limited by the total deposit base of such branch. The Credit Department coordinates 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".

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 a new 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.$10.2 million allocated for implementation of new technologies in 2007 of which U.S.$3.2 million is expected to be spent on the new system.

Competition

As at 30 September 2006, there were 34 commercial banks, excluding the NBK, the DBK and Zhilstroisberbank (the Housing Construction Savings Bank), operating in Kazakhstan. The commercial banks can be divided into four groups: large domestic banks, such as JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank; foreign owned or controlled banks, known as banks with foreign participation, such as ABN AMRO Bank Kazakhstan, JSC Citibank Kazakhstan and HSBC Bank Kazakhstan; medium sized domestic banks, such as the Bank, JSC Bank CenterCredit and JSC Alliance Bank, and various small domestic banks.

The banking system in Kazakhstan is dominated by the three large domestic banks, JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank 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 Accounting Standards) relating to the Bank and several other domestic banks and banks with foreign participation as at the dates indicated:

	As **at 30 September 2006**		**As at 31 December 2005**	
	Assets	**Shareholders' s' Equity Equity**	**Assets**	**Shareholder**
	(KZT millions)			*(KZT millions)*
Large Domestic Banks				
Kazkommertsbank	1,377,518	102,676	1,131,763	74,047
Bank Turan Alem	1,443,957	5,682	963,653	91,900
Halyk Bank	797,808	81,050	558,455	60,275
Medium-sized Domestic Banks				
Alliance Bank	671,882	44,542	336,956	29,233
ATFBank	589,669	50,146	353,220	27,491
Bank Center Credit	514,442	34,674	333,332	25,922
Banks with Foreign Participation				
ABN AMRO Bank Kazakhstan	9,933	9,416	55,183	8,095
HSBC Kazakhstan	41,684	111	35,775	4,075
Citibank Kazakhstan	72,441	6,584	55,277	5,969

Source: FMSA

In 2001, the Government and a number of local executive bodies founded the DBK. The purpose of DBK is to provide medium- and long-term financing for large industrial projects (for amounts equal to at least U.S.$5 million), export financing, guarantees for investment projects and to act as principal

paying and collection agent for the Government. The 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. The DBK has a special status and is regulated by the FMSA only in relation to accounting matters and money transfers and is not treated as a commercial bank for the purposes of market share and ranking computations in this Prospectus.

Subsidiaries, Associated and Affiliated Companies

As at 30 September 2006, the Bank had four subsidiaries, JSC Insurance Company ATF Policy, OJSC ATFBank-Kyrgyzstan in Kyrgyzstan, CJSC Omsk Commercial Bank Sibir in Russia, the Issuer in The Netherlands, one associate company, JSC Open Savings Pension Fund Otan in Kazakhstan, and one affiliated company, JSC ATF Leasing in Kazakhstan, which was re-registered as a joint-stock company on 1 December 2004.

As of 31 December 2006, the Bank owned 24.1% of the issued charter capital of OJSC Sohibcorbank, making it an associate company of the Bank, and 61% of the capital of JSC Open Savings Pension Fund Otan, making it a subsidiary of the Bank. On 17 November 2006, JSC ATFFinance, a wholly-owned subsidiary of the Bank, was formed.

JSC Insurance Company A TF Policy

ATF Policy was established in December 1999 as a closed joint stock company and as at 30 September 2006 it had an authorised issued and fully paid up share capital of KZT1J25 million, shareholders' equity of KZT1,996 million and total assets of KZT3.041 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 September 2006, it had approximately a 5.7% share of the insurance market in Kazakhstan (in terms of premium income). The Bank is considering selling ATF Policy in order to concentrate on its core business lines of corporate, SME and retail banking.

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 050091, Kazakhstan.

JSC ATFFinance

The Bank and ING Private Banking Asia are in the process of establishing a joint venture company to take over the investment banking, asset management and brokerage role of the Bank's Corporate Finance Department. The company, JSC ATFFinance, was registered as a participant of the Almaty Regional Financial Centre in November 2006. The management board of this company has been formed and the Bank currently owns all of its shares. As of the date of this Prospectus, the Bank is waiting to obtain approval for the joint venture from the FMSA. JSC ATFFinance is also hoping to obtain a broker-dealer's licence from the FMSA.

OJSC A TFBank-Kyrgyzstan

In June 2004 the Bank acquired 34.4% of the shares in OJSC ATFBank-Kyrgyzstan, the fifth largest bank in Kyrgyzstan. In 2005 the Bank made an additional contribution of KZT135 million to the working capital of OJSC ATFBank-Kyrgyzstan and as at 31 December 2005 owned 73.9% of OJSC ATFBank-Kyrgyzstan. During the nine month period ended 30 September 2006 the Bank increased its holding in OJSC ATFBank-Kyrgyzstan by 12.01% and as at the date of this Prospectus the Bank owns 85.91% of the shares in OJSC ATFBank-Kyrgyzstan. As at 30 September 2006, OJSC ATFBank-Kyrgyzstan had assets of KZT7,508 million. OJSC ATFBank-Kyrgyzstan has its head office in Bishkek and currently has eight branches located in Kyrgyzstan. The Bank views OJSC ATFBank-Kyrgyzstan as a strategic opportunity to expand its operations in Kyrgyzstan.

JSC Open Savings Pension Fund Otan

In April 2004, the Bank purchased a 24.3% holding in SPF Otan for KZT119 million. During 2005 and the nine month period ended 30 September 2006, the Bank increased its stake in SPF Otan to 42.5% and as at 31 December 2006 held, 61.9% of its capital. PF Otan had assets under management of KZT795 million as at 30 September 2006 compared to KZT513 million as at 31 December 2005 and, according to data provided by the NBK, it then had a 2.0% share of the pension fund market in Kazakhstan. For the nine months ended 30 September 2006, SPF Otan's net income, as derived from its unaudited management accounts, was KZT117 million compared to KZT50 million for the same period in 2005.

CJSC Omsk Commercial Bank Sibir

In November 2005, the Bank acquired all of the share capital of Bank Sibir, a bank in the Omsk Region of Russia. The Bank anticipates that in 2007 it will need to contribute approximately KZT1.3 billion to the capital of Bank Sibir in order to ensure compliance with local capital adequacy requirements.

ATF Capital B.V.

On April 24, 2006, the Bank established the Issuer in The Netherlands, and as at 30 September 2006 the Bank owned 100.0% of the share capital of the Issuer.

OJSC Sohibcorbank

On 26 September 2006, the Bank's Board of Directors approved the acquisition of 75.1% of OJSC Sohibcorbank of Tajikistan including both its common and preferred shares and the Bank obtained the approval of the National Bank of Tajikistan for the acquisition of 65.0% of the shares of OJSC Sohibcorbank. As of 31 December 2006, the Bank had acquired 24.1% of the issued charter capital of OJSC Sohibcorbank (which amounted to 16.67% of the authorised charter capital) and had obtained the approval of the National Bank of Tajikistan for the further acquisition of 20.0% of its shares.

***JSC ATF** Leasing*

As at 30 September 2006, the Bank held 9.0% of the issued share capital of its former wholly-owned subsidiary JSC ATF Leasing, having sold 91.0% of its shares in April 2001 for U.S.$91,000 to various third parties. Prior to the disposal of these shares, JSC ATF Leasing depended on the Bank for its funding and, as a related party under Kazakhstan law, the Bank was prohibited from making loans to JSC ATF Leasing that exceeded 10.0% of the Bank's capital. Consequently, to free JSC ATF Leasing from this limitation, the Bank reduced its ownership interest. Whilst the Bank is represented on the supervisory board of JSC ATF Leasing, it does not now exercise any significant influence over the operating and financial affairs of JSC 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 JSC ATF Leasing and intends to reacquire a controlling interest in JSC ATF Leasing in the medium term. JSC ATF Leasing provides financial expertise and leasing services to various corporate clients.

Employees

As at 30 September 2006, the Group had 3,082 full-time employees of which 1,919 were employed at the Bank's branches, as compared to 2,616 and 1,364 respectively, as at 31 December 2005. 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 growth plans will require the recruitment of new staff in the branches established in 2006.

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 which houses the Almaty full service branch. In addition, the Bank owns the properties used by the majority of its full service branches apart from several full service branches which are leased premises.

The Bank leases offices used by its limited service branches.

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 at the dates and for the periods indicated. Accordingly, the information below should be read in conjunction with the Audited Financial Statements and the Unaudited Interim Financial Statements, including the notes thereto, and included elsewhere in this Prospectus and the information included in "Management's Discussion and Analysis of Results of Operations and Financial Condition".

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.

Average Balances

The following two tables set out the average daily balances of assets and liabilities of the Bank for the periods indicated.

	Nine Months Ended 30 September 2006			Nine Months Ended 30 September 2005		
	Weighted-average	Interest	Interest rate»	Weighted-average balance	Interest	Interest rate[1]
	(in KZT millions except percentages)					
ASSETS						
Correspondent accounts with other	7,304.2	75.1	1.37	5,866.3	49.3	1.12
banks	436.2	13.1	4.02	500.3	19.0	%
Term deposits with NBK	10,614.9	469.0	5.91	13,934.6	448.2	5.08
Term deposits with other	*8,556.7*	*268.5*	*4.20*	*1,493.1*	*40.8*	%
banks	8,115.9	261.3	4.30	389.5	12.8	4.30
Amounts due from credit	440.8	7.2	2.18	1,103.6	28.0	%
institutions						*3.65*
in KZT	55,027.6	1,747.9	4.25	17,832.0	414.2	*%*
in foreign currency	*27,377.8*	*877.1*	*4.28*	*36,204.0*	*1,009.0*	4.39
Financial assets at fair value	27,377.8	877.1	4.28	36,204.0	1,009.0	%
through	*309,895.0*	*29,025.*	*72.52*	*151,439*	*14,534*	3.39
profit or loss	107,768.0	9,912.1	12.30	46,223.3	4,578.5	%
Investment securities	202,127.0	19,113.	12.64	105,216	9,956.4	
available-for-sale				*10.36%*		3.11
Commercial loans and	*419,212.4*	*32,476.*			*16,515.4*	%
advances		*0*		*227,270.1*		*3.73*
in KZT	8,744.7					*%*
in foreign currency				5,100.3		3.73
	24,248.5			2,888.7		%
Interest-earning assets	5,876.3			2,893.1		*12.8*
	450.0			283.3		*3%*
	255.1			235.6		13.2
Cash	10,494.0			3,490.2		4%
Correspondent accounts with						12.6
NBK	*50,068.6*			*14,891.2*		5%
Premises and equipment						
Tax assets	469,281.0			242,161.3		*9.72%*
Investments in associates						
Other assets	8,833.4	462.6			245	
Non-interest-earning assets	107,149.1	6,117.1	7.00	4,163.2	.4	
	169,304.2	5,222.9	7.63	45,805.	1,68	
Total assets	122,527.1	8,949.0	4.12	93,643	8.4	
	17,909.7	1,144.7	9.77	63,321.	3,51	
			8.55	8,460.6		
Amounts due to Government	*425,723.5*	*21,896.*		*6.88%*	*215,394.6*	*10,920.0*
and NBK		2				
Amounts due to credit	5,713.1				551.1	
institutions	292.6			2,515.2		
Amounts due to customers	1,415.8			880.9		
Issued debt securities						
Subordinated debt	*7,421.5*			*3,947.2*		7.88 %
Interest-bearing liabilities	433,145.0			219,341.8		4.93 %
Reserves for insurance claims	36,135.8			**22,820.1**		5.03 %
Reserves						
Other liabilities	469,280.8			**242,161.9**		10.4 1%
Non-interest-bearing				3.48% 3.37%	5,595.4	8.44 %
liabilities		**10,57 9.7**				*6.78%*
Total liabilities						
Shareholders' equity and reserves						
Shareholders' equity and Total liabilities.						
Net Interest Spread (%)						
Net Interest Income						
Net Interest Margin (%)						**2.94**

(1) Annualised

% 3.29%

	Year ended 31 December							
	2005		2004		2003			
	Weighted-average balance Interest		Weighted-Interest average rate balance	Interest	Inter rate	Weighte average balance	Interest	Intere rate
			(in KZT millions except					
ASSETS								
Correspondent accounts with other banks	4,291.9	83.9	1.95%3,959.4	15.6				
Term deposits with NBK			3026.28%1,023.9	31.6	0.39	2,498	19.2	0.77
Term deposits with other banks	9,122.9		599.:6.57%3,239.7	119.9	3.09	995.3	45.2	4.54
Amounts due from credit institutions	*1,707.0*	*64.0*	*3.75% 851.7*	*18.9*	3.70	339.4	33.3	9.81
inKZT	940.0	42.2	4.49% 644.7	8.5	*2.22*	*352.3*	*14.6*	*4.14*
in foreign currency	767.0	21.8	2.84% 207.0	10.4	1.32	328.3	13.9	4.23
Financial assets at fair value through profit or loss	17,515.0	571.3	3.26%13,642.4796.7		5.02	24.0	0.7	2.92
Investment securities	*34,441.9*	*1,393.4*	*4.05%14,043.2669.0*		5.84	17,005	1,115.	6.56
available-for-sale	34,441.9	1,393.4	4.05%2,208.6	115.7	4.76	—	—	—
held-to-maturity	—	—	—11,834.6	553.3	5.24			
Commercial loans and advances	*172,773.5*	*21*	*12.55%80,521.110,992.0*		4.68			
inKZT	65,687.9	8,623.8	13.13%26,760.93,504.1		*13.6*	*46,778*	*6,655.*	*14.23*
in foreign currency	107,085.6	13,066.8	12.20%53,760.27,487.9		13.0	14,845	2,190	14.7
Interest-earning assets	*240,154.7*	*24,421.4*	*10.17%117,281.412,643.7*		13.9	31,932	4,464	13.9
Cash		5,290.7	2,931.4					*11.60%*
Correspondent accounts with NBK		3,497.4	2,552.5		*10.78%*	*67,969.4*	*7,883.6*	
Premises and equipment		2,992.8	2,615.2			1,792.7		
Tax assets		393.8	390.7					
Investments in associates		81	145.7			1,473.3		
Other assets		3,192.9	3,531.6			1,990.7		
						94.8		
Non-interest-earning assets		*15,449.5*	*12,167.1*					
Total assets		255,604.2	129,448.5			2,180.6		
						7,532		
						.1		
Amounts due to Government and NBK	4,893.6	340.8	6.96% 2,050.193.3			75,501		
Amounts due to credit institutions	49,599.0	2,666.0	5.38% 33,422.5		1,344.:.5			
Amounts due to customers		92						
Issued debt securities	69,721.9	7,318.8	5.27% 58,114.7					
Subordinated debt	10,774.8	916.0			2,794.6			
Interest-tearing liabilities		*22*	10.50% 16,580.11,513.3		4.55%	2,378.7106.7		4.49 %
			8.50% 1,174.162.6					
Reserves for insurance claims		519	*7.08% 111,341.55,808.0*		4.02%	20,606.8850.6		
Reserves		2,391.3			4.81%	40,885.92,126.1		4.13 %
Other liabilities		1,710.1	307.0		9.13%	77.0 13.0		
			4,771.6		5.33%	1,464.9130.0		5.20 %
Non-interest-bearing liabilities		*4,(*	880.8		*5.22%*	*65,413.33,226.4*		16.8
Total liabilities		232,468.2	*5,959.4*			107.9		
Shareholders' equity and reserves		23,142.0	117,300.9			2,567.4		
						792.3		
Shareholders' equity and Total liabilities		255,610.2	12,147.6			*3,467.6*		
Net Interest Spread (%)			129,448.5			68,880.9		
Net Interest Income		8,284.1		6,835.7		6,620.6		
Net Interest Margin (%)								
			3.09 %			75,501.5		
					5.83%		4,657.2	6.85%
			3.45 %					

The following table presents certain information regarding changes in interest income and interest expense of the Bank during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided as to changes attributable to changes in volume (changes in average outstanding balances multiplied by the prior period's average interest rate) and changes in interest rate (changes in average interest rate times the average outstanding balances of the prior period) and changes not solely attributable to volume or rate are allocated on a pro-rata basis.

	Nine months ended 30 September 2006/2005			Year ended 31 December 2005/2004			Year ended 31 December 2004/2003		
	Increase/decrease due to change in								
	Volume	Interest rate	Net change	Volume	Interest rate	Net change	Volume	Interest rate	Net change
	(in KZT millions except percentages)								
Correspondent accounts with other banks	12.1	13.7	25.8	1.3	67.0	68.3	11.2	(14.8)	(3.6)
Term deposits with NBK	(12.6)	(2.4)	(3.5)	(5.9)	(22.3)	9.7	1.3	(14.9)	(13.6)
Term deposits with other banks	(106.8)	127.6	20.8	217.7	261.6	479.3	284.6	(198.0)	86.6
Amounts due from credit institutions	*193.0*	*34.7*	*227.7*	*19.0*	*26.1*	*45.1*	*20.7*	*(16.4)*	*4.3*
							13.4	(18.8)	(5.4)
in KZT	253.9	(5.4)	248.5	3.9	29.8	33.7	5.3	4.4	9.7
in foreign currency	(16.8)	(4.0)	(20.8)	28.1	(16.7)	11.4			
Financial assets at fair value through profit or loss	864.0	469.7	1,333.7	226.2	(451.6)	(225.4)	(220.7	(98.5)	(319.
								669.0	669.0
Investment securities	*(246.0)*	*114.1*	*(131.9)*	*971.8*	*(247.4)*	724.4		115.7	115.7
available-for-sale	*(246.0)*	114.1	(131.9)	1,688.6	(410.9)	*1,277.7*		553.3	553.3
held-to-maturity	—	—	—	(553.3)	—	(553.3)	*4.800*	*(464.2)*	*4.336.*
Commercial loans and advances	*15,208.2*	*(717.8)*	*14,490.4*	*12,593.4*	*(1,894.8)*		1	(444.7)	1
	10,698.6						3.051	(28.9)	3.023
in KZT	6,096.1	(762.5)	5,333.6	5,097.1	22.6	5,119.7			
in foreign currency	9,170.4	(13.6)	9,156.8	7,427.3	(1,848.4)	5,578.9	*4,897.9*	*(137.8)*	
Interest-earning assets	*75,922./*	*38.5*	*15,960.6*	*14,007.1*	*(2,229.4)*		(14.7)	1.3	
	11,777.7						*4,760.1*		
Amounts due to Government and NBK	275.3	(58.1)	217.2	129.4	118.1	247.5			(13.4)
Amounts due to credit institutions	2,261.2	2,167.5	4,428.7	650.6	671.2	1,321.8	529.0	(35.4)	493.6
							895.9	(227.4)	668.5
Amounts due to customers	2,101.1	2,843.8	(1,140.7)	1,703.1	1,670.7	430.4	2.786	(1.285.	1.500.
							(25.8)	(41.6)	(67.4)
Issued debt securities	4,611.7	(595.0)	4,016.7	4,850.4	955.1	5,805.5			
Subordinated debt	596.5	14.1	610.6	511.9	341.5	853.4	*4,170.6*	*(1,589.0)*	
							2,581.6		
Interest-bearing liabilities	*10,588.5*	*387.8*	*10,976.3*	*7,813.0*	*2,516.3*				
	10,329.3						*727.3*	*1,451.2*	
Net position/change	*5,333.6*	*(349.3)*	*4,984.3*	*6,194.1*	*(4,745.7)*	*1,448.4*	*2,178.5*		

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 Deputy Director of the Credit Department, the Director of the Risk Management Department, the Managing Director of the Custody Division 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 Departments 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 the 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 three main credit committees located within its head office which are responsible for approving credit decisions within the Bank: the Retail Business Credit Directorate, the Small and Medium Business Credit Directorate and the Principal Credit Committee. See "- Lending Policies and Procedures".

The following table sets out the majorasset groups of the Bank, broken down by currency, as at the indicated dates:

	As at 30 September		As at 31 December					
	2006		2005		2004		2003	
	(KZT millions) (unaudited)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Cash and balances with national (central) banks								
Tenge	64,077	84.4	22,180	59.4	5,111	31.1	4,281	56.2
Foreign currency	11,831	15.6	15,134	40.6	11,327	68.9	3,330	43.8
Total	75,908	100.0	37,314	100.0	16,438	100.0	7,611	100.0
Loans and advances to banks								
Tenge	2,423	20.5	1,141	33.6	324	9.2	0	0.0
Foreign currency	9,418	79.5	2,250	66.4	3,188	90.8	0	0.0
Total	11,841	100.0	3,391	100.0	3,511	100.0	0	0.0
Trading and investment portfolio								
Tenge	55,807	57.7	34,836	58.7	28,481	80.5	17,046	71.4
Foreign currency	40,893	42.3	24,559	41.3	6,886	19.5	6,844	28.6
Total	96,700	100.0	59,395	100.0	35,366	100.0	23,890	100.0
Loans to customers								
Tenge	132,805	34.8	78,361	32.0	36,562	32.6	21,490	35.5
Foreign currency	261,529	68.6	174,163	71.1	81,031	72.3	42,395	70.1
Allowance for impairment losses	(12,930)	(3.4)	(7,649)	(3.1)	(5,503)	(4.9)	(3,397)	(5.6)
Total	381,404	100.0	244,874	100.0	112,090	100.0	60,488	100.0
Other assets								
Tenge	10,909	84.6	6,332	81.6	1,965	94.1	1,025	86.9
Foreign currency	1,980	15.4	1,430	18.4	124	5.9	155	13.1
Total	12,889	100.0	7,761	100.0	2,089	100.0	1,180	100.0
Assets								
Total Tenge assets	266,021	45.0	142,850	39.6	72,443	41.4	43,842	45.4
Total foreign currency assets	325,651	55.0	217,536	60.4	102,556	58.6	52,724	54.6
Total assets	591,672	100.0	360,386	100.0	174,999	100.0	96,566	100.0

The following table sets out the major liability groups, broken down by currency, as at the indicated dates:

	As at 30 September		As at 31 December					
	2006		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
	(unaudited)							
Loans and advances from banks								
Tenge	23,804	16.8	11,447	12.3	6,300	15	6850	18.5
Foreign currency	118,163	83.2	81,455	87.7	35,804	85.0	30,233	81.5
Total	141,967	100.0	92,903	100.0	42,104	100.0	37,083	100.0
Customer accounts								
Tenge	166,142	71.6	77,048	66.0	39,131	56.9	25,246	56.3
Foreign currency	65,960	28.4	39,634	34.0	29,616	43.1	19,580	43.7
Total	232,102	100.0	116,682	100.0	68,747	100.0	44,826	100.0
Debt securities issued								
Tenge	3,483	2.5	4,532	4.6	4,533	10.5	2,848	100.0
Foreign currency	137,104	97.5	93,898	95.4	38,774	89.5	0	0.0
Total	140,587	100.0	98,430	100.0	43,307	100.0	2,848	100.0
Subordinated debt								
Tenge	17,880	98.6	17,502	98.4	0.0	0.0	0.0	0.0
Foreign currency	262	1.4	277	1.6	260	100.0	1,498	100.0
Total	18,142	100.0	17,779	100.0	260	100.0	1,498	100.0
Other liabilities(1)								
Tenge	7,725	90.5	4,880	89.6	1,049	99.7	602	86.7
Foreign currency	807	9.5	566	10.4	3	0.3	92	13.3
Total	8,532	100.0	5,446	100.0	1052	100.0	694	100.0
Liabilities								
Total Tenge liabilities	219,034	40.5	115,409	34.8	51,013	32.8	35,546	40.9
Total foreign currency liabilities	322,296	59.5	215,830	65.2	104,457	67.2	51,403	59.1
Total liabilities	541,330	100.0	331,239	100.0	155,470	100.0	86,949	100.0

(1) Other liabilities include derivative financial instruments, provisions, dividends payable and deferred tax liabilities.

Liquidity Risk

The following tables summarise the Bank's banking assets and liabilities by maturity as at 30 September 2006 and 31 December 2005 and contain liquidity risk facing theBank. 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".

As at 30 September 2006 (unaudited)

	On demand	Up to 1 Month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(in KZT thousands)						
Cash and cash equivalents	35,248,111	5,026,800	—	—	—	—	40,274,911
Obligatory reserves						35,633,432	35,633,432
Amounts due from credit institutions	—	1,907,946	7,919,244	1,377,799	636,481	—	11,841,470
Financial assets at fair value through profit or loss	69,009.252						69,009,252
Available-for-Sale Investments	27,691,091						27,691,091
Commercial loans and advances	—	6,893,980	38,805,626	90,624,550	167,817,981	90,192,035	394,334,172
Insurance reserves, reinsurance share	5,669,472						5,669,472
Current tax assets	—	319,222	—	—	—	—	319,222
Deferred tax assets				104,571	—	—	104,571
Other assets	627,108	4,074,151	7,762	479,346	1,061,506	545,617	6,795,490
	138,245,034	18,222,099	46,732,632	92,586,266	169,515,968	126,371,084	591,673,083
Amounts due to the Government andtheNBK	—	2,068,833	2,326,057	2,083,509	2,373,287	—	8,851,686
Amounts due to credit institutions	2,028,610	27,558,285	40,564,003	36,484,607	26,479,948	—	133,115,453
Amounts due to customers	93,234,217	40,203,083	15,398,961	47,995,126	22,285,189	12,985,018	232,101,594
Debt securities issued	—	—	—	13,140,426	56,972,358	70,474,767	140,587,551
Subordinated debt	—	—	—	260,620	1,790	17,880,179	18,142,589
Insurance reserves	6,636,468	—	—	—	—	—	6,636,468
Other liabilities	966,434	842,893	52,616	9,840	23,915	588	1,896,286
	102,865,729	70,673,094	58,341,637	99,974,128	108,136,487	101,340,552	541,331,627
Net position	35,379,305	(52,450,995)	(11,609,005)	(7,387,862)	61,379,481	25,030,532	50,341,456
Accumulated gap	35,379,305	(17,071,690)	(28,680,695)	(36,068,557)	25,310,924	50,341,456	—

The above table does not include the effect of the allowances for impairment of loans, due from credit institutions and other assets totalling KZT13,117 million as at 30 September 2006.

	As at 31 December 2005						
	On demand	Up to 1 Month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(in KZT thousands)						
Cash and cash equivalents	29,149,169	3,900,780			—	—	
Obligatory reserves	—	—			33,049,949		
Amounts due from credit institutions	—	65,982			— 4,264,255		
					4,264,255		
Financial assets at fair value through profit or loss	26,379,619	—	625,135	2,030,096	670,165	—	
Investment securities:							
Available-for-sale investments		33,015,441				3,391,	
....	—		—	—	—	378 ... .41	
Commercial loans and advances...	—	5,465,0005	7,182,429	92,010,943	117,124,487	30,740,332	
Insurance reserves, reinsurance			252,523,196				
share	3,537,255	—					
Current tax assets	—	—					
Other assets	1,042,144	2,412,921				—	3,53
			7,255				
	93,123,628		385				
		11,844,688	,6	24,113	355,432		
			—	6,667,088 —			385,626
Amounts due to the Government				716,640 —			3,838,572
and the NBK	—	581	43,631,100				
Amounts due to credit institutions	1,316,776			8,197,152			
	28,904,750						
Amounts due to customers	50,080,310	15,149,153	94,065,152	118,150,084			
Debt securities issued	—	204,142	35,004,587	360,385.291			
Subordinated debt	—	—					
Insurance reserves	4,217,523	—		2,592,173 —			9,260,
Other liabilities	659,130	490,817			—		83,643,375
				9,074,1	2,700,448		116,681,855
	56,273,739			71,469,231	26,756,472		
		44,749,443					98,429,845
			277,251	17,502,223	17,779,474		
Net position	36,849,889						
....	(32,904,755)		1,817	17,857			
			—	—4,217,523			
Accumulated gap	36,849,889	3,945,134			—		
						1,22	
					8,607		
				58,986			
			9,151,699	79,239,161	94,867,936		
			46,959,143	331,241,121	(954,547)	14,825,991	
			23,282,148	(11,954,556)	29,144,170		
			2,990,587	17,816,578	41,098,726	29,144,170	

The above table does not include the effect of allowances for impairment of loans, amounts due from credit institutions and other assets totalling KZT7,811 million as at 31 December 2005.

The following table 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.

	As at 31 December 2004						
	On demand	Up to 1 Month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(In KZT thousands)						
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	2,151,664	20,000	—	3,512,288
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
Insurance reserves, reinsurance share	156,257						156,257
Current tax assets	—	—	180,294	—	—	—	180,294
Other assets	197,456	1,390,483	6,382	59,251	33,549	65,591	1,752,712
	23,258,744	8,698,419	16,206,110	48,950,244	63,416,353	14,468,722	174,998,592
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	515,510	—	—	—	—	—	515,510
Other liabuities	370,339	139,314	789	9,001	15,961	—	535,404
	23,347,970	23,261,360	4,318,831	36,931,915	65,091,354	2,516,798	155,468,228
Net position	(89,226)	(14,562,941)	11,887,279	12,018,329	(1,675,001)	11,951,924	19,530,364
Accumulated gap	(89,226)	(14,652,167)	(2,764,888)	9,253,441	7,578,440	19,530,364	

The above table does not include the effect of allowances for impairment of loans, amounts 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. In February 2006, the Bank's shareholders approved an increase in the Bank's authorised capital by 27,000,000 common shares thus increasing the total amount of authorised common shares to 43,600,000. 3,120,000 common shares (out of the newly authorised 27,000,000 common shares) were issued in March 2006 and fully placed by 1 August 2006 for a total consideration of KZT15.6 billion or KZT 5,000 per share. In August 2006, the Bank's shareholders approved a change in its authorised capital by increasing the number of authorised preferred shares by 8,000,000 and decreasing the number of authorised common shares by the same number. All newly authorised preferred shares were issued and placed by 31 December 2006 for consideration of KZT12 billion or KZT1,5OO per share. See "Share Capital and Principal Shareholders". The Bank issued U.S.$131 million of subordinated bonds to investors on the domestic market during 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 re-pricing 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 credit facilities. See "Management's Discussion and Analysis of Results of Operations and Financial Condition - 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 September	As at 31 **December**		
	2006	**2005**	2004	2003
Commercial loans and advances/total assets....	65.0	68.2	64.5	63.2
Commercial loans and advances/amounts due to customers	164.3	209.9	163.0	134.9
Commercial loans and advances/shareholders' equity	849.8	889.0	616.6	725.1
Liquid assets(1)/total assets	25.4	26.7	30.5	31.1
Liquid assets(1)/amounts due to customers	64.1	82.1	77.0	66.3

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

The Bank's funding base consists largely of customer deposits, and as at 30 September 2006, 34.2% of total deposits comprised those of the Bank's 10 largest corporate depositors. As at 31 December 2005, this ratio was 34.7% and as at 31 December 2004, this ratio was 42.9%. 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.$l,050 million in senior debt issued in 2004, 2005 and in the nine month period ended 30 September 2006 in the international capital markets and U.S.S143 million of subordinated debt issued in the domestic market during 2005 and the nine month period ended 30 September 2006. 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 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 certain information as to the Bank's sources of funds as at the dates indicated:

	As **at 30**		As **at 31**					
	2006		2005		**2004**		2003	
	(KZT millions	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Amounts due to customers.	232,102	43.4%	116,682	35.7	68,747	44.4	44,826	51.6
Loans due to credit institutions	114,948	21.5%	56,452	17.3	35,995	23.2	28,183	32.5
Deposits from banks..........	18,167	3.3%	27,191	8.3	2,768	1.8	5,455	6.3
Amounts due to the Government and the NBK.	8,852	1.7%	9,260	2.8	3,341	2.2	3,445	4.0
Debt securities issued	140,588	26.3%	98,430	30.1	43,307	27.9	2,848	3.3
Subordinated debt.............	18,143	3.4%	17,779	5.4	260	0.2	1,498	1.7
Other liabilities.................	1,896	0.4%	1,229	0.4	535	0.3	535	0.6
Total liabilities..................	534,696	100.0%	327,023	100.0	154,953	100.0	86,790	100.0

Customer Accounts

The Bank increased the total amount of its deposits by 98.9% to KZT232.102 million as at 30 September 2006 from KZT116,682 million as at 31 December 2005, which represented a 69.7% increase 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 78.4%, 76.0%, 77.1% and 77.8% of amounts owed to customers as at 30 September 2006, 31 December 2005, 31 December 2004 and 31 December 2003, respectively. As at 30 September 2006, the Bank's 10 largest depositors accounted for approximately 34.2% of total amounts owed to customers, compared to 34.7% as at 31 December 2005, 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 KazMunayGas, JSC KazTranOil, 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 2006, which represents an increasingly important source of funding for the Bank. Because retail funding consists mainly 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 21.0%, 23.2%, 21.9% and 20.6% of the Bank's total amounts owed to customers as at 30 September 2006, 31 December 2005, 31 December 2004 and 31 December 2003, respectively. As at 30 September 2006, approximately 28.2% of the Bank's retail deposits were covered by the deposit insurance scheme, compared to 40.2% as at 31 December 2005, 49.9% as at 31 December 2004 and 71.6% as at 31 December 2003. See "The Banking Sector in Kazakhstan".

As at 30 September 2006, term deposits were KZT139,228 million or 60.0% of total amounts owed to customers as compared to KZT66,601 million or 57.1% of total amounts owed to customers as at 31 December 2005, KZT47,614 million or 69.3% of total amounts owed to customers as at 31 December 2004 and KZT28.096 million or 62.7% 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 September	**As at 31 December**		
	2006	**2005**	**2004**	**2003**
	(KZT millions)		*(KZT millions)*	
Demand deposits:				
Retail	5,558	4,768	2,308	1,397
Corporate	87,316	45,313	18,825	15,334
Total	92,874	50,081	21,133	16,731
Term deposits:				
Retail	43,225	22,292	12,740	7,854
Corporate	94,706	43,340	34,163	19,557
Total	137,931	65,632	46,903	27,411
Held as security against **letters of credit and guarantees**	1,297	969	711	684
Total deposits	232,102	116,682	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. Until 1 January 2007, restrictions on the maximum deposit rate were imposed by the Deposit Insurance Fund on insured retail deposits, which only insured deposits that did not exceed KZT400,000. As of 1 January 2007, the deposit rate is no longer controlled by the Deposit Insurance Fund. See "The Banking Sector in Kazakhstan - Banking Reform and Supervision". Prior to 1 January 2007, according to the Deposit Insurance Fund, the maximum deposit rate varied depending on the tenor of the deposit as set out in the table below:

	As at 30 September 2006		Year ended 31 December 2005		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...	6.0	4.0	6.0	4.0	6.0	4.0	7.5	5.
Up to 12 months.	9.0	5.0	9.0	5.0	9.0	5.0	10.5	6.
Up to 36 months.	10.0	6.5	10.0	6.5	10.0	6.5	11.5	7.
Over 36 months...	11.0	7.5	11.0	7.5	11.0	7.5	12.5	8.

The following table sets out the average interest rates on the Bank's deposits calculated on the basis of average daily balances for the nine months ended 30 September 2006 and for the years ended 31 December 2005, 2004 and 2003:

	As at 30 September	Year ended 31 December[1]		
	2006	2005	2004	2003
KZT deposits:				
Demand deposits	0.5	0.5	0.7	0.6
Time deposits	8.6	8.2	6.5	6.0
Foreign currency deposits:				
Demand deposits	0.4	0.4	0.7	0.9
Time deposits	7.0	7.2	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 nine months ended 30 September 2006 and for the years ended 31 December 2005, 2004 and 2003:

	As **at and for the nine months ended 30 September**	As at and for the year ended December[1]		
	2006	2005	2004	2003
Average interest-earning assets	419,212	240,154	117,281	67,969
Interest income	32,476	24,421	12,644	7,884
Net interest income	10,579	8,284	6,836	4,657
Yield (%)[2]	10.4	10.2	10.8	11.6
Net interest margin (%)[3]	3.4	3.5	5.8	6.9
Spread (%)[4]	3.5	3.1	5.6	6.7

(1) Derived from management accounts.
(2) Interest income as a percentage of average interest-earning assets.
(3) Net interest income before impairment charge as a percentage of average interest-eaming 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 available-for-sale 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, some securities held in its available-for-sale portfolio, 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 fair value 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. Directly attributable transaction costs are recognised as expenses when they are incurred.

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 Results of Operations and Financial Condition - Critical Accounting Policies - Financial assets of fair value through profit and loss" and "Management's Discussion and Analysis of Results of Operations and Financial Condition - 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 (45.8% as at 30 September 2006, compared to 53.0% as at 31 December 2005, 87.8% as at 31 December 2004 and 84.8% as at 31 December 2003) comprises 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 September	As at 31 December		
	2006	2005	2004	2003[1]
		(KZTmillions)		
Financial assets at fair value through profits or loss®:	33,9	13,181	601	9,454
Notes of the NBK	47			
Treasury bills of the Ministry of Finance	4,04	6,110	4,34	6,560
U.S. Treasury bills	12,1	2,308	—	2,582
Euronotes of the Republic of Kazakhstan	2,08	2,226	3,12	—
Bonds of local financial organisations	9,90	1,413	499	556
Corporate bonds	2,32	468	85	83
Government securities of OECD based		674		----------
countries.	261	—	—	416
Equity investments	4,24			
Bonds of foreign financial institutions				4,239
Sovereign bonds of the Republic of Kazakhstan..	69,009	26,380	8,650	23,890
Total financial assets at fair value through profit or loss				
	9.4	10.034	—	
Investment Securities	4,1	9,856	—	
Available for-sale securities	7,4	5,439	—	
Government securities of OECD based	3,9	3,691	—	
countries	—	2,154	707	
Treasury bills of the Ministry of Finance	1,8	1,453		
Bonds of foreign financial institutions	248	260	—	
Corporate Bonds		128		
U.S. Treasury bills	639	—	—	
Bonds of local financial institutions			21,67	
Sovereign bonds of the Republic of				
Kyrgyzstan..	—	—	1,325	
Notes of the NBK	—	—	3,009	
Government bonds of Russia				
Held-to-maturity securities	27,691	33,015	26,716	
Notes of the NBK				
Treasury bills of the Ministry of Finance	96,700	59,395	35,366	23,890
U.S. Treasury bills				
Total investment securities				
Total securities				

(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 as "Financial assets at fair value through profit or loss".

The Bank's total securities portfolio increased by 62.8% to KZT96,700 million as at 30 September 2006 compared to KZT59.395 million as at 31 December 2005 or a 67.9% increase 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 growth 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 OECD based countries increased from nil as at 31 December 2004 to KZT10,708 million as at 31 December 2005 and decreased to KZT9,448 million as at 30 September 2006.

In 2005, 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 173.3% to KZT12,193 million as at 30 September 2006 and by 20.1% to KZT4.462 million as at 31 December 2005, 531.1% to KZT707 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 September 2006, the Bank held U.S. Treasury bill holdings of KZT12,193 million.

The following table sets out the Bank's securities portfolio by maturity and average weighted yield as at 30 September 2006 and 31 December 2005:

As at 30 September 2006

	Up to 1 month	Average Weighted Yield	1-3 month	Average Weighted Yield	3 months -1 year	Average Weighted Yield	1-5 years	Average Weighted Yield	More than 5 years	Average Weighted Yield	Total
	(KZT millions)										
Notes of the NBK	33,947	3.60									33,947
Treasury bills of the Ministry of Finance..	—	—	476	4.00	—	—	3,450	5.00	119	6.00	4,045
Euronotes							2,084	8.54	—	—	2,084
Bonds of local finance organisations	—	—	—	—	11	8.70	1,969	7.08	7,929	7.41	9,909
U.S. treasury bills	—	—	—	—	11,945	5.09	—	—	248	4.93	12,193
Bonds of international finance organisations.	—	—	—	—	129	5.10	635	5.15	3,483	5.20	4,247
Corporate bonds.......	21	9	—	—	19	9.0	1,847	9.35	436	9.10	2,323
Debt securities	33,968	—	476	—	12,104	—	9,985	—	12,215	—	68,748
Corporate shares	2	—	—	—	—	—	—	—	—	—	2
Shares of local finance Organisations	259	—	—	—	—	—	—	—	—	—	259
Equity securities	261	—	—	—	—	—	—	—	—	—	261
Trading securities....	34,299	—	476	—	12,104	—	9,985	—	12,215	—	69,009
	_	—	—	—	—	—	—	5	—	_	_
Notes of the NBK											
Treasury bills of the Ministry of Finance..							4,186	5.00	—	_	4,186
Corporate bonds.......	—	—	—	—	—	—	600	7.2	3,322	7.5	3,922
Bonds of local financial organisations (banks)	—	—	—	—	251	7	314	7.2	1,241	7.5	1,806
Bonds of international finance organisations.							3,893	5.15	3,549	5.2	7,442
GVT securities of OECD based country							9,448	4.45	_	_	9,44s
Government bonds of Russia.................	118	16.30	44	16	—	—	477	6.50	—	—	639
Sovereign bonds of the Republic of Kyrgyzstan	248	9.70									248
Investment securities	366	—	44	—	251	—	18,918	—	4,790	—	27,691

	As at 31 December 2005										
	Up to than 5 Yield	Average Weighted Weighted years	1 month Yield	Average 1-3 Weighted Yield Total	3 months months	Average Weighted Yield	-1 year	Average 1-5 Weighted Yield		More Average	years
					(KZT	—	—	—	—	13,
Notes of the NBK 13,181		2.0	—	—	— million					181
Treasury bills of the Ministry of Finance —					\5 2.3	3,5 85 2,2 26	3. 3 5. 0	2,30 8	4. 7	6,1 10 2,2 26
Euronotes................	—									
U.S. treasury bills	—					984	7. 6	429	9. 5	1,4 12
Bonds of local finance organisations	—					674	4.8			674
Bonds of Germany Government Agency....										
— GVT securities of OECD based countries					4.8	45	5.0	380	8.4	468
Corporate bonds..	—	—	—	—	,568	7,514		3,117		26,380
Trading securities ... 13,181				2.0	—	—	—		—	
Available-for-sale securities					— 54	2,1	3. 7			12
Notes of the NBK	—	—	128					—	—	5,988
U.S. Treasury bills...										
Bonds of Germany Government Agency.. Bonds of Government Mortgage									—	4,0
Agency of	—	—	—	—	—	—	4,046	4.7	—	46
France	—	—	—	—	—	—	810	—	—	—
Notes with fixed par value										81
Treasury bills of the Ministry of Finance	—	—	175	2.0	7,991	2.4	1,690	3.0	—	0
....	—	—	—	—	—	—	—	—	1,317	—
Bonds of ADB.........		—	—	—	260	5.0	—	—		56 9,8
Bonds of European Investment Bank .		—								4.6 1,2
Bonds of local financial organisations (banks) Sovereign bonds of the Republic of Kyrgyzstan									—	33,015
Investment securities	—	—	303	—						

Foreign Currency Management

In 2004 and 2003, the Tenge appreciated against the U.S. Dollar by 9.3% and 7.3%, respectively. In 2005 it declined by 3.1% and in 2006, it appreciated by approximately 5% against the U.S. Dollar.

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.

The FMSA carries out the regulation and monitoring of the net foreign currency positions of banks in Kazakhstan. According to current FMSA regulations, the ratio of a bank's net open foreign currency position relative to its own capital must not exceed 25.0%, and the open (long and short positions) foreign currency position for any currency of a country rated "A" or higher or the Euro must not exceed 12.5% of its own capital. The open (long and short positions) for any currency of a country rated lower than "A" are both limited to 5.0% of a bank's own capital.

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

	As at 30 September	**As at 31 December^**		
	2006	**2005**	**2004**	**2003**
Net long (short) position (KZT millions)..........................	(1)	ment	3.35	
Net position as a percentage of shareholders' equity (%)..	Derived	accounts	4	1.1
Net position as a percentage of foreign currency liabilities (%)..	from manage	.	7. 4	

1,703 6.18	(1,901)	1,320
	(10.5)	15.8
0.79		
	(1.82)	**2.57**

The following table shows the Bank's exposure to foreign currency exchange rate risk by principal currencies as at 30 September 2006:

	KZT	USD	EUR	Other Currencies	Total
	(KZT thousands) (unaudited)				
Assets					
Cash and cash equivalents	28,455,508	6,636,656	1,674,769	3,507,978	40,274,911
Obligatory reserves	35,621,220	—	—	12,212	35,633,432
Amounts due from credit	2,423,151	8,359,031	210,654	848,634	11,841,470
institutions... Financial assets at fair value through	46,545,396	22,463,856	________	________	69,009,252
profit or loss	9,262,371	17,541,068	—	887,652	27,691,091
Availableforsale investments	133,970,38	243,376,049	15,052,971	1,934,769	394,334,17
Commercial loans and advances	5,669,472	—	—	—	5,669,472
Insurance reserve, reinsurance	319,222	—	—	—	319,222
share	104,571	—	—	—	104,571
Current tax assets	4,815,552	1,416,174	—	563,764	6,795,490
Deferred tax assets Other assets	267,186,84 6	299,792,834	16,938,394	7,755,009	591,673,08 3
Total assets	3,140,499	4,006,077	1,705,110		8,851,686
Liabilities					
Amounts due to the Government	20,663,944	97,029,297	13,380,866	2,041,346	133,115,45
and	166,141,71	49,852,812	1,820,188	14,286,876	232,101,59
theNBK	6,636,468	—	—	—	6,636,468
Amounts due to credit institutions	3,483,381	137,096,090	—	8,080	140,587,55
Amounts due to customers	17,880,178	262,411	—	—	18,142,589
Insurance reserves	1,008,975	807,311	—	—	1,896,286
Debt securities issued Subordinated debt Other liabilities	219,035,16 3	289,053,998	16,906,164	16,336,302	541,331,62 7
Total liabilities					

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; according to figures provided by KASE, in December 2006, the Bank was the fifth most active participant in the Government securities trading market in terms of total volume of trades, and the most active participant in terms of volume of trades in the repo transactions market. See "Securities 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 consumer loans.

The Bank's loan portfolio, net of allowances for impairment, grew by 55.8% to KZT381,404 million as at 30 September 2006 from KZT244,874 million as at 31 December 2005 or a 118.5% increase 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 30 September 2006, the 10 largest borrowers accounted for 23.9% of the Bank's gross loan portfolio, as compared to 24.7%, 19.8% and 20.3% as at 31 December 2005, 2004 and 2003, respectively.

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 September	As at t 31 December		
	2006	**2005**	**2004**	**2003**
Loans	*(KZT millions)*	*(KZT millions)*		
Loans and advances to customers, gross	394,334	252,523	117,593	63,885
Allowances for impairment	(12,930)	(7,649)	(5,503)	(3,397)
Loans and advances to customers	381,404	244,874	112,090	60,488
Contingent liabilities				
Undrawn loan commitments	74,265	33,306	17,930	7,544
Guarantees	19,354	15,029	16,108	6,364
Letters of credit	3,928	3,601	5,037	2,987
Provisions	(415)	(283)	(254)	(159)
Cash collateral	(1,297)	(969)	(711)	(684)
Total contingent liabilities	95,836	50,684	38,110	16,052
Total loans and contingent liabilities	477,240	295,558	150,200	76,540

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

	As at 30 September		As at 31 December(1)					
	2006		**2005**		**2004**		**2003**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Up to U.S.$50,000	41,243	10.4	28,718	11.3	14,568	12.4	9,101	14.2
U.S.$50,001 - 200,000	36,222	9.2	22,241	8.8	8,880	7.6	6,737	10.5
U.S.$200,001 - 1,000,000	41,230	10.4	25,147	10.0	12,807	10.9	11,635	18.2
U.S.$l,000,001 - 3,000,000	35,368	9.0	29,295	11.5	17,548	14.9	14,484	22.7
U.S.$3,000,001 - 5,000,000	31,023	7.9	22,183	8.9	14,365	12.2	9,499	14.9
Over U.S.$5,000,000	209,248	53.1	124,939	49.5	49,425	42.0	12,429	19.5
Total	394,334	100.0	252,523	100.0	117,593	100.0	63,885	100.0

(1) Derived from management accounts.

Loan Portfolio Structure by Maturity

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

	As at 30 September		As at 31 December[(1)]					
	2006		2005		2004		2003	
	(KZT millions)	(%	(KZT milli	(%)	(KZT millio	(%)	(KZT millio	(%)
Up to 1 month	6,894	1.	5,465	2.2	6,417	5.	2,083	3.3
1-3 months	38,806	9.	7,182	2.8	7,479	6.	6,954	10.
3 months - 1 year	90,625	23	92,011	36.4	32,655	27.	24,385	38.
1-5 years	167,817	42	117,12	46.4	62,341	53.	25,086	39.
Over 5 years	90,192	22	30,740	12.2	8,701	7.	5,377	8.4
Total	394,334	100.0	252,523	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 (including advances), by economic sector, as at the dates indicated:

	As at 30 September		As at 31 December					
	2006		2005		2004		2003	
	(KZT millions)	(%	(KZT milli	(%)	(KZT milli	(%)	(KZT milli	(%)
Individuals	88,272	22	42,208	16.7	17,017	14.5	7,034	11.0
Wholesale trading	53,790	13	46,856	18.6	21,565	18.3	14,416	22.6
Construction	67,441	17	29,328	11.6	10,570	9.0	9,600	15.0
Services	45,368	11	32,186	12.7	4,648	4.0	2,629	4.1
Food industry	26,701	6.	25,642	10.2	17,023	14.5	5,456	8.5
Retail trading	16,099	4.	10,330	4.1	6,232	5.3	6,348	9.9
Agriculture	19,491	4.	13,559	5.4	8,773	7.5	6,722	10.5
Transport	10,414	2.	5,876	2.3	3,931	3.3	1,135	1.8
Hotel Business	11,662	3.	7,652	3.0	3,208	2.7	1,107	1.7
Real Estate	4,878	1.	3,638	1.4	1,211	1.0	241	0.4
Textile industry	7,673	1.	5,197	2.1	4,876	4.1	187	0.3
Oil and Gas	3,850	1.	2,331	1.0	3,124	2.7	1,134	1.8
Communications	2,767	0.	723	0.3	1,866	1.6	518	0.8
Chemical	4,555	1.	1,694	0.7	777	0.7	863	1.4
Mining	1,933	0.	2,493	1.0	2,391	2.0	355	0.6
Metallurgy	1,228	0.	2,480	1.0	1,727	1.5	898	1.4
Entertainment	1,030	0.	640	0.3	264	0.2	217	0.3
Other	27,182	7.	19,690	7.7	8,390	7.1	5,025	7.9
	394,334	10	252,52	100.	117,59	100.	63,885	100.

The Bank increased its gross commercial loans and advances to customers by 56.2% to KZT394,334 million as at 30 September 2006 from KZT252.523 million as at 31 December 2005 which, in turn, represented an 114.7% increase from KZT117,593 million in 2004.

The Bank had KZT88,272 million in loans to individuals outstanding as at 30 September 2006 which represented 22.4% of the Bank's loan portfolio or a 109% increase from KZT42,208 million by the end of 2005, which represented 16.7% of the Bank's loan portfolio. As at 31 December 2004, the Bank had KZT17,017 million in loans to individuals outstanding which represented 14.5% of the Bank's loan portfolio. As at 31 December 2003, loans to individuals were KZT7,034 million, or 11.0% 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, mortgages and consumer loans for general purposes, and expects its lending activities to increase in these areas accordingly.

Loans to the food industry also comprised 6.8% of the Bank's loan portfolio or KZT26,701 million as at 30 September 2006, 10.2% or KZT25,642 million as at 31 December 2005 from KZT17.023 million as at 31 December 2004 which, in turn, represented 14.5% of the Bank's loan portfolio and an increase from KZT5,456 million as at 31 December 2003.

Construction companies increased their borrowings to KZT67,441 million as at 30 September 2006 from KZT29,328 million as at 31 December 2005, and KZT10,570 million as at 31 December 2004. 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 increase 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. 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. The Bank's total exposure to the construction sector was 17.1% as at 30 September 2006 as compared to 11.6%, 9.0% and 15.0% as at 31 December 2005, 31 December 2004 and 31 December 2003 respectively.

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 KZT13,559 million as at 31 December 2005. As at 30 September 2006, loans to the agricultural sector comprised KZT 19,491 million. Despite this year-on-year growth as a proportion of the Bank's total loan portfolio, lending to this sector decreased to 4.9% as at 30 September 2006, 5.4% as at 31 December 2005 and 7.5% as at 31 December 2004 as compared to 10.5% 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 September 2006 and as at 31 December 2005, 2004 and 2003, U.S. Dollar and Euro denominated or indexed loans comprised 65.5%, 68.6%, 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 between 2003, 2004, 2005 and the nine months ended 30 September 2006 from KZT21,490 million to KZT36,562 million, to KZT78,360 million and further to KZT133,970 million, 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		As at 31					
	2006		2005		2004		2003	
	(KZT millions	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	133,970	34.0	78,360	31.0	36,562	31.1	21,490	33.6
U.S. Dollars	243,376	61.7	162,303	64.3	71,204	60.6	38,208	59.8
Euro	15,053	3.8	10,928	4.3	9,827	8.3	4,187	6.6
Others	1,935	0.5	932	0.4	—	—	—	—
Total	394,334	100.0	252,523	100.0	117,593	100.0	63,885	100.0

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 10.0% of a bank's equity, for parties related to the bank, and to 25.0% of a bank's equity for unrelated parties. See "Management's Discussion and Analysis of Results of Operations and Financial Condition - 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 three main credit committees based at its head office which are responsible for approving credit decisions within the Bank. The Retail Business Credit Directorate 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.$2,000,000 (up to U.S.$5,000,000 for construction loans). The SME Credit Directorate 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.$5,000,000. 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.$5,000,000 for corporate clients. The Principal Credit Committee is made up of five members: the Head of Risk Management, the Head of Collateral, the Head of Corporate, the Head of SME and the Head of Retail. All transactions above U.S.$20,000,000 must be approved by the five members of the Principal Credit Committee, the Chairman of the Managing Board and at least one of two members of the Board of Directors appointed by the Board of the Directors. The Board of Directors must approve 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.$50,000 to U.S.$3,000,000 for any client of the Bank. 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, SME 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 borrower, the credit, the industry sector and the geographical location of the borrower, is reviewed by one of five divisions of the Credit Department (three of which are responsible for a particular industry sector and two of which are responsible for a regional location). The SME Credit Department is responsible for SME borrowers and 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 Credit Security Department obtains references on the potential borrower from third parties including other banks and various governmental authorities, such as taxation bodies, the NBK, the 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.

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 (such as 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 noncollateralised gross commercial loans (including advances) and such amount as a percentage of total gross commercial loans as at the dates indicated:

	As at 30				As at 31			
	2006		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Collaterised	389,267	98.7	249,903	98.9	116,661	99.2	63,718	99.7
Uncollaterised	5,067	1.3	2,620	1.1	932	0.8	167	0.3
Total gross commercial loans...	394,334	100.0	252,523	100.0	117,593	100.0	63,885	100.0

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 borrower-company in the group, all the other borrower-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, the collateral 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 other types of collateral). No such registration is required for the collateral over certain types of movable property. However, registration of the collateral over either immovable or movable property establishes the priority of that collateral over unregistered collateral. The Bank requires all of its collateral to be so registered.

The following table sets forth a breakdown of total gross collateralised loans by type of collateral and as a percentage of the total gross loan portfolio as at the dates indicated:

	As at 30 September		As at 31 December					
	2006		2005		2004		2003	
	(KZT millions)	*(%*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Real estate	249,376	64.	166,448	65.9	85,122	92.1	46,847	73.3
Goods in turnover	4,461	1.1	1,987	0.8	1,951	2.1	554	0.9
Equipment	4,332	1.1	12,544	4.9	906	1.0	1,866	2.9
Other assets	91,863	23.	36,011	14.3	—	—	13,655	21.4
Corporate guarantees.........	28,040	7.3	28,893	11.5	173	0.2	14	0
Cash	3,082	0.8	3,914	1.6	3,926	4.2	816	1.3
Precious metals	0	0	0	0	0	0	0	0
Unsecured	5,300	1.4	2,726	1.0	357	0.4	133	0.2
Total 386,454		10 0	252,523	100	92,435	100.0	63,885	100

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 the FMSA's classification and impairment assessment guidelines. The Risk Management Department also conducts evaluations of other assets and off-balance sheet contingent liabilities.

The Bank's own risk criteria for evaluating loans are as follows:

1. Creditworthiness of borrower;
2. Financial state of the borrower;
3. Management capabilities;
4. Collateral;
5. Loan Structure;
6. Industry.

Based on these criteria, the Bank assigns a grade ranging from 1 to 5 for each category mentioned above. The grades combine to form an overall grade, based on which the Bank then rates the loan from A to E (in line with the classifications in the NBK/FMSA regulations as set out below). Loans rated "A" (exceptional loans) and "B" (quality loans) are Standard loans without mandatory provisions. Loans rated "C" (acceptable loans) can be classified as Standard or Doubtful 1 and assigned a provisioning rate of 5%, depending on the financial condition of the borrower or the quality of collateral. Loans rated "D" (substandard loans) are classified as Doubtful and an additional numerical rating (1,2,3,4 or 5) are assigned to such loans depending on the financial condition of the borrower or the quality of collateral. Loans rated "E" (doubtful loans) are classified as Loss loans and assigned a provisioning rate of 100%.

NBK and FMSA Classification and Impairment Assessment Guidelines

Until 2003, banks classified their portfolio and established allowances for impairment for regulatory purposes under NBK policies based on event-oriented criteria relying primarily on the timeliness of a borrower's payment of interest and principal. In January 2003, these policies were revised and new policies were adopted regarding loan classifications and requirements for provisions and allowances.

Pursuant to revised 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 have 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 of the Bank 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 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, but the borrower is repaying the loan with delays and not in full. The value of collateral covers 90% of the borrower'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's 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 the 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 their classification under FMSA regulations as at 30 September 2006:

Loan classification	**As at 30 September 2006(1)**	
	Total principal amount	**Total amount actual created provisio**
	(KZT millions)	
Standard	281,517	1,484
Doubtful 1st Category (5%)	90,413	4,521
Doubtful 2nd Category (10%)	4,311	431
Doubtful 3rd Category (20%)	11,674	2,335
Doubtful 4th Category (25%)	557	139
Doubtful 5th Category (50%)	3,685	1,843
Total Doubtful	110,640	9,269
Loss Loans (100%)	2,177	2,177
Total	394,334	12,930

(1) Derived from management accounts.

IFRS Impairment Assessment

For the purposes of the IFRS financial statements, 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 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:

Rate of Estimated Impairment	As at 30 September 2006[1]			As at 31 December 2005"»			As at 31 December 2004"			As at 31 December 2003[1]		
	Total Allowances[12,] Allowances[12,] Exposure"'	Total Allowances	Total Exposure'[1,]	Total Exposure	Total Allowances	Allowances[12,] exposure	Total Exposure	Allowances	Allowances[12,] Exposure"'	Total Exposure	Total Exposure[10] Allowances	Total exposure Allowances'[2,]
						(KZT millions except for percentages)						
Standard (0% - 5%) 281,517		1,4		0.5					1.9	43,	56	1.3
Sub-standard		84		189,236	2,5		3,3	1	%	635	9	%
(5%-10%) 94,724		4,9		5.2	97		34	5	4.7	15,	1,0	6.5
Unsatisfactory 50%) 100	3,685	1,843	50.0	2,284	1,143	50.0%	2,947	1,271	43.1%	985	467	47.4%
Loss (50% %)	[illegible]		100			100.0				773	*111*	
Total	394,334	12,930	3.3	252,523	7,649	3.0%	117,593	5,503	4.7%	63,885	3,397	5.3%
(10%-25%).... 12,231 Doubtful		52		51,230	— 2,008	—	107,380		%	486	00	%
(25% -		2,4		20.2		5.1%			21.	3,0	58	19.
		74		7,430		21.1 %			0%	06	9	6%

(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.

As at 30 September 2006, the effective level of allowances in accordance with IFRS increased to 3.3% as compared to 3.0% as at 31 December 2005. 3.0% represented a decrease as compared to 4.7% as at 31 December 2004 and 5.3% as at 31 December 2003. Allowances as at 30 September 2006 compared to 31 December 2005 increased further to 69.0% from the 31 December 2005 level of KZT 7,649 million.

Adequate provisions are made against off-balance sheet exposures when it is more likely than not that there will be a loss.

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 SME Credit Department or the Retail Credit 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 SME Credit Department or Retail Credit Department, 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.

The following table sets forth information as to amounts past due by less than 30, between 30 and 60, between 60 and 90 and between 90 and 180 days. The Bank writes off that portion of any loan that is past its due date after 180 days.

	As at 30 September 2006		As at 30 September 2005	
Days past due	**Overdue**	**Percentage of Total Overdue Amount** (%)	**Overdue**	**Percentage of Total Overdue Amount (%)**
	(KZT millions)		*(KZT millions)*	
Under 30	175.7	10.9%	83.0	**5.6**
30-60	485.3	30.1%	44.5	**3.0**
60-90	73.0	4.5%	41.0	**2.8**
90-180	880.0	54.5%	1,317.0	88.6 %
Total	1,614.0	100.0%	1,485.5	100.0 %

The following table provides information regarding the Bank's allowance for impairment losses of interest-earning assets as at the dates indicated:

	As at 30 September	As at 31 December		
	2006	**2005**	**2004**	**2003**
		(KZT millions)		
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Allowance for impairment losses at the beginning of period	(7,648	(5,504)	(3,397)	(1,596)
Charge	(5,693	(2,101)	(2,894)	(1,694)
Write-off of assets	685	2,730	1,141	642
Recoveries of assets previously written off	(274)	(2,640)	(354)	(749)
Translation effect	—	(133)	—	—
Allowance for impairment losses at end of the period	(12,930)	(7,648)	(5,504)	(3,397)

MANAGEMENT

Management

The Bank's management bodies comprise the Board of Directors (a supervisory body) and the Management Board (an executive body). Members of the Board of Directors and the Management Board cannot be appointed as the members of the Internal Audit Department. The Internal Auditor Department 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 and the Charter of the Bank vests in the general shareholders' meeting authority for the final approval of certain major corporate decisions.

The shareholders elect the Board of Directors. The Board of Directors in turn elects the members of the Management Board. The Board of Directors represents the interests of shareholders and is responsible for the general management of the Bank and approves its strategic and operational plans. The Board of Directors does not perform executive functions. Overall responsibility for the administration of the Bank's activities is vested in the Management Board. In accordance with Kazakhstan legislation, the members of the Board of Directors and the Chairman and members 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 Bank's accounting and internal control process is overseen by the Internal Audit Department that reports to the Board of Directors.

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;
- establishing lending and interest rate limits;
- nominating the Chairman and members of the Management Board;
- making decisions on material contracts (major transactions), interested party transactions and those increasing the Bank's liabilities by 10% or more of its own capital; and
- calling general and extraordinary general meetings of shareholders.

The current members of the Board of Directors are:

Name	**Position**	**Other Significant Position**
Timur Issatayev	Chairman of the Board of Directors of the Bank	None
Talgat Kuanyshev	Director	Chairman of the Management Board of the Bank
Nurlan Smagulov	Director	President of LLP Astana Group
Alidar Utemuratov	Director	Member of the Board of Directors of LLP Kar Tel, Kazakhstan
Hubert Pandza	Independent Director	None

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

Timur Issatayev (37), Chairman, graduated from the Kazakh State Management Academy 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. In September 2003 he joined the Bank and was the Chairman of the Management Board until July 2006. Mr Issatayev has held his current position since July 2006.

Talgat Kuanyshev (33), Chairman of the Management Board, graduated from Kazakh State Management Academy with a degree in international financial relationships. Mr. Kuanyshev began working in the Bank in December 1997 and has held the following positions: Head of Promissory Notes Division of Investment Operations Department, Deputy Director of the Commercial

Department, Director of Commercial Department, Managing Director, Adviser of the Chairman and First Deputy Chairman. He has held his current position since 15 August 2006.

Nurlan Smagulov (41), Member of the Board of Directors of the Bank. Mr. Smagulov graduated from Kazakh State University in 1990. He became the President of the LLP Kazakh Motor Company "Astana Motors" in 1994. From November 1996 till July 2002, Mr. Smagulov was working as President of CJSC Food Contract Corporation subsequently becoming Chairman of the Supervisory Board and Adviser to the Prime Minister of Kazakhstan. In July 2002, Mr. Smagulov returned to working as President of the LLP Kazakh Motor Company "Astana Motors". In January 2007, Mr. Smagulov became Head of the LLP Astana Group of which the LLP Kazakh Motor Company "Astana Motors" is a member.

Alidar Utemuratov (27), Member of the Board of Directors. Mr. Utemuratov graduated from Loughborough University with a bachelors degree in economics and politics. From 2004 to 2005, Mr. Utemuratov was Director of the Corporate Sales Department of JSC Kazakhtelecom. Mr. Utemuratov was appointed Vice President of JSC Kazakhtelecom in February 2005 and worked in this capacity until May 2006.

Hubert Pandza (58), Independent Director, joined the Bank in August 2006 as independent director. Mr. Pandza holds a Master of Science degree in International Economic Relations from the University of Saarbruecken. Hubert Pandza led the Russia & Central Asia Team as Business Group Director at EBRD Headquarters London from October 2002. Prior to joining EBRD, Hubert Pandza was working with Deutsche Bank for 26 years. He was a Member of the Supervisory Board for Deutsche Bank Polska S.A. Warsaw and Chairman of the Supervisory Board for Deutsche Securities Almaty, Kazakhstan. In 1998 he was appointed CEO/Regional Head CIS for Deutsche Bank Moscow, Russia.

The business address 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. Under Kazakhstan law, the Management Board is vested with executive powers over the day-to-day management of the affairs of the Bank, subject to the supervision of the Board of Directors and ultimately the Bank's shareholders.

The Management Board's responsibilities include the following:

- making executive business decisions;
- implementing the business strategy;
- appointing senior management and branch representatives of the Bank;
- approving loans in the amounts exceeding U.S.S10 million;
- proposing dividends; and
- dealing with all other matters not reserved to the Board of Directors or the general meeting of shareholders.

The Management Board consists of eight 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
Talgat Kuanyshev	Chairman
Irina Sindonis	First Deputy Chairperson
Kairat Rakhmanov	Managing Director
Talgat Abdukhalikov	Managing Director
Aida Derevyanko	Chief Accountant
Nadim Shaidarov	Managing Director
Nurlan Kossakov	Managing Director
Aidyn Auyezkanov	Managing Director

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

Talgat Kuanyshev (33), Chairman, graduated from Kazakh State Management Academy with the degree in international financial relationships. Mr. Kuanyshev started to work with the Bank in December 1997 and has held the following positions: Head of promissory notes division of Investment Operations Department, Deputy Director of the Commercial Department, Director of Commercial Department, Managing Director, Adviser of the Chairman and First Deputy Chairman. He has held his current position since 15 August 2006.

Irina Sindonis (44), First Deputy Chairperson, 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 OJSC Halyk Bank of Kazakhstan from March 1999, before being appointed Director of Operations of the OJSC Halyk Bank in February 2000 and Chief Accountant in June 2000. Mrs. Sindonis has held her current position since joining the Bank in May 2001.

Kairat Rakhmanov (41), Managing Director, graduated from Kazakh State Management Academy 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 OJSC Halyk Bank where he remained until June 2004, at which time he returned to the Bank in his current position.

Talgat Abdukhalikov (43), 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 held his current position since January 2002.

Aida Derevyanko (44), 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 held her current position since joining the bank in October 1997.

Nadim Shaidarov (42), Managing Director, graduated from the Moscow State University 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 OJSC Halyk Bank and in 1998 he was appointed First Deputy Director of the Akmola branch of OJSC Halyk Bank. Mr. Shaidarov has held his current position since joining the Bank in July 2002.

Nurlan Kossakov (33), Managing Director, graduated from Kazakh State Management Academy 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 held his current position since July 2002.

Aidyn Auyezkanov (29), Managing Director, graduated from Kazakh State University of Management in 1998 with a degree of finance and credit. Mr. Auyezkanov started his career in EBRD, ALmaty under the program of small business in Kazakhstan. In 2002, he was appointed as Deputy Director of Corporate business in Almaty Branch of OJSC Halyk Bank. In July 2004 he became president of JSC ATF Leasing. Mr. Auyezkanov has held his current position with the Bank since June 2006.

Corporate Governance

A new code on corporate governance was introduced by the Bank in 2005. The Law on Joint-Stock Companies in Kazakhstan dated 13 May 2003 requires every joint stock company to have a Corporate Governance Code which must be approved by a general shareholders' meeting and regulates company management and the relationship between shareholders and governing bodies of the company, as well as between the company and third parties.

Controller

The current Controller is Mrs. Neuchai Satova, Chief Accountant of JSC Open Savings Pension Fund Otan. 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 members of the Management Board 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 2006:

	As **at 31 December Name 2006**
	(KZT thousands)
Timur Issatayev	35,535
Talgat Abdukhalikov	23,456
Aida Derevyanko	20,321
Kairat Rakhmanov	43,920
Nadim Shaidarov	19,192
Alidar Utemuratov	362
Total	142,786

Loans to parties related to the above mentioned senior management of the Bank amounted to KZT4,557 million as at 31 December 2006.

SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

Share Capital

As at 30 September 2006, the Bank's issued and outstanding share capital comprised 19.7 million common voting shares and 3.4 million preferred shares. 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 their nominal value per annum and do not have voting rights unless the Bank fails to make payment of dividends on them.

During the nine month period ended 30 September 2006, the Bank declared dividends of KZT348 million on its preferred shares. No dividends were declared during 2005 on its preferred or common shares. In 2004, the Bank declared dividends of KZT694 million on its common shares of which KZT588 million were capitalised. In 2003, the Bank declared dividends of KZT1,164 million on its common shares of which KZT902 million were capitalised. The Bank declared KZT319 million on its preferred shares in 2004, compared with KZT241 million in 2003.

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

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 by August 2004.

In 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 voting shares which were subscribed for by certain existing shareholders for a total consideration of KZT3.2 billion. In 2005, the Bank increased its equity by KZT5.270 million through the placement of common voting and preferred shares. In February 2006, the Bank's shareholders approved an increase in the Bank's authorised capital by 27,000,000 common shares thus increasing the total amount of authorised common shares to 43,600,000. 3,120,000 common shares (out of the newly authorised 27,000,000 commn shares) were issued in March 2006 and had been fully placed by 1 August 2006 for a total consideration of KZT15.6 billion or KZT 5,000 per share. In August 2006, the Bank's shareholders approved a change in capital by increasing the number of authorised preferred shares by 8,000,000 and decreasing the number of authorised common shares by the same number. All newly authorised preferred shares were issued and placed by 31 December 2006 for consideration of KZT 12 billion or KZTl,500 per share. See "- Principal Shareholders".

The Bank issued U.S.$131 million of subordinated bonds to investors on the domestic market between 2003 and 2005.

The Bank's common voting shares and preferred shares are listed on the "A" list of the KASE. Among the Bank's shareholders are various industrial companies, pension funds and private investors.

Principal Shareholders

As at 31 December 2006, following the placement of all shares approved for placement and the subsequent transfer of shares from affiliated companies to beneficial owners, the Bank has the following shareholders owning 5% or more of the outstanding and fully paid common shares:

Shareholder	Number of Common Shares	Percentage of Common Shares
The Bank of New York (nominal shareholder)	4,616,339	23.41%
Bulat Zhamitovich Utemuratov	4,261,257	21.61%
Alidar Bulatovich Utemuratov	2,990,510	15.16%
Anuar Bulatovich Utemuratov	2,986,941	15.15%
JSCKazzink	1,343,949	6.82%
KMC "Astana Motors" LLP	986,000	5.00%
Other	2,535,004	12.85%
Total	19,720,000	100%

* As at 31 December 2006, entities related to certain members of the Board of Directors held in aggregate 3,946,930 common shares representing 20.01% of the Bank's share capital (20.01% = 3,946,930/19,720,000).

The family of Mr. Bulat Utemuratov, a senior government official, directly owns approximately 51.92% of the Bank's share capital. Mrs. Bayshuakova, the wife of Mr. Bulat Utemuratov, is entitled, pursuant to a trust management agreement, to exercise the voting rights in respect of Mr. Bulat Utemuratov's shares, which was agreed by the FMSA in December 2006. Mr. Bulat Utemuratov does not participate in the management of the Bank but meets periodically with the Bank's senior management to review the Bank's strategy and performance. Mr. Alidar Utemuratov, Bulat Utemuratov's son, is a member of the Bank's Board of Directors. Mr. Anuar Bulatovich Utemuratov is also a son of Mr. Bulat Utemuratov. See "Risk Factors - Risk Factors Relating to the Bank -Influence of Key Shareholder".

TRANSACTIONS WITH RELATED PARTIES

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

	Nine months, ended 30 September 2006			Nine months, ended 30 September 2005		
	Share-holders	Associates	Key management personnel	Share-holders	Associates	Key management personnel
		(unaudited)			*(unaudited)*	
Loans outstanding beginning of the period gross	270,035	774,942	362,140	290,035	1,509,224	
....194,946						
Loans issued during the period		11,348	5,404,547		81,572	—
....1,623,509		265,566				
Loans repayment during the period	(50,383)	(3,835,909)	(156,067)	(15,000)	(2,486,393)	
	(71,217)					
Loans outstanding, ending of the period, gross	230,800	2,343,580	287,645	275,035	646,340	
389,295						
Less: allowance for impairment			—	(16,268)	—	—
....(2,895)	—					
Loans outstanding net, ending	230,880	2,327,312	287,645	275,035	634,445	
389,295						
Interest income on loans	22,277	292,747	24,098	20,784	113,183	
....21,511						
Impairment of loans...............	—	(16,268)	—	—	(2,895)	—
Deposits and current accounts, beginning of the periods....	131,937	306,328	254,820	16,797		285,906
245,853						
Deposit and current accounts received during the period.	1,958,753	1,138,897	265,859	87,608		228,503
182,257						
Deposit and current accounts repaid during the period	(1,309,503)	(84,803)	(279,628)	(91,261)	18,630	
(151,217)						
Deposit and current accounts ending of the period...........	781,187	1,360,422	241,051	13,144	533,039	
276,893						
Interest expense on deposits ..	18,747	11,530	15,999	289	16,538	12,580
Commitments and guarantees issued................................	291	5,488,833	13,986	586	434,056	—
Commitments and guarantees received............................	—	456,661	5,900	—	571,776	—
Fee and commission income..	—	14	289	—	12	—

The aggregate remuneration and other benefits paid to members of the Shareholders' Council and Management Board for the nine months ended 30 September was KZT255,020 thousand, compared to KZT119,915 thousand for the nine months ended 30 September 2005.

All the above transactions were on normal conditions.

As at 30 September 2006 and 31 December 2005, in respect of loans to and deposits by related parties, the following interest rates applied:

Loans	% in KZT	% in Foreign currency	Maturity
Management..	10.0-14.0	10.0- 15.0	2006-2026
Shareholders..	10.0	—	2011
Associates...	10.0 - 23.0	4.0 - 21.0	2003 - 2021

Deposits

Management	8.0-11.4	3.0-9.0	2003-2015
Shareholders	2.9- 10.0	—	2003-2008
Associates	3.0-11.0	1.5- 10.5	2003-2016

Related parties for purposes of this discussion follows the definition set out in International Accounting Standard 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 September 2006, the Bank held 9% of the issued share capital of its former wholly-owned company, 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 10.0% 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, the NBK and the FMSA have also undertaken significant structural reforms in the banking sector, aimed at promoting consolidation and improving the overall viability of the system.

The National Bank of Kazakhstan and the FMSA

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

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

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

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

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

Banking

Structure of the Banking System of Kazakhstan

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

Banking Reform and Supervision

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

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

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

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

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

In September 1995, the NBK introduced international prudential standards such as capital adequacy requirements and liquidity ratios to regulate and protect the banking system. On 30 September 2005, the FMSA adopted a resolution (as amended in November 2005, May 2006 and June 2006) to set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions. Currently, the approval of prudential rules as well as supervision of their fulfilment is the responsibility of the FMSA.

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

In December 1999, a self-funded domestic deposit insurance scheme was established and as at 31 December 2006, 33 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts up to a maximum amount per customer (KZT700,000) at any given bank. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Current legislation requires the FMSA to approve any acquisition of a shareholding of 10.0% or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity holding 10.0% or more of a Kazakhstan bank must have a minimum required credit rating from one of the rating agencies.

In November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel II accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives. Further, the new regulations establish reduced capital adequacy ratios for banks one of whose shareholders is a bank holding company. Such reduced rates are 5.0% for the Kl ratio (compared to a generally applicable ratio of 6.0%) and 10.0% for the K2 ratio (compared to a generally applicable ratio of 12.0%). A bank holding company is an entity, whether domestic or foreign, that owns more than 25.0% of the voting shares of a Kazakhstan bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

Effective as of 14 July 2006, the FMSA has implemented new measures to raise reserve requirements for Kazakhstan banks in an effort to limit foreign currency debt issuances amid concerns among currency mismatches among second tier banks who have significant liabilities in dollars although they lend predominantly in Tenge. The new rules will increase reserve requirements for currency borrowings from non-residents and borrowings through issuance of notes and subordinated debt instruments (regardless of residence) to 8.0% from 6.0%, although domestic borrowings from residents except as mentioned above will remain at 6.0%.

In addition, effective as of 30 June 2006 the FMSA implemented new measures to restrict banks in Kazakhstan from having outstanding external short-term financings which exceed a bank's own capital by a ratio of greater than 1. However, banks not meeting the requirements as of 1 July 2006 will have until 1 October 2006 to comply.

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

In January 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA proposed certain amendments to Kazakhstan's capital adequacy regulations. These regulations, if enacted, will limit the total amount of foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital". Under the proposed amendments, "external liabilities" means all liabilities to non-residents, except for (i) correspondent accounts and current accounts held by foreign companies and individuals that have a permanent presence in Kazakhstan and (ii) debt securities issued by such bank which are held by non-residents.

The draft amendments set out several time limits for compliance and, as proposed, will be in full effect as of 1 March 2007. Banks in Kazakhstan will have until 1 October 2007 to bring their ratio of "external capital" to "own capital" to within intermediate ratios established by the proposed amendment and, by 1 March 2008, to comply with the final ratios. The final ratio of "external capital" to "own capital" will be between two and five, depending on the size of a bank's "own capital" and the type of the ratio calculated. If enacted, the effect of the amendments will mean that banks will not be permitted to increase borrowing held by non-domestic holders (subject to the exceptions set out above) at a rate faster than the bank increases its "own capital". If implemented, these proposed amendments may result in banks exceeding the prescribed ratios and needing to take steps to either repay foreign-sourced debt or increase their "own capital" in order to avoid being in breach of the new regulations.

The FMSA has also suggested amendments to the rules of classification of loans issued by local banks by shifting the emphasis from valuation of collateral to the financial soundness of the borrowers.

Commercial Banks

According to the FMSA, as at 31 December 2006, there were 33 commercial banks in Kazakhstan, excluding the DBK and the NBK, compared to 38 as at the end of 2002 and 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In November 2001, the Government divested its remaining 33% stake in OJSC Halyk Bank, by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT2.1 billion. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the FMSA, and currently JSC Nauryz Bank is in the process of liquidation as required by a court ruling in November 2005.

On 24 December 2005, the FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards. In December 2006, FMSA revoked the banking licence of JSC Valut - Transit Bank due to the violation of Kazakhstan laws, improper performance of contractual obligations and breach of prudential standards.

The financial standing of Kazakhstan's banks varies. As at 31 December 2006, 22 of the 33 commercial banks (excluding DBK) had registered capital of over KZT2 billion, 11 banks had registered capital of KZT1 billion to KZT2 billion. There are no banks with registered capital of less than KZT1 billion; any bank whose capital falls below KZT500 million is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations.

JSC Kazkommertsbank was established in July 1990 and is the second largest bank in Kazakhstan in terms of assets and shareholders' equity, with a focus on the corporate and retail banking sectors. As at 30 June 2006, Kazkommertsbank had 22 full service branches and 68 branches and retail outlets, a subsidiary in Kyrgyzstan, a representative office in London and exercised control over a Moscow bank. Kazkommertsbank is part of a group which includes a number of banks, joint ventures and investment companies and has a number of substantial investments in industrial companies.

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

The extensive branch network of JSC Halyk Bank (593 retail outlets as at 30 September 2006) makes it one of the Bank's major competitors in the retail banking market. As at 30 September 2006, JSC Halyk Bank was the third largest bank in Kazakhstan in terms of total assets and is also a leading participant in the primary domestic securities market.

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

Whilst foreign-owned banks do not currently provide significant domestic competition and are not active in the retail banking sector, the Bank believes that such banks, some of which may have significantly greater resources and a cheaper funding base than the Bank, will, together with the larger local banks, become the Bank's primary long-term competitors in the corporate banking sector. Foreign banks also bring international experience in servicing customers and target the best corporate customers of the Kazakhstan banks as well as foreign companies operating in Kazakhstan.

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

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

Foreign Capital in the Banking Sector

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

As at 31 December 2006, there were 14 banks with foreign participation operating in Kazakhstan, including ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan. Under relevant legislation, a bank "with foreign participation" is defined as a bank with more than one-third foreign ownership. Banks with less than one-third foreign ownership are considered domestic banks.

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

Industry Trends

According to the NBK, the total capital of commercial banks increased 44.9% in 2003, 62.4% in 2004 and 69.3% in 2005, amounting to approximately KZT587.2 billion. During such period, the total assets of such banks increased by 68.0% and, as at 31 December 2005, amounted to approximately KZT4,515 billion. In 2005, the aggregate liabilities of such banks increased by 68.6% and amounted to approximately KZT4,073 billion as at 31 December 2005 and their aggregate net income increased by 131.2% in 2005, amounting to KZT73 billion in 2005. As at 1 December 2006, the most recent date at which such data is available, the total capital and assets of the second-tier banks in Kazakhstan was KZT663.8 billion and KZT7,416 billion, respectively. The aggregate liabilities and the aggregate net income of the second-tier banks as at 1 December 2006, was KZT6,752 billion and KZT45.1 billion, respectively. The share of total assets of the second-tier banks in Kazakhstan GDP as at 1 December 2006 amounts to 85% as compared to 61.8% as at 31 December 2005, 48.5% at the end of 2004 and 37.7% at the end of 2003.

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.$450,000,000 9.25% Notes due 2014 (the "Notes", which expression includes any further notes issued pursuant to Condition 17 *{Further Issues)* and forming a single series therewith) of ATF Capital B.V. (the **"Issuer")** are (a) guaranteed by JSC ATFBank (the **"Guarantor"** or the **"Bank")** pursuant to a trust deed dated 21 February 2007 (as amended or supplemented from time to time, the **"Trust Deed")** between the Issuer, the Guarantor 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) (b) constituted by and subject to, and having the benefit of, the Trust Deed and (c) are the subject of a paying agency agreement dated 21 February 2007 (as amended or supplemented from time to time, the **"Agency Agreement")** between the Issuer, the Guarantor, 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 London 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 denned 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, without coupons attached, 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 such denomination an "authorised denomination").

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Conditions 2 *(Registration)* and 3 *(Transfer of Notes).* 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 sold to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act will be represented by a Restricted Global Note. Notes sold to investors outside the United States in reliance on Regulation S under the Securities Act will be represented by an Unrestricted Global Note. The Unrestricted Global Note will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. The Restricted Global Note will be deposited with a custodian for, and registered in the name of, Cede & Co., as nominee of DTC.

Ownership of beneficial interests in the Restricted Global Note will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Ownership of beneficial interests in the Unrestricted Global Note 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 Notes will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by DTC and its participants or by Euroclear, Clearstream, Luxembourg and their participants, as applicable. Global Notes 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) *{Formalities Free of Charge),* 3(c) *{Closed Periods)* and 3(e) *{Regulations Concerning Transfer and Registration),* 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, Guarantee and Limited Recourse

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, unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and save that, in each case where amounts of principal, interest and additional amounts (if any) are stated in these Conditions or in the Trust Deed to be payable in respect of the Notes, Noteholders must rely solely and exclusively on (i) the covenant of the Issuer to pay under these Conditions and (ii) the obligations of the Guarantor under its Guarantee in respect of the Notes contained in the Trust Deed (described in this Condition 4). Noteholders shall have no recourse (direct or indirect) to any asset of the Issuer, except that they may have recourse to the Issuer's receivables from the Guarantor under (i) the deposit agreement in respect of the Notes dated 21 February 2007 between the Issuer and Guarantor and as amended, restated and/or supplemented from time to time and (ii) up to a maximum of €2,000,000, the share premium deposit agreement dated 12 October 2006, between the Issuer and the Guarantor and as amended, restated and/or supplemented from time to time.

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

The obligations of the Guarantor under its Guarantee in respect of the Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 5 *{Negative Pledge and Certain Covenants))* unsecured obligations of the Guarantor which rank and will rank at least *pari passu* in right of payment with all other present and future unsubordinated obligations of the Guarantor, 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 of the Issuer*

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

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

(c) *Limitations on Certain Transactions*

For so long as any Note remains outstanding, the Guarantor 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.

(d) *Limitation on Payment of Dividends*

For so long as any Note remains outstanding, the Guarantor will not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default (as defined in Condition 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 Guarantor's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with IFRS, for which purpose, the amount of the Guarantor'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 Guarantor which may be issued by the Guarantor from time to time and (ii) any dividends in respect of any common shares of the Guarantor which are paid through the issuance of additional common shares.

(e) *Maintenance of Capital Adequacy-*

The Guarantor shall not permit its total capital ratio calculated in accordance with the recommendations of the Basel Committee on Banking 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 Guarantor prepared in accordance with IFRS and to other financial data derived from the Bank's accounting records.

(f) *Provision of Financial Information*

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

(i) not later than 120 days after the end of each of the Guarantor's financial years, copies of the Guarantor'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 Guarantor shall be accompanied by the report of the Guarantor's independent auditors thereon; and

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

(g) *Certificate of Directors*

The Guarantor or, in the case of (vi) below, 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 Guarantor signed by any two of its authorised directors that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Guarantor 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 Guarantor or, if such an event had occurred, giving details of it, (ii) the total amount of transactions or series of transactions that the Guarantor 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 Guarantor, (iii) a statement that the Guarantor has not paid any dividends or made any other distributions which would breach Condition 5(d) *{Limitation on Payment of Dividends),* (iv) a statement of the Guarantor's total capital ratio calculated in accordance with the recommendation of the Committee, as at the date of the certificate, (v) a statement that the Guarantor is in compliance with Condition 5(b) *{Negative Pledge of the Guarantor)* and that the Guarantor has not exceeded the limits imposed by Permitted Security Interests generally, and, in particular, Clauses (h), (i) and (j) of the definition thereof, and (vi) a statement that the Issuer is in compliance with Conditions 5(a) *(Negative Pledge of the Issuer).*

(h) *Restricted Securities Covenant*

For so long as the Notes are "restricted securities" within the meaning of Rule 144A(a)(3) under the Securities Act, the Issuer and the Guarantor shall furnish upon the request of a holder of Notes or a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser of Notes designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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

"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 Guarantor by any Subsidiary to secure Indebtedness for Borrowed Money owed by such Subsidiary to the Guarantor,

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

(c) arising in the ordinary course of the Guarantor's or a Subsidiary's business and (i) which is necessary in order to enable the Guarantor or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Guarantor's or such Subsidiary's business or (ii) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Guarantor'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 Guarantor or any Subsidiary), in connection with (i) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (ii) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (iii) the Guarantor's foreign exchange dealings or other proprietary trading activities including, without limitation, Repos, entered into by the Guarantor 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 Guarantor or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property,

(h) granted by the Guarantor in favour of a Development Organisation to secure Indebtedness for Borrowed Money owed by the Guarantor to such Development Organisation pursuant to any loan agreement or other credit facility entered into between the Guarantor 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 Guarantor's loans and advances to customers before allowances for impairment (calculated by reference to the most recent audited consolidated financial statements of the Guarantor prepared in accordance with IFRS) and (ii) the relevant Security Interest only extends to the asset financed by the relevant Indebtedness for Borrowed Money and/or any Security Interest or other claim held by the Guarantor in relation thereto,

(i) created or outstanding upon any property or assets of the Guarantor or any Subsidiary arising out of any securitisation of such property or assets or other similar structured finance transaction in relation to such property or assets 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 Guarantor's loans and advances to customers before allowances for impairment (calculated by reference to the most recent audited consolidated financial statements of the Guarantor 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 the greater of (i) U.S.$20,000,000 (or its equivalent in other currencies) at that time and (ii) 5% of total shareholders' equity (calculated by reference to the most recent audited consolidated financial statements of the Guarantor prepared in accordance with IFRS).

"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 21 February 2007 (the "Issue **Date")** at the rate of 9.25% per annum payable semi-annually in arrear on 21 February and 21 August 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 this Condition 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 8(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. Each of the Issuer and the Guarantor 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 London, 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 pic. (the **"London 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 21 February 2014, 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 (or if the Guarantee were called, the Guarantor, as the case may be,) has or will become obliged to pay additional amounts as provided or referred to in Condition 10 *{Taxation)* to any greater extent than would have been required had such a payment been required to be made on 19 February 2007 as a result of any change in, or amendment to, the laws or regulations of The Netherlands, the Republic of Kazakhstan (or any other taxing jurisdiction with respect to which the Issuer or the Guarantor, as the case may be, is required to pay additional amounts as provided or referred to in Condition 10 *{Taxation))* 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 (or the Guarantor, as the case may be) 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 19 February 2007), which change or amendment becomes effective on or after 19 February 2007 and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; *provided,* however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (x) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred and (y) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (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), the Issuer (or the Guarantor, as the case may be) shall be bound to redeem the Notes in accordance with this Condition 9(b).

(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, the Guarantor or any of the Subsidiaries of the Guarantor may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. 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 the Guarantor, 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 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 pic, 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 (including payments by the Guarantor under the Guarantee) 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 Netherlands or the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note 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 Netherlands or 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 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 or the Guarantor, as the case may be, becomes subject at any time to any taxing jurisdiction other than The Netherlands or the Republic of Kazakhstan, respectively, references in this Condition 10 *(Taxation)* to The Netherlands or the Republic of Kazakhstan shall be construed as references to The Netherlands, 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 onefifth 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 and the Guarantor that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an **"Event of Default")** occurs:

(a) *Nonpayment*

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 or the Guarantor is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 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 or the Guarantor, as the case may be, by the Trustee; or

(c) *Cross-default*

Any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any of the Subsidiaries of the Guarantor (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, the Guarantor or the relevant Subsidiary (as the case may be), 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, the Guarantor or any of the Subsidiaries, the Guarantor 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, the Guarantor or any Subsidiary of the Guarantor 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, the Guarantor or any of the Material Subsidiaries of the Guarantor or all or substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or

(b) the Issuer, the Guarantor or any of the Material Subsidiaries of the Guarantor shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer, the Guarantor or any of the Material Subsidiaries of the Guarantor, as the case may be, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer, the Guarantor or any of the Material Subsidiaries of the Guarantor 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 Guarantor 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 Guarantor 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 Guarantor; or

(h) *Material Compliance with Applicable Laws*

The Issuer or the Guarantor 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 Guarantor, or the Issuer or the Guarantor 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 or the Guarantor 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, the Guarantor or any Material Subsidiary of the Guarantor is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government; or

(b) the Issuer, the Guarantor or any Material Subsidiary of the Guarantor is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 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 Guarantor 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 Guarantor and its consolidated Subsidiaries and for these purposes (i) the gross assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited financial statements (or, if none, its then most recent management accounts) and (ii) the consolidated gross assets and consolidated gross revenues of the Guarantor and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements, in each case prepared in accordance with **IFRS.**

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, the Issuer or the Guarantor, or by the Trustee upon the request in writing of Noteholders holding not less than onetenth 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 threequarters or, at any adjourned meeting, onequarter 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 threequarters 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 Noteholders will be valid if published, 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 pic. and the rules of such exchange so require, 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 of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

So long as any of the Notes are represented by a Global Note(s), notices required to be published in accordance with this Condition 15 *(Notices)* may be given by delivery of the relevant notice to the Euroclear Operator and Clearstream, Luxembourg and/or DTC 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 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 pic. 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 or the Guarantor and any entity relating to the Issuer or the Guarantor 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 onefifth 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 these 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(f) *(Provision of Financial Information)* and the certificates provided pursuant to Condition 5(g) *(Certificate of Directors).*

(d) *Failure to act*

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

(e) *Confidentiality*

Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the London 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 or the Guarantor.

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. Noteholders should note that additional securities that are treated as a single series for nontax purposes may be treated as a separate series for U.S. federal income tax purposes. In such case, the new securities may be considered to have been issued with original issue discount ("ОШ"), as defined in the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations issued thereunder, which may affect the market value of the Notes since such additional securities may not be distinguishable from the Notes.

18. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or from the Guarantor under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the **"first currency")** in which the same is payable under these Conditions or such order or judgment into another currency (the **"second currency")** for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer or, as the case may be, the Guarantor shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor or to the specified office of the 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 the Guarantor 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*

Each of the Issuer and the Guarantor 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 LLP at 1 Cornhill, London EC3V 3ND to accept service of any process on its behalf in England; (iv) consented to the enforcement of any judgment; (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 and the Guarantor that any dispute (including a claim, dispute or difference regarding the existence, termination or validity of the Notes), shall be finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration as at present in force and as modified by the Trust Deed.

FORM OF NOTES AND TRANSFER RESTRICTIONS

The following information relates to the form, transfer and delivery of the Notes.

1. Form of Notes

All Notes will be in fully registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in the Unrestricted Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with The Bank of New York, acting through its London Branch, as common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in the Restricted Global Note, in fully registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Closing Date with The Bank of New York, acting through its New York Branch as custodian (the **"Custodian")** for, DTC.

The Global Notes (and any Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set out under item 2 below. For the purposes of the Restricted Global Note and the Unrestricted Global Note, any reference in the Conditions to "Note **Certificate"** or "Note **Certificates"** shall, except where the context otherwise requires, be construed so as to include the Restricted Global Note or, as the case may be, the Unrestricted Global Note and interests therein.

2. Transfer Restrictions

On or prior to the 40th day after the Closing Date, which is expected to be 3 April 2007, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Notes are being offered and initially resold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered hereby pursuant to Rule 144A will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

(i) The purchaser (a) is a qualified institutional buyer within the meaning of Rule 144A, (b) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (c) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.

(ii) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below.

(iii) The Restricted Global Note and any Restricted Note Certificates (as defined below) issued in exchange for an interest in the Restricted Global Note will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE BANK THAT (a) THIS NOTE (AND ANY INTERESTS HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR THE BANK OR A SUBSIDIARY OF THE BANK, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (b) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (a) ABOVE.

THE FAILURE TO PROVIDE THE ISSUER, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, A U.S. INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(a)(30) OF THE CODE OR AN APPLICABLE U.S. INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(a)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL BACKUP WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THE NOTE REPRESENTED BY THIS CERTIFICATE.

(iv) If the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgment, representations and agreements on behalf of each such account.

(v) The Issuer, the Bank, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the 40th day after the closing date (the "distribution compliance period"), by accepting delivery of this Prospectus and the Notes, will be deemed to have represented and agreed as follows:

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

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

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

(iv) It understands that the failure to provide the Issuer, the Trustee and any paying agent with the applicable U.S. federal income tax certifications (generally, a U.S. Internal Revenue Service Form W-9 (or successor applicable form) in the case of a person that is a "United States person" within the meaning of section 7701(a)(30) of the Code or an applicable U.S. Internal Revenue Service Form W-8 (or successor applicable form) in the case of a person that is not a "United States person" within the meaning of section 7701(a)(30) of the Code) may result in U.S. federal backup withholding from payments to the holder in respect of the Note.

3. Exchange of Interests in Global Notes for Note Certificates

The Restricted Global Note will become exchangeable for Note certificates in definitive form **("Restricted Note Certificates")** if DTC (a) notifies the Bank that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Note or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Bank is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (b) an Event of Default (as defined and set out in Condition 12 *(Events of Default)* of the Notes) occurs. In such circumstances, such Restricted Note Certificates shall be registered in such names as DTC shall direct in writing and the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

The Unrestricted Global Note will become exchangeable for Note certificates in definitive form **("Unrestricted Note Certificates")** if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) an Event of Default (as defined and set out in Condition 12 *(Events of Default)* of the Notes) occurs. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

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

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) a fully completed, signed certification substantially in the form contained in the Agency Agreement to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A or Regulation S, a certification that the transfer is being made in compliance with the provisions of Rule 144A or, as the case may be, Regulation S. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "- Transfer Restrictions".

Restricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Unrestricted Global Note and Unrestricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Note.

In addition to the requirements described under "- Transfer Restrictions", the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 *{Transfer of Notes)* of the Terms and Conditions of the Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to under "- Transfer Restrictions", or upon specific request for removal of the legend on a Restricted Note Certificate, the Issuer will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act.

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

4. Euroclear, Clearstream, Luxembourg and DTC Arrangements

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, in respect of Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Bank, the Trustee, any Agent or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC or its nominee from the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on the Notes (other than interest on redemption) will be paid to the holder shown on the Register on the fifteenth day before the due date for such payment (the **"Record Date").** Principal and interest with respect to the Restricted Note Certificates and the Unrestricted Note Certificates on redemption will be paid to the holder shown on the register on the Record Date upon delivery and surrender of the relevant Note Certificate. Trading between the Restricted Global Note and the Unrestricted Global Note will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) The Bank of New York Depository (Nominees) Limited and (ii) Cede & Co. to reflect the amounts of Notes held through

Euroclear and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

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

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

Trading between DTC Participants. Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser. When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time at least two Business Days prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, DTC will debit the account of its participant and will instruct the Registrar to instruct Euroclear or Clearstream, Luxembourg, as the case may be, to credit the relevant account of Euroclear or Clearstream, Luxembourg as the case may be. In addition, on the settlement date, DTC will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date. See above concerning the Record Date for payment of interest.

Trading between EuroclearlClearstream, Luxembourg and DTC Purchaser. When book-entry interests in the Notes are to be transferred from the account of Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Note (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 5 p.m. Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and Euroclear or Clearstream, Luxembourg account holder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (i) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note and (b) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note. See above concerning the Record Date for payment of interest.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Bank, the Trustee, any Agent or any of the Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited and ING Bank N.V., London Branch (the **"Managers")** have, pursuant to a subscription agreement (the **"Subscription Agreement")** dated 19 February 2007, 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 fees, including an incentive fee, 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, or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. The Subscription Agreement provides that each Manager may through its agents or affiliates arrange for the resale of Notes in the United States solely to qualified institutional buyers pursuant to Rule 144A.

ING Bank N.V., London Branch will offer the Notes in the United States through its selling agent, ING Financial Markets LLC, a US registered broker-dealer.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer, whether or not it is participating in the offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Manager has represented and agreed that:

(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 Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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

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

United States Federal Income Taxation

The following is a description of the material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of the Notes by a holder thereof. This description only applies to the Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, holders that have a functional currency other than the U.S. dollar, tax-exempt organisations, certain former citizens and long-term residents of the United States, holders that will hold the Notes through a partnership or other pass through entity, dealers or traders in securities or foreign currencies, or holders that will hold a Note as part of a straddle, a hedging, conversion or other integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the Notes and only addresses the U.S. federal income tax treatment of holders that acquire the Notes as part of the initial distribution at their initial issue price (which will equal the first price paid by the public, not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers, at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes that, for U.S. federal income tax purposes, is: (i) a citizen or resident of the United States; (ii) a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any State or political subdivision thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of the Notes that is neither a U.S. Holder nor a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning or disposing of the Notes.

U.S. Internal Revenue Service Circular 230 Disclosure

Pursuant to U.S. Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the marketing (within the meaning of U.S. Internal Revenue Service Circular 230) of the Notes. This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues

may exist that could affect the U.S. federal tax treatment of the Notes, or the matter that is the subject of the description noted herein, and this description does not consider or provide any conclusions with respect to any such additional issues. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

***Characterisation of the** Notes*

The Issuer and the Bank believe, and intend to take the position that, the Notes constitute debt for U.S. federal income tax purposes. If the Internal Revenue Service (the "IRS") were successful in challenging such position, the tax consequences to holders would differ from that described below. The discussion below assumes that the Notes constitute debt for U.S. federal income tax purposes.

Interest

It is expected, and this discussion assumes, that the stated principal amount of the Notes will not exceed by more than a *de minimis* amount (as set forth in the applicable U.S. Treasury Regulations) the issue price of the Notes. Therefore, interest paid to a U.S. Holder on a Note, including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. If, however, the stated principal amount of the Notes exceeds the issue price by more than a *de minimis* amount as set forth in the applicable U.S. Treasury Regulations, a U.S. Holder (regardless of its method of tax accounting) will be required to include such excess in income as original issue discount as it accrues, in accordance with a constant yield method based on a compounding of interest before the receipt of cash payments attributable to this income. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes, including U.S. foreign tax credit limitation purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, for taxable years beginning before 1 January 2007, interest on the Notes should generally constitute "passive income", or in the case of certain U.S. Holders, "financial services income", and, for taxable years beginning after 31 December 2006, interest on the Notes should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income." Prospective investors should consult their own tax advisors as to foreign tax credit implications of interest paid or accrued in respect of a Note.

Subject to the discussion below under "- *U.S. Backup Withholding Tax and Information Reporting"* payments of interest on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Additional notes

Noteholders should be aware that additional notes that are treated for non-tax purposes as a single series with the original Notes may be treated as a separate series for U.S. federal income tax purposes. In such case, for U.S. federal income tax purposes, the new notes may be considered to have been issued with original issue discount, which may affect the market value of the original Notes since such additional notes may not be distinguishable from the original Notes.

***Sale, Exchange, Retirement or Other** Disposition*

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference, if any, between the amount realised on the sale, exchange, retirement or other disposition (other than accrued but unpaid interest which will be taxable as such) and the U.S. Holder's adjusted tax basis in the Note. The U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to such U.S. Holder, and any such gain or loss will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if the U.S. Holder's holding period for the Notes exceeds one year (i.e., such gain is long-term capital gain). Any gain or loss realised on the sale, exchange, retirement or other disposition of a Note by a U.S. Holder generally would be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

If any gain from the sale or exchange of the Notes is subject to Dutch or Kazakhstan tax, U.S. Holders may not be able to credit such taxes against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code, because such gain generally would be U.S. source income, unless such tax can be credited (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Subject to the discussion below under "- *U.S. Backup Withholding Tax and Information Reporting,"* any gain realised by a Non-U.S. Holder, upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States or (ii) in the case of any gain recognised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of the Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal, interest and proceeds of sale to a holder of a Note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding rate is 28% for taxable years through 2010.

Backup withholding is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

European Union Directive on Taxation on Savings Income

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

Kazakhstan Taxation

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

Centre will be subject to Kazakhstan income tax except for gains from a sale made on the Special Trade Platform by an individual who is a non-resident of Kazakhstan.

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

Payments of interest to Non-Kazakhstan Holders under the Guarantee, other than under the Notes purchased on the Special Trade Platform, will be subject to withholding tax at a rate of 15% and payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20% respectively, unless reduced by an applicable double taxation treaty. The Bank will agree in the Trust Deed and the Guarantee to pay additional amounts (as defined in the Trust Deed) in respect of any such withholding, subject to certain exceptions set out in full in Condition 10 *{Taxation).* See "Terms and Conditions of the Notes". Payments to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

The Netherlands Taxation

***Withholding** tax*

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

*Taxes **on** income **and capital** gains*

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

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

Residents of The Netherlands

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of The Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is subject to a 25.5% corporate income tax rate (a corporate income tax rate of 20.0% applies with respect to taxable profits up to €25,000 and 23.5% over the following €35,000, the first two brackets for 2007).

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

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

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

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

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

Non-residents of The Netherlands

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

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

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

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

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

Gift and estate taxes

Residents of The Netherlands

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

Non-residents of The Netherlands

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

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

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

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

Other taxes and duties

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

GENERAL INFORMATION

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

2. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 028690886 and ISIN XS0286908867. The Restricted Global Note has been accepted for clearance through DTC. The CUSIP number for the Restricted Global Note is 00211MAA4, the ISIN is US00211MAA45 and the Common Code is 028836848.

3. The Guarantor and the Issuer have obtained all necessary consents, approvals and authorisations in Kazakhstan and The Netherlands in connection with the issue and performance of the Notes and the Guarantee. The creation and issue of the Notes were authorised by a duly adopted resolution of the management board of the Issuer dated 21 September 2006 and were approved by a resolution of the General Meeting of Shareholders of the Issuer held on 21 September 2006. The Guarantee was authorised by a duly adopted resolution of the Board of Directors of the Guarantor dated 1 February 2007.

4. There has been (i) no significant change in the financial or trading position of the Bank and its subsidiaries taken as a whole since 30 September 2006 or in the financial or trading position of the Issuer since the date of its incorporation and (ii) no material adverse change in the prospects of the Bank and its subsidiaries since 31 December 2005 or in the prospects of the Issuer since the date of its incorporation.

5. Neither the Issuer nor the Guarantor is involved or has been involved during the previous 12 months in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and the Guarantor are aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer and/or of the Guarantor and its subsidiaries taken as a whole.

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

7. For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent:

   (a) the Paying Agency Agreement;

   (b) the Trust Deed;

   (c) the Subscription Agreement;

   (d) the statutory documents of the Bank; and

   (e) the statutory documents of the Issuer.

8. For so long as any of the Notes are outstanding, copies of the following documents in English may be obtained, free of charge, during normal business hours at the Specified Office of each Paying Agent:

   (a) the Audited Financial Statements of the Bank prepared in accordance with IFRS for the years ended and as at 31 December 2005, 2004 and 2003; and

   (b) the Unaudited Interim Financial Statements of the Bank prepared in accordance with IAS 34 for the nine months ended 30 September 2006.

9. The total fees and expenses in connection with the issue of the Notes, including the estimate of the total expenses related to the admission of the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, is approximately U.S.$2,524,500.

10. The Bank's independent auditors are Ernst & Young, acting as auditors under licence No. 0000003, dated 15 July 2005 and issued by the Ministry of Finance of the Republic of Kazakhstan, Ernst & Young are located at 240G Furmanov Street, Almaty 050059 Kazakhstan and they are a member of the Chamber of Auditors of Kazakhstan, which is the professional body which oversees audit firms in Kazakhstan. The Bank's audited consolidated financial statements for the years ended 31 December 2005, 2004 and 2003, included in this Prospectus,

were audited by Ernst & Young. Ernst & Young's audit report is included on page F-4 of this Prospectus. The Bank's consolidated financial statements for the nine months ended 30 September 2006 and 2005, included in this Prospectus, were reviewed by Ernst & Young. Neither Ernst & Young nor its employees have any material interest in the Issuer. Ernst & Young has consented to the inclusion in the Prospectus of, and authorised the contents of, its review report on the Bank's condensed interim consolidated financial statements for the nine months ended 30 September 2006 for the purposes of Prospectus Rule 5.5.4R (2)(f) and item 13.1 of Annex IX of the Commission Regulation (EC) 809/2004. Ernst & Young is responsible, for the purposes of Prospectus Rule 5.5.4R (2)(f), for its report and declares that it has taken all reasonable care to ensure that the information contained in that report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

11. Application has also been made for the Notes issued and sold in reliance on Rule 144A to be designated as eligible for trading on PORTAL.

INDEX TO FINANCIAL STATEMENTS

Audited Financial Statements as at and for the Years Ended 31 December 2005, 2004 and 2003

Unaudited Interim Financial Statements as at and for the nine months ended 30 September 2006

ATFBank
Audited Financial Statements
December 31, 2005, 2004 and 2003

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of ATFBank and Subsidiaries:-

We have audited the accompanying consolidated balance sheets of ATFBank and Subsidiaries (together the "Group") at December 31, 2005 and 2004, and the related consolidated statements of Income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Kazakhstan

March 24, 2006 Almary,

Kazakhstan

CONSOLmATED BALANCE SHEET

	Notes	At December 31 2005	2004	200 3
		(Thousands of Kazakh Teңe)		
Assets				
Cash and cash equivalents	4	33,049,949	14,047,880	
Obligatory reserves	5	4,264,255	2,389,710	5,835,819
Amounts due from credit institutions	6	3,391,378	3,511,038	1,775,133
Financial assets at fair value through profit or loss	7	26,379,619	8,650,301	
Investment securities:				23,890,146
- available-for-sale	8	33,015,441	707,475	
- held-to-maturity	8	—	26,008,120	
Commercial loans and advances	9,10	244,874,389	112,090,157	
Premises and equipment	11	5,240,414	3,316,174	60,487,547
Insurance reserves, reinsurance share	12	3,537,255	156,257	2,279,691
Current tax assets		385,626	180,294	189,823
Deferred tax assets	13	—	514,982	176,480
Investments in associates	14	169,480	313,143	85,787
Other assets		4,761,137	2,016,365	
				919,221
Total assets		359,068,943	173,901,896	
				95,639,647
Liabilities				
Amounts due to the Government and NBK	15	9,260,442	3,340,948	
Amounts due to credit institutions	16	83,643,375	38,762,706	3,445,225
Amounts due to customers	17	116,681,855	68,746,828	33,637,685
Insurance reserves	12	4,217,523	515,510	44,825,775
Debt securities issued	18	98,429,845	43,307,137	349,054
Subordinated debt	19	17,779,474	259,695	2,848,226
Provisions	10	283,270	253,679	1,497,743
Other liabilities		1,228,607	535,404	158,964
				534,742
Total liabilities		331,524,391	155,721,907	
				87,297,414
Shareholders' equity:				
Share capital:				
-common shares	20	16,600,000	12,870,761	
-preferred shares	20	3,400,000	1,900,000	4,339,523
Additional paid-in capital		242,185	201,900	1,900,000
Reserves		684,921	465,325	201,900
Retained earnings		6,427,584	2,742,003	465,325
Attributable to shareholders of the parent		27,354,690	18,179,989	1,435,485
Minority interest		189,862	—	8,342,233
Total shareholders' equity		27,544,552	18,179,989	
				8,342,233
Total liabilities and shareholders' equity		359,068,943	173,901,896	
				95,639,647
Financial commitments and contingencies		21		

Signed and authorized for release on behalf of the Board of the Bank

Timur Issatayev Aida Derevyanko March 24, 2006

Chairman of the Board

Chief Accountant

The accompanying notes on pages F-ll to F-51 are an integral part of these consolidated financial statements.

CONSOLroATED STATEMENT OF INCOME

	Notes	2005	2004	2003
		For the year ended December 31		
		(Thousands of Kazakh Teuge)		
Interest income				
Loans		21,690,614	10,992,017	6,655,362
Securities		1,964,704	1,465,739	1,115,935
Credit institutions		766,093	185,902	112,307
		24,421,411	12,643,658	7,883,604
Interest expense				
Deposits		(5,146,252)	(2,794,551)	(2,126,092)
Borrowings		(2,756,301)	(1,437,454)	(957,269)
Subordinated debt		(916,031)	(62,585)	(130,020)
Debt securities issued		(7,318,762)	(1,513,328)	(12,981)
		(16,137,346)	(5,807,918)	(3,226,362)
Net interest income		8,284,065	6,835,740	4,657,242
Impairment of interest earning assets	10	(2,101,002)	(2,894,106)	(1,693,954)
		6,183,063	3,941,634	2,963,288
Fee and commission income	22	3,190,309	2,349,227	1,635,435
Fee and commission expense	22	(463,393)	(428,114)	(219,780)
Fees and commissions		2,726,916	1,921,113	1,415,655
Gains less losses from financial assets at fair value through profit or loss		61,470	455,832	307,734
Gains less losses from available-for-sale securities		5,040	15,460	—
Dealing gains less losses on precious metals		(7,579)	1,533	35,160
Gains less losses from foreign currencies:				
- dealing		1,239,560	780,724	527,928
- translation differences		(45,837)	(121,799)	(76,186)
Underwriting income	23	1,009,964	810,282	436,630
Share of income from associates	14	39,708	49,787	—
Other income		585,860	60,752	79,021
Non interest income		2,888,186	2,052,571	1,310,287
Salaries and benefits	24	(3,047,003)	(2,481,425)	(1,685,764)
Administrative and other operating expenses	24	(2,365,775)	(1,702,175)	(1,056,381)
Depreciation and amortization	11	(590,023)	(378,321)	(251,008)
Taxes other than income taxes		(402,720)	(311,180)	(219,568)
Other provisions	10	(134,482)	(82,961)	(127,992)
Insurance claims incurred	12	(430,863)	(332,520)	(133,305)
Non interest expense		(6,970,866)	(5,288,582)	(3,474,018)
Income before income tax expense		4,827,299	2,626,736	2,215,212
Income tax expense	13	(771,077)	(306,894)	(759,199)
Net income		4,056,222	2,319,842	1,456,013
Attributable to:				
Equity holders of the parent		4,045,552	2,319,842	1,456,013
Minority interest		10,670	—	—
Basic and diluted earnings per share, (Tenge)	25	235	224	248

The accompanying notes on pages F-ll to F-51 are an integral part of these consolidated financial statements.

CONSOLmATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2005

	Attributable to shareholders of the parent										
	Share Capital-Common Shares	Share Capital-Preferred Shares	Additional paid-in capital	Treasury stock	General Reserves	Retained earnings	Revaluation reserve of available-for-sale securities	Currency translation reserve	Total	Minority Interest	Total share-holders' equity
	(Thousands of Kazakh Tenge)										
At December 31, 2002	2,700,000	400,000	193,306	(26)	465,325	1,384,212	—	—	5,142,817		5,142,817
Net income	—	—	—	—		1,456,013	—	—	1,456,013		1,456,013
Total income	_____	1,456,013	—					—	1,456,013	—	1,456,013
Acquiring minority interest - share conversion	20,180	—	8,545	_____					28,725	—	28,725
Dividends capitalized	902,782	—	—	—	—	(902,782)	—	—	—		
Dividends declared	—	—	—	—	—	(159,314)	—	—	(159,314)	—	(159,314)
Sale of treasury stock	—	—	—	26	—	—	—	—	26	—	26
Dividends declared - preferred shares	_____	(240,807)	—					—	(240,807)	—	(240,807)
Dividends declared - common shares	_____	(101,837)	—					—	(101,837)	—	(101,837)
Capital contributions	716,561	1,500,000	49	_____	2,216,610					—	2,216,610
At December 31, 2003	4,339,523	1,900,000	201,900	—	465,325	1,435,485	—	—	8,342,233		8,342,233
Net income	_____	2,319,842	—					—	2,319,842		2,319,842
Total income	_____	2,319,842	—					—	2,319,842		2,319,842
Dividends capitalized	588,078	—	—	—	—	(588,078)	—	—	—		
Dividends declared	_____	(106,246)	—					—	(106,246)		(106,246)
Dividends declared - preferred shares	_____	(319,000)	—					—	(319,000)		(319,000)
Capital contributions	7,943,160		_______	7,943,160							7,943,160
At December 31, 2004	12,870,761	1,900,000	201,900	—	465,325	2,742,003	—	—	18,179,989	—	18,179,989

Share Capital-Common Shares	Share Capital-Preferred Shares	Additional paid-in capital	Treasury stock	General Reserves	Retained earnings	Revaluation reserve of available-for-sale securities	Currency translation reserve	Total	Minority Interest	Total share-holders' equity
12,870,761	1,900,000	201,900	—	(Thousands of Kazakh	465,325 2,742,003	Tenge)	—	18,179,989	—	18,179,989
—	—	—	—	—	—	(139,269) (5,040)	3,934	(139,269) (5,040) 3,934	1,117 1,388	(138,152) (5,040) 5,322
—	—	—	—	—	4,045,552	(144,309)	3,934	(140,375) 4,045,552	2,505 10,670	(137,870) 4,056,222
—	—	—	—	—	4,045,552	(144,309)	3,934	3,905,177	13,175	3,918,352

A

areholders of the parent

176,687

176,687 —

At December 31, 2004............

Fair value change of available-for-sale securities, net of tax .....

Realised fair value change of available-for-sale securities.

Exchange difference ....

Total income and expense recognised directly in equity

Net income ....

Total income...........................

Transfers.................................	—	—	—	—	359,971	(359,971)					
Minority interest arising on acquisition of subsidiary	—	—	—								
Capital contributions	3,729,239	1,500,000	40,285					—	5,269,524		
At December 31, 2005.............	16,600,000	3,400,000	242,185		825,296	6,427,584		3,934	27,354,690	189,862	27,544,55

The accompanying notes on pages F-11 to F-51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTOF CASH FLOWS

	For the year ended December 31, 2005		
	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Cash flows from operating activities:			
Net income before income tax expense and minority interest	4,827,299	2,626,736	2,215,212
Adjustments for:			
Depreciation and amortization	590,023	378,321	251,008
Income from associates	(39,708)	(49,787)	—
Impairment of interest earning assets	2,101,002	2,894,106	1,693,954
Other impairment and provision	134,482	82,961	127,992
Provision for claims, and change in unearned premium reserves	682,759	526,610	238,645
Loss on sale of premises and equipment	6,177	9,333	15,018
Unrealised foreign exchange loss/(gain)	49,293	299,148	(383,134)
Unrealized gain on securities	97,944	(285,195)	(147,068)
Income from acquisition of subsidiary	(4,938)	—	—
Operating income before changes in net operating assets	8,444,333	6,482,233	4,011,627
(Increase) decrease in operating assets:			
Obligatory reserves	(1,874,545)	(614,577)	(545,096)
Financial assets at fair value through profit or loss	(17,698,416)	15,115,732	(8,769,507)
Commercial loans and advances	(129,123,278)	(60,072,156)	(29,275,926)
Amounts due from credit institutions	573,177	(3,604,613)	—
Other assets	(1,993,625)	(913,208)	(310,554)
Increase (decrease) in operating liabilities:			
Amounts due to the Government and the NBK	5,796,669	(104,277)	2,010,056
Short-term borrowings received from credit institutions	43,055,567	3,022,214	16,936,237
Amounts due to customers	44,384,127	26,191,216	14,571,708
Claims paid net of reinsurance	(361,744)	(326,579)	(124,785)
Other liabilities	867,575	(14,337)	191,537
Net cash flow from operating activities before income tax	(47,930,160)	(14,838,352)	(1,304,703)
Income tax paid	(452,625)	(739,902)	(1,019,297)
Net cash flows from operating activities	(48,382,785)	(15,578,254)	(2,324,000)
Cash flows from investing activities:			
Cash received on acquisition of subsidiaries	709,272	—	—
Cash paid on acquisition of subsidiaries and associates	(300,859)	(212,540)	—
Purchases of premises and equipment	(2,245,635)	(1,374,922)	(800,276)
Proceeds from sale of premises and equipment	31,184	10,614	42,802
Purchases of intangible assets	(859,343)	(282,828)	(25,890)
Purchase of available-for-sale securities	(228,744,506)	(7,100,717)	—
Proceeds from sale of available-for-sale securities	217,250,143	6,275,169	—
Purchase of held-to-maturity securities	(12,081,688)	(47,139,565)	—
Proceeds from redemption of held-to-maturity securities	17,611,133	20,748,458	—
Net cash flows from investing activities	(8,630,299)	(29,076,331)	(783,364)

	2005	2004	2003
	(Thousands of Kazakh		*Tenge)*
Cash flows from financing activities:			
Subordinated debt received	17,511,564	—	—
Subordinated debt repaid	—	(1,199,871)	(95,852)
Debt securities issued	53,095,947	42,477,951	2,848,226
Capital contributions	5,269,524	7,943,160	2,216,610
Sale (purchase) of treasury stock	—	—	26
Dividends paid (Note 20)	(198,000)	(410,246)	(366,846)
Long term borrowings received from credit institutions	—	4,680,683	—
Net cash flow from financing activities	75,679,035	53,491,677	4,602,164
Effects of exchange rates changes on cash and equivalents	336,118	(625,031)	(136,971)
Net change in cash and cash equivalents	19,002,069	8,212,061	1,357,829
Cash and cash equivalents at the beginning of year	14,047,880	5,835,819	4,477,990
Cash and cash equivalents at the end of year (Note 4)	33,049,949	14,047,880	5,835,819
Supplemental information:			
Interest received	21,804,662	11,971,787	7,073,820
Interest paid	12,728,151	4,438,669	3,169,065

The accompanying notes on pages F-11 to F-51 are an integral part of these consolidated financial statements.

1. Principal Activities

ATFBank and subsidiaries (the **"Group")** provide retail, corporate banking and insurance services in Kazakhstan. The parent company of the Group, ATFBank (the **"Bank"),** is registered as an open joint stock company and incorporated and domiciled in the Republic of Kazakhstan.

The Bank operates under a general banking license issued on September 2, 2005 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Institutions, which also allows the Bank to conduct operations with precious metals and foreign currency operations. The Bank also possesses licenses for securities operations and custody services from the National Bank of the Republic of Kazakhstan granted on November 27, 2003.

The Bank accepts deposits from the public, extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank has three subsidiaries and one associate (Note 2). The Bank's registered legal address is 100 Furmanov Avenue, Almaty, Republic of Kazakhstan.

The Bank has a primary listing on the Kazakhstani Stock Exchange and certain of its debt securities are listed on the Luxemburg Stock Exchange. At December 31, 2005 and 2004 the Group had thirty seven and thirty six branches located throughout Kazakhstan, respectively.

2. Basis of Preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), except per share amount and unless otherwise indicated. The KZT is utilized as the functional currency of the Bank as the shareholders, the managers and the regulators measure the Bank's performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Bank. Transactions in other currencies are treated as transactions in foreign currencies. Financial statements of subsidiaries, domiciling out of Kazakhstan, have been translated to KZT with the translation effect recognized in the statement of changes in shareholders' equity. KZT is the presentation currency of the Group.

The consolidated financial statements are prepared under the historical cost convention modified for the measurement at fair value of financial assets at fair value through profit or loss and available-for-sale securities.

Changes in Accounting Policies

The International Accounting Standards Board **("IASB")** has developed several new IFRSs and revised certain IASs. IFRS 3 "Business Combinations" replaced IAS 22 "Business Combinations" and SIC-9, SIC-22 and SIC-28. IFRS 3 'Business Combinations' and IAS 36 "Impairment of Assets" (revised in 2004) were consistently applied for all acquisitions that took place on or after March 31, 2004.

From January 1, 2005, IFRS 2 'Share-based Payment', IFRS 4 'Insurance Contracts', IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as well as fifteen revised IASs are effective.

IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets" (revised in 2004) IFRS 3 applies to accounting for business combinations for which the agreement date is on or after March 31, 2004. Upon acquisition the Group initially measures the identifiable assets, liabilities and contingent liabilities acquired at their fair values as at the acquisition date hence causing any minority interest in the acquiree to be stated at the minority proportion of the net fair values of those items.

The goodwill acquired in a business combination is recognized as an asset and initially is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized in accordance with IFRS 3.

Goodwill relating to acquisitions from March 31, 2004 is not amortized but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. As at the acquisition date, any goodwill acquired in acquisitions from March 31, 2004 is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Additionally, for business combinations for which the agreement date is before March 31, 2004, the adoption of IFRS 3 and IAS 36 has resulted in the Group ceasing goodwill amortization and to test for impairment annually at the cash generating unit level from January 1, 2005 (unless an event occurs during the year, which requires the goodwill to be tested more frequently).

IAS 27 "Consolidated and Separate Financial Statements"

Minority interests in net assets of the Group's subsidiaries are presented within equity, separately from parent shareholders' equity.

IAS 39 "Financial instruments: recognition and measurement"

Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity, through the statement of changes in equity.

The impact from the newly issued accounting guidance was not material for the Group.

***IFRSs** and **IFRIC** interpretations **not** yet effective*

The Group has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

IAS 19 (amended 2004) "Employee Benefits";

IAS 21 (amended 2005) "The Effects of Changes in Foreign Exchange Rates";

IAS 39 (amended 2005) "Financial Instruments: Recognition and Measurement";

IFRS 6 "Exploration for and Evaluation of Mineral Resources";

IFRS 7 "Financial Instruments: Disclosures";

IFRIC 4 "Determining whether an Arrangement contains a Lease";

IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds";

IFRIC 6 "Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment";

IFRIC 7 "Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies".

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application.

***Consolidated** Subsidiaries*

The consolidated financial statements include the following subsidiaries:

Subsidiary	Holding %			Country	Date of incorporat	Industry	Date of acquisiti
	December						
	2005	2004	2003				
JSCATF Policy	100.0%	100.0%	100.0%	Kazakhstan	December 1999	Insurance	December 1999
Energobank OJSC.	73.9%		—	Kyrgyzstan	August 1991	Bank	May-September 2005
Sibir Bank	100.0%		—	Russia	November 1992	Bank	November 2005

During 2004, the Bank acquired 34.4% of the share capital of Energobank OJSC, which had been accounted for under the equity method until April 30, 2005. On May 1, 2005, the Bank obtained control over the activities of Energobank OJSC by having a majority in the shareholders' council and appointing a new chairman to the Board followed by the decision to acquire an additional 18.1% of the Energobank's share capital by the end of July 2005. The Bank commenced consolidating Energobank OJSC within its financial statements starting from May 1, 2005. By the end of 2005, the

Bank increased its holding in the share capital to 73.9% by additional contribution to the share capital of Energobank of KZT 135,378.

As of the purchase date, the estimated fair value of the Energobank's OJSC net assets as at May 1, 2005, comprised:

	May 1,2005
Cash and cash equivalents	638,223
Amounts due from credit institutions	371,632
Available-for-sale securities	129,849
Loans to customers	1,663,097
Property and equipment and intangibles	195,490
Other assets	74,959
Amounts due to credit institutions	(154,680)
Amounts due to customers	(2,340,283)
Other liabilities	(45,850)
Net assets	532,437
Less minority interest	(349,066)
Share in net assets at the date of obtaining control/acquisition	(183,371)
Consideration paid	—
(Shortage)/ Excess of share in the net fair value of the identifiable assets and liabilities over consideration paid	—

The Bank acquired 100% of the share capital of CJSC OCB (OMSK Commercial Bank) Sibir CJSC (Russia) on November 2, 2005.

As of the purchase date, the estimated fair value of the net assets of CJSC OCB (OMSK Commercial Bank) Sibir CJSC comprised:

	November 2,2005
Cash and cash equivalents	71,049
Loans to customers	147,637
Property and equipment and intangibles	2,909
Other assets	35,609
Amounts due to customers	(181,256)
Other liabilities	(12,311)
Net assets	63,637
Purchase consideration paid in cash	(58,699)
Excess share in the net fair value of the identifiable assets and liabilities over consideration paid recognised in income statement	4,938

As of the purchase dates of both subsidiaries, the estimated fair values of their net assets approximated carrying values.

The Energobank's financial results from May 1, 2005, the date of acquisition, to December 31, 2005 were KZT 52,599 net income. The CJSC OCB (OMSK Commercial Bank) Sibir's financial results from November 2, 2005, the date of acquisition, to December 31, 2005 were net loss of KZT 964. Had the Bank consolidated in its financial statement of income results of Energobank and CJSC OCB (OMSK Commercial Bank) Sibir starting from January 1, 2005, the revenue and net income would be KZT 40,843,665 and KZT 4,771,148, respectively.

Associate accounted for under the equity method

The following associates are accounted for under the equity method and included into other assets:

Associate	Holding, %			Country	Activities	Share in net income		
	December 31							
	2005	2004	2003			2005	2004	2003
'und Otan ..		24.3%	—	Pensio		16,995	37,298	—
	24.3%	34.4%	Kazakhstan	n Fund		22,713	12,489	
			—	Bank				
			Kazakhstan					
Energobank OJSC								

Share of income from associates in the consolidated statement of income for the period ended December 31, 2005, includes income from Energobank OJSC of KZT 22,713, which was accounted for under the equity method during the first four months of 2005.

3. Summary of Significant Accounting Policies

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the Bank's share of the fair value of the net assets is recorded as goodwill. If the cost of the acquisition is less than the Bank's share of the fair value of the net assets of the subsidiary acquired the difference is recognized directly in the statement of income.

Minority interest represents the interest in Subsidiaries not held by the Group. The minority interest is presented in the consolidated balance sheet within shareholders' equity, separately from the parent shareholders' equity.

Increase in ownership interest in subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to retained earnings.

Recognition of Financial Instruments

The Group recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are recognized at fair value plus, in case of a financial asset of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below. 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.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Cash and Cash Equivalents

Cash and cash equivalents are recognized and measured at the fair value of consideration received. Cash and cash equivalents consist of cash on hand, amounts due from NBK - excluding obligatory reserves, and due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Obligatory Reserves

Obligatory reserves represent mandatory reserve deposits and cash, which are not available to finance the Bank's daily operations and, are not considered as part of cash and cash equivalents for the purpose of consolidated cash flow statement.

Amounts Due from Credit Institutions

In the normal course of business, the Group maintains current accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment.

Repurchase and Reverse Repurchase Agreements and Securities Lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Financial Assets at Fair Value through Profit or Loss

A new category of financial instruments has been introduced, "Financial assets at fair value through profit or loss". This category includes trading financial assets acquired for the purpose of selling in the near term. These assets are measured at fair value with recognition of gains or losses on re-measurement to fair value in net profit or loss. The financial assets at fair value through profit or loss are initially recognized at fair value 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. Directly attributable transaction costs are expensed when incurred.

Investment securities

The Group classified its investment securities into two categories:

- Securities with fixed maturities and fixed or determinable payments that management has both the positive intent and the ability to hold to maturity are classified as held-to-maturity. The Group does not classify any financial assets as held-to-maturity if the Group had, during the current financial year or during the preceding two financial years sold, transferred or exercised a put option on more than insignificant portion of held-to-maturity investments before their maturity; and
- Securities that are not classified by the Bank as held-to-maturity or financial assets at fair value through profit or loss are included in the available-for-sale portfolio.

The Bank classifies investment securities depending upon the intent of management at the time of the purchase. 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 recognized in accordance with the policy stated above and subsequently re-measured using the following policies:

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

Available-for-sale investment securities are subsequently re-measured at fair value, which is equal to the market value as at the balance sheet date.

Gains and losses arising from changes in the fair value of available-for-sale investment securities are recognized in shareholders' equity as 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.

Since a significant amount of the held-to-maturity securities were sold during the reporting period, the Bank is prohibited to classify any securities as held-to-maturity until January 1, 2008 according to IFRS.

Loans to Customers

Loans granted by the Group by providing funds directly to the borrower are categorized as loans originated by the Group and are initially recorded in accordance with the recognition of financial instruments policy. The difference between the nominal amount of consideration given and the fair value of loans issued at other than market terms is recognized in the period the loan is issued as initial recognition of loans to customers at fair value in income statement. Loans to customers with fixed maturities are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for impairment.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan and other tax authorities and of the cities in which the Group has affiliates, branches and subsidiaries.

Deferred income tax is provided, using the liability method, 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 recognized for taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except were 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 recognized for deductible temporary differences, carry-forward 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-forward of unused tax assets and unused tax losses can be utilized:

- 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 same 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 recognized 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 utilized.

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 utilized. Deferred income tax and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The Republic of Kazakhstan also has various operating taxes, which are assessed on the Group's activities. These taxes are included as a component in the statement of income.

Investments in Associates

The Groups' investment in its associates is accounted for under the equity method of accounting. This is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group (generally investments of between 20% to 50% in a company's equity). The investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value.

Allowances for Impairment of Financial Assets

The Group establishes allowances for impairment of financial assets when there is objective evidence that the Group will not be able to collect the principal and interest according to the contractual terms of the related loans issued, held-to-maturity securities and other financial assets, which are carried at cost and amortized 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 Group expects to realize the financial instrument.

The allowances are based on the Group's own loss experience and management's judgment as to the level of losses that are currently inherent from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for impairment of financial assets in the accompanying consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Changes in allowances are reported in the statement of income of the related period. When a loan is not collectable, it is written off against the related allowance for impairment; if the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the related allowance is credited to the related impairment of financial assets in the statement of income.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation of assets under construction and those not placed in service commences from the date the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and constructions	25
Furniture, fixtures and equipment	8
Vehicles	7
Computers	5

Leasehold improvements are amortized over the life of the related leased asset. The carrying amounts of property and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down. Impairment is recognized in the respective period and is included in administrative and operating expenses.

Costs related to repairs and renewals are charged when incurred and included in administrative and operating expenses, unless they qualify for capitalization.

Amounts Due to Government, NBK, Credit Institutions and to Customers

Amounts due to the Government, NBK, credit institutions and to customers are initially recorded in accordance with recognition of financial instruments policy. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of income.

Debt Securities Issued

Debt securities issued represent bonds issued by the Group. They are accounted for according to the same principles used for amounts due to credit institutions and to customers.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Retirement and Other Benefit Obligations

The Group does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share Capital

Share capital, additional paid-in capital and treasury stock are recognized at the fair value of consideration received or paid. Purchases of treasury stock are recorded at nominal value with any premium or discount recorded in additional paid in capital. Gains and losses on sales of treasury stock are charged or credited to additional paid-in capital.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Non-redeemable preferred shares are classified as equity.

Dividends on common shares are recognized as a reduction in shareholders' equity in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" and disclosed accordingly.

Contingencies

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

Income and Expense Recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. Commissions and other income are recognized when the related transactions are completed. Loan origination fees for loans issued to customers, when significant, are deferred (together with related direct costs) and recognized as an adjustment to the loans effective yield. Non-interest expenses are recognized at the time the transaction occurs.

Foreign Currency Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into KZT at market exchange rates at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of income as gains less losses from foreign currencies (translation differences).

Underwriting Income

Underwriting income (loss) includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve.

Upon inception of a contract, premiums are recorded as written and are earned on a *pro rata* basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within reserve for insurance claims in the accompanying consolidated balance sheets.

Losses and loss adjustments are charged to income as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within other expenses in the accompanying consolidated statement of income.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

Reserve for Insurance Losses and Loss Adjustment Expenses

The reserve for insurance losses and loss adjustment expenses is included in the accompanying consolidated balance sheet and is based on the estimated amount payable on claims reported prior to the balance sheet date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

Due to the absence of prior experience, the reserve for incurred but not reported claims ("IBNR") was established as being equal to the expected loss ratio for each line of business times the value of coverage, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in current income.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Reinsurance assets are recorded gross unless a right of offset exists and are included in the accompanying consolidated balance sheets within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, both are transferred by the Group to the re-insurer.

Segment reporting

The Group's operations are highly integrated and primarily constitute a single industry segment, banking, that accounts for more than 95% of the Group's business. Accordingly for the purposes of IAS No. 14 "Segment Reporting" the Group is treated as one business segment. The Group's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Group's revenues and net income is derived from operations in, and connected with, the Republic of Kazakhstan.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

Claims liability arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are made to the provision. General insurance claims provisions are not discounted for the time value of money.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	2005	**2004**	**2003**
	(Thousands of Kazakh Tenge)		
Correspondent accounts with other banks	12,834,827	9,671,876	1,617,342
Correspondent account with the NBK	9,043,005	565,265	262,132
Cash on hand	7,271,337	3,310,114	2,476,142
Short term deposits with other banks	3,900,780	—	478,036
Time deposits with the NBK	—	500,625	1,002,167
Cash and cash equivalents	33,049,949	14,047,880	5,835,819

Interest rates and maturity of the term deposits follow:

	200S		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Short term deposits with other banks.	7.0%	2006	—	—	8.0%-15.1%	2004
Time deposits with the NBK	—	—	2.5%	2005	4%	2004

At December 31, 2005, the top ten counterparty banks accounted for 63.16% (74.3% and 28.0% in 2004 and 2003, respectively) of total cash and cash equivalents and represented 75.8% (58.0% and 20.0% in 2004 and 2003, respectively) of the Group's total shareholders' equity.

At December 31, 2005 top ten counterparty banks accounted for 95.4% (96.0% and 83.0% in 2004 and 2003, respectively) of total correspondent accounts with other banks and represented 75.8% -51% and 16.0% in 2004 and 2003, respectively) the Group's shareholders' equity.

5. Obligatory Reserves

Obligatory reserves represent correspondent account with the NBK allocated as obligatory reserves of KZT 4,260,089, KZT 2,389,710 and KZT 1,775,133 at December 31, 2005, 2004 and 2003, respectively and correspondent account with the Central Bank of Russia KZT 4,166 (2004 and 2003: nil).

Under Kazakh legislation, the Group is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Group. Such reserves must be held in either non-interest bearing deposits with NBK, gold or in physical cash and maintained based on average monthly balances of the aggregate of deposits with NBK and physical cash. The use of such funds is, therefore, subject to certain restrictions.

6. Amounts Due from Credit Institutions

Amounts due from credit institutions at December 31 comprise:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Time deposits	3,235,378	1,548,577	
Loans to local credit institutions	156,000	783,389	
Correspondent accounts with other banks	—	1,180,322	
	3,391,378	3,512,288	
Less - Allowance for impairment	—	(1,250)	
Amounts due from credit institutions	3,391,378	3,511,038	

At December 31, 2005, the annual interest rates earned by the Bank on time deposits ranged from 7.1% to 10.0% per annum (2004: 3.60% to 14.00%). The deposits mature in 2006-2010 (2004: February and May 2005). Correspondent accounts with other banks represent restricted amounts held with a counter bank as collateral for letter of credits.

As of December 31, 2004, inter-bank time deposits include KZT 1,306,781 (84% of time deposit) paced with one Russian bank.

7. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss consisted of the following at December 31:

	2005	2004	2003
	(Thousands of Kazakh	*Tenge)*	
Notes of the NBK	13,181,205	601,289	9,454,076
13,181,205	6,110,160	4,340,452	6,559,534
Treasury bills of the Ministry of Finance	2,308,014	—	2,581,952
US Treasury bills	2,226,444	3,125,184	—
Euronotes of the Republic of Kazakhstan	1,413,021	499,400	556,067
Bonds of local financial organizations	466,888	83,976	83,565
Corporate bonds	673,887	—	—
Government securities of OECD based countries	—	—	4,239,264
Sovereign bonds of the Republic of Kazakhstan	—	—	415,688
Equity investments	26,379,619	8,650,301	23,890,14 6
Financial assets at fair value through profit or loss 26,379,619			
Subject to repurchase agreements	10,004	3,989,005	1,241,553

Interest rates and maturity of financial assets at fair value through profit or loss follow:

	2005		2004		2003	
		Maturity		Maturity		Maturity
Notes of the NBK	3.0%-4.0%	2006	5.1%	2005	4.9%-	2004
Treasury bills of the Ministry of Finance	3.5%-7.	2006-	4%-8.3%	2005-	3.8%-	2004-
US Treasury bills	5.4%	2031	—	—	4.3%-	2013-
Euronotes of the Republic of Kazakhstan	11.1%	2007	11.1%	2007		
Bonds of local financial organizations		2006-	8.5%-	2006-	6.3%-	2007-
Corporate bonds	8.0%-10.4%	2006-	8.0%-	2005-	8.0%-	2005-
Government securities of OECD based countries	4.6%	2008	—	—	—	—
Sovereign bonds of the Republic of Kazakhstan	—				112%-13	2004-

8. Investment Securities

Available-for-sale securities at December 31 comprise:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Government securities of OECD based countries	10,033,843	—	
Treasury bills of the Ministry of Finance	9,855,912	—	
Bonds of foreign financial institutions	5,438,745	—	
Corporate bonds	3,691,141	—	
US Treasury bills	2,154,342	707,475	
Bonds of local financial institutions	1,453,202	—	
Sovereign bonds of the Republic of Kyrgyzstan	260,154	—	
Notes of the NBK	128,102	—	
	33,015,441	707,475	

Interest rates and maturity of these securities follow

	2005		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Government securities of OECD based countries	3.5%-4.2%	2007-2008	—	—	—	—
Treasury bills of the Ministry of Finance	4.1%-8.9%	2006-2010	—	—	—	—
Bonds of foreign financial institutions	3.5%-8.1%	2008-2014	—	—	—	—
Corporate bonds	7.0%-9.0%	2006-2014	—	—	—	—
US Treasury bills	3.5%-4.2%	2006-2011	5.37%	2031	—	—
Bonds of local financial institutions	5.0%-9.0%	2007-2013	—	—	—	—
Sovereign bonds of the Republic of Kyrgyzstan	5.1%-13.9%	2006	—	—	—	—
Notes of the NBK	1.8%-3.1%	2006	—	—	—	—

As of December 31, 2005 securities in the total amount ofKZT 4,731,713 were pledged as collateral against interbank borrowings.

Held-to-maturity securities comprise:

	2005		2004		2003	
	Carrying value	Nominal value	Carrying value	Nominal value	Carrying value	Nominal value
Notes of the NBK	—	—	21,674,595	22,020,830	—	—
Treasury bills of the Ministry of Finance	—	—	—	1,325,137	1,300,000	—
US Treasury bills	—	—	3,008,388	2,990,000	—	—
	—	—	26,008,120	26,310,830		

Interest rates and maturity of these securities follow:

	2005	2004		2003
	Maturity		Maturity	Maturity
Notes of the NBK	—	2.8%-5.1%	2005	
Treasury bills of the Ministry of Finance.	—	5.7%-6.4%	2006-2011	
US Treasury bills	—	4.3%	2012-2014	

9. Commercial Loans and Advances

Commercial loans and advances consisted of the following at December 31:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Commercial loans	251,385,322	117,016,420	63,481,410
Advances.....................................	1,137,874	577,135	
		403,340	
	252,523,196	117,593,555	63,884,750
Less - Allowance for impairment.	(7,648,807)	(5,503,398)	(3,397,203)
Commercial loans and advances.....................................	244,874,389	112,090,157	

The Group's gross commercial loan portfolio is concentrated in the following main sectors at December 31:

	2005		2004		2003	
			(Thousands of Kazakh Tenge)			
Wholesale trading:	46,855,912	18.6	21,565,067	18.3	14,416,121	22.6
- Working capital increase	34,516,206	13.7	17,855,641	15.2	10,939,444	17.1
- Purchase and sale of grain	4,750,804	1.9	1,756,685	1.5	815,378	1.3
- Purchase and sale of gasoline	4,046,702	1.6	1,730,482	1.5	2,648,203	4.1
- Agriculture.......................................	2,223,669	0.9		0.2	13,096	0.1
- Flour production and sale	1,318,531	0.5		14.5	7,034,254	11.0
Individuals	42,208,255	16.7		4.0	2,628,779	4.1
Services...	32,186,042	12.7		9.0	9,600,197	15.0
Construction..	29,328,396	11.6		14.5	5,456,412	8.5
Food industry	25,641,601	10.2		7.5	6,721,801	10.5
Agriculture...	13,558,870	5.4		5.3	6,347,996	9.9
Retail trading	10,330,050	4.1		2.7	1,107,370	1.7
Hotel business....................................	7,652,057	3.0		3.3	1,135,134	1.8
Transport...	5,876,032	2.3			186,598	0.3
Textile industry	5,197,151	2.1			240,466	0.4
Real estate...	3,637,970	1.4			898,297	1.4
Metallurgy	2,480,430	1.0			354,624	0.6
Mining	2,492,672	1.0			1,134,458	1.8
Oil and Gas	2,331,378	0.9			862,879	1.4
Chemical...	1,694,110	0.7			517,762	0.8
Communications.................................	723,044	0.3			217,078	0.3
Entertainment......................................	639,559	0.3			5,024,524	7.9
Other	19,689,667	7.7				
			222,259			
			17,017,001			
			4,648,118			
			10,570,038			
			17,023,359			
			8,773,040			
			6,231,723			
			3,208,190			
			3,930,903			
			4,875,541			
			1,211,382			
			1,727,231			
			2,390,743			
			3,123,715			
			776,564			
			1,866,056			
			264,287			
			8,390,597			
	252,523,196		100.0		117,593,	

555	100.0 63,884,750	100.0	

At December 31, 2004, the largest ten borrowers accounted for 24.7% of the Group's gross commercial loans and advances (2004: 19.79%, 2003: 20.3%).

10. Allowance for Impairment and Provisions

The movements in the allowance for impairment were as follows:

	Loans to customers	Due from Banks	Total
	(Thousands of Kazakh		Teңe)
December 31,2002	(1,595,876)	—	(1,595,876)
Charge	(1,693,954)	—	(1,693,954)
Write-offs	642,314	—	642,314
Recoveries	(749,687)	—	(749,687)
December 31,2003	(3,397,203)	—	(3,397,203)
Charge	(2,892,856)	(1,250)	(2,894,106)
Write-offs	1,141,021	—	1,141,021
Recoveries	(354,360)	—	(354,360)
December 31,2004	(5,503,398)	(1,250)	(5,504,648)
(Charge)/Reversal	(2,102,252)	1,250	(2,101,002)
Write-offs	2,729,875	—	2,729,875
Recoveries	(2,640,115)	—	(2,640,115)
Translation effect	(132,917)	—	(132,917)
December 31,2005	(7,648,807)	—	(7,648,807)

The movements in allowances for other provisions were as follows:

	Letters of credit and guarantees	Other assets
	(Thousands of Kazakh Teңe)	
December 31, 2002	(4,838)	(109,037)
Charge	(78,065)	(49,927)
Write-offs	1,910	—
Recoveries	(3,195)	—
December 31,2003	(84,188)	(158,964)
Charge	11,754	(94,715)
Write-offs	4,916	—
Recoveries	(2,089)	—
December 31, 2004	(69,607)	(253,679)
Charge	(105,513)	(28,969)
Write-offs	12,758	—
Recoveries	(86)	(622)
December 31,2005	(162,448)	(283,270)

11. Premises and Equipment

The movements on the Group's premises and equipment during the year were as follows:

Initial Cost	Land and Buildings	Vehicles	Computers	Other assets	CBP	Total
	(Thousands of Kazakh Tenge)					
At December 31,2002	1,187,354	239,603	206,351	553,756		2,187,064
Additions	199,416	77,112	120,336	403,412		800,276
Disposal	(42,676)	(8,152)	(17,487)	(23,954)		(92,269)
At December 31, 2003	1,344,094	308,563	309,200	933,214		2,895,071
Additions	546,540	91,324	163,873	463,202	109,983	1,374,922
Disposal	(12,288)	(7,698)	(17,791)	(15,060)		(52,837)
At December 31, 2004	1,878,346	392,189	455,282	1,381,356	109,983	4,217,156
Acquisition of subsidiaries	130,434	9,325	22,854	35,785	—	198,398
Additions	1,176,036	241,641	173,522	654,227	209	2,245,635
Disposal	(24,624)	(17,028)	(25,214)	(39,186)		(106,052)
At December 31, 2005	3,160,192	626,127	626,444	2,032,182	110,192	6,555,137
Accumulated Depreciation						
At December 31, 2002	(80,316)	(53,972)	(114,33	(180,071)	–	
Charge	(38,023)	(32,167)	(58,148	(92,800)	–	
Disposals	2,987	4,525	13,450	13,487	–	
At December 31, 2003	(115,352)	(81,614)	(159,030)	(259,384)	–	(615,3
Charge	(58,957)	(47,958)	(85,348)	(126,228)	80)	
Disposals	1,978	4,072	15,729	11,110	–	(318,4
At December 31, 2004	(172,331)	(125,500)	(228,649)	(374,502)	–	(900,9
Charge	(82,982)	(75,617)	(122,125)	(201,708)	82)	
Disposals	3,775	15,218	21,173	28,525	–	(482,4
At December 31, 2005	(251,538)	(185,899)	(329,601)	(547,685)	–	(1,314,723)
At December 31, 2005	2,908,654	440,228	296,843	1,484,497	110,192	5,240,414
At December 31, 2004	1,706,015	266,689	226,633	1,006,854	109,983	3,316,174
At December 31, 2003	1,228,742	226,949	150,170	673,830	—	2,279,691

Depreciation and amortization in the consolidated statements of income also include amortization of intangible assets of KZT107,591, KZT59,830 and KZT29.870 for 2005, 2004 and 2003 respectively.

12. Insurance Reserves

Insurance reserves comprised the following at December 31:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Unearned premiums, reinsurance share	3,534,096	153,696	166,961
Reserves for claims, reinsurance share	3,159	2,561	22,862
	3,537,255	156,257	189,823
Gross unearned premiums	(4,122,331)	(490,035)	(309,210)
Reserves for claims	(95,192)	(25,475)	(39,844)
	(4,217,523)	(515,510)	(349,054)
Net insurance reserves	(680,268)	(359,253)	(159,231)

Reserves have been established on the basis of information currently available, including potential outstanding loss notifications, experience with similar claims and case law. The reserve for claims incurred but not reported is actuarially determined by lines of business and is based on statistical claims' data for the period typical for loss development of the classes and sub-classes of business, the Group's previous experience and availability of data. While the management consider that the gross reserve for claims and the related reinsurance recoveries are fairly stated on the basis of the information available to them, the ultimate liability may vary as a result of subsequent information and events and may result in adjustments to the amounts provided.

Any adjustments to the amount of reserves will be reflected in the financial statements in the period in which the necessary adjustments become known and estimable.

The movements on claims reserves during 2005 were as follows:

	2005	2004	2003
	(Thousands of Kazakh Teųe)		
Reserves for claims, January 1	25,475	39,835	30,120
Reserves for claims, reinsurers' share January 1.	(2,561)	(22,862)	(21,658)
Net reserves for claims, January 1		16,973	8,462
Plus claims incurred		332,520	133,305
Less claims paid		(326,579)	(124,785)
Net reserves for claims, December 31			

22,914 430,863 (361,744)

92,033

The movements on unearned premiums during 2005 were as follows:

	2005	**2004**	**2003**
	(Thousands of Kazakh Tenge)		
Gross unearned premiums reserves, January 1	490,035	309,210	107,012
Unearned premiums reserves, reinsurance share, January 1	(153,696)	(166,961)	(70,103)
Net unearned premiums reserves, January 1	336,339	142,249	36,909
Change in unearned premiums reserves.....................................	3,632,296	180,825	202,198
Change in unearned premiums reserves, reinsurance share	(3,380,400)	13,265	(96,858)
Change in unearned premiums reserves, net	251,896	194,090	105,340
Unearned premiums, net	588,235	336,339	142,249

13. Income Taxes

The components of income tax expense were as follows for the years ended December 31:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Current tax charge.................	256,095	1,016,822	844,986
Current tax of prior periods..	—	(280,733)	—
Deferred tax charge (benefit).	514,982	(429,195)	(85,787)
Income tax expense	771,077	306,894	759,199

Reconciliation between the provision for income taxes in the accompanying financial statements and income before taxes multiplied by the statutory tax rate of 30% for the years ended December 31 is as follows:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
IFRS income before tax	4,827,299	2,626,736	2,215,212
Statutory income tax	30%	30%	30%
Income tax computed at the statutory tax rate	1,448,190	788,020	664,563
Non deductible expenses:			
Non-deductible allowance	—	(167,500)	189,161
Interest on deposits	494,316	97,470	240,000
Non deductible business expenses	303,381	82,341	62,331
Other, net	21,838	63,349	4,866
Tax exempt income:			
Government securities	(389,256)	(409,598)	(355,078)
Income on long-term loans granted for modernization of property and equipment	(1,063,960)	(135,280)	(62,505)
Other	(60,657)	(37,518)	—
Income of subsidiaries taxed at different rate	17,225	25,610	15,861
Income tax expense	771,077	306,894	759,199

During 2003 the bank changed its estimate of prior year taxes in the amount of KZT 280,733 thousand 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.

Deferred tax assets and liabilities comprised the following:

	2005	**2004**	**2003**
	(Thousands of Kazakh Tenge)		
Tax effect of deductible temporary differences:			
Provision for loan impairment	306,508	422,938	161,048
Written off assets and provisions for other losses.,		334,80	
Deferred tax assets	306,508	757,743	161,048
Tax effect of deductible temporary differences:			
Fixed assets	(272,498)	(208,913)	(75,261)
Associates accounted for equity method	(34,010)	(23,242)	
Other			
Deferred tax Labilities	(306,508)	(242,761)	(75,261)
Deferred tax assets	—	514,982	85,787

Kazakhstan currently has a number of laws related to various taxes imposed by both republican and regional governmental authorities. Applicable taxes include value added tax, income tax, a number of turnover-based taxes, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

14 Investments in Associates

At December 31, investments in associated companies comprised:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Balance, beginning of the period	313,143	—	
Purchase cost	—	263,356	
Share of net income	39,708	49,787	
Transfer due to acquisition and full consolidation	(183,371)	—	
Investments in associates	169,480	313,143	

For the full list of associates please refer to Note 2.

The following is a summary of the financial statements of associates as of December 31, 2005 and for the year then ended:

	2005	2004	
	NPF Otan	**NPF Otan**	**EnergoBank**
	(Thousand of Kazakh Tenge)		
Cash and cash equivalents	25,833	37,854	305,916
Amounts due from credit institutions	—	—	770,284
Investment securities	376,486	333,306	164,452
Commissions receivable	38,202	16,581	—
Loans to customers	—	—	1,631,392
Due from credit institutions	45,181	55,232	—
Property and equipment and intangibles.	16,932	14,386	193,680
Other assets	11,137	3,311	11,844
Amounts due to credit institutions	—	—	(218,774)
Amounts due to customers	—	—	(2,355,993)
Taxes payable	(2,708)	(5,065)	—
Other liabilities	(11,025)	(9,062)	(47,387
Net **assets**	500,038	446,543	455,414

Statement of income for the years ended December 31, 2005 is presented below:

	2005	2004	
	NPF Otan	**NPF Otan**	**EnergoBank**
	(Thousands of Kazakh Tenge)		
Interest income	—	—	295,695
Interest expense	—	—	(67,757)
Net interest income	—	—	227,938
Impairment of interest earning assets	—	—	(28,770)
Fee and commission, net	251,261	258,186	83,098
Administrative and other operating expenses.	(153,203)	(90,000)	(224,228)
Income before income tax expense	98,058	168,186	58,038
Income tax expense	(28,120)	(14,696)	(21,733)
Net income	69,938	153,490	36,305

15. **Amounts due to the Government and the NBK**

At December 31, amounts due to the Government of the Republic of Kazakhstan and NBK consisted of the following:

	2005	2004	2003
	(Thousands of Kazakh		*Теще)*
EBRD	6,349,8	—	—
Time deposit from the NBK	2,059,3	2,028,6	2,006,
Kreditanshtalt fur Wideraufbau	678,806	906,549	922,69
Local municipal authorities	143,644	341,961	342,62
World Bank	28,805	63,771	173,40
Amounts due to the Government and the NBK	9,260,442	3,340,948	3,445,225

During 2005, the Bank received pass through loan from EBRD program. The Bank will be granting loans to the entities engaged in the export of producing goods. The credit line bears interest ranging from 5.0% to 7.4% and mature from 2006 to 2010. The Bank bears the credit risks related to the loans issued from the borrowings obtained from the EBRD.

At December 31, 2005, the Group had a KZT denominated time deposit from the NBK bearing interest at 6% (2004 - 6%, 2003 - 6.5%) per annum and maturing on July 6, 2006 (2004 - July 6, 2005, 2003 - February 5, 2004).

At December 31, 2005, 2004 and 2003, amounts due to the Government include a loan obtained under a program for co-financing development of small businesses within a framework agreement with Kreditanshtalt fur Wideraufbau (Germany). The balance outstanding at December 31, 2005, amounted to Euro 4,269,491 (2004: Euro 5,118,853, 2003: Euro 5,119,534) and matures between 2005 and December 2009. The interest rate on this indebtedness is 5% per annum, payable semi-annually. The Bank bears the credit risks related to the loans issued from the borrowings obtained from Kreditanshtalt fur Wideraufbau (Germany).

The Group participates in the small and medium size business development program funded by the local authorities of the Atyrau, Almaty and Karaganda regions. The loans mature between 2006 and 2007 and bear interest at rates up to 5.78% (2004 and 2003 - 7%) per annum.

At December 31, 2005, 2004 and 2003, the Group had a loan from the World Bank through the Ministry of Finance for the purpose of financing a particular company under an agricultural support program. The loan matures between 2005 and December 2007 and bears interest at 2.86% (2004 - 2.05%, 2003 - 1.63%) per annum. The Bank bears the credit risks related to the loans issued from the borrowings obtained from the World Bank.

16. **Amounts due to Credit Institutions**

Amounts due to credit institutions consisted of the following at December 31:

	2005	2004	2003
	(Thousands of Kazakh		*Теще)*
Loans from foreign banks in USD	45,615,180	20,652,412	22,438,351
Time deposits from local banks	25,873,655	1,437,828	4,490,600
Loans from foreign banks in Euro	8,831,795	10,246,925	2,863,595
Loans from the Small Business Development Fund of Kazakhstan	1,968,489	1,393,014	1,761,001
Current accounts	1,316,521	1,329,573	5,502
Loans from foreign banks in Swedish Krona ("SEK")	27,731	—	—
Repurchase agreements	10,004	3,702,954	1,120,071
Overnight deposits	—	—	958,565
Amounts due to credit institutions	83,643,375	38,762,706	33,637,685

The interest rates and maturities follow:

	2005		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Loans from foreign banks in USD	4.6%-8.8%	2006-2009	2.8%-6.1%	2005-2009	1.7%-4.8%	2004-2009
Time deposits from local banks						
-USD	4.25%-6.5%	2006	3.0%	2005	3.25%	2004
-KZT	0.5%-8.0%	2006	9.7%	2005	8.0%	2004
Loans from foreign banks in Euro	2.8%-5.3%	2006-2010	2.9%-6.0%	2005	2.8%-6%	2004
Loans from the Small Business Development Fund of Kazakhstan	3.6%-6.1%	2005-2008	5.2%-10.19%	2004-2007	5.2%-10.1%	2004-2007
Loans from foreign banks in SEK	4.3%-4.4%	2006	—	—	—	—
Repurchase agreements	7.0%	January 4, 2006	3.7%-7.0%	January 19, 2006	0.5%-3.0%,	January 5, 2004

17. Amounts due to Customers

The amounts due to customers included balances in customer current accounts, term deposits, and certain other liabilities, and were analyzed as follows at December 31:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Customer current accounts:			
Commercial	45,312,597	18,825,197	15,334,203
Individuals	4,767,713	2,307,351	1,396,432
Term deposits:			
Commercial	43,340,168	34,163,151	19,556,674
Individuals	22,292,017	12,739,805	7,854,609
Held as security against letters of credit and guarantees	969,360	711,324	683,857
Amounts due to customers	116,681,855	68,746,828	44,825,775

At December 31 2005, 2004 and 2003 the Group's ten largest customers accounted for approximately 34.7%, 42.9% and 47.5% respectively, of the total amounts due to customers. An analysis of amounts due to customers by sector follows:

	2005		2004		2003	
	(Thousands of Kazakh Tenge)					
Individuals	27,059,730	23.2	15,047,156	21.9	9,251,041	20.6
Financial activities	22,732,814	19.5	5,549,862	8.1	616,165	1.4
Transport and Communication	16,452,172	14.1	10,499,462	15.3	10,510,754	23.4
Non-credit financial companies	13,046,107	11.	1,754,57	2.6	3,857,5	8.6
Oil and Gas	9,829,115	8.4	12,902,0	18.8	6,718,3	15.0
Trade	7,034,755	6.0	6,021,26	8.8	3,984,1	8.9
Construction	6,901,757	5.9	2,268,22	3.3	1,600,5	3.6
Manufacturing	5,298,539	4.5	4,176,236	6.1	743,176	1.7
Services provided to enterprises	2,606,483	2.2	3,074,764	4.5	759,727	1.7
Education	1,145,610	1.0	300,542	0.4	102,491	0.2
Energy	1,143,948	1.0	2,093,54	3.0	2,575,9	5.7
Agriculture	897,766	0.8	504,197	0.7	1,520,7	3.4
Metallurgy	687,294	0.6	990,390	1.4	655,753	1.5
Research and Development	651,489	0.6	565,684	0.8	527,056	1.2
Government	24,257	0.1	21,680	0.1	768,141	1.7
Others	1,170,019	0.9	2,977,156	4.2	634,095	
Total	116,681,855	100	68,746,828	100.0	44,825,775	

	1.4	100.0

18. Debt Securities Issued

Securities issued at December 31 comprised:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
USD denominated notes	94,751,991	39,189,711	—
KZT denominated bonds	4,531,640	4,533,136	2,919,723
	99,283,631	43,722,847	2,919,723
Own bonds held by the Group	—	—	(71,497)
	99,283,631	43,722,847	2,848,226
Less unamortized cost of issuance	(853,786)	(415,710)	—
Debt securities issued	98,429,845	43,307,137	2,848,226

The interest rates and maturities of these debt securities issued follow:

	2005		2004		2003	
	%	**Maturity**	**%**	**Maturity**	**%**	**Maturity**
USD denominated notes	8.1%-9.3%	2007-2012	8.5%-8.8%	2007-2009	—	—
KZT denominated bonds	8.5%	2008	8.5%	2008	8.5%	2008

In accordance with the terms of USD notes the Bank is required to maintain certain financial ratios, particularly with regard to liquidity, capital adequacy, and lending exposures. Management believes that the Bank maintains these ratios as of December 31, 2005 and 2004.

19. Subordinated Debt

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
KZT denominated notes	17,624,356	—	—
USD denominated subordinated bonds	1,346,525	1,343,551	1,497,743
Own USD subordinated bonds held by the Group	(1,069,274)	(1,083,856)	—
	17,901,607	259,695	1,497,743
Less unamortized cost of issuance	(122,133)	—	—
Subordinated debt	17,779,474	259,695	1,497,743

The interest rates and maturities of subordinated debt issued follow:

	2005		2004		2003	
	%	**Maturity**	**%**	**Maturity**	**%**	**Maturity**
KZT denominated notes	8.5%	2012-2014	—	—	—	—
USD denominated subordinated bonds	9.0%	2007	9.0%	2007	9.0%	2007

20. Shareholders' Equity

At December 31, 2005 the authorized share capital comprised 16,600,000 common and 3,400,000 preferred shares, which were fully paid by the year end (December 31, 2004: 12,870,761 and 1,900,000, December 31, 2003: 4,339,523 and 1,900,000). Each share has a nominal value of KZT 1. Each common share is entitled to one vote and shares equally in dividends declared. Preferred shares carry a cumulative dividend of a minimum of 10% per annum and do not have any voting rights.

Preferred share give the holder the right to participate in general shareholders' meeting without voting rights except in instance where decision are made in relation to reorganization and liquidation of the

Bank, and where changes and amendments to the Bank's charter which restrict the rights of preferred shareholders are proposed. The preferred share has no rights of redemption or conversion but carry cumulative dividends per share at least of 10% of nominal value. If the Bank fails to pay dividends, or has no profits in any year, the preferred shareholders have the right to vote in the general shareholders' meeting. Owners of preferred shares have the right to dividends not less than declared dividends on common shares.

During 2005, the Bank paid dividends on preferred shares, which were declared in 2004. During 2004 the Bank declared and paid dividends on preferred shares of KZT 319,000. In May 2004, and in accordance with a general shareholders' meeting resolution, the Group declared dividends of KZT 694,324 on common shares (2003: KZT 1,163,933 on common shares), part of which was directed to the increase of Share Capital through the capitalization of dividends of KZT 588,078 (2003: KZT 902,782) and the rest amount of KZT 106,246 (2003: KZT 159,314) was paid as withholding tax.

Dividends payments comprise:

	2005	2004	2003
	(Thousands	of Kazakh	Tenge)
Dividends declared	—	106,246	261,151
Dividends declared on preferred shares	—	319,000	240,807
Unpaid declared dividends on preferred shares	—	(198,000)	(183,000
Payment of previously declared dividends on preferred shares	198,000	183,000	47,888
	198,000	410,246	366,846

	2005	2004	2003
	(Thousands of Kazakh		Tenge)
Dividends declared	—	106,246	261,151
Number of common shares as of the date of dividends declaration	—	9,783,043	4,339,523
Dividends per common shares, Tenge	—	11	60
Dividends declared on preferred shares	—	319,000	240,807
Number of preferred shares as of the date of dividends declaration	—	1,900,000	1,900,000
Dividends per preferred shares, Tenge	—	168	127

21. Commitments and Contingencies *Operating*

Environment

The Kazakhstani economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of a market in transition. These attributes have higher than normal historical inflation and lack of liquidity in capital markets in the past, as well as an existence of currency controls that cause the national currency to be illiquid outside of Kazakhstan. The continued success and stability of the Kazakhstani economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Financial commitments and contingencies

At December 31, the Group's financial commitments and contingencies comprised the following:

	2005	2004	2003
	(Thousands of Kazakh Tenge)		
Undrawn loan commitments	33,305,967	17,929,827	7,543,664
Guarantees	15,029,449	16,107,883	6,363,603
Letters of credit	3,600,930	5,037,319	2,986,545
	51,936,346	39,075,029	16,893,812
Less - Provisions	(283,270)	(253,679)	(158,964)
Less - Cash collateral	(969,360)	(711,324)	(683,857)
Financial commitments and contingencies	50,683,716	38,110,026	16,050,991

Financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as involved in extend facilities to other customers.

The Group applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under a guarantee. Commercial letters of credit represent a financing transaction by the Group to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction. The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in bank, government securities, and other.

At December 31, 2005, the top ten guarantees accounted for 61.7% (2004: 70.3%, 2003: 67%) of total financial guarantees and represented 33.7% (2004: 63%, 2003: 51%) of the Group's total shareholders' equity. At December 31, 2005, the top ten letters of credit accounted for 63.5% (2004: 80.7%, 2003: 84%) of total commercial letters of credit and represented 8.3% (2004: 22.7%, 2003: 30%) of the Group's total shareholders' equity.

Insurance

The Group in 2005 obtained insurance coverage related to property, vehicles as motor insurance is obligatory in accordance with the legislation of the Republic of Kazakhstan, and insurance for responsibility of the employer.

22. Fee and Commission Income

Fees and commissions income for the year ended December 31, comprised the following:

	2005	**2004**	**2003**
	(Thousands of Kazakh		*Tenge)*
Settlement operations	1,009,3	690,824	510,818
Cash operations	773,621	480,589	311,468
Guarantees	458,198	385,934	248,500
Foreign currency trading	434,099	334,779	262,339
Debit/credit cards	251,009	199,113	149,636
Projects management	49,467	48,196	24,467
Cash collection	40,664	25,779	20,598
Reinsurance commission	26,506	26,177	8,071
Custodian activity	14,488	33,119	23,446
Bank references	118,408	113,068	62,799
Other	14,492	11,649	13,293
Fee and commission income.	3,190,309	2,349,227	1,635,435

Fee and commission expense for the year ended December 31, comprised the following:

	2005	2004	2003
	(Thousands	of Kazakh	Tenge)
Debit/credit cards	(143,506)	(115,739)	(83,785)
Settlement operations	(95,956)	(75,704)	(42,747)
Insurance	(69,479)	(48,693)	(7,162)
Reinsurance commission.........................	(48,343)	(73,276)	(11,357)
Foreign currency banknote transactions.	(41,977)	(20,426)	(20,935)
Securities..	(36,215)	(29,640)	(29,058)
Guarantees..	(678)	(1,739)	(11,357)
Custodian services..................................	(617)	(22,198)	(8,580)
Other	(26,622)	(40,699)	(4,799)
Fee and commission expense	(463,393)	(428,114)	(219,780)

23. Underwriting income

Underwriting income, for the year ended December 31 comprise the following:

	2005	2004	2003
	(Thousands of Kazakh		Tenge)
Premiums written, gross	5,261,030	1,245,081	925,951
Ceded reinsurance share	(3,999,170)	(240,709)	(383,981)
Change in unearned premiums, net..	(251,896)	(194,090)	(105,340)
	1,009,964	810,282	436,630

24. Salaries and Administrative and Other Operating Expenses

Salaries and administrative and other operating expenses comprise:

	2005	2004	2003
	(Thousands of Kazakh		Tenge)
Salaries and bonuses..	(2,618,989)	(2,220,820)	(1,392,073)
Social costs	(339,090)	(208,898)	(266,238)
Other payments...	(88,924)	(51,707)	(27,453)
Salaries and benefits...	(3,047,003)	(2,481,425)	(1,685,764)
Advertising	(535,795)	(231,593)	(166,300)
Leasing expenses	(311,765)	(236,931)	(78,728)
Communications..	(267,188)	(241,777)	(176,004)
Maintenance and repairs...	(233,251)	(163,354)	(66,820)
Business trip expenses..	(222,809)	(145,950)	(96,400)
Stationery, publications and training..	(180,030)	(92,815)	(73,984)
Audit and consulting services...	(95,049)	(25,301)	(34,031)
Transport expenses	(71,960)	(45,586)	(40,741)
Entertainment	(54,074)	(34,388)	(27,317)
Security systems and guards	(43,462)	(29,900)	(27,749)
Charity...	(41,766)	(23,421)	(26,066)
Insurance expenses...	(11,017)	(12,006)	(57,326)
Loss from sale of premises and equipment	(6,177)	(9,333)	(15,018)
Penalties	(2,183)	(41,437)	(1,396)
Customs charges - foreign currency banknote transactions	—	—	(17,132)
Other...	(289,249)	(368,383)	(151,369)
Administrative and other operating expenses........................	(2,365,775)	(1,702,175)	(1,056,381)

The Group does not have pension arrangements separate from the State pension system of the Republic of Kazakhstan. This system requires current contributions by the employer calculated as a percentage of current gross salary payments and a contribution withheld from employees; such expense is charged to the consolidated statement of income in the period the related compensation is earned by the employee.

The remuneration, including related social costs, and bonuses paid to members of the Shareholders' Council and Management Boards for 2005 were KZT 150,880 and KZT 15,804 respectively (2004 -KZT 146,185 and KZT 110,045; 2003 - KZT 139,359 and KZT 66,923).

The Group's lease agreements are subject to the annual renewal.

25. Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year. The Bank does not have any options or convertible debt or equity instruments.

The following reflects the income attributable to equity holders of the parent and share data used in the basic and diluted earnings per share computations:

	2005	**2004**	**2003**
	(Thousands of Kazakh Tenge)		
Net income attributable to equity holders of the parent.............	4,045,552	2,319,842	1,456,013
Weighted average number of participating shares.....................	17,236,682	10,337,468	5,853,078
Basic and diluted earnings per share (Tenge)........................	235	224	248

Participating shares comprise common shares and preferred shares that have the right to participate equally with common shares in net income distribution. Prior year basic and diluted earnings per share were recalculated by adding back of dividends on preferred shares, which were previously deducted from the net income attributable to equity holders of the parent. The previously reported amounts were 194 Tenge and 208 Tenge in 2004 and 2003, respectively.

26. Risk Management Policies

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Group's risk management policies in relation to those risks follows.

Credit risk

The Group is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry and geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by borrower and by industry sector are approved monthly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee which is called once a week. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore bear no credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contmgent upon certain conditions set out in the loan agreements.

Concentration

The geographical concentration of monetary assets and liabilities were as follows at December 31:

2005

	Kazakhstan	OECD	Other non-OECD	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	28,781,748	3,311,618	956,583	33,049,94
Obligatory reserves	4,260,089	—	4,166	9
Amounts due from credit institutions	641,388	670,165	2,079,825	4,264,25
Financial assets at fair value through profit or loss	23,397,717	2,981,902	—	26,379,619
Investment securities:				
- available-for-sale	15,128,356	17,626,930	260,155	33,015,441
Commercial loans and advances	249,875,037	—	2,648,159	252,523,19
Insurance reserves, reinsurance share	3,537,255	—	—	6
Current tax assets	385,626	—	—	3,537,255
Other assets	2,482,712	1,308,666	47,194	385,626
	328,489,928	25,899,281	5,996,082	360,385,291
Amounts due to the Government and the NBK	2,910,588	6,349,854	—	9,260,442
Amounts due to credit institutions	29,078,895	54,474,451	90,029	83,643,375
Amounts due to customers	114,331,162	—	2,350,693	116,681,85
Debt securities issued	4,531,640	93,898,205	—	5
Subordinated debt	17,777,377	—	2,097	98,429,845
Insurance reserves	4,217,523	—	—	17,779,474
Other liabilities	799,883	383,326	45,398	4,217,523
	173,647,068	155,105,836	2,488,217	
	331,241,121	154,842,860	(129,206,555)	3,507,865
				29,144,170

2004

	Kazakhstan	OECD	Other non-OECD	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	4,404,706	9,314,205	328,969	
Obligatory reserves	2,389,710	—	—	14,047,8
Amounts due from credit institutions	1,939,181	—	1,573,107	80
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	22,999,732	3,008,388	—	26,008,120
Commercial loans and advances	117,593,555	—	—	117,593,55
Insurance reserves, reinsurance share	156,257	—	—	5
Current tax assets	180,294	—	—	156,257
Other assets	1,449,118	162,282	141,312	180,294
	159,762,854		12,043,388	174,998,592
Amounts due to the Government and the NBK	3,340,948		—	
Amounts due to credit institutions	8,290,062		30,3 76,196	3,340,948
Amounts due to customers	68,746,828			
Debt securities issued	4,533,136		38,774,001	38,762,70
Subordinated debt	259,695		—	6
Insurance reserves	515,510		—	
Other liabilities	535,404		—	68,746,82
	86,221,583		76,196	
	69,170,449		155,468,228	
	73,541,271	(55,978,099)	1,967,192	19,530,364

2003

	Kazakhstan	OECD	Other non-OECD	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	4,026,497	1,682,542	126,780	5,835,819
Obligatory reserves	1,775,133	—	—	1,775,133
Financial assets at fair value through profit or loss	21,043,959	2,846,187	—	23,890,146
Commercial loans and advances	63,884,750	—	—	63,884,750
Insurance reserves, reinsurance share	189,823	—	—	189,823
Current tax assets	176,480	—	—	176,480
Other assets	761,252	149,106	93,051	1,003,409
	91,857,894	4,677,835	219,831	96,755,560
Amounts due to the Government and the NBK	3,445,225			3,445,225
Amounts due to credit institutions	8,718,165	24,761,512	158,008	33,637,685
Amounts due to customers	44,825,775	—	—	44,825,775
Debt securities issued	2,848,226	—	—	2,848,226
Subordinated debt	1,497,743	—	—	1,497,743
Insurance reserves	349,054	—	—	349,054
Other liabilities	461,883	72,822	37	534,742
	62,146,071	24,834,334	158,045	87,138,450
	29,711,823	(20,156,499)	61,786	9,617,110

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT 7,811,255, KZT 5,574,255 and KZT 3,481,391 as of December 31, 2005, 2004 and 2003 respectively.

Currency risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies (primarily USD), by branches and in total. These limits also comply with the minimum requirements of NBK. The Group's exposure to foreign currency exchange rate risk follows.

The Group's monetary assets and liabilities were denominated as follows at December 31:

2005

	KZT	Freely convertible foreign currencies	Other currencies	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	17,920,130	14,285,973	843,846	33,049,94
Obligatory reserves	4,260,089	—	4,166	9
Amounts due from credit institutions	1,141,388	2,092,634	157,356	4,264,25
Financial assets at fair value through profit or loss	21,128,026		5,251,[illegible] —	26,379,619
Investment securities:				
- available-for-sale	13,708,312		19,260,15	33,015,441
Commercial loans and advances	78,360,518		173,5	252,523,19
Insurance reserves, reinsurance share	3,537,255		—	6
Current tax assets	385,626		—	3,537,255
Other assets	2,408,674		1,429,898	385,626
	142,850,018		212,197,105	360,385,291
Amounts due to the Government and the NBK	2,202,978		—	9,260,44
Amounts due to credit institutions	9,244,443		7[illegible] 4,442	83,643,3
Amounts due to customers	77,047,937		3[illegible] 1,675,	116,681,
Debt securities issued	4,531,640		9[illegible] —	98,429,8
Subordinated debt	17,502,223		—	17,779,4
Insurance reserves	4,217,523		—	4,217,52
Other liabilities	662,323		43,195	1,228,60
	115,409,067		21 1,723,363	331,241,121
Net position	27,440,951		1,473,742	29,144,170

2004

	KZT	Freely convertible foreign currencies	Other currencies	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	2,720,697	10,984,261	342,922	14,047,88
Obligatory reserves	2,389,710	—	—	0
Amounts due from credit institutions	324,304	3,177,631	10,353	2,389,71
Financial assets at fair value through profit or loss	5,480,615	3,169,686	—	8,650,301
Investment securities:				
- available-for-sale	—	707,475		707,475
- held-to-maturity	22,999,732	3,008,388		26,008,120
Commercial loans and advances	36,562,232	81,031,323		117,593,55
Insurance reserves, reinsurance share	156,257	—		5
Current tax assets	180,294	—		156,257
Other assets	1,628,885	6,844	116,983	180,294
	72,442,726	102,085,608	470,258	174,998,592
Amounts due to the Government and the NBK	2,370,628	970,320		3,340,
Amounts due to credit institutions	3,928,834	34,785,689	48,1	948
Amounts due to customers	39,130,658	29,320,286	83	38,762
Debt securities issued	4,533,136	38,774,001		,706
Subordinated debt	—	259,695		68,746
Insurance reserves	515,510	—		,828
Other liabilities	532,524	2,880		43,307,
	51,011,290	104,112,871	344,067	155,468,228
Net position	21,431,436	(2,027,263)	126,191	19,530,364

2003

	KZT	Freelv convertible currencies	Other currencies	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	2,505,834	3,179,105	150,880	5,835,819
Obligatory reserves	1,775,133	—	—	1,775,133
Financial assets at fair value through profit or loss	17,045,965	6,844,181		23,890,146
Commercial loans and advances	21,490,000	42,394,750	—	63,884,750
Insurance reserves, reinsurance share	189,823	—	—	189,823
Current tax assets	176,480	—	—	176,480
Other assets	848,748	154,546	115	1,003,409
	44,031,983	52,572,582	150,995	96,755,560
Amounts due to the Government and the NBK	2,349,123	1,096,102		3,445,225
Amounts due to credit institutions	4,500,746	29,136,939	—	33,637,685
Amounts due to customers	25,245,572	19,404,429	175,774	44,825,775
Debt securities issued	2,848,226	—	—	2,848,226
Subordinated debt	—	1,497,743	—	1,497,743
Insurance reserves	349,054	—	—	349,054
Other liabilities	442,517	92,225	—	534,742
	35,735,238	51,227,438	175,774	87,138,450
Net position	8,296,745	1,345,144	(24,779)	9,617,110

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT7,811,255, KZT5,574,255 and KZT3,481,391 as of December 31, 2005, 2004 and 2003 respectively.

A substantial portion of the Group's net position in freely convertible currencies is held in USD.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the reprising of assets and liabilities through risk management strategies.

The interest rates earned and incurred by the Group on its assets and liabilities are disclosed in the relevant notes to the financial statements.

A significant portion of the Group's assets and liabilities reprice within one year. In addition, in accordance with the contractual terms with its customers, the Group is entitled to reprice a significant portion of its assets and liabilities that mature after more than one year. Accordingly there is a limited exposure to interest rate risk. As of December 31, the effective average interest rates by currencies for interest generating/ bearing monetary financial instruments were as follow:

	2005		2004		2003	
	KZT	*Foreign currency*	*KZT*	*Foreign currency*	*KZT*	*Foreign currency*
Amounts due from credit institutions	5.1%	4.8%	4.3%	5.1%	4.2%	2.9%
Financial assets at fair value through profit or loss	3.1%	4.7%	5.1%	6.3%	5.5%	5.2%
Available-for-sale investment securities	3.5%	4.3%	—	4.1%	—	—
Held-to-maturity investment securities	—	—	3.7%	3.2%	—	—
Commercial loans and advances	13.3%	12.2%	13.1%	13.9%	14.7%	13.9%
Amounts due to the Government and the NBK	3.3%	4.8%	3.1%	4.3%	3.9%	4.6%
Amounts due to credit institutions	2.9%	4.2%	3.9%	4.0%	5.2%	3.7%
Amounts due to customers	4.8%	6.1%	3.4%	5.1%	3.2%	6.1%
Debt securities issued	8.5%	9.1%	8.4%	5.7%	0.9%	—
Subordinated debt	8.5%	8.5%	—	7.1%	—	8.4%

The Group monitors its interest rate margins on a regular basis and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual repricing date, which are shown as if they can be repriced within one month as management is able to liquidate those securities within a short period of time.

2005

	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(Thousands of KazakhTenge)						
Cash and cash equivalents	29,149,169	3,900,780	—	—	—		33,049,949
Obligatory reserves						4,264,255	4,264,255
Amounts due from credit institutions	—	65,982	625,135	2,030,096	670,165	—	3,391,378
Financial assets at fair value through profit or loss	—	13,181,205	—	2,568,585	7,514,314	3,115,515	26,379,619
Investment securities:							
- available-for-sale	—	—	303,732	9,678,615	19,262,666	3,770,428	33,015,441
Commercial loans and advances	—	5,465,005	7,182,429	92,010,943	117,124,487	30,740,332	252,523,196
Reserves for insurance claims, reinsurance share	3,537,255						3,537,255
Tax assets	—	—	385,626	—	—	—	385,626
Other assets	1,042,144	2,412,921	3,962	24,113	355,432	—	3,838,572
	33,728,568	25,025,893	8,500,884	106,312,352	144,927,064	41,890,530	360,385,291
Amounts due to the Government and the NBK	—	581	—	6,667,688	2,592,173	—	9,260,442
Amounts due to credit institutions	—	20,856,094	12,370,565	49,737,910	678,806	—	83,643,375
Amounts due to customers	50,080,310	15,149,153	8,433,242	28,881,387	11,437,315	2,700,448	116,681,855
Debt securities issued	—	204,142	—	—	71,469,231	26,756,472	98,429,845
Subordinated debt	—	—	—	—	277,251	17,502,223	17,779,474
Reserves for insurance claims	4,217,523	—	—	—	—	—	4,217,523
Other liabilities	659,130	490,817	1,817	58,986	17,857	—	1,228,607
	54,956,963	36,700,787	20,805,624	85,345,971	86,472,633	46,959,143	331,241,121
Net position	(21,228,395)	(11,674,894)	(12,304,740)	20,966,381	58,454,431	(5,068,613)	29,144,170
Accumulated gap	(21,228,395)	(32,903,289)	(45,208,029)	(24,241,648)	34,212,783		29,144,170

2004

	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
				(Thousands of Kazakh Tenge)			
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	2,151,664	20,000	—	3,512,288
Financial assets at fair value through profit or loss	—	—	—	1,624,778	6,963,588	61,935	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
Reserves for insurance claims, reinsurance share...................	156,257	_____	156,257				
Tax assets................	—	—	180,294	—	—	—	180,294
Other assets.............	197,456	1,390,483	6,382	59,251	33,549	65,591	1,752,712
	13,900,968	8,698,419	16,206,110	50,575,022	70,379,941	15,238,132	174,998,592
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..........	_	_	_	37,856,155	906,551	—	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.................	515,510	_____	515,510				
Other liabilities........	370,339	139,314	789	9,001	15,961	—	535,404
	22,018,397	19,508,717	3,912,647	51,809,375	56,601,751	1,617,341	155,468,228
Net position............	(8,117,429)	(10,810,298)	12,293,463	(1,234,353)	13,778,190	13,620,791	19,530,364
Accumulated gap.....	(8,117,429)	(18,927,727)	(6,634,264)	(7,868,617)	5,909,573	19,530,364	

2003

	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	*1* to 5 years	Over 5 years	Total
	(Thousands of Kazakh Tenge)						
Monetary assets:							
Cash and cash equivalents	4,355,616	1,323,802	156,401	—	—	—	5,835,819
Obligatory reserves..	_____	1,775,133	1,775,133				
Financial assets at fair value through profit or loss.................	415,688	498,250	3,814,132	6,609,584	12,483,014	69,478	23,890,146
Commercial loans and advances.............	—	2,083,382	6,953,567	24,384,909	25,085,456	5,377,436	63,884,750
Reserves for insurance claims, reinsurance share...................	189,823	_____	189,823				
Tax assets	—	—	176,480				176,480
Other assets	116	611,998	96,349	55,073	25,372	214,501	1,003,409
	4,961,243	4,517,432	11,196,929	31,049,566	37,593,842	7,436,548	96,755,560
Monetary liabilities:							
Amounts due to the Government and the NBK...................	—	7,400	2,006,500	36,395	472,236	922,694	3,445,225
Amounts due to credit institutions..........	—	4,799,803	2,006,500	25,908,689	922,693	—	33,637,685
Amounts due to customers...........	16,730,635	7,188,692	2,673,013	10,005,363	8,224,184	3,888	44,825,775
Debt securities issued...	—	—	—	—	2,848,226	—	2,848,226
Subordinated debt....	—	—	—	14,787	1,482,956	—	1,497,743
Reserves for insurance claims.................	349,054	_____	349,054				
Other liabilities........	85,598	420,488	7,767	20,813	76	—	534,742
	17,165,287	12,416,383	6,693,780	35,986,047	13,950,371	926,582	87,138,450
Net position	(12,204,044)	(7,898,951)	4,503,149	(4,936,481)	23,643,471	6,509,966	9,617,110
Accumulated gap.....	(12,204,044)	(20,102,995)	(15,599,846)	(20,536,327)	3,107,144	9,617,110	

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT 7,811,255, KZT 5,574,255 and KZT 3,481,391 as of December 31, 2005, 2004 and 2003 respectively.

***Liquidity** risk*

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date, except for trading and available-for-sale securities which are included in column "On demand" as they are available to meet the Bank's short-term liquidity needs.

The contractual maturities of monetary assets and liabilities at December 31 were as follows:

2005

	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(Thousands of Kazakh Tenge)						
Cash and cash equivalents	29,149,169	3,900,780	—	—	—	—	33,049,949
Obligatory reserves	—	—	—	—	—	4,264,255	4,264,255
Amounts due from credit institutions	—	65,982	625,135	2,030,096	670,165	—	3,391,378
Financial assets at fair value through profit or loss	26,379,619						26,379,619
Investment securities: -available-for-sale	33,015,441						33,015,441
Commercial loans and advances	—	5,465,005	7,182,429	92,010,943	117,124,487	30,740,332	252,523,196
Insurance reserves, reinsurance share	3,537,255						3,537,255
Current tax assets	—	—	385,626	—	—	—	385,626
Other assets	1,042,144	2,412,921	3,962	24,113	355,432	—	3,838,572
	93,123,628	11,844,688	8,197,152	94,065,152	118,150,084	35,004,587	360,385,291
Amounts due to the Government and the NBK	—	581	—	6,667,688	2,592,173	—	9,260,442
Amounts due to credit institutions	1,316,776	28,904,750	716,640	43,631,100	9,074,109	—	83,643,375
Amounts due to customers	50,080,310	15,149,153	8,433,242	28,881,387	11,437,315	2,700,448	116,681,855
Debt securities issued	—	204,142	—	—	71,469,231	26,756,472	98,429,845
Subordinated debt	—	—	—	—	277,251	17,502,223	17,779,474
Insurance reserves	4,217,523						4,217,523
Other liabilities	659,130	490,817	1,817	58,986	17,857	—	1,228,607
	56,273,739	44,749,443	9,151,699	79,239,161	94,867,936	46,959,143	331,241,121
Net position	36,849,889	(32,904,755)	(954,547)	14,825,991	23,282,148	(11,954,556)	29,144,170
Accumulated gap	36,849,889		3,945,134	2,990,587	17,816,578	41,098,726	29,144,170

2004

	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(Thousands of Kazakh Tenge)						
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	2,151,664	20,000	—	3,512,288
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
Insurance reserves, reinsurance share	156,257	—	—	—	—	—	156,257
Current tax assets	—	—	180,294	—	—	—	180,294
Other assets	197,456	1,390,483	6,382	59,251	33,549	65,591	1,752,712
	23,258,744	8,698,419	16,206,110	48,950,244	63,416,353	14,468,722	174,998,592
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
Insurance reserves	515,510						515,510
Other liabilities	370,339	139,314	789	9,001	15,961	—	535,404
	23,347,970	23,261,360	4,318,831	36,931,915	65,091,354	2,516,798	155,468,228
Net position	(89,226)	(14,562,941)	11,887,279	12,018,329	(1,675,001)	11,951,924	19,530,364
Accumulated gap	(89,226)	(14,652,167)	(2,764,888)	9,253,441	7,578,440	19,530,364	

2003

	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(Thousands of Kazakh Tenge)						
Monetary assets:							
Cash and cash equivalents..........	4,355,616	1,323,802	156,401	—	—	—	5,835,819
Obligatory reserves.	1,775,133						1,775,133
Financial assets at fair value through profit or loss................	23,890,146						23,890,146
Commercial loans and advances............	—	2,083,382	6,953,567	24,384,909	25,085,456	5,377,436	63,884,750
Insurance reserves, reinsurance share....	189,823						189,823
Current tax assets....	—	—	176,480	—	—	—	176,480
Other assets............	116	611,998	96,349	55,073	25,372	214,501	1,003,409
	28,435,701	4,019,182	7,382,797	24,439,982	25,110,828	7,367,070	96,755,560
Monetary liabilities:							
Amounts due to the Government and the NBK...................	—	7,400	2,006,500	36,395	472,236	922,694	3,445,225
Amounts due to credit institutions..........	964,068	2,628,406	3,993,266	21,356,437	4,423,023	272,485	33,637,685
Amounts due to customers...........	16,730,635	7,188,692	2,673,013	10,005,363	8,224,184	3,888	44,825,775
Debt securities issued...	—	—	—	—	2,848,226	—	2,848,226
Subordinated debt....	—	—	—	14,787	1,482,956	—	1,497,743
Insurance reserves...	349,054						349,054
Other liabilities........	85,598	420,488	7,767	20,813	76	—	534,742
	18,129,355	10,244,986	8,680,546	31,433,795	17,450,701	1,199,067	87,138,450
Net position............	10,306,346	(6,225,804)	(1,297,749)	(6,993,813)	7,660,127	6,168,003	9,617,110
Accumulated gap.....	10,306,346	4,080,542	2,782,793	(4,211,020)	3,449,107	9,617,110	

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totaling KZT7,811,255, KZT5,574,255 and KZT3,481,391 as of December 31, 2005, 2004 and 2003 respectively.

The maturity gap analysis does not reflect the historical stability of customers' 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.

Long-term loans and overdraft facilities are generally not available in Kazakhstan. However, in Kazakhstan marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the maturity gap analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the table above. While, financial assets at fair value through profit and loss and available-for-sale investment securities are shown on demand, realizing such assets upon demand is dependent upon financial market conditions. Significant security position may not be liquidated in a short period of time without adverse price effect.

27. Fair Values of Monetary Assets and Liabilities

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

Amounts Due to Credit Institutions

For assets maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For longer-term deposits, the interest rates applicable reflect market rates.

Commercial Loans and advances

The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

Amounts Due to Customers

For balances maturing within one month the carrying amount approximates fair value due to the relatively short term maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value.

	Carrying Amount			**Fair Value**		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
	(Thousands of Kazakh Tenge)					
Financial assets:						
Due from credit institutions	3,391,378	3,511,038	—	3,576,137	3,840,559	—
Commercial loans and advances	244,874,389	112,090,157	60,487,547	241,097,912	112,096,500	64,553,436
Financial liabilities:						
Amounts due to the Government and the NBK..............................	9,260,442	3,340,948	3,445,225	8,865,167	3,155,581	3,431,905
Amounts due to credit institutions	83,643,375	38,762,706	33,637,685	82,449,740	37,038,416	33,856,029
Amounts due to customers	116,681,855	68,746,828	44,825,775	114,188,856	67,055,508	43,084,436
Debt securities..................	98,429,845	43,307,137	2,848,226	100,366,640	44,842,806	3,096,609
Subordinated debt securities.......................	17,779,474	259,695	1,497,743	17,781,741	260,023	1,596,003

28. Capital Adequacy

The NBK requires banks to maintain a capital adequacy ratio of 12% of risk-weighted assets, computed on the basis of statutory accounting. At December 31, 2005, 2004 and 2003, the Bank's capital adequacy ratios on this basis exceeded the statutory minimum.

The Group's international risk based capital adequacy ratios computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments excluding the amendment to incorporate market risks at December 31, 2005, 2004 and 2003, were 12.4%, 11.1% and 13.6%, respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

29. Related Party Transactions

At December 31, 2005, 2004 and 2003 the Group had balances with related parties, which comprised the following:

	2005		2004		2003	
	Related party balances	**Total asset or liability category**	**Related party balances**	**Total asset or liability category**	**Related party balances**	**Total asset or liability category**
	(Thousands of Kazakh Tenge)					
Loans and advances...........	1,407,117	244,874,389	1,994,205	112,090,157	847,495	63,884,750
Shareholders......................	270,035		290,035			370,035
Management......................	362,140		194,946			144,781
Associates..........................	774,942		1,509,224			332,679
Amounts owed to customers	693,085	116,681,855	548,556	68,746,828	448,197	44,825,775
Shareholders......................	131,937		16,797			191,582
Management......................	254,820		245,853			92,866
Associates..........................	306,328		285,906			163,749
Commitments and guarantees	262,518	51,936,346	1,998	39,075,029	—	16,893,812
Shareholders......................	761		466			—
Management......................	12,791		—			—
Associates..........................	248,966		1,532			—

	2005		2004		2003	
	Related party transaction category	**Total category**	**Related party transaction**	**Total category**	**Related party transaction**	**Total**
	(Thousands of Kazakh Tenge)					
Interest income - loans........	225,147	21,690,614	213,139	10,992,017	87,298	6,655,362
Shareholders......................	27,613		31,879			38,882
Management......................	31,435		23,985			9,476
Associates..........................	166,099		157,275			38,940
Fees and commission income...........................	83	3,190,309	—	2,349,227	—	1,635,435
Shareholders......................	—	—	—			—
Management......................	—	—	—			—
Associates..........................	83	—	—			—
Interest expense-deposits..	30,353	5,146,252	21,039	2,794,551	10,887	2,126,092
Shareholders......................	361		486			5,383
Management......................	16,476		6,872			4,999
Associates..........................	13,516		13,681			505

Included in the table above are the following transactions with related parties outstanding as of December 31:

- Operations with associates such as: loans - including provisioning matters, interest free financial assistance, deposits placed with the Bank and guarantees and letters of credit to investees, and mutual investments.
- Shareholders, including: loans - including provisioning matters, deposits placed with the Bank, and guarantees and letters of credit.
- Members of Board of Directors, including: loans - including provisioning matters, deposits placed with the Bank, total remuneration paid during the year.

As of December 31, 2005, 2004 and 2003 the loans and deposits to and from related parties were issued/accepted at the following interest rates:

Loans:

%	
Management	10.0-14.0
Shareholders	10.0-15.0
Associates	10.0-23.0

Deposits:	
Management	2.82-11.2
Shareholders	2.86-8.72
Associates	3.00-10.00

30. Subsequent Events

Subsequently the Bank decided to increase share capital of CJSC OCB (OMSK Commercial Bank) Sibir CJSC by KZT 1,409,995.

ATF Bank

Unaudited Interim Condensed Consolidated Financial Statements

September 30, 2006

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

s!I ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of ATF Bank JSC -

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of ATF Bank JSC and its subsidiaries (together the "Group") as of September 30, 2006, and the related interim condensed consolidated statements of income, changes in shareholders' equity, and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance -with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of work

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

January 22, 2007

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(Thousands of Kazakh Teңe)

	Notes	September 30, 2006 (unaudited)	December 31, 2005
Assets			
Cash and cash equivalents	**3**	**40,274,911**	33,049,949
Obligatory reserves	**4**	**35,633,432**	4,264,255
Amounts due from credit institutions	**5**	**11,841,470**	3,391,378
Financial assets at fair value through profit or loss	**6**	**69,009,252**	26,379,619
Available-for-sale investments	**7**	**27,691,091**	33,015,441
Commercial loans and advances, net	8,9	**381,404,415**	244,874,389
Premises and equipment		**6,393,708**	5,240,414
Insurance reserves, reinsurance share		**5,669,472**	3,537,255
Current tax assets		**319,222**	385,626
Deferred tax assets		**104,571**	-
Investment in associate	11	**359,759**	169,480
Other assets		**7,929,375**	4,761,137
Total assets		**586,630,678**	359,068,943
Liabilities			
Amounts due to the Government and the NBK	12	**8,851,686**	9,260,442
Amounts due to credit institutions	13	**133,115,453**	83,643,375
Amounts due to customers	14	**232,101,594**	116,681,855
Insurance reserves		**6,636,468**	4,217,523
Debt securities issued	15	**140,587,551**	98,429,845
Subordinated debt	16	**18,142,589**	17,779,474
Provisions	**9**	**415,440**	283,270
Other liabilities		**1,896,286**	1,228,607
Total liabilities		**541,747,067**	331,524,391
Shareholders' equity:			
Share capital:			
- common shares	17	**32,200,000**	16,600,000
- preferred shares	17	**3,400,000**	3,400,000
Additional paid-in capital		**187,332**	242,185
Treasury shares		**(26,891)**	-
Reserves	17	**722,048**	684,921
Retained earnings		**8,257,152**	6,427,584
Attributable to shareholders of the Parent		**44,739,641**	27,354,690
Minority interest		**143,970**	189,862
Total shareholders' equity		**44,883,611**	27,544,552
Total liabilities and shareholders' equity		**586,630,678**	359,068,943
Financial commitments and contingencies	18		

Signed and authorized for release on behalf of the Board of Directors of the Bank

Talgat Kuanyshev — Chairman of the Board

Aida Derevyanko — Chief accountant

January 22, 2007

The accompanying notes on pages 7 and 21 are an integralpart of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME For the nine months ended September 30,2006

(Thousands of Kazakh Tenge)

		29,025,252	14,534,860
Interest income		**2,624,957**	1,423,172
Loans Securities Credit institutions		**825,679**	557,250
		32,475,888	16,515,282
Interest expense		**(5,222,936)**	(3,519,833
Deposits			)
Borrowings		**(6,579,704)**	(1,933,806
Debt securities issued		**(8,949,010)**	(4,932,319
Subordinated debt		**(1,144,684)**	(534,058)
		(21,896,334	(10,920,01
Net interest income		**10,579,554**	5,595,266
Impairment of interest earning assets	**9**	**(5,692,644)**	(1,929,771
		4,886,910	3,665,495
	19	**3,357,866**	2,247,853
Fee and commission income Fee and commission expense **Fees and** commissions	19	**(307,178)**	(276,574)
		3,050,688	1,971,279
		(194,752)	66,354
Gains less losses from financial assets at fair value through profit or loss			
Gains less losses from available-for-sale securities		**(7,495)**	71,124
Gains less losses from foreign currencies: - dealing		**1,211,745**	796,835
- translation difference		**(28,817)**	(59,540)
Earned insurance premiums, net of reinsurance		**912,388**	727,374
Share of income from associate	11	**37,854**	35,950
Other income		**267,623**	25,310
Non interest income		**2,198,546**	1,663,407
	20	**(3,642,796)**	(2,153,885
Salaries and benefits			)
Administrative and other operating expenses	20	**(2,191,824)**	(1,783,430
Depreciation and amortization		**(619,141)**	(403,713)
Taxes other than income taxes		**(329,771)**	(283,915)
Other provisions	**9**	**(156,950)**	(180,622)
Insurance claims incurred, net of reinsurance		**(355,934)**	(355,939)
Non interest expense		**(7,296,416)**	(5,161,504
		2,839,728	2,138,677
Income before income tax			
Income tax expense **Net income**	10	**(666,492)**	(343,643)
		2,173,236	1,795,034
Attributable to:		**2,150,245**	1,800,220
Equity holders of the parent			
Minority interest			
		22,991	(5,186)
Basic and diluted earnings per share, (Tenge)	**21**	**99**	**107**

The accompanying notes on pages 7 to 21 are an integral part of these unaudited interim condensed consolidated financialstatements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the nine months ended September 30,2006
(Thousands of Kazakh Tenge)

Attributable to shareholders of the parent

Share capital - common shares *Share capital - preferred shares* *Additiona paid-in capital* *Treasury translation* *General* *Retained* *Securities Revaluation* *Currency* *Total*

(81,744)
15,600,000
44,739,641

December 31,2005 16,600,000 3,400,000 825,296 6,427,584 (144, 3,934 **27,354,**
242,185
Fair value change of available-for-sale securities, net of tax ... 309) **690**
Realized fair value losses of available-for-sale securities, net of tax . **(23,1** **(23,1** **52,827** **95)**
Foreign Currency translation - - ″

Total income/expense for the period recognized directly in equity ... **(15,700)** **52,827** **7,495** **52,82** **2,150,245** **2,150,** **(15,700)** **52,827** **7**
Net income - - -
Total income for the period ... **245**
Dividends - preferred shares (Note 17) Dividends of subsidiaries to minority shareholders **37,1** **(348,0** **27** **2,150,2** **00)** **(54,853)** **(26,891)** **45**
Acquisition of minority interests in existing subsidiaries ... **2,187,**
Treasury shares purchased **(26,891)** **825,296** **8,257,152** **(160,009)** **56,761**
Capital contribution **15,600,000** **-** **-** **372**
September 30, 2006
(unaudited) **32,200,000** **3,400,000** **(348,0**
187,332
00)

27,323

Minority interest *Total shareholders' equity*

(8,616)

(31,641)

189,8 27,544,552 **(22,904)**

(81,744)

62

15,600,000

7,495 51,233

29

143,970

(1,303) **35,824 2,173,236**

44,883,611

2,209,060

21,688

(348,000)

The accompanying notes on pages 7 to 21 are an integral part oj these unaudited interim condensed consolidated financial statements

(8,61

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY Fot the nine months ended September 30, 2005

(Thousands of Kazakh Tenge)

Attributable to shareholders of the *parent*

Share capital - common *Share capital -preferred* *Additional paid-in* *General* *Retained* *Securities Revaluati on* *Currency translatio reserve* *Total* *Minority shareholders'* *Total*

12,870,761

December 31,2004

18,179

1,900,000

Fair value change of available-for-sale securities, net of tax

shares *shares* *capital* *reserve*

989

201,900 *earnings*

465,325

Realized fair value gains of available-for-sale securities, net of tax

2,742,003

00

1

(49, 340)

(408) 748)

Foreign Currency translation

8,179,989 (49,340)

Total income/ expense recognized directly in equity

7,883 (71,124)

Net income

7,8 83

Total income for the period

Transfers

Minority interest arising on acquisition of subsidiary

7,124

(120,464) 7,883 (112,581)

Acquisition of minority interests in existing subsidiaries

6,716

(105,8

6

)

Capital contributions

1,800,220

September 30,2005 (unaudited)

- 1,800,220

(5,186) 1,795,034

	1,800 ,220	(120,	71 , 8 8 3	, 6 3 9	1,530	1,689			349,066
								349,066	
2,047,724	3 1,500,00 0	40,285	1 ;	109,879	;		109,87 9	(175,58 9)	(65,710)
14,918,48	3,400,00	242,18	825,29	4,292,13	(120,464	7,88	23,565,5	175,007	23,740,5

The accompanying notes on pages 7 to 21 are an integral part of these unaudited interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the nine months ended September 30, 2006

(Thousands of Kazakh Tenge)

	2006 (unaudited)	2005 (unaudited)
Cash flows from operating activities		
Income before income tax	**2,839,728**	2,138,677
Adjustments for:		
Depreciation and amortization	**619,141**	403,713
Income from associates	**(37,854)**	(35,950)
Impairment of interest earning assets	**5,692,644**	1,929,771
Other provisions	**156,950**	180,622
Provision for claims, and change in unearned premium reserves	**536,277**	692,306
Loss on sale of premises and equipment	**25,626**	1,398
Unrealized foreign exchange loss	**44,596**	43,355
Unrealized loss/ (gain) on securities	**154,940**	(14,681)
Operating cash flows before changes in operating assets and liabilities	**10,032,048**	5,339,211
(Increase) decrease in operating assets:		
Obligatory reserves	**(31,369,177)**	(8,349,939)
Financial assets at fair value through profit or loss	**(43,473,914)**	226,565
Commercial loans and advances	**(153,661,990)**	(64,329,149)
Due from other banks and financial institutions	**(8,744,321)**	(10,019,047)
Other assets	**(3,292,826)**	(3,819,049)
Increase (decrease) in operating liabilities:		
Amounts due to the Government and the NBK.	**(73,978)**	2,635,054
Short-term borrowings received from credit institutions	**27,463,302**	19,323,116
Amounts due to customers	**118,121,586**	35,481,173
Other liabilities	**453,305**	1,681,255
Net cash flows used in operating activities before income tax	**(84,545,965)**	(21,830,810)
Income tax paid	**(704,659)**	(857,002)
Net cash flows used in operating activities	**(85,250,624)**	(22,687,812)
Cash flows from investing activities:		
Net cash received on acquisition of subsidiaries		638,218
Acquisition of minority interest in subsidiary	**(31,641)**	(65,710)
Increase of share in associated company	**(152,425)**	-
Purchases of premises and equipment	**(1,800,479)**	(1,720,404)
Proceeds from sale of premises and equipment	**135,463**	60,521
Purchases of intangible assets	**(108,055)**	(589,698)
Purchase of available-for-sale securities	**(9,704,349)**	(129,995,806)
Proceeds from sale of available-for-sale investments	**14,052,372**	95,452,738
Purchase of held-to-maturity securities	-	(12,036,678)
Proceeds from maturities of held-to-maturity investments	-	17,611,133
Net cash flows from/(used in) investing activities	**2,390,886**	(30,645,686)

The accompanying notes on pages 7 to 21 are an integral part of these unaudited interim condensed consolidated financial statements

INTEIUM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the nine months ended September 30,2006
(Thousands of Kazakh Tenge)

	2006 (unaudited)	*2005(unaudited)*
Cash flow from financing activities:		
Subordinated debt received	**377,293**	17,885,564
Debt securities issued	**48,260,757**	28,632,517
Capital contributions	**15,600,000**	3,588,009
Treasury shares purchased	**(81,744)**	-
Dividends paid	**(356,616)**	-
Long term borrowings received from credit institutions	**29,297,969**	2,296,040
Long term borrowings repaid to credit institutions	**(2,377,180)**	(2,136,532)
Net cash flows from financing activities	**90,720,479**	50,265,598
Effects of exchange rate changes on cash and cash equivalents	**(635,779)**	255,985
Net change in cash and cash equivalents	**7,224,962**	(2,811,915)
Cash and cash equivalents at the beginning of period	**33,049,949**	14,047,880
Cash and cash equivalents at the end of period	**40,274,911**	11,235,965
	26,291,886	14,569,332
Supplementary information:		
Interest received	**17,524,018**	6,267,344
Interest paid		

The accompanying notes on pages 7to 21 are an integral part of these unaudited interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Kazakh Teuįe)

1. Principal Activities

ATF Bank and its subsidiaries ("the Group") provide retail, corporate banking and insurance services in Kazakhstan. The parent company of the Group, ATF Bank (the "Bank"), is registered as joint stock company and incorporated and domidled in the Republic of Kazakhstan.

The Bank operates under a general banking license issued on February 3, 2006 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Institutions, which also allows the Bank to conduct operations with precious metals and foreign currency operations. The Bank also possesses licenses for securities operations and custody services from the National Bank of the Republic of Kazakhstan granted on November 27, 2003.

The Bank accepts deposits from the public, extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank has four subsidiaries and one associate (Note 2). The Bank's registered legal address is 100 Furmanov Avenue, Almaty, Republic of Kazakhstan.

The Bank has a primary listing on the Kazakhstani Stock Exchange and certain of its debt securities are listed on the Luxemburg Stock Exchange. At September 30, 2006 and December 31, 2005 the Group had forty three and thirty seven branches located throughout Kazakhstan, respectively.

2. Basis of Preparation

General

These interim condensed consolidated financial statements for the nine months ended September 30, 2006 have been prepared in accordance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34") and presented in thousands of Kazakh Tenge ("KZT") the functional and presentation currency of the Group, except per share amounts and unless otherwise indicated. Accordingly, it does not include all of the information required by IFRS for complete financial statements. Operating results for the nine-month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31,2006.

The accounting policies and methods of computation adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the preparation of the annual financial statements for the year ended December 31, 2005. These interim condensed consolidated financial statements should be read in conjunction with the complete financial statements as of December 31,2005, along with the corresponding figures.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. The primary estimates, which relate to the allowance for loan impairment and deferred taxes, are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2005, except for the adoption of the following amendments mandatory for annual periods beginning on or after January 1, 2006:

- IAS 39 - *Financial instrument: Recognition and Measurement ("IAS 39") -Amendmentfor financial guarantee contracts-* which amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under IAS 39 as amended, financial guarantee contracts are recognised initially at fair value and remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with IAS 18 *Revenue;*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

- IAS 39 - *Amendment for hedges of forecast intragvup transactions-* which amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated financial statements;
- IAS 39 - *Amendment for the fair value option-vtidch* restricted the use of the option to designate any financial assets or any financial liability to be measured at fair value through profit or loss.

The adoption of these amendments did not affect the Group results of operations or financial position.

Increases in ownership interests in subsidiaries

The interim condensed consolidated financial statements include the following subsidiaries:

Subsidiary	*Holding, %*					
	September 30, 2006	*December 2005*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
ATF Policy	100.0%	100.0%	Kazakhsta	December 1999	Insurance	December 1999
OJSC ATF Bank Kyrgyzstan	85.91%	73.9%	Kyrgyzstan	August 1991	Bank	May-September 2005
CJSC Omsk Commercial "Sibir"	100.0%	100%	Russia	November	Bank	November 2005
ATF Capital B.V.	100.0%	-	Netherland	April 2006	Finance	April 2006

On April 26, 2006, the Bank established a new subsidiary, ATF Capital B.V.. As of September 30, 2006, the Bank owned 100% of the share capital of ATF Capital B.V..

During the nine months of 2006, the Bank increased its holding in OJSC ATF Bank -Kyrgyzstan by 12.01% from 73.9% to 85.91% through the capitalization of dividends of KKZT 20,027, purchase of shares from the secondary market of KKZT 31,641 and contribution to the share capital of KKZT 148,568.

Associate accounted for under the equity method

The following associate is accounted for under the equity method:

Associate	*Holding, %*				*Share of net income*	
	September 30, 2006	*December 31, 2005*	*Country*	*Activities*	*For 9 months 2006*	*For 9 months 2005*
National pension fund"Otan"	42.5%	24.3%	Kazakhstan	Pension fund	37,854	12,122

Share of income from associates in the interim condensed consolidated statement of income for the nine months ended September 30, 2005, includes income from OJSC ATF Bank- Kyrgyzstan of KZT 23,828, which was accounted for under the equity method during the first four months of 2005.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tengi)

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	September 30.2006 (unaudited)	*December*
Current accounts with the NBK	**20,776,977**	9,043,005
Cash on hand	**8,078,081**	7,271,337
Current accounts with other banks	**6,394,370**	12,834,827
Short-term deposits with other banks	**5,025,483**	3,900,780
Cash and cash equivalents	**40,274,911**	33,049,949

At September 30, 2006, the top ten counterparty banks accounted for 62.0 %(December 31, 2005: 63.2%) of total cash and cash equivalents and represented 55.6 % (December 31,2005: 75.8%) of the Group's total shareholders' equity.

At September 30, 2006 the top ten counterparty banks accounted for 91.9 % (December 31, 2005: 95.4%) of total current accounts with banks.

4. Obligatory Reserves

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the NBK and the Bank of Russia, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to •withdraw such deposit is significantly restricted by the statutory legislation.

Obligatory reserves represent correspondent accounts held by ATF Bank JSC with the NBK of KZT 35,621,209 and KZT 4,260,089 and by Sibir Bank CJSC with the Bank of Russia of KZT 12,223 and KZT 4,166 as of September 30, 2006 and December 31,2005, respectively.

5. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise:

	September 30,2006 (unaudited)	*December 31,2005*
Time deposits	**10,563,083**	3,235,378
Loans to local credit institutions	**1,278,387**	156,000
Amounts due from credit institutions	**11,841,470**	3,391,378

At September 30, 2006, deposits with two OECD based credit institutions were pledged as collateral against the Group's borrowings in the amount of KZT 947,156 (December 31,2005: nil).

At September 30, 2006, the top five counterparty banks accounted for 87.6 %(December 31, 2005:100.0%) of total amounts due from credit institutions and represented 23.2% (December 31,2005:12.3%) of the Group's total shareholders' equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(thousands of Kazakh Tengi)

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss consisted of the following:

	September 30, 2006 (unaudited)	*December 31,*
Debt securities:	**33,946,597**	13,181,205
Notes of the NBK		
US Treasury bills	**12,193,207**	2,308,014
Bonds of local financial organizations	**9,908,756**	1,413,021
Bonds of foreign financial organizations	**4,247,227**	-
Treasury bills of the Ministry of Finance	**4,045,419**	6,110,160
Corporate bonds	**2,323,092**	466,888
Euronotes of the Republic of Kazakhstan	**2,083,952**	2,226,444
Government securities of OECD based	**-**	673,887
countries	**68,748,250**	26,379,61 9
	258,520	
Equity securities:		
Shares of local financial	**2,482**	-
organizations Corporate shares	**261,002**	-
	69,009,252	26,379,619
Financial assets at fair value through profit or loss		
	5,978,690 9,149,723	10,004

Subject to repurchase agreements
Pledged as collateral against interbank borrowings

Interest rates and maturities of financial assets at fair value through profit or loss follow:

			December 31, 2005		
Debt securities:		***Maturity***	***September 30,2006 (unaudited)***		
Notes of the NBK					***Maturity***
US Treasury bills	**4.5%-**	**2006**	3.0%-4.0%	2006	
Bonds of local financial	**4.9%**	**2006-**	5.4%	2031	
organizations Bonds of foreign	**6.0%-**	**2007-**	7.5%-15.0%	2006-2015	
financial organizations Treasury	**U.0%**	**2006-**	-		
bills of the Ministry of Finance	**4.5%-**	**2006-**	3.5%-7.0%	2006-2013	
Corporate bonds	**9.5%**	**2008-**	8.0%-10.4%	2006-2012	
Euronotes of the Republic of		**2007**	11.1%	2007	
Kazakhstan Government securities of OECD based countries				4.6%	2008

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tinge)

7. Available-for-Sale Investments

Available-for-sale investments comprise:

	September 30,2006 (unaudited)	*December 31, 2005*
Government securities of OECD based countries	**9,447,575**	10,033,843
Bonds of foreign financial institutions	**7,442,229**	5,438,745
Treasury bills of the Ministry of Finance	**4,185,590**	9,855,912
Corporate bonds	**3,921,824**	3,691,141
Bonds of local financial institutions	**1,806,221**	1,453,202
Government bonds of Russia	**639,326**	-
Sovereign bonds of the Republic of Kyrgyzstan	**248,326**	260,154
US Treasury bills	**-**	2,154,342
Notes of the NBK	**-**	128,102
	27,691,091	33,015,441
Subject to repurchase agreements	**6,312,820**	
Pledged as collateral against interbank borrowings	**18,521,661**	4,731,713

Interest rates and maturities of these securities are as follows:

	September 30,2006 (unaudited)		*December 31,2005*	
	%	*Maturity*	*%*	*Maturity*
Government securities of OECD based countries	**3.5%-4.1%**	**2007-2008**	3.5%-4.2%	2007-2008
Bonds of foreign financial institutions	**3.5%-13.2%**	**2008-2021**	3.5%-8.1%	2008-2014
Treasury bills of the Ministry of Finance	**4.1%-8.0%**	**2006-2010**	4.1%-8.9%	2006-2010
Corporate bonds	**6.0%-9.9%**	**2010-2017**	7.0%-9.0%	2006-2014
Bonds of local financial institutions	**5.0%-10.9%**	**2007-2014**	5.0%-9.0%	2007-2013
Government bonds of Russia	**5.8%-16.3%**	**2009**	-	-
Sovereign bonds of the Republic of Kyrgyzstan	**9.7%**	**2006-2008**	5.1%-13.9%	2006
US Treasury bills	-	-	3.5%-4.2%	2006-2011
Notes of the NBK			1.8%-3.1%	2006

8. Commercial Loans and Advances

Commercial loans and advances consisted of the following:

	September 30,2006 (unaudited)	*December 31, 2005*
Commercial loans	**391,780,528**	251,385,322
Advances	**2,553,644**	1,137,874
	394,334,172	252,523,196
Less - Allowance for impairment (Note 9)	**(12,929,757)**	(7,648,807)
Commercial loans and advances, net	**381,404,415**	244,874,389

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Kazakh Tenge)

The Group's gross commercial loan portfolio is concentrated in the following sectors:

	September 30,2006 (unaudited)	*%*	*December 31, 2005*	*%*
Individuals	**88,272,257**	**22.4**	42,208,255	16.7
Construction	**67,441,493**	**17.1**	29,328,396	11.6
Wholesale trading:	**53,789,891**	**13.6**	46,855,912	18.6
-Financing of working capital	*42,750,678*	10.7	*34,516^06*	13.7
-Purchase and sale of grain	*4,378,829*	1.1	*4,750,804*	1.9
-Purchase and sale of gasoline	*3,988,845*	1.0	*4,046,702*	1.6
-Agriculture products	*2,415,027*	0.6	*2,223,669*	0.9
-Flour production and sale	*256,512*	0.2	*1,318,531*	0.5
Services	**45,368,438**	**11.5**	32,186,042	12.7
Food industry	**26,701,080**	**6.8**	25,641,601	10.2
Agriculture	**19,490,518**	**4.9**	13,558,870	5.4
Retail trading	**16,099,414**	**4.1**	10,330,050	4.1
Hotel business	**11,662,486**	**3.0**	7,652,057	3.0
Transport	**10,413,693**	**2.6**	5,876,032	2.3
Textile industry	**7,673,425**	**1.9**	5,197,151	2.1
Real estate	**4,877,875**	**1.2**	3,637,970	1.4
Chemical	**4,555,219**	**1.2**	1,694,110	0.7
ОД and Gas	**3,850,404**	**1.0**	2,331,378	0.9
Communications	**2,766,695**	**0.6**	723,044	0.3
Mining	**1,933,052**	**0.5**	2,492,672	1.0
Metallurgy	**1,227,719**	**0.3**	2,480,430	1.0
Entertainment	**1,029,627**	**0.3**	639,559	0.3
Other	**27,180,886**	**7.0**	19,689,667	7.7
	394,334,172	**100.0**	252,523,196	100.0

At September 30, 2006, the largest ten borrowers accounted for 23.9 % of the Group's gross commercial loans and advances (2005: 24.7%). The amount of accrued interest income on impaired loans comprised KZT 3,362,888 (2005:1,438,406).

9. Allowance for Impairment and Provisions

The movements in the allowance for impairment were as follows:

	Due ŭom credit institutions	*Loans to customers*	*Total*
December 31,2004	(1,250)	(5,503,398)	(5,504,648)
(Charge) /reversal (unaudited)	828	(1,930,599)	(1,929,771)
Write-offs (unaudited)	-	2,209,004	2,209,004
Recoveries (unaudited)	-	(1,354,848)	(1,354,848)
Acquisition of subsidiaries (unaudited)	-	(101,385)	(101,385)
September 30,2005 (unaudited)	(422)	(6,681,226)	(6,681,648)
December 31,2005		**(7,648,807)**	**(7,648,807)**
Charge (unaudited)	-	**(5,692,644)**	**(5,692,644)**
Write-offs (unaudited)	-	**685,616**	**685,616**
Recoveries (unaudited)	-	**(273,922)**	**(273,922)**
September 30,2006 (unaudited)		**(12,929,757)**	**(12,929,757)**

Although the quality of the loan portfolio has not changed substantially over the nine month period of 2006, the substantial growth in the loan portfolio has resulted in an increase in the impairment charge of KZT 5,692,644 (2005:1,930,599).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Kazakh Tinge)

The movements in provisions were as follows:

	Letters of credit and guarantees	*Other assets*	*Total*
December 31, 2004 Charge	(253,679)	(69,607)	(323,286)
(unaudited) Write-offs (unaudited)	(54,096)	(126,526)	(180,622)
Recoveries (unaudited)	26	26,784	26,810
Acquisition of subsidiaries	(13,178)	(22,979)	(22,979)
(unaudited)		(83)	(13,261)
September 30,2005 (unaudited)	(320,927)	(192,411)	(513,338)
December 31, 2005	(283,270)	(162,448)	(445,718)
Charge (unaudited)	**(132,170)**	**(24,780)**	**(156,950)**
Recoveries (unaudited)		**(284)**	**(284)**
September 30,2006 (unaudited)	**(415,440)**	**(187,512)**	**J602.952)**

Impairment reserve for other assets is included with the currying value of the other assets.

10. Taxation

The components of income tax expense were as follows:

	September 30,2006 (unaudited)	*September 30, 2005 (unaudited)*
Current tax charge	**(771,063)**	(17,315)
Deferred tax(charge) /benefit	**104,571**	(326,328)
Income tax expense	**(666,492)**	(343,643)

Kazakhstan currently has a number of laws related to various taxes imposed by both republican and regional governmental authorities. Applicable taxes include value added tax, income tax, a number of turnover-based taxes, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tmge)

11. Investments in Associate

Investments in associated company comprise:

December 31,2004	313,14
Share of net income (unaudited)	3
Transfer due to acquisition and full consolidation	35,950
September 30,2005	165,7 22
Share of net income (unaudited)	169,48
December 31, 2005 **Additional investments**	0
Share of net income (unaudited)	**152.4**
September 30,2006	**359,759**

Refer also to Note 2.

During the nine-month period of 2006, the Bank increased its holding from 24.3% to 42.5% in the share capital of National pension fund "Otan" by acquisition of 127,500 shares for KZT 152,425.

12. Amounts due to the Government and the NBK

Amounts due to the Government of the Republic of Kazakhstan and NBK consisted of the following:

	September 30, 2006 (unaudited)	*December 31, 2005*
Amounts due to the Government under international financing	**5,696,914**	7,057,465
programs	**3,077,389**	2,059,333
Time deposit from the NBK	**77,383**	143,644
Local municipal authorities	**8,851,686**	9,260,442
Amounts due to the Government and the NBK		

13. Amounts due to Credit Institutions

Amounts due to credit institutions consisted of the following:

	September 30, 2006(unaudited)	*December 31, 2005*
Loans from foreign banks	**90,349,510**	54,474,706
Time deposits from local banks	**17,440,448**	25,873,655
Repurchase agreements	**12,003,831**	10,004
Loans from local banks	**11,829,394**	-
Loans from the Small Business Development Fund of	**765,114**	1,968,489
Kazakhstan		
Current accounts		83,643,375
Amounts due to credit institutions	**727,156**	1,316,521
	133,115,453	

The interest rates and maturities follow:

	September 30,2006 (unaudited)	*Maturity*	*December 31,2005*	*Maturity*
Loans from foreign banks	**3.6%-9.1%**	**2006-2011**	**2.8%-8.8%**	2006-
Time deposits from local banks	**2.5%-8.0%**	**2006**		2010
Repurchase agreements	**3.0%-6.3%**	**2006-2009**	0.5%-8.0%	
Loans from local banks	**4.8%-7.0%**	**2006-2007**		200
Loans from the Small Business				6
Development Fund of Kazakhstan	**5.2%-6.1%**	**2006-2007**	7.0%	January 4, 2006

2005-
2008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

14. Amounts Due to Customers

The amounts due to customers included balances in customer current accounts, term deposits, and certain other

liabilities,
and were analyzed as follows:

	September 30, 2006 (unaudited)	*December 31, 2005*
Customer current accounts:		
Legal entities	**87,315,390**	45,312,597
Individuals	**5,558,281**	4,767,713
Term deposits:		
Legal entities	**94,706,347**	43,340,168
Individuals	**43,225,058**	22,292,017
Held as security against letters of credit and guarantees	**1,296,518**	969,360
Amounts due to customers	**232,101,594**	116,681,855

At September 30, 2006 and December 31, 2005 the Group's ten largest customers accounted for approximately 34.2% and 34.7% respectively, of the total amounts due to customers. An analysis of amounts due to customers by sector follows:

	September 30, 2006		***December 31,2005***	
	Amount	*%*	***Amount***	*%*
Financial activities	**48,703,097**	**21.0**	22,732,814	19.5
Individuals	**44,623,206**	**19.2**	27,059,730	23.2
Trade	**29,067,951**	**12.5**	7,034,755	6.0
Metallurgy	**26,338,359**	**11.3**	687,294	0.6
Oil and Gas	**16,939,495**	**7.3**	9,829,115	8.4
Transport and Communication	**15,979,346**	**6.9**	16,452,172	14.1
Services provided to enterprises	**11,870,077**	**5.1**	2,606,483	2.2
Construction	**11,854,503**	**5.1**	6,901,757	5.9
Manufacturing	**8,867,428**	**3.8**	5,298,539	4.5
Education	**3,795,456**	**1.6**	1,145,610	1.0
Research and Development	**2,419,574**	**1.0**	651,489	0.6
Non-credit financial companies	**2,013,617**	**0.9**	13,046,107	11.2
Energy	**1,685,786**	**0.7**	1,143,948	1.0
Agriculture	**917,121**	**0.4**	897,766	0.8
Government	**124,922**	**0.2**	24,257	-
Others	**6,901,656**	**3.0**	1,170,019	1.0
Total	**232,101,594**	**100.0**	116,681,855	100.0

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Тещє)

15. Debt Securities Issued

Debt securities issued comprise:

	September 30, 2	*December 31,*
USD denominated bonds	**137,096,090**	94,751,991
KZT denominated bonds	**4,679,806**	4,531,640
Other bonds issued	**6,519**	
Own KZT denominated bonds held by the Group	**(52,481)**	
	141,729,934	99,283,631
Less unamortized cost of issuance		
Debt securities issued	**140,587,551**	98,429,845

ties issued follow:

	September 30, 2006 (unaudited)		***December 31, 2005***	
	%	*Maturity*	*%*	*Maturity*
USD denominated bonds	**8.1%-9.3%**	**2007-2016**	8.5%	2007-2012
KZT denominated bonds	**8.5%**	**2008**		2008
Other bonds issued	**9.3%**	**2007**		

In May 2006 the Bank issued Bonds in the amount of USD 350 million at 9.00% per annum with the due date in 2016 (2005: two issues of USD 200 mln each at 9.25% and 8.125% per annum and due dates in 2012 and 2010, respectively).

In accordance with the terms of USD denominated bonds, the Group is required to maintain certain financial ratios, particularly with regard to liquidity, capital adequacy, and lending exposures. Management believes that the Group complied with these ratios as of September 30, 2006. Furthermore, the terms of the USD denominated bonds include covenants restricting the Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. Management believes that as of September 30, 2006 and December 31, 2005, the Bank is in compliance with the other covenants of the agreements the Bank has with die bonds' trustee and holders.

16. Subordinated Debt

	September 30, 2006 (unaudited)	***December 31, 2005***
KZT denominated subordinated bonds	**17,987,810**	17,624,356
USD denominated subordinated bonds	**1,276,938**	1,346,525
Own USD subordinated bonds held by the Group	**(1,014,526)**	(1,069,274)
	18,250,222	17,901,607
Less unamortized cost of issuance	**(107,633)**	(122,133)
Subordinated debt	**18,142,589**	17,779,474

The subordinated bonds of September 30, 2006 and December 31, 2005, are unsecured obligations of the Group and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Group.

17. Shareholders' Equity

At September 30, 2006 the authorized share capital comprised 19,720,000 common and 3,400,000 preferred shares, which were fully paid (2005: 16,600,000 and 3,400,000). Each common share is entitled to one vote and shares equally in dividends declared. Preferred shares carry a cumulative dividend of a minimum of 10% per annum and do not have any voting rights.

Preferred shares give the holder the right to participate in general shareholders' meeting without voting rights except in

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instances where decisions are made in relation to the reorganization or liquidation of the Bank, and where changes and amendments to the Bank's charter which restrict the rights of preferred shareholders are proposed. The preferred shares have no rights of redemption or conversion but carry cumulative dividends per share of at least of 10% of nominal value. If the Bank fails to pay dividends, or has no profits in any year, the preferred shareholders have the right to vote in the general shareholders' meeting. Owners of preferred shares have the right to dividends not less than the declared dividends on common shares.

During the nine-month period ended September 30, 2006 the Bank issued 3,120,000 common shares at KZT 5 each (2005: 2,047,724 of common shares and 1,500,000 of preferred shares at KZT 1 each).

In August of 2006, one of the Bank's subsidiaries purchased *26,611* preferred shares and 45 common shares for KZT 81,744, which has been accounted for as treasury stock in the financial statements (2005 - nil).

In April of 2006, the shareholders' meeting declared dividends on preferred shares in the amount of KZT 348,000, which were paid in May of 2006.

Nature and purpose of other reserves

General reserves

General reserves include historical allocations from the retained earnings of the Group that are not distributable in
accordance with the shareholders' decisions.

Revaluation reserve of availabk-for-sale securities

This reserve records the fair value changes in available-for-sale investment securities.

Currency translation reserve

The currency translation reserve reflects the translation effect of the financial statements of subsidiaries into KZT, which are
domiciled outside of Kazakhstan.

18. Commitments and Contingencies

Operating Environment

The Kazakhstani economy, while deemed to be of market status beginning in 2002, continues to display certain characteristics consistent with that of a market in transition. These attributes have higher than normal historical inflation and lack of liquidity in capital markets in the past, as well as the existence of currency controls that cause the national currency to be illiquid outside of Kazakhstan. The continued success and stability of the Kazakhstani economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Financial commitments and contingencies

The Group's financial commitments and contingencies comprise the following:

	September 30,2006 (unaudited)	*December 31, 2005*
Undrawn loan commitments	**74,265,282**	33,305,967
Guarantees	**19,354,086**	15,029,449
Letter of credit	**3,928,531**	3,600,930
	97,547,899	51,936,346
Less - Provisions	**(415,440)**	(283,270)
Less - Cash collateral	**(1,296,518)**	(969,360)
Financial commitments and contingencies	**95,835,941**	50,683,716

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Financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as involved in extending facilities to other customers.

The Group applies similar principles to those applied in assessing the required allowance for losses under other credit facilities -when assessing the likelihood of loss under a guarantee. Commercial letters of credit represent a financing transaction by the Group to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction. The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in bank and government securities.

At September 30, 2006, the top ten counterparties for guarantees accounted for 46.8% (2005: 61.7%) of total financial guarantees and represented 20.2% (2005: 33.7%) of the Group's total shareholders' equity. At September 30,2006, the top ten counterparties for letters of credit accounted for 75.8% (2005: 63.5%) of total commercial letters of credit and represented 6.6% (2005: 8.3%) of the Group's total shareholders' equity.

19. Fee and Commission Income

Fee and commission income for the nine-month period ended September 30 comprised the following:

	September 30, 2006 (unaudited)	***September 30,2005 (unaudited)***
Cash operations	**963,074**	531,306
Settlement operations	**935,858**	719,284
Guarantees	**429,725**	340,284
Commission income on foreign currency trading	**402,999**	305,797
Debit / Credit cards	**258,970**	167,128
Custodian activity	**52,839**	9,888
Project management	**52,636**	35,256
Cash collections	**49,200**	28,316
Bank references	**21,996**	14,013
Reinsurance commission	**13,921**	13,128
Other	**176,648**	83,453
Fee and commission income	**3,357,866**	2,247,853

Fee and commission expense for the nine-months period ended September 30, comprised the following:

	September 30, 2006 (unaudited)	***September 30,2005 (unaudited)***
Debit / Credit cards	**(111,599)**	(105,824)
Settlement operations	**(78,488)**	(70,305)
Securities	**(41,364)**	(27,132)
Reinsurance commission	**(28,793)**	(26,179)
Foreign currency banknote transactions	**(23,505)**	(25,345)
Guarantees	**(5,149)**	(1,825)
Custodian services	**(3,659)**	(342)
Other	**(14,621)**	(19,622)
Fee and commission expense	**(307,178)**	(276,574)

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(Thousands ofKaspkh Tenge)

20. Salaries and Administrative and Other Operating Expenses

Salaries and administrative and other operating expenses comprise:

	September 30,2006 *2*	*September 30,*
Salaries and bonuses	**(3,174,073)**	(1,837,526)
Social costs	**(370,123)**	(239,003)
Other payments	**(98,600)**	(77,356)
Salaries and benefits	**(3,642,796)**	(2,153,885)
Advertising	**(401,040)**	(406,295)
Rent expenses	**(336,499)**	(220,027)
Maintenance and repairs	**(243,084)**	(148,147)
Stationery	**(240,419)**	(113,101)
Communications	**(230,417)**	(198,348)
Business trip expenses	**(203,983)**	(158,053)
Charity	**(80,853)**	(36,551)
Transport expenses	**(70,117)**	(53,355)
Insurance expenses	**(60,846)**	(48,028)
Security systems and guards	**(47,659)**	(32,532)
Representation expenses	**(44,263)**	(32,477)
Audit and consulting services	**(34,882)**	(44,422)
Loss bom sale of premises and equipment	**(25,626)**	(1,398)
Other	**(172,136)**	(290,696)
Administrative and other operating expenses	**(2,191,824)**	(1,783,430)

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The Group does not have pension arrangements separate from the State pension system of the Republic of Kazakhstan. This system requires current contributions by the employer calculated as a percentage of current gross salary payments and a contribution withheld from employees; such expense is charged to the consolidated statement of income as social cost in the period the related compensation is earned by the employee. /

The Group's rent agreements are subject to annual renewal.

21. Basic and Diluted Earnings per Share

Earnings per share is calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year. The Bank does not have any options or convertible debt or equity instruments.

The following reflects the income attributable to equity holders of the parent and share data used in the basic and diluted earnings per share computations:

	ıber 30, 2006 (unaudited)	*September 30,2005 (unaudited)*
Net income attributable to equity holders of the parent	**2,150,24**	1,800,220
Weighted average number of participating shares for basic and diluted earnings per share	[illegible]	[illegible]
Basic and diluted earnings pet share (Tenge)	**99**	107

Participating shares comprise common shares and preferred shares that have the right to participate equally with common shares in net income distribution.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Kazakh Tenge)

22. Related Party Transactions

In accordance with LAS 24 "Related Party Disclosures", parries are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with related parties are made on an arm's length basis.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

	9 months, ended September 30, 2006 (unaudited)			*9 months, ended September 30, 2005 (unaudited)*		
	Shareholders	*Associates*	*Key management personnel*	*Shareholders*	*Associates*	*Key management personnel*
Loans outstanding, beginning of the period, gross	270,035	774,942	362,140	290,035	1,509,224	194,946
Loans issued during the period	11,348	5,404,547	81,572		1,623,509	265,566
Loans repayment during the period	(50,583)	(3,835,909)	(156,067)	(15,000)	(2,486,393)	(71,217)
Loans outstanding, ending of the period, gross	230,800	2,343,580	287,645	275,035	646,340	389,295
Less: allowance for impairment		(16,268)			(2,895)	
Loans outstanding net, ending	230,800	2,327,312	287,645	275,035	643,445	389,295
Interest income on loans	22,277	292,747	24,098	20,784	113,183	21,511
Impairment of loans		(16,268)			(2,895)	
Deposits and current accounts, beginning of the periods	131,937	306,328	254,820	16,797	285,906	245,853
Deposits and current accounts received during the period	1,958,753	1,138,897	265,859	87,608	228,503	182,257
Deposits and current accounts repaid during the period	(1,309,503)	(84,803)	(279,628)	(91,261)	18,630	(151,217
Deposits and current accounts, ending of the period	781,187	1,360,422	241,051	13,144	533,039	276,893
Interest expense on deposits	18,747	11,530	15,999	289	16,538	12,580
Commitments and guarantees issued	291	5,488,833	13,986	586	434,056	-
Commitments and guarantees received	-	456,661	5,900	-	571,776	-
Fee and commission income		14	289		12	

The aggregate remuneration and other benefits paid to members of the Shareholders' Council and Management Boards for the nine-months of 2006 was KZT 255,020 thousand (2005 - KZT 119,915).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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As of September 30, 2006 and December 31, 2005, loans and deposits to and from the related parties were issued / accepted at the following interest rates and periods:

Loans:	% in KZT	% in Foreign currency	Maturity
Management Shareholders Associates	10.0-14.0	10.0-15.0	2006-2026
	10.0	-	2011
Deposits:			
Management Shareholders Associates	10.0-23.0	4.0-21.0	2003-2021
	8.0-11.4	3.0-9.0	2003-2015
	2.9-10.0		2003-2008
	3.0-11.0	1.5-10.5	2003-2016

23. Subsequent Events

ATF Capital B.V., a subsidiary of JSC
ATF Bank, issued Perpetual Non-Cumulative Bonds of USD 100,000 thousand at 10% per annum in November 2006.

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