IMPORTANT NOTICE

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 FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, you must be a person other than a U.S. person (or, if you are acting on behalf of another person, such person is not a U.S. person) (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to us that you are not a U.S. person (or, if you are acting on behalf of another person, such person is not a U.S. person) and that you consent to delivery of such Prospectus by electronic transmission.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer or the Borrower in such jurisdiction.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there by any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this 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 Prospectus. This Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of HSBC Bank plc or ING Bank N.V., London Branch nor any person who controls it 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 HSBC Bank plc or ING Bank N.V., London Branch.

ATF Capital B.V.

(a limited liability company incorporated in The Netherlands)

U.S.$100,000,000 Perpetual Non-Cumulative Notes

with the benefit of a subordinated support agreement provided by

JSC ATFBank

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

Issue price: 100 per cent.

ATF Capital B.V. (the "**Issuer**" or the "**Lender**"), a subsidiary of JSC ATFBank (the "**Bank**" or the "**Borrower**"), is issuing an aggregate principal amount of U.S.$100,000,000 Perpetual Non-Cumulative Notes (the "**Notes**").

The Notes will entitle holders, subject to certain conditions described herein, to receive non-cumulative distributions in respect of the Notes (the "**Interest**") in respect of the period: (i) from (and including) the Closing Date (as defined below) to (but excluding) 10 November 2016 (the "**Interest Call Date**") at a fixed rate of 10 per cent. per annum, payable, subject as provided herein, semi-annually in arrear on 10 May and 10 November in each year, commencing on 10 May 2007 and (ii) from (and including) the Interest Call Date at a floating rate per annum equal to the sum of six month LIBOR (as defined in "Terms and Conditions of the Notes – Interest") and 7.33 per cent., payable, subject as provided herein, semi-annually in arrear on 10 May and 10 November in each year, subject to adjustment as described herein, commencing on 10 May 2017. See "Terms and Conditions of the Notes – Interest", "– Limitations on Interest and Capital Payment Stopper" and "– Partial Payment of Interest". The Notes will be constituted by, subject to, and have the benefit of a trust deed dated 10 November 2006 (the "**Trust Deed**") between the Issuer, the Borrower and The Bank of New York, acting through its London Branch, as trustee for the holders of the Notes (the "**Trustee**").

All obligations of the Issuer to make payments in respect of the Notes will be supported on a limited and subordinated basis by the Borrower pursuant to a subordinated support agreement dated 10 November 2006 (the "**Subordinated Support Agreement**") all as more fully described herein under "Subordinated Support Agreement".

The Notes will be perpetual securities and not subject to any mandatory redemption provisions. The Notes will be redeemable, however, on 10 November 2016 or any Interest Payment Date (as defined in "Terms and Conditions of the Notes – Interest") thereafter in whole, but not in part, subject to satisfaction of the Redemption Condition (as defined in "Terms and Conditions of the Notes – Redemption and Purchase"), at the option of the Issuer, at the Optional Redemption Price (as defined in "Terms and Conditions of the Notes – Redemption and Purchase"). The Notes will also be redeemable during the period commencing on the fifth anniversary of the Closing Date and ending on the day prior to the Interest Call Date at the option of the Issuer, subject to satisfaction of the Redemption Condition, in whole but not in part, at any time following the occurrence of (i) certain tax events or (ii) a capital disqualification event (each as described in "Terms and Conditions of the Notes – Redemption and Purchase"), at the Optional Redemption Price, all as more fully described herein under "Terms and Conditions of the Notes – Redemption and Purchase". Under existing requirements of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "**FMSA**"), neither the Issuer nor the Bank may redeem or purchase any Notes unless the FMSA has given its prior written consent or written notice of non-objection.

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

See "Risk Factors" starting on page 12 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States. The Notes are being offered and sold outside of the United States to non U.S. persons (as such terms are defined in Regulation S under the Securities Act ("Regulation S")), in offshore transactions in reliance on Regulation S and may not be offered, sold, delivered or otherwise transferred except in transactions exempt from or not subject to the registration requirements of the Securities Act and any other applicable securities laws. See "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form."

The Notes will be in registered form and will initially be represented by beneficial interests in a global note (the "**Global Note**"), in fully registered form, without interest coupons, which will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for the common depositary, and will be deposited on or around 10 November 2006 (the "**Closing Date**" or "**Issue Date**") with The Bank of New York as common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "**Euroclear Operator**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive, fully registered, form, without coupons, in denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof without interest coupons attached. See "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form".

Joint Lead Managers and Bookrunners

HSBC   ING Wholesale Banking

The date of this Prospectus is 8 November 2006

This Prospectus including the audited consolidated financial statements for the years ended 2005, 2004 and 2003 constitute a prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC.

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

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

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

IN CONNECTION WITH THE ISSUE OF THE NOTES, ING BANK N.V., LONDON BRANCH AS THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF ING BANK N.V., LONDON BRANCH) MAY OVER-ALLOT NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO ASSURANCE THAT ING BANK N.V., LONDON BRANCH (OR ANY PERSON ACTING ON BEHALF OF ING BANK N.V., LONDON BRANCH) 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.

ENFORCEABILITY OF JUDGMENTS

The Borrower is a joint stock company organised under the laws of Kazakhstan and all of its officers and directors and certain other persons referred to in this Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of the Borrower 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 Borrower 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 Borrower 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 in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**") 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. It should be noted that a new Law on International Commercial Arbitration was adopted by the Kazakhstan Parliament as of 28 December 2004. Such law is intended to resolve the uncertainty created by the prior decision of the Constitutional Council of Kazakhstan adopted as of 15 February 2002 as to how the provisions of the Convention were to be enforced in Kazakhstan, which uncertainty remained notwithstanding that this decision was later deemed by the Constitutional Council, pursuant to a further decision adopted as of 12 April 2002, not to apply to international arbitrations.

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 Borrower'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 Borrower's equity capital, and improving the composition of the Borrower'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 Borrower's services; competitive factors in the sectors in which the Borrower 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.

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

RESPONSIBILITY STATEMENT

The Issuer and the Borrower accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Borrower (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 "Financial Review – 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**"), the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations (the "**FMSA**") and the Kazakhstan's National Statistical Agency (the "**NSA**"). The Issuer and the Borrower accept responsibility for accurately reproducing such extracts and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Until 31 December 2003, the Borrower 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 Borrower is required to comply with the requirements of FMSA (collectively, "**Kazakhstan Regulations**"). Starting 1 January 2003, the Borrower has maintained its books of account and prepared its accounts for regulatory purposes in accordance with International Financial Reporting Standards ("**IFRS**"). If not otherwise specified, in the financial analysis and management's discussion herein, the term "the Borrower" shall mean ATFBank and its consolidated subsidiaries.

The financial information of the Borrower 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 as at and for the years ended 31 December 2005, 2004 and 2003 (the "**Consolidated Financial Statements**") and from the unaudited interim consolidated financial statements of the Borrower as of and for the six months ended 30 June 2006 (the "**Unaudited Interim Financial Statements**"). The Consolidated 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 Consolidated Financial Statements were audited by Ernst & Young LLP, Kazakhstan, independent auditors ("**Ernst & Young**") in accordance with International Standards on Auditing.

Nothing has come to the attention of the Borrower that would lead it to believe that if it prepared its financial statements in accordance with financial reporting standards adopted by the EU for the purposes of Regulation EC No. 1606/2002, there would be any material difference from the financial statements included in this Prospectus which have been prepared in accordance with IFRS as established by the International Accounting Standards Board.

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

Solely for the convenience of the reader, this Prospectus presents unaudited translations of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any balance sheet data in U.S. Dollars is translated from Tenge at the applicable exchange rate on the date of such balance sheet (or, if no such rate was quoted on such date, the immediately preceding date) and any income statement data in U.S. Dollars is translated from Tenge into U.S. Dollars at the average exchange rate applicable to the period to which such income statement data relate, in each case calculated in accordance with the official exchange rates for U.S. Dollars on the KASE as reported by the NBK. 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 BORROWER AND THE OFFERING

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

Overview

The Borrower is the fifth largest commercial bank in Kazakhstan in terms of assets, according to data compiled by the NBK as at 30 June 2006. The Borrower's total assets as at 30 June 2006 were KZT462,142 million. The Borrower's net income for the six months ended 30 June 2006 was KZT2,750 million as compared to KZT1,015 million for the six months ended 30 June 2005. The Borrower's shareholders' equity as at 30 June 2006 was KZT35,979 million as compared to KZT27,544 million as at 31 December 2005.

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

As at the date of this Prospectus, the Borrower, in addition to the Borrower's head office in Almaty, had 42 full service branches and 25 limited service branches located throughout Kazakhstan as well as subsidiaries in Russia, Kyrgyzstan and The Netherlands. During 2006 the Borrower anticipates opening three full service branches and 33 limited service branches in Kazakhstan.

The Borrower currently has four subsidiaries, JSC ATF Policy in Kazakhstan, OJSC EnergoBank in Kyrgyzstan, CJSC OCB (OMSK Commercial Bank) Sibir in the Russian Federation and ATF Capital B.V. in the Netherlands, one associate company, JSC OSPF Otan, and one affiliated company, JSC ATF Leasing.

Strategy

In order to capitalise on the growth of the Kazakhstan economy, the Borrower aims to expand its market share and increase its profitability through:

- expanding its banking and other financial services
- diversifying and strengthening its funding base
- strengthening risk management
- enhancing operating efficiency and
- expanding its regional and international presence to meet the growing demands of its clients.

Credit Ratings

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

Moody's		**Standard & Poor's**		**Fitch**	
Long-term...	Ba1	Long-term........	B+	Long-term........	BB-
Short-term...	NP	Short-term	B	Short-term	B
Outlook.......	Stable	Outlook	Positive	Outlook	Stable

It is expected that, on issue, Standard & Poor's will assign a rating of CCC+ and Moody's will assign a rating of Ba3 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 summary below describes the principal terms of the Notes and the Subordinated Support Agreement. See "Terms and Conditions of the Notes" and "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form" for a more detailed description of the Notes.

Issuer:	ATF Capital B.V., a wholly-owned subsidiary of the Borrower, incorporated in The Netherlands with limited liability.
Borrower and Support Provider:	JSC ATFBank.
Issue Size:	U.S.$100,000,000.
Issue Details:	Perpetual Non-cumulative Notes each with a minimum denomination of U.S.$150,000 and any amount in excess thereof which is an integral multiple of U.S.$1,000.
Issue Date:	10 November 2006 (the "**Issue Date**")
Issue Price:	100 per cent.
Yield:	10 per cent.
Use of Proceeds:	The Issuer will lend the net proceeds from the issue of the Notes to the Borrower under a perpetual non-cumulative subordinated loan (the "**Subordinated Loan**"). The Subordinated Loan will contain terms that correspond to the provisions of the Notes. In particular, the Subordinated Loan will have an aggregate principal amount that at least equals the aggregate principal amount of the Notes and bear interest at a rate which is at least equal to the rate at which Interest is payable on the Notes.
Subordinated Support Agreement:	The Borrower will undertake to the Issuer in a Subordinated Support Agreement that if, at any time, the Issuer has insufficient funds to enable it to meet in full all of its payment obligations in respect of the Notes as and when such obligations fall due, the Borrower will make available to the Issuer such funds in such form as are sufficient to enable the Issuer to meet such obligations. The Issuer undertakes in the Trust Deed to take all reasonable steps necessary to enforce the obligations of the Borrower undertaken in the Subordinated Support Agreement for the benefit of the Issuer. In the event that the Issuer fails to duly perform its obligations under the Conditions and the Trust Deed and has not, within ten Business Days in Almaty of such failure to perform, enforced all the rights which may have accrued to it under the Subordinated Support Agreement, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, take steps in the name of, and on behalf of, the Issuer to enforce the Borrower's obligations under the Subordinated Support Agreement. As more fully described in the Conditions, the Borrower's payment obligations under the Subordinated Support Agreement will rank: (a) subordinate and junior only to all Senior Obligations of the Borrower; (b) *pari passu* with all Parity Obligations of the Borrower; and (c) senior only to all Junior Obligations of the Borrower. As used in the Conditions: "**Junior Obligations**" means (a) all classes of ordinary and preferred shares of the Borrower, (b) any securities or other obligations of the Borrower that rank junior to the Subordinated Support Agreement

as regards entitlement to distributions thereunder whether on liquidation or otherwise, (c) any securities or other obligations of a Subsidiary of the Borrower including the Issuer (other than the Notes) entitled to the benefit of a guarantee, support agreement or other similar undertaking of the Borrower that ranks junior to the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise, and (d) any such guarantees, support agreements or similar undertakings of the Borrower;

"**Parity Obligations**" means (a) any other present and future undated or perpetual subordinated indebtedness, (b) any securities or other obligations of the Borrower and any guarantee, support agreement or other similar undertaking of the Borrower, in each case ranking *pari passu* with the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise and (c) any preferred or preference shares, securities or other obligations of a Subsidiary of the Borrower, including the Issuer, entitled to the benefit of a guarantee, support agreement or other similar undertaking of the Borrower which guarantee, support agreement or other similar undertaking ranks *pari passu* with the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise; and

"**Senior Obligations**" means present and future unsubordinated and dated subordinated indebtedness of the Borrower which ranks by or under its own terms senior, or does not rank subordinate to, the Subordinated Support Agreement.

Status of the Notes and Limited Recourse: ....

Subject to exceptions provided by mandatory applicable law, the payment obligations of the Issuer under the Notes constitute direct, general, unsecured and unsubordinated obligations of the Issuer and shall rank *pari passu* amongst themselves and at least *pari passu* with any other present and future unsecured and unsubordinated obligations of the Issuer, save that, in each case where amounts of principal, Interest and increased 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, (ii) the obligations of the Borrower undertaken in the Subordinated Support Agreement, (iii) the covenant of the Issuer contained in the Trust Deed (described in Condition 5) to enforce the obligations of the Borrower under the Subordinated Support Agreement and (iv) the right of the Trustee contained in the Trust Deed (described in Condition 5) to take action to enforce the obligations of the Borrower under the Subordinated Support Agreement if the Issuer fails to do so. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer, except that they may have recourse, up to a maximum of €2,000,000, to the Issuer's receivable from the Borrower under that certain share premium deposit agreement dated 12 October 2006, as amended, restated and/or supplemented from time to time, between the Issuer and the Borrower.

The Notes and the Subordinated Support Agreement are intended to provide Noteholders, as nearly as possible, with rights in respect of Interest and payments of principal equivalent to those to which Noteholders would be entitled if they held directly issued obligations of the Bank which on a winding up of the Borrower would rank *pari passu* with the obligations of the Borrower under the Subordinated Support Agreement.

Interest:	Subject to "*–Limitations on Interest*" below, Interest in respect of the Notes shall accrue from the Issue Date on the principal amount of the Notes: (i) in respect of each Interest Period from (and including) the Issue Date to (but excluding) 10 November 2016 (the "**Interest Call Date**") at a fixed rate per annum of 10 per cent., payable semi-annually in arrear in U.S. Dollars on each Interest Payment Date commencing 10 May 2007 and ending on the Interest Call Date; and (ii) in respect of each Interest Period from (and including) the Interest Call Date, at a floating rate per annum equal to the sum of (i) six month LIBOR and (ii) 7.33 per cent., payable semi-annually in arrear in U.S. Dollars on each Interest Payment Date commencing 10 May 2017. As used in the Conditions: "**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date; "**Interest**" means the non-cumulative distributions in respect of the Notes; and "**Interest Payment Date**" means 10 May and 10 November of each year, as more fully set out in the Conditions.
Limitations on Interest:	Interest will be paid by the Issuer on each Interest Payment Date except to the extent that: (i) the Borrower is in breach of the relevant provisions of the Capital Regulations then applicable to the Borrower: or (ii) such payment, if made by the Borrower, together with the amount of any dividends or other distributions paid or scheduled to be paid by the Borrower to holders of Parity Obligations on the relevant Interest Payment Date would breach or cause a breach of the relevant provisions of the Capital Regulations then applicable to the Borrower; or (iii) the Borrower's board of directors in its sole discretion has notified the FMSA and the Issuer that it has determined that the Borrower is, or in the near term will be, in breach of the relevant provisions of the Capital Regulations then applicable to it; or (iv) the Borrower would otherwise be prohibited under applicable Kazakhstan banking laws or regulations from making such payment itself.
Capital Payment Stopper:	The Borrower agrees that, if by reason of the provisions of Limitation on Interest (above), Interest is not paid in full on any Interest Payment Date, until the next succeeding date that Interest on the Notes is paid in full it shall not (and shall procure that neither the Issuer nor any Subsidiary will) pay any dividend or distribution or make any other payment on or in respect of any class of Parity Obligations or Junior Obligations or redeem, repurchase or otherwise acquire any class of Parity Obligations or Junior Obligations, except a Permitted Payment or Acquisition. As used herein, "**Permitted Payment or Acquisition**" means that part of a dividend, interest payment, other payment, redemption, repurchase or acquisition, as the case may be, which is made without the exercise of any discretion on the part of the Borrower, the Issuer or any other Subsidiary of the Borrower, as the case may

	be, as a result of the operation of mandatory provisions of Kazakhstan law or the mandatory provisions of any Parity Obligations or Junior Obligations outstanding as at 8 November 2006.
Interest non-cumulative:	If Interest payable on an Interest Payment Date is not paid by virtue of the limitations set out under "*–Limitations on Interest*" above, then the entitlement of Noteholders to such Interest will be lost. Accordingly, no payment will need to be made at any time by the Issuer or the Borrower in respect of any such missed payment.
Withholding Tax and Increased Amounts:	The Notes will contain a gross-up provision in respect of the imposition of withholding taxes in The Netherlands, which will be subject to customary exceptions. The Subordinated Support Agreement will contain a gross-up provision in respect of the imposition of Kazakhstan withholding taxes. Under such gross-up provisions the Issuer will pay to the Noteholders or the Borrower will pay to the Issuer (as the case may be) such increased amounts as may be necessary in order that the net amounts which would have been receivable by such Noteholders or the Issuer (as the case may be) after such withholding for any taxes imposed by The Netherlands and/or Kazakhstan (as the case may be) shall equal the respective amounts of principal and Interest which would have been receivable in the absence of such withholding. The obligations of the Issuer and the Borrower, as the case may be, to pay any such increased amounts will also be subject to the limitations described in "*–Limitations on Interest*" above.
Optional Redemption:	The Notes will be perpetual securities and not subject to any mandatory redemption. Subject to satisfaction of the Redemption Condition, the Notes are redeemable on the Interest Call Date or on any Interest Payment Date thereafter in whole, but not in part, at the option of the Issuer, upon not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders, specifying the relevant call date (the "**Call Date**") (which notice shall be irrevocable), at the Optional Redemption Price (being the principal amount of the Notes together with any accrued but unpaid Interest (notwithstanding "*–Limitations on Interest*" above) calculated from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of payment plus any applicable increased amounts thereon). As used in the Conditions, "**Redemption Condition**" means, with respect to any redemption or purchase of the Notes, that the prior written consent of, or written notice of non-objection by, the FMSA to such redemption or purchase, if then required, has been obtained and that any conditions attaching to such consent or notice have been satisfied in full.
Tax Redemption:	Subject to satisfaction of the Redemption Condition, if, as a result of a change in the laws or regulations of The Netherlands and/or Kazakhstan or the application or official interpretation thereof occurring, in each case on or after 8 November 2006 the Issuer satisfies the Trustee that: (i) payments to the Noteholders under the Notes would be subject to deduction, or to withholding, or would give rise to any obligation of the Issuer to account, for any tax in The Netherlands;

	(ii) payments by the Borrower under or in respect of the Subordinated Loan and/or the Subordinated Support Agreement would, if paid to the Issuer, be subject to any deduction or withholding tax in Kazakhstan at a rate greater than 10 per cent. (after taking account of any relief available under any applicable tax treaty); (iii) the Issuer is or would be subject to more than a *de minimis* amount of tax in respect of the Subordinated Loan or the Notes in The Netherlands; or (iv) the Borrower would not obtain a deduction for the purposes of corporate tax in Kazakhstan for any payment of interest in respect of the Subordinated Loan, and, in each case, such deduction, withholding, obligation, tax or, as the case may be, failure to obtain a deduction cannot be avoided by the Issuer or the Borrower, as the case may be, taking reasonable measures available to it, then the Notes will be redeemable, at the option of the Issuer, in whole but not in part, at any time on or after 10 November 2011 and prior to the Interest Call Date upon not less than 30 nor more than 60 days' notice of redemption to the Noteholders specifying the Call Date (which notice shall be irrevocable), all as more fully set out in the Conditions.
Capital Disqualification Event Redemption:	Subject to satisfaction of the Redemption Condition, if, as a result of any change in applicable law or the Capital Regulations (or the application or official interpretation thereof), occurring after the initial written confirmation (or notice of non-objection) to the Borrower from the FMSA that a portion of the Subordinated Loan has qualified as Tier I Capital of the Borrower pursuant to the Capital Regulations, the principal amount of the Subordinated Loan would no longer be capable of qualifying (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion as Tier I Capital of the Borrower, then the Notes will be redeemable, at the option of the Issuer, in whole but not in part, at any time on or after 10 November 2011 and prior to the Interest Call Date, upon not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders specifying the Call Date (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Notes accordingly by payment of an amount equal to the greater of the (i) Make-whole Amount (as defined in the Conditions) or (ii) Optional Redemption Price. As used in the Conditions: "**Capital Regulations**" means the Instructions on Standard Values and Assessment Methods for Prudential Standards for Second-Tier Banks, approved by the Resolution No. 358 of the FMSA, together with any other notices or regulations which, from time to time, amend, supplement or supersede such notice or otherwise detail the manner in which instruments issued by banks in Kazakhstan may constitute Tier I Capital; and "**Tier I Capital**" has the meaning ascribed to it in the Capital Regulations.
Events of Default and Enforcement:	An "**Event of Default**" shall have occurred if: (i) the Issuer fails to pay any Interest (and any increased amounts thereon) in respect of the Notes when the same becomes due and payable and such failure continues for a period of five Business Days in London and New York City;

(ii) proceedings shall have been instituted under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, for the Issuer or the Borrower to be adjudicated a bankrupt and such proceedings remain undischarged or unstayed for a period of 60 days or an effective resolution is passed by the Issuer or the Borrower, or the Issuer or the Borrower shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or an order is made for the bankruptcy, liquidation or winding up of the Issuer or the Borrower; or

(iii) the Borrower breaches the provisions of Condition 8(b) (*Limitations on Interest and Capital Payment Stopper*).

Upon the occurrence of an Event of Default, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued and unpaid Interest in respect of the Interest Period in which such Event of Default occurs, (notwithstanding "– Limitation on Interest" above) and increased amounts (if any) and participate in the relevant proceedings for the bankruptcy, liquidation or winding up of the Issuer or the Borrower without further action or formality.

Amendments: No amendments may be made to the terms and conditions of the Notes or the Subordinated Support Agreement without the prior written consent of the FMSA and otherwise subject to the Conditions.

Form of the Notes: The Notes will be in registered form.

The Notes will, on issue, be represented by a Global Note. On or about the Issue Date, the Global Note will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee of, and deposited with The Bank of New York as common depositary for Euroclear and Clearstream, Luxembourg. So long as the Notes are represented by the Global Note and the relevant clearing system(s) so permit, interests in the Notes will be tradeable only in a minimum denomination of U.S.$150,000 and integral multiples of U.S.$1,000 above such amount.

In the event that the Global Note is exchanged for Note Certificates, such Note Certificates will be issued with a minimum denomination of U.S.$ 150,000 and integral multiples of U.S.$1,000 above such amount.

Governing Law: The Notes will be governed by, and construed in accordance with, English law.

The Subordinated Support Agreement will be governed by, and construed in accordance with, English law save for the subordination provisions therein which will be construed in accordance with the laws of Kazakhstan.

Listing: Application will be made for the Notes to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

Ratings: It is expected that, on issue, Standard & Poor's will assign a rating of CCC+ and Moody's will assign a rating of Ba3 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.

Credit ratings assigned to the Notes do not necessarily mean that the securities are a suitable investment. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

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

Security Codes: The identification numbers for the Notes are as follows:

ISIN: XS0274618247

Common Code: 027461824

Summary Consolidated Financial and Other Information

The summary consolidated financial information presented below as at 30 June 2006 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 Consolidated Financial Statements contained elsewhere in this Prospectus.

The annual Consolidated Financial Statements for 2005, 2004 and 2003 have been prepared in accordance with IFRS while the Unaudited Interim Financial Statements for the six months ended 30 June 2006 have been prepared in accordance with IAS 34 and are presented in thousands of Tenge. The Consolidated Financial Statements, included on pages F-2 to F-51 in this Prospectus, were audited by Ernst & Young, whose audit report for the respective years is included on page F-4 in this Prospectus. The Unaudited Interim Financial Statements, included as pages F-52 to F-75 in this Prospectus, were reviewed by Ernst & Young, whose review report is included on page F-54. Prospective investors should read the summary consolidated financial information in conjunction with the information contained in "Risk Factors", "Capitalisation", "Selected Consolidated Financial Information", "Financial Review", "The Borrower", "Selected Statistical and Other Information", the Consolidated Financial Statements, and the other financial data appearing elsewhere in this Prospectus. See "Index to Financial Statements".

	For the six months ended 30 June				For the year ended 31 December		
	2006	**2006**	**2005**	**2005**	**2005**	**2004**	**2003**
	(U.S.$ thousands)[1]	*(KZT millions)*	*(U.S.$ thousands)*[2]	*(KZT millions)*	*(KZT millions)*[3]		
Consolidated Income Statement Information:							
Interest income	160,970	20,461	75,424	9,901	24,422	12,644	7,884
Interest expense	(104,445)	(13,276)	(48,740)	(6,398)	(16,137)	(5,808)	(3,227)
Net interest income before impairment charge	56,525	7,185	26,684	3,503	8,285	6,836	4,657
Impairment charge	(16,458)	(2,092)	(8,540)	(1,121)	(2,101)	(2,894)	(1,694)
Net interest income after impairment charge	40,067	5,093	18,144	2,382	6,184	3,942	2,963
Fees and commissions, net[4]	14,798	1,881	9,484	1,245	2,727	1,921	1,416
Non-interest income	10,731	1,364	7,770	1,020	2,888	2,052	1,310
Non-interest expense	37,101	(4,716)	(25,580)	(3,358)	(6,971)	(5,288)	(3,474)
Income before income tax expense	28,495	3,622	9,818	1,289	4,828	2,627	2,215
Income tax expense	(6,860)	(872)	(2,087)	(274)	(771)	(307)	(759)
Net income	21,635	2,750	7,731	1,015	4,057	2,320	1,456
Attributable to:							
Equity holders of the Parent	21,533	2,737	7,739	1,016	4,046	2,320	1,456
Minority interest	102	13	(8)	(1)	11	—	—
Basic and Diluted Earnings per share	1	131.3	0.5	64.4	235	224	248

(1) Translated at the official average U.S. Dollar exchange rate for the six months ended 30 June 2006, as reported by the NBK, of KZT127.11 = U.S.$1.00.

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

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

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

	As at 30 June		As at 31 December			
	2006	2006	2005	2005	2004	2003
	(U.S.$ thousands)[1]	*(KZT millions)*	*(U.S.$ thousands)*[2]	*(KZT millions)*		
Consolidated Balance sheet information:						
Assets						
Cash and cash equivalents	307,010	36,439	246,678	33,050	14,048	5,836
Obligatory reserves	36,928	4,383	31,826	4,264	2,390	1,775
Amounts due from credit institutions[4]	87,935	10,437	25,309	3,391	3,511	—
Financial assets at fair value through profit or loss	587,194	69,694	196,894	26,380	8,650	23,890
Investment securities[3]	180,529	21,427	246,417	33,015	26,716	—
Commercial loans and advances[4]	2,556,289	303,406	1,827,691	244,874	112,090	60,488
Insurance reserves, reinsurance share	46,348	5,501	26,399	3,537	156	190
Premises and equipment[5]	50,510	5,995	39,110	5,240	3,316	2,280
Current tax assets	4,179	496	2,881	386	180	176
Deferred tax assets	371	44	—	—	515	86
Investments in associates	1,988	236	1,261	169	313	—
Other assets[4]	34,409	4,084	35,543	4,762	2,017	919
Total assets	3,893,690	462,142	2,680,009	359,068	173,902	95,640
Liabilities						
Amounts due to the Government and the NBK	70,671	8,338	69,114	9,260	3,341	3,445
Amounts due to credit institutions	882,037	104,689	624,295	83,643	38,763	33,638
Amounts due to customers	1,340,711	159,129	870,890	116,682	68,747	44,826
Insurance reserves	52,953	6,285	31,482	4,218	515	349
Debt securities issued	1,083,192	128,564	734,662	98,430	43,307	2,848
Subordinated debt	150,029	17,807	132,698	17,779	260	1,498
Provisions	1,508	179	2,112	283	254	159
Other liabilities	9,453	1,122	9,173	1,229	535	535
Total liabilities	3,590,554	426,163	2,474,426	331,524	155,722	87,298
Shareholders' equity						
Share capital:						
Common shares	193,505	22,967	123,899	16,600	12,871	4,340
Preferred shares	28,646	3,400	25,377	3,400	1,900	1,900
Additional paid in capital	2,040	242	1,806	242	202	202
Reserves	3,409	405	5,105	684	465	465
Retained earnings	74,508	8,843	47,977	6,428	2,742	1,435
Attributable to shareholders of the parent	302,108	35,857	204,164	27,354	18,180	8,342
Minority interest	1,028	122	1,419	190	—	—
Total shareholders' equity	303,136	35,979	205,583	27,544	18,180	8,342
Total liabilities and shareholders' equity	3,893,690	462,142	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 June 2006, as reported by the NBK, of KZT118.69 = U.S.$1.00

(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.$1.00

(3) Starting from 1 January 2004, the Borrower 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 Consolidated Financial Statements appearing elsewhere in this Prospectus.

(4) Net of allowance for impairment.

(5) Net of accumulated depreciation.

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
		(%)		
Selected Financial Ratios:				
Profitability Ratios				
Net interest margin[1] [2]	3.7[11]	3.4	5.7	6.7
Net interest income/average total assets[2]	3.5[11]	3.2	5.3	6.2
Net income/average total assets[2]	1.3[11]	1.6	1.8	1.9
Net income/average shareholders' equity[2]	15.3[11]	17.5	17.5	22.0
Net interest income/total income[3]	68.9	59.6	63.2	63.1
Non-interest income not including fees and commission income/total income[3]	13.1	20.8	19.0	17.7
Fees and commissions, net/total income[3]	18.0	19.6	17.8	19.2
Cost/income ratio[4]	46.5	49.2	48.2	43.5
Personnel expenses[5]/total income[3]	24.2	21.9	23.0	22.8
Personnel expenses[5]/average total assets[2]	1.2[11]	1.2	1.9	2.2
Loan Portfolio Quality				
Non-performing loans[6]/gross commercial loans and advances[7]	1.7	1.6	2.0	2.4
Allowance for impairment/gross commercial loans and advances[7]	3.0	3.0	4.7	5.3
Allowance for impairment/non-performing loans[6]	181.9	191.4	234.5	218.9
Balance Sheet Ratios and Capital Adequacy				
Amounts due to customers/total liabilities	37.3	35.2	44.1	51.3
Shareholders' equity/total assets	7.8	7.7	10.5	8.7
Tier I ratio[8]	10.2	8.3	9.6	8.7
Capital adequacy ratio[8]	15.3	12.4	11.1	13.6
Regulatory total capital ratio[9]	13.6	12.7	13.4	13.2
Commercial loans and advances/total assets	65.7	68.2	64.5	63.2
Commercial loans and advances/amounts due to customers	190.7	209.9	163.0	134.9
Commercial loans and advances/shareholders' equity	843.3	889.0	616.6	725.1
Liquid assets[10]/total assets	29.9	26.7	30.5	31.1
Liquid assets[10]/amounts due to customers	86.7	82.1	77.0	66.3

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

(2) Averages were calculated on daily basis.

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

(4) Non-interest expense not including fee and commission expense minus other provisions expressed as a percentage of the sum of net interest income before impairment charge plus non-interest income plus 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 payment is more than 60 days overdue.

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

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

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

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

(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 Borrower specifically. Prospective investors should pay particular attention to the fact that the Borrower is governed by a legal and regulatory environment in Kazakhstan which in some respects may differ from that prevailing in other countries.

Risks Relating to the Issuer

The Issuer is a finance subsidiary of the Borrower without independent operations or revenues. As such, its ability to meet its obligations under the Notes will be dependent upon the support of the Borrower.

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 Borrower

Loan Portfolio Growth and Risk Management

The Borrower's gross commercial loans and advances (before allowances) have increased rapidly in recent years growing by 75.7% in 2003 to KZT63,885 million, by 84.1% in 2004 to KZT117,593 million, by a further 114.7% in 2005 to KZT252,523 million and by 23.9% for the first six months ended 30 June 2006 to KZT312,798 million. The significant increase in the loan portfolio size has increased the Borrower's credit exposure and will require continued monitoring by the Borrower's management of credit quality and the adequacy of its impairment assessment and continued improvement in the Borrower's credit risk management programme. Growth rates such as those recently experienced by the Borrower also require the Borrower to attract and retain qualified personnel and to train new personnel.

In addition, the Borrower's strategy of further diversifying its customer base, including through increased lending to medium and small corporate clients and retail customers, may also increase further the credit risk exposure in the Borrower's loan portfolio. Small and medium sized enterprises ("**SME**") and retail customers typically are less financially resilient than larger borrowers as there is generally less financial information available about smaller companies and retail customers. Negative developments in Kazakhstan's economy could also affect smaller companies and retail customers more significantly than larger borrowers. As a result, the Borrower 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 Borrower's results of operations and financial condition.

In addition, the growth in the Borrower'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 190.7%, 209.9%, 163.0% and 134.9% as at 30 June 2006, 31 December 2005, 2004 and 2003, respectively. This has caused the Borrower to look for other sources to fund the growth of its loan portfolio, primarily inter-bank loans and capital markets instruments which at 30 June 2006, 31 December 2005, 2004 and 2003 comprised 58.9%, 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 Borrower could not raise additional funding through deposit-taking, this could negatively affect the Borrower's ability to manage liquidity and to fund further profitable growth.

Concentration of Lending and Deposit Base

As at 30 June 2006, the Borrower's 10 largest borrowers accounted for 21.0% of gross commercial loans and advances, compared to 24.7%, for the twelve months ended 31 December 2005, 19.8% in 2004, and 20.3% in 2003. The Borrower 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 Borrower's results of operations and financial condition.

As at 30 June 2006, the Borrower's 10 largest corporate depositors accounted for approximately 40.9% 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 Borrower intends to reduce the concentration in its deposit base by attracting small and medium sized enterprises and retail depositors. Failure to reduce such concentration could, however, expose the Borrower to increased liquidity risk and have a material adverse effect on the Borrower's results of operations and financial condition.

Influence of Key Shareholder

Mr. Bulat Utemuratov, a senior government official, beneficially owns approximately 46.0% of the Borrower's share capital. Mr. Utemuratov does not participate in the management of the Borrower but meets periodically with the Borrower's senior management to review the Borrower's strategy and performance.

Due to the size of his shareholding, Mr. Utemuratov has the ability to influence significantly the Borrower'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 Borrower required for funding purposes. See "Risk Factors – Low Capitalisation."

No assurance can be given that, if the Borrower requires a capital increase, that Mr. Utemuratov will procure the subscription for any new shares or otherwise provide financing to the Borrower. Furthermore, no assurance can be given that Mr. Utemuratov will not sell all or any part of his shareholding at any time nor that he may look for alternative sources of finding for the Borrower, be that by way of public offering of the shares of the Borrower, by sale to a strategic investor, or otherwise.

Management of the Bank is aware that shareholders have entered into discussion with the European Bank for Reconstruction and Development ("**EBRD**") to purchase a 20.0% to 25.0% holding in the Bank. However, no assurance can be given that suitable terms will be agreed or that EBRD will become a shareholder of the Bank.

Low Capitalisation

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

If the Borrower's loan portfolio continues to increase as rapidly as it has in previous years, capital will be required in the medium-term to strengthen further the Borrower's capital base. The Borrower 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 20% of total assets. In addition, commercial loans funded through increased levels of debt financing from financial institutions and capital markets will also require the Borrower to raise additional capital in order to meet required capital adequacy levels. The Borrower'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 Borrower may also consider in the near term exploring strategic partnerships with investors to assist the Borrower in managing its future capital requirements. The failure to raise capital in the future could substantially limit the Borrower's ability to continue to increase the size of its loan portfolio whilst complying with applicable capital adequacy requirements. This could result in breach of the requisite capital adequacy rules and breach of covenants relating to the maintenance of a certain capital adequacy ratio contained in some of its outstanding financing documents. Any such events could have a material adverse effect on the Borrower's prospects, business, financial condition and results of operations. See "Risk Factors – Influence of Key Shareholder", "Selected Statistical and Other Information – Funding and Liquidity" and "Share Capital and Principal Shareholders".

Liquidity Risks

The Borrower, like other commercial banks in Kazakhstan and elsewhere, is exposed to maturity mismatches between its assets and liabilities, which could lead to lack of liquidity at certain times. At 31 December 2004, the Borrower had a negative cumulative maturity gap for the period up to three months. However, as at 31 December 2005 the Bank had no negative cumulative maturity gap. Although the Borrower 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 Borrower's liquidity needs for a certain period, allow and will continue to allow the Borrower to meet its short-term and long-term liquidity needs, any maturity mismatches between the Borrower's assets and liabilities (including by reason of the withdrawal of large deposits) may have a material adverse effect on its results of operations and financial condition. See "Selected Statistical and Other Information – Asset and Liability Management – Liquidity Risk".

Interest Rate Risks

The Borrower is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. While the Borrower 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 Borrower. See "Selected Statistical and Other Information – Asset and Liability Management – Interest Rate Risk".

Foreign Currency Risks

The Borrower is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Although the Borrower is subject to limits on its open currency positions pursuant to NBK and FMSA regulations and the Borrower's internal policies, future changes in currency exchange rates and the volatility of the Tenge may adversely affect the Borrower'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 Borrower relating to its prospective corporate borrowers or retail clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Borrower 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 Borrower's assessments of credit risk, thereby increasing the risk of under provisioning and decreasing the likelihood that the Borrower 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 Borrower is subject to competition from both domestic and foreign banks. As at 30 June 2006, there were a total of 33 commercial banks in Kazakhstan, excluding the NBK, the Zhilstrojsberbank (the Housing Construction Savings Bank) 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 Halyk Bank and JSC Bank TuranAlem, and despite the Borrower'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 Borrower considers some of the banks with foreign shareholders as its competitors, primarily ABN AMRO Bank Kazakhstan and Citibank Kazakhstan, as their international experience and low-cost funding allow them to attract large domestic and foreign corporate customers. See "The Borrower – 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 on a case-by-case basis. These norms apply to the Borrower. Further, Kazakhstan banks are also required to join a bank-funded deposit insurance scheme and be audited annually by a public accountancy firm approved by the FMSA. The FMSA's main task is to regulate and supervise the financial markets and financial institutions in Kazakhstan. See "The Banking Sector in Kazakhstan". Notwithstanding the FMSA's regulatory standards applicable to banks in Kazakhstan, the oversight and enforcement thereof by the regulators may differ from those applicable to banking operations in more highly developed regulatory regimes. See "– Underdevelopment and Evolution of Legislative and Regulatory Framework". There can be no assurance that the Government will not implement regulations or policies, including policies or regulations or legal interpretations of existing banking or other regulations, relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action, that could have a material adverse effect on the Borrower's business, financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes. In addition, the Government may implement additional regulations or policies, including limitations on borrowings by Kazakhstan banks from foreign institutions or on extensions of credit to Kazakhstan borrowers.

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

Reform of the International Capital Adequacy Framework

In 2001, the Basel Committee issued a proposal for a new capital adequacy framework to replace the current Capital Accord issued in 1988. With regard to the risk weightings to be applied to exposures to sovereign states, the Basel Committee proposes replacing the existing approach with a system that would use both external and internal credit assessments for determining risk weightings. It is intended that such an approach will also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to banks, securities firms and corporates. If adopted, the new framework could require financial institutions lending to Kazakhstan banks to be subject to higher capital requirements as a result of the credit rating of Kazakhstan, possibly resulting in a higher cost of borrowing for Kazakhstan banks, including the Borrower.

Dependence on Key Personnel

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

Regional and International Expansion

According to its strategy, the Borrower plans to further expand its revenue base through selective regional and international expansion. In furtherance of this strategy, in June 2004, the Borrower acquired a 34.4% stake in OJSC EnergoBank, the fifth largest bank in Kyrgyzstan. During 2005 the Borrower made an additional contribution of KZT135 million to the working capital of OJSC EnergoBank, increasing its stake to 73.9% as at 31 December 2005. During the first six months of 2006, the Bank increased its holding in OJSC EnergoBank by 12.0% to 85.9% as at 30 June 2006.

The Borrower acquired 100.00% of the total share capital of CJSC OCB (Omsk Commercial Bank) Sibir ("**CJSC OCB Sibir**") in November 2005 for KZT58.7 million. CJSC OCB Sibir is a regional bank in the Omsk region of the Russian Federation, which borders Kazakhstan to the north and has a large ethnic Kazakh population. On 12 July 2006, CJSC OCB Sibir issued further common shares to a value of RUR299,999 million (KZT1,320 billion), which were acquired by the Borrower. The Borrower is also considering acquiring a bank in Moscow to expand its presence in the capital of the Russian Federation. The Borrower announced that on 26 September 2006, the Board of Directors made a decision to approve the acquisition of 75.1% of the total charter capital of OJSC "Sokhibkorbank" of Tajikistan, which includes both common and preferred shares.

On 29 September 2006, the Borrower acquired 11.3% of the charter capital of OJSC "Sokhibkorbank" and obtained the approval of the National Bank of Tajikistan for the acquisition of 20.0% of the shares of OJSC "Sokhibkorbank".

Although the Borrower monitors closely the risks associated with its foreign operations, this international presence exposes the Borrower to risks the Borrower 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 Borrower further expands its international operations it will be exposed to additional risks. In any event, the Borrower 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 Borrower to incur increased liabilities in respect of such operations. For more information on the recent acquisitions discussed above, see "The Borrower - Subsidiaries, Associated and Affiliated Companies".

Recent Regulatory Changes

Recent changes to NBK minimum reserve requirements and potential restrictions imposed by the FMSA on attracting short-term indebtedness may affect the Bank's ability to attract foreign and short-term funding. In July 2006, the NBK introduced new reserve requirements in an effort to limit borrowings, including foreign borrowings, as a result of concerns about excessive money supply in the economy predominantly resulting from foreign borrowings. The new rules increased reserve requirements for borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (regardless of residence) to eight per cent., from six per cent., although domestic borrowings from residents except as mentioned above will remain at six per cent. In common with a number of other banks in the country, a significant portion of the Bank's funding is in U.S. Dollars from the syndicated loan and capital markets transactions. Thus, the new minimum reserve requirements may have an impact on the Bank's profitability.

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

To address concerns about currency mis-matches and more precisely management the bank's liquidity, the FMSA has also tightened requirements to open/net currency positions and introduced various limits of currency liquidity.

Risk Factors Relating to Kazakhstan

Most of the Borrower's operations are conducted, and substantially all of its customers are located, in Kazakhstan. Accordingly, the Borrower'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 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, 9.6% in 2004 and 9.4% in 2005, there can be no assurance that the GDP will continue to grow and any fall in GDP in subsequent years could adversely affect Kazakhstan's development.

The Tenge is convertible for current account transactions, although it is not fully convertible outside Kazakhstan. Depressed export markets in 1998 and early 1999, caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the NBK instituted a number of expenditure cuts, took revenue increasing measures and in April 1999 allowed the Tenge to float freely. In the period from the adoption of a floating exchange rate policy on 4 April 1999 to 31 December 1999, the Tenge depreciated by 58.0% against the U.S. Dollar, resulting in an overall depreciation of the Tenge of 64.6% against the U.S. Dollar in the year ended 31 December 1999, compared to a depreciation of 10.7% in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge continued to depreciate in value against the U.S. Dollar, although at a much lower rate, depreciating by 3.8% in 2001 and 3.3% in 2002. The Tenge appreciated in value against the U.S. Dollar during 2003 but since then it has generally depreciated and as at 31 December 2005, the exchange rate was KZT133.77 per US$1.00. As at 30 June 2006, the KZT/U.S. Dollar exchange rate reported by the NBK was KZT118.69 per U.S.$1.00. See "Exchange Rates and Exchange Rate Control – 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.

Underdevelopment and Evolution of Legislative and Regulatory Framework

Although a large volume of legislation has come into force since early 1995, including a new tax code in January 2002, laws relating to foreign investments, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan (although one of the most developed among the CIS countries) is at a relatively early stage of development compared to countries with established market economies. The judicial system in Kazakhstan may not be fully independent of social, economic and political forces and court decisions can be difficult to predict. In addition, senior Government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection. Moreover, due to the presence of numerous ambiguities in Kazakhstan's commercial legislation, in particular its tax legislation, the tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as a lack of any established system of precedent or coherence in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system.

The Government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the Government will continue such policy, or that such policy, if continued, will ultimately prove to be successful. It is expected that the tax legislation in Kazakhstan will become more sophisticated and that there will be additional revenue raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Borrower'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 Borrower, 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

Uncertainties surrounding the Capital Regulations may lead to a suspension of interest payments

With respect to regulatory capital for banks, the concept of subordinated debt is relatively new in Kazakhstan, and the rules governing subordinated debt and Tier I Capital, in particular, may be subject to further review, clarification and development. In particular, the Capital Regulations in relation to Tier I Capital are currently rudimentary as compared with regulatory capital legislation enacted in other jurisdictions, which could lead to uncertainty and a lack of clarity in the interpretation and application of such regulations. Furthermore, the Capital Regulations do not currently address certain concepts relating to Tier I Capital, which are generally accepted as standard in the world's more developed financial markets, and which are contained in the Notes.

There is a risk either that the interpretation of such capital treatment could change or that the Capital Regulations when adapted could differ from those in draft form at the date of this Prospectus or that they could be subsequently amended or clarified. As a result, the Borrower could lose the regulatory capital treatment granted to the Subordinated Loan or such treatment may not be granted at all. Further, the Capital Regulations provide that if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios required to be maintained under the Capital Regulations shall be deemed to be not satisfied, irrespective of the actual position. If this becomes applicable to the Borrower, even through inadvertent error, interest payments on the Loan could be suspended.

Certain of the provisions of the Notes providing for the repayment of the Subordinated Loan are subject to the consent of the FMSA. There can be no guarantee that the consent of the FMSA will be forthcoming at any time that the Subordinated Loan would otherwise be subject to repayment pursuant to such provisions and, consequently, that the Borrower will be able to repay at such time.

Risks associated with the nature of the Notes

As it is intended that the proceeds of the Subordinated Loan will constitute Tier I Capital of the Borrower on a consolidated basis for capital adequacy purposes, such proceeds will be available to absorb losses of the Borrower. Such loss absorption could result in adverse consequences for Noteholders, including non-payment of interest on the Notes and the suspension of interest payments. In certain circumstances, the Issuer may, subject to the imposition of a dividend and capital payments stopper on the Borrower pursuant to the terms of the Subordinated Loan, elect to suspend payment of interest on the Notes. Further, the Bankruptcy Law does not provide for a separate Statutory Priority for Subordinated Debt. If the Issuer does suspend the payment of any interest on the Notes, that interest will cease to be payable and all claims thereto will be irrevocably cancelled forthwith. Interest payable on the Notes is not cumulative.

Perpetual nature of the Notes

The Notes have no fixed final redemption date and Noteholders have no right to call for redemption of the Notes. Although the Issuer may redeem the Notes in certain circumstances, this may not be possible for regulatory capital reasons. Therefore, Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Taxation in Kazakhstan

Payments of amounts equivalent to distributions by the Borrower under the Subordinated Loan Agreement will be subject to Kazakhstan withholding tax at a rate of 15 per cent. Such withholding tax may be reduced under the Kazakhstan-Netherlands tax treaty to a rate of 10 per cent., although there can be no assurance such relief will be obtained. The Borrower has agreed to pay increased amounts in respect of such withholding. See "Terms and Conditions of the Notes – Taxation". The enforceability in Kazakhstan of such an agreement has not to date been determined by the courts in Kazakhstan and there may be some doubt as to whether they would enforce such an agreement. Prospective purchasers and holders of Notes should consult their own professional advisers as to the tax consequences of them holding or transferring the Notes.

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 Borrower.

Credit Rating

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

The Subordinated Loan and Subordinated Support Agreement are Unsecured Obligations

The Subordinated Loan and the Subordinated Support Agreement, upon which the Issuer's ability to meet its obligations under the Notes depends, are unsecured subordinated obligations of the Borrower and, therefore, in an insolvency of the Borrower rank junior to existing and/or future senior and secured indebtedness of the Borrower. The Borrower has secured its repurchase agreements by a pledge over certain of the Borrower's financial assets. The fair value of such pledged securities as at 30 June 2006 and 31 December 2005 was KZT9,566 million and KZT10 million. In addition, the Borrower, as of 30 June 2006 and 31 December 2005, had pledged securities at fair value of KZT4,416 million and KZT4,732 million as collateral against interbank borrowings. As at 30 June 2006, deposits with two credit institutions based in OECD countries were placed as collateral totalling KZT1,775 million compared to nil as at 31 December 2005. The Borrower may in the future secure repurchase agreements over other financial assets.

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 paragraphs in italics, will be endorsed on each certificate in definitive form representing a Note (if issued). The terms and conditions applicable to any Note represented by a certificate in global form will differ from those terms and conditions which would apply to the Note were the certificate representing it in definitive form, to the extent described under "Form of Notes and Transfer Restriction; Summary of Provisions Relating to the Notes in Global Form".

The U.S.$100,000,000 10 per cent. perpetual non-cumulative notes (the "**Notes**") of ATF Capital B.V. (the "**Issuer**") (a) have the benefit of a limited and subordinated support agreement dated 10 November 2006 (as amended or supplemented from time to time, the "**Subordinated Support Agreement**") between the Issuer and JSC ATFBank (the "**Borrower**"), (b) are constituted by, and subject to, and have the benefit of a trust deed dated 10 November 2006 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and the Bank 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 or trustees for the holders of the Notes and (c) are the subject of a paying agency agreement dated 10 November 2006 as amended or supplemented from time to time, the "**Paying Agency Agreement**") between the Issuer, the Borrower, The Bank of New York, acting through its London Branch, as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York, acting through its London Branch, as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the other paying and transfer agents named therein (together with the Principal Paying Agent, the "**Paying and Transfer Agents**", and which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes) and the Trustee.

The Issuer has authorised the creation, issue and sale of the Notes for the purpose of funding a U.S.$100,000,000 perpetual, subordinated, non-cumulative loan (the "**Subordinated Loan**") to the Borrower as borrower.

Certain provisions of these terms and conditions (these "**Conditions**") are summaries of the Trust Deed, the Subordinated Support Agreement and the Paying Agency Agreement and subject to their detailed terms. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Subordinated Support Agreement and the Paying Agency Agreement applicable to them. Copies of the Trust Deed, the Subordinated Support Agreement and the Paying Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Paying Agency Agreement) of each of the Paying and Transfer Agents, the initial Specified Offices of which are set out below. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom. References herein to the "Agents" are to the Registrar, the Principal Paying Agent and the Paying and Transfer Agents and any reference to an "Agent" is to any one of them.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Notes are in registered form, without interest coupons attached, and shall be serially numbered. The Notes shall be issued in minimum denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof (each denomination an "**Authorised Denomination**").

*The Notes will initially be represented by a global note (the "**Global Note**"), which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.*

*Ownership of beneficial interests in the Global Note will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or persons that may hold interests through such participants. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by Euroclear, Clearstream, Luxembourg and their participants as applicable. The Global Note will be exchangeable for certificates in registered, definitive form, without interest coupons attached, only in certain limited circumstances (the "**Note Certificates**").*

(b) *Title*

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

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

2. Registration

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

3. Transfers

(a) Subject to Conditions 3(d) and 3(e) (*Transfers*), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "**Transfer Form**") duly completed, at the Specified Office of the Registrar or a Paying and Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Paying and Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the Transfer Form; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are in an Authorised Denomination. Transfer Forms are available from any Paying and Transfer Agent, the Registrar and the Issuer upon the request of any holder. In the case of a transfer of only a portion of the Notes represented by a Note Certificate, neither the portion transferred nor the balance thereof not transferred may be less than an Authorised Denomination, and a new Note Certificate in respect of such balance not so transferred will be issued to the transferor. Transfers will be done through the office of any Paying and Transfer Agent upon presentation and surrender of the relevant Note Certificate representing the Note to be transferred.

(b) Within five business days of the surrender of a Note Certificate in accordance with Condition 3(a) (*Transfers*), the Registrar will register the transfer in question and make available a new Note Certificate of a like principal amount to the Notes transferred to each relevant holder at the Registrar's Specified Office or (as the case may be) the Specified Office of any Paying and Transfer Agent or deliver (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3(b) (*Transfers*), "business day" means a day on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Paying and Transfer Agent has its Specified Office.

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

(d) Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or Interest (as defined in Condition 7 (*Interest*)) in respect of the Notes.

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

4. Status of the Notes and Limited Recourse

Subject to exceptions provided by mandatory applicable law, the payment obligations of the Issuer under the Notes constitute direct, general, unsecured and unsubordinated obligations of the Issuer and shall rank *pari passu* amongst themselves and at least *pari passu* with any other present and future unsecured and unsubordinated obligations of the Issuer, save that, in each case where amounts of principal, Interest and increased 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, (ii) the obligations of the Borrower undertaken in the Subordinated Support Agreement, (iii) the covenant of the Issuer contained in the Trust Deed (described in Condition 5 (*Subordinated Support Agreement*)) to enforce such obligations and (iv) the right of the Trustee contained in the Trust Deed (described in Condition 5 (*Subordinated Support Agreement*)) to take action to enforce such obligations if the Issuer fails to do so. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer, except that they may have recourse, up to a maximum of €2,000,000, to the Issuer's receivable from the Borrower under that certain share premium deposit agreement dated 12 October 2006, as amended, restated and/or supplemented from time to time, between the Issuer and the Borrower.

5. Subordinated Support Agreement

The Borrower has undertaken to the Issuer in the Subordinated Support Agreement that if, at any time, the Issuer has insufficient funds to enable it to meet in full all of its obligations in respect of the Notes as and when such obligations fall due, the Borrower will make available to the Issuer such funds in such form as are sufficient to enable the Issuer to meet such obligations.

The Issuer has covenanted in the Trust Deed to take all reasonable steps necessary to enforce the obligations of the Borrower undertaken by the Borrower in the Subordinated Support Agreement for the benefit of the Issuer. In the event that the Issuer fails to duly perform its obligations under these Conditions and the Trust Deed and has not, within ten Business Days in Almaty of such failure to perform, enforced all the rights which may have accrued to it under the Subordinated Support Agreement, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, take steps in the name of, and on behalf of, the Issuer to enforce the Borrower's obligations under the Subordinated Support Agreement.

Subject to exceptions provided by mandatory applicable law, the payment obligations of the Borrower under the Subordinated Support Agreement constitute direct, general, subordinated and unsecured obligations of the Borrower and shall, in case of (a) the bankruptcy in the Republic of Kazakhstan of the Borrower, (b) the Borrower being granted (provisional) suspension of payments in the Republic of Kazakhstan (such situation hereinafter being referred to as a "**Moratorium**")), or (c) dissolution of the Borrower in the Republic of Kazakhstan, rank: (i) subordinate and junior only to all Senior Obligations of the Borrower, (ii) *pari passu* with all Parity Obligations of the Borrower, and (iii) senior only to all Junior Obligations of the Borrower.

By virtue of such subordination payments under the Subordinated Support Agreement will, in the case of bankruptcy or dissolution of the Borrower or in the event of a Moratorium, only be made after all payment obligations in respect of Senior Obligations of the Borrower have been satisfied.

As used in these Conditions:

"**Junior Obligations**" means (a) all classes of ordinary and preferred shares of the Borrower, (b) any securities or other obligations of the Borrower that rank junior to the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise, (c) any securities or other obligations of a Subsidiary of the Borrower including the Issuer (other than the Notes) entitled to the benefit of a guarantee, support agreement or other similar undertaking of the Borrower that ranks junior to the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise, and (d) any such guarantees, support agreements or similar undertakings of the Borrower.

"**Parity Obligations**" means (a) any other present and future undated or perpetual subordinated indebtedness, (b) any securities or other obligations of the Borrower and any guarantee, support agreement or other similar undertaking of the Borrower, in each case ranking *pari passu* with the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise and (c) any preferred or preference shares, securities or other obligations of a Subsidiary of the Borrower, including the Issuer, entitled to the benefit of a guarantee, support agreement or other similar undertaking of the Borrower which guarantee, support agreement or other similar undertaking ranks *pari passu* with the Subordinated Support Agreement as regards entitlement to distributions thereunder whether on liquidation or otherwise.

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

"**Senior Obligations**" means present and future unsubordinated and dated subordinated indebtedness of the Borrower which ranks by or under its own terms senior, or does not rank subordinate to, the Subordinated Support Agreement.

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

6. Covenants

(a) *Limitation on activities*

The Issuer shall not carry on any activities or enter into any transactions or documents other than in connection with the raising of funds for the purposes of on-lending to the Borrower or any of its Subsidiaries or making deposits with the Borrower and shall not, save with the prior written consent of the Trustee, create or incur other obligations or enter into related transactions, documents or agreements, acquire and hold other assets which impose obligations on the Issuer or issue further notes unless such further notes are issued on limited recourse terms similar to those set out in Condition 4 (*Status of the Notes and Limited Recourse*) and unsecured or secured on assets other than the Subordinated Loan or Subordinated Support Agreement.

(b) *Limitation on Amendment*

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the FMSA and the Trustee, agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Subordinated Support Agreement or the transfer by the Borrower of its obligations under the Subordinated Support Agreement except as otherwise expressly provided in the Trust Deed. Any such amendment, modification, waiver or authorisation made with the consent of the FMSA and the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 17 (*Notices*).

7. Interest

Subject to Condition 8 (*Limitations on Interest and Capital Payment Stopper*), Interest on the Notes shall accrue from 10 November 2006 (the "**Closing Date**") on the principal amount of the Notes as follows:

(a) in respect of each Interest Period from (and including) the Closing Date to (but excluding) 10 November 2016 (the "**Interest Call Date**"), at a fixed rate per annum of 10 per cent., and shall be payable by the Issuer semi-annually in arrear in U.S. Dollars on each Interest Payment Date, commencing 10 May 2007 and ending on the Interest Call Date; and

(b) in respect of each Interest Period from (and including) the Interest Call Date, at a floating rate per annum (the "**Floating Rate**") equal to the sum of (i) six month LIBOR and (ii) 7.33 per cent; and shall be payable by the Issuer semi-annually in arrear in U.S. Dollars on each Interest Payment Date, commencing 10 May 2017.

Interest on the Notes will be non-cumulative and will, subject to Condition 8 (*Limitations on Interest and Capital Payment Stopper*) (i) in respect of each full Interest Period ending on or prior to the Interest Call Date, be U.S.$15,000 per U.S.$150,000 in principal amount of the Notes, (ii) in respect of any period prior to the Interest Call Date which is less than a full Interest Period, be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, (iii) in respect of any period after the Interest Call Date, be calculated on the basis of the actual number of days in the relevant Interest Period divided by 360.

The Bank of New York, London Branch, acting as the Calculation Agent (the "**Calculation Agent**") will, as soon as possible after 11:00 a.m. (London time) on the second Business Day in London prior to the first day of each Interest Period (each, an "**Interest Determination Date**") commencing from (and including) the Interest Call Date, determine the six month LIBOR and the applicable Floating Rate for such Interest Period and, by applying such Floating Rate to the relevant day count fraction, calculate the amount of Interest payable in respect of such Interest Period. The determination by the Calculation Agent of the Floating Rate and the amount of Interest payable for each such Interest Period shall (in the absence of manifest error) be final and binding on all parties. The Calculation Agent will cause the Floating Rate and amount of Interest payable for each Interest Period commencing from (and including) the Interest Call Date to be notified to the Issuer, the Registrar, each of the Paying and Transfer Agents, the London Stock Exchange, the Kazakhstan Stock Exchange (if applicable), the Trustee and the Noteholders in accordance with Condition 17 (*Notices*). Such Floating Rate and amount of Interest so published may subsequently be amended without notice in the event of an extension or shortening of the relevant Interest Period.

As used herein:

"**Business Day**" means a day on which banks and foreign exchange markets are open for general business (including dealings in foreign currencies) in the place or places specified.

"**Interest Period**" means the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

"**Interest**" means the non-cumulative distributions in respect of the Notes;

"**Interest Payment Date**" means 10 May and 10 November of each year from and including 10 May 2007 provided that if any Interest Payment Date occurring after the Interest Call Date would otherwise fall on a day that is not a Business Day in London and New York City such date shall be postponed to the next day which is a Business Day in London and New York City unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day in London and New York City.

"**six month LIBOR**" means, in respect of any Interest Period after the Interest Call Date:

(a) the rate per annum equal to the offered quotation for deposits in U.S. Dollars for a period of six months which appears on the display designated as Telerate Page 3750 (or such other page as may replace such page on such service or as of 11.00 am (London time) on the relevant Interest Determination Date; or

(b) if such rate in (a) does not appear, or if such page in (a) is unavailable, the Calculation Agent will request the principal London office of each of four leading banks in the London interbank market selected by the Calculation Agent (the "**Reference Banks**") to provide a quotation of its rate at which deposits in U.S. Dollars for a period of six months commencing on the first day of the relevant Interest Period are offered by such Reference Banks to prime banks in the London interbank market on the relevant Interest Determination Date and if at least two such quotations are provided, six month LIBOR for the relevant Interest Determination Date will be the arithmetic mean of the quotations or, if fewer than two quotations are provided, six month LIBOR for the relevant Interest Determination Date will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Agent, at approximately 11.00 a.m. (New York City time), on the relevant Interest Determination Date for loans in U.S. Dollars to leading European banks for a period of six months commencing on the relevant Interest

Determination Date (in each case, rounding, if necessary, to the nearest one hundred-thousandth of one per cent., with 0.000005 per cent. being rounded upwards) provided, however, that if the Calculation Agent is unable to determine an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Floating Rate applicable to the Notes during such Interest Period will be the Floating Rate determined in relation to the Notes in respect of the preceding Interest Period, or if none, as determined by the Calculation Agent in its sole discretion.

8. Limitations on Interest and Capital Payment Stopper

(a) Interest will be paid by the Issuer on each Interest Payment Date except to the extent that:

(i) the Borrower is in breach of the relevant provisions of the Capital Regulations then applicable to the Borrower; or

(ii) such payment, if made by the Borrower, together with the amount of any dividends or other distributions paid or scheduled to be paid by the Borrower to holders of Parity Obligations on the relevant Interest Payment Date would breach or cause a breach of the relevant provisions of the Capital Regulations then applicable to the Borrower; or

(iii) the Borrower's board of directors in its sole discretion has notified the FMSA and the Issuer that it has determined that the Borrower is, or in the near term will be, in breach of the relevant provisions of the Capital Regulations then applicable to it; or

(iv) the Borrower would otherwise be prohibited under applicable Kazakhstan banking laws or regulations from making such payment itself.

(b) The Borrower agrees that, if by reason of the provisions of Condition 8(a), Interest is not paid in full on any Interest Payment Date, until the next succeeding date that Interest on the Notes is paid in full it shall not (and shall procure that neither the Issuer nor any Subsidiary will) pay any dividend or distribution or make any other payment on or in respect of any class of Parity Obligations or Junior Obligations or redeem, repurchase or otherwise acquire any class of Parity Obligations or Junior Obligations, except a Permitted Payment or Acquisition.

As used herein, "**Permitted Payment or Acquisition**" means that part of a dividend, interest payment, other payment, redemption, repurchase or acquisition, as the case may be, which is made without the exercise of any discretion on the part of the Borrower, the Issuer or any other Subsidiary of the Borrower, as the case may be, as a result of the operation of mandatory provisions of Kazakhstan law or the mandatory provisions of any Parity Obligations or Junior Obligations outstanding as at 8 November 2006.

9. Partial Payment of Interest

(a) If, by reason of the provisions of Condition 8 (*Limitations on Interest and Capital Payment Stopper*) on any Interest Payment Date Interest is not paid in full on the Notes, but payment of part of any payment of Interest is permitted to be paid in accordance with Condition 8 (*Limitations on Interest and Capital Payment Stopper*), then the Noteholders will be entitled to receive the Relevant Proportion only of any such payment of Interest. No Noteholder shall have any claim in respect of any Interest or part thereof not paid as a result of the limitations set out in Condition 8 (*Limitations on Interest and Capital Payment Stopper*). Accordingly, such amounts will not cumulate for the benefit of a Noteholder or entitle the Noteholder (or the Trustee on its behalf) to any claim in respect thereof against the Issuer or against the Borrower under the Subordinated Support Agreement.

(b) In the event that any Interest will not by reason of Condition 8 (*Limitations on Interest and Capital Payment Stopper*) be paid in full the Issuer will notify or procure notification to the London Stock Exchange, the Registrar, the Paying and Transfer Agents, the Trustee and the Noteholders in accordance with Condition 17 (*Notices*), of the amount, if any, to be paid in respect of that payment of Interest.

(c) Save as described above, Noteholders will have no right to participate in the profits of the Issuer or the Borrower (and, in particular, will have no rights to receive from the Issuer amounts paid under the Subordinated Loan) or otherwise to receive amounts in excess of Interest due and payable under the Notes.

As used herein "**Relevant Proportion**" means in relation to any partial payment of Interest in respect of the Notes, the total amount available for any such payment and for making any corresponding payment of interest on any Parity Obligations divided by the sum of (i) the full Interest amount before any reduction or abatement in respect of the Notes and (ii) the full interest amount on any Parity Obligations before any reduction or abatement in respect of such Parity Obligations, converted where necessary into the same currency.

To the extent that Interest payable on an Interest Payment Date is not paid by virtue of the limitations set out under Condition 8 (*Limitations on Interest and Capital Payment Stopper*) or this Condition 9, then the entitlement of the Noteholders to such Interest, or the relevant proportion of such Interest, as the case may be, will be lost. Accordingly no payment will need to be made at any time by the Issuer or by the Borrower under the Subordinated Support Agreement in respect of any such missed payment.

10. Payments

(a) *Principal*

Payments of principal in respect of the Notes will be made to the persons shown in the Register at the close of business on the relevant Record Date (as defined below) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or of any Paying and Transfer Agent.

(b) *Interest*

Payments of Interest due on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date for such Interest Payment Date (in the case of Interest payable on redemption) upon surrender (or, in the case of part payment only, upon endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or any Paying and Transfer Agent. Payments of all amounts other than as provided in Condition 10(a) (*Principal*) and this Condition 10(b) (*Interest*) will be made as provided in these Conditions.

(c) *Record Date*

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

(d) *Payments*

Each payment in respect of the Notes pursuant to Condition 10(a) (*Principal*) and 10(b) (*Interest*) 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 as described below; provided, however, that, upon application by the holder to the Specified Office of the Registrar or any Paying and Transfer Agent on or before the relevant Record Date, such payment may be made by transfer to a United States dollar account maintained by the payee with a bank in New York City.

Where payment is to be made by cheque, the cheque will be mailed, on the Business Day for payment or, in the case of payments referred to in Condition 10(a) (*Principal*), if later, on the Business Day on which the relevant Note Certificate representing the Note is surrendered as specified in Condition 10(a) (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) to the address shown as the address of the holder in the Register at the close of business on the relevant Record Date.

(e) *Payments Subject to Fiscal Laws*

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) *Payment on a Business Day*

If the due date for payment of any amount in respect of any Note is not a Business Day in the place of presentation, the holder thereof shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place. A holder of a Note shall not be entitled to any Interest or other payment in respect of any delay in payment resulting from (i) the due date for a payment not being a Business Day or (ii) a cheque mailed in accordance with this Condition 10 (*Payments*) arriving after the due date for payment or being lost in the mail. In this Condition 10, "**Business Day**" means any day on which banks and foreign exchange markets are open for general business (including dealings in foreign currencies) in London and New York City and, in the case of surrender (or, in the case of partial payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(g) *Partial Payment*

If a Paying and Transfer Agent makes a partial payment in respect of any Note, such Paying and Transfer Agent will endorse on the relevant Note Certificate (if required to be presented) and cause the Registrar to endorse on the Register, a statement indicating the amount and date of such payment.

(h) *Paying and Transfer Agents*

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying and Transfer Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The Issuer reserves the right (with prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying and Transfer Agent and to appoint a successor principal paying agent or registrar and additional or successor paying and transfer agents; provided, however, that the Issuer shall at all times while the Notes are outstanding maintain a principal paying agent, registrar and a calculation agent. In addition, the Issuer undertakes that it will at all times while the Notes are outstanding ensure that it maintains a paying and transfer agent with a specified office in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Trustee and Noteholders in accordance with Condition 17 (*Notices*).

11. Redemption and Purchase

(a) *Optional Redemption*

Subject to satisfaction of the Redemption Condition, the Notes are redeemable on the Interest Call Date or on any Interest Payment Date thereafter in whole, but not in part, at the option of the Issuer, upon not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders, specifying the relevant call date (the "**Call Date**") (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Notes accordingly by payment of an amount equal to the principal amount of the Notes together with any accrued but unpaid Interest (notwithstanding Condition 8 (*Limitations on Interest and Capital Payment Stopper*) above) calculated from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of payment plus any applicable increased amounts thereon (the "**Optional Redemption Price**").

As used herein, "**Redemption Condition**" means, with respect to any redemption or purchase of the Notes, that the prior written consent of, or written notice of non-objection by, the FMSA to such redemption or purchase, if then required, has been obtained and that any conditions attaching to such consent or notice have been satisfied in full.

(b) *Tax Redemption*

Subject to satisfaction of the Redemption Condition, if, as a result of a change in the laws or regulations of The Netherlands and/or Kazakhstan or the application or official interpretation thereof occurring, in each case on or after 8 November 2006 the Issuer satisfies the Trustee that:

(i) payments to the Noteholders under the Notes would be subject to deduction, or to withholding, or would give rise to any obligation of the Issuer to account, for any tax in The Netherlands;

(ii) payments by the Borrower under or in respect of the Subordinated Loan and/or the Subordinated Support Agreement would, if paid to the Issuer, be subject to any deduction or withholding tax in Kazakhstan at a rate greater than 10.0 per cent. (after taking account of any relief available under any applicable tax treaty);

(iii) the Issuer is or would be subject to more than a *de minimis* amount of tax in respect of the Subordinated Loan or the Notes in The Netherlands; or

(iv) the Borrower would not obtain a deduction for the purposes of corporate tax in Kazakhstan for any payment of interest in respect of the Subordinated Loan,

and, in each case, such deduction, withholding, obligation, tax or, as the case may be, failure to obtain a deduction cannot be avoided by the Issuer or the Borrower, as the case may be, taking reasonable measures available to it, then the Notes will be redeemable, at the option of the Issuer, in whole but not in part, at any time on or after 10 November 2011 and prior to the Interest Call Date upon not less than 30 nor more than 60 days' notice of redemption to the Noteholders specifying the Call Date (which notice shall be irrevocable). Prior to the publication of any notice of redemption to the Noteholders pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred. The Trustee shall be entitled, without liability, to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Notes accordingly by payment of an amount equal to the Optional Redemption Price.

(c) *Capital Disqualification Event Redemption*

Subject to satisfaction of the Redemption Condition, if, as a result of any change in applicable law or the Capital Regulations (or the application or official interpretation thereof) occurring after the initial written confirmation (or notice of non-objection) to the Borrower from the FMSA that a portion of the principal amount of the Subordinated Loan has qualified as Tier I Capital of the Borrower pursuant to the Capital Regulations, the principal amount of the Subordinated Loan would no longer be capable of qualifying (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion as Tier I Capital of the Borrower, then the Notes will be redeemable, at the option of the Issuer, in whole but not in part, at any time on or after 10 November 2011 and prior to the Interest Call Date, upon not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders specifying the Call Date (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall be bound to redeem each of the Notes accordingly by payment of an amount equal to the greater of the (i) Make-whole Amount or (ii) Optional Redemption Price.

The Issuer shall, within 20 days following the initial written confirmation (or notice of non-objection) to the Borrower from the FMSA as aforesaid, notify the Trustee and the Noteholders in accordance with Condition 17 (*Notices*).

As used herein:

"**Capital Regulations**" means the Instructions on Standard Values and Assessment Methods for Prudential Standards for Second-Tier Banks, approved by the Resolution No. 358 of the FMSA, together with any other notices or regulations which, from time to time, amend, supplement or supersede such notice or otherwise detail the manner in which instruments issued by banks in Kazakhstan may constitute Tier I Capital;

"**Make-whole Amount**" means the present value of the remaining scheduled Interest discounted at 100 basis points above the Treasury Rate, as determined by the Calculation Agent;

"**Tier I Capital**" has the meaning ascribed to it in the Capital Regulations; and

"**Treasury Rate**" means a rate equal to the yield, as published by the Board of Governors of the Federal Reserve System, on one or more actively traded U.S. Treasury Notes with a maturity comparable to the remaining life of the Loan up to but excluding the Interest Call Date, as selected by the Calculation Agent. If there is no such publication of this yield during the week preceding the calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary U.S. Government Notes dealers in New York City selected by the Calculation Agent and will, in any event, be calculated on the third business day in New York preceding the repayment date determined pursuant to the provisions of Condition 11 (*Redemption and Purchase*).

(d) *Purchase*

Subject to all applicable laws and regulations and subject to satisfaction of the Redemption Condition, the Issuer, the Borrower or any Subsidiary of the Borrower may at any time purchase any Note in issue on the open market or by tender.

12. Taxation

(a) *Taxation*

All payments of principal and Interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within The Netherlands or Republic of Kazakhstan or any other jurisdiction from or through which payment is made, or in any case, any political subdivision or any authority thereof or therein having power to tax (each, a "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such increased 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 increased amounts shall be payable in respect of any Note:

(i) where the Note Certificate representing it is presented (in the case of a payment of principal or Interest on redemption) for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than the mere holding of such Note; or

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

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

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

In the event that the foregoing obligation to pay increased amounts is for any reason unenforceable, the Issuer shall pay to any holder of a Note (subject to the exclusions set out in (i), (ii) (iii) and (iv) above) which has received a payment subject to deduction or withholding as aforesaid, upon written request of such holder (subject to the exclusions set out in (i), (ii) (iii) and (iv) above), and provided that reasonable supporting documentation is provided, an amount equal to the amount withheld or deducted, so that the net amount received by such holder after such payment would not be less than the net amount the holder would have received had such deduction or withholding not taken place. Any payment made pursuant to this paragraph shall be considered an increased amount.

If, at any time, the Issuer is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Issuer shall promptly notify the Trustee in writing, and shall deliver to the Trustee, within 30 days after it has made such payment to the applicable authority, a written certificate to the effect that it has made such payment to such authority of all amounts so required to be deducted or withheld in respect of each holder.

(b) *Relevant Date*

In these Conditions, "**Relevant Date**" means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received in New York by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 17 (*Notices*).

(c) *Increased Amounts*

Any reference in these Conditions to principal or Interest shall be deemed to include any increased amounts in respect of principal or Interest (as the case may be) which may be payable under this Condition 12 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 12 (*Taxation*) pursuant to the Trust Deed.

(d) *Taxing Jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than The Netherlands or, in the case of the Borrower, the Republic of Kazakhstan, references in this Condition 12 (*Taxation*) to The Netherlands or, the case may be, to the Republic of Kazakhstan shall be construed as references to The Netherlands and/or the Republic of Kazakhstan and/or such other jurisdiction.

13. Prescription

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

14. Events of Default

If any of the following events (each, an "**Event of Default**") occurs:

(i) the Issuer fails to pay any Interest (and any increased amounts thereon) in respect of the Notes when the same becomes due and payable and such failure continues for a period of five Business Days in London and New York City;

(ii) proceedings shall have been instituted under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, for the Issuer or the Borrower to be adjudicated a bankrupt and such proceedings remain undischarged or unstayed for a period of 60 days or an effective resolution is passed by the Issuer or the Borrower, or the Issuer or the Borrower shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or an order is made for the bankruptcy, liquidation or winding up of the Issuer or the Borrower; or

(iii) the Borrower breaches the provisions of Condition 8(b) (*Limitations on Interest and Capital Payment Stopper*),

then, subject to satisfaction of the Redemption Condition, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued and unpaid Interest in respect of the Interest Period in which such Event of Default occurs, (notwithstanding Condition 8 (*Limitations on Interest and Capital Payment Stopper*) above) and increased amounts (if any) and participate in the relevant proceedings for the bankruptcy, liquidation or winding up of the Issuer or the Borrower without further action or formality.

15. Replacement of Note Certificates

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

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

(b) *Written Resolution*

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

(c) *Modification Without Noteholders' Consent*

The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including these Conditions), the Trust Deed or the Subordinated Support Agreement (other than in respect of a Reserved Matter), which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions), the Trust Deed or the Subordinated Support Agreement, 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, the Trust Deed or the Subordinated Support Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 17 (*Notices*).

17. Notices

(a) *To the Noteholders*

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

(b) *To the Issuer*

Notices to the Issuer will be deemed to be validly given if delivered to the Borrower at 100 Furmanov Street, Almaty 050000, Kazakhstan and clearly marked on their exterior "Urgent – Attention: International Department" with a copy to the Issuer at Schouwburgplein 30-34, 3012 CL, Rotterdam, The Netherlands and clearly marked on the external "Urgent – Attention: Managing Board" (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 17(a)) and will, be deemed to have been validly given at the opening of business on the next day on which the Issuer's and/or the Borrower's (as the case may be) principal offices, as applicable, are open for business.

(c) *To the Trustee and Agents*

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

18. 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 Borrower and any entity relating to the Issuer or the Borrower without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Issuer or the Borrower of their respective obligations under or in respect of the Notes, the Subordinated Support Agreement and the Trust Deed, as applicable.

(b) *Exercise of Power and Discretion*

In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in these Conditions and the Trust Deed), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction. The Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Issuer or the Borrower or (in the case of a Noteholder) the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(c) *Enforcement; Reliance*

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

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

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

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. In particular, the Trust Deed provides that the Trustee may rely on certificates or reports from auditors whether or not such certificate or report or any engagement letter or other document entered into by the Issuer or the Borrower and the auditors contains any limit on liability (monetary or otherwise) of the auditors and provides further that nothing shall require the Trustee to enter into or to agree to be bound by the terms of any engagement letter or other document entered into by the Issuer or the Borrower and/or any such auditor. If such evidence is relied upon, the Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*) become an Event of Default has occurred.

The Trust Deed provides that each of the Issuer and the Borrower is required to deliver to the Trustee, pursuant to, and in the circumstances detailed in, the Trust Deed, a certificate signed by any two of its Directors that there has not been and is not continuing any Event of Default, an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*) become an Event of Default, or other breach of the Trust Deed. The Trustee shall be entitled to rely without liability on such certificates. The Trustee shall not be responsible for monitoring any of the covenants and obligations of the Issuer or the Borrower set out in these Conditions or under the Subordinated Support Agreement and shall be entitled to rely upon the information provided pursuant to these Conditions and the Trust Deed and to assume, unless it receives actual notice to the contrary, that the Issuer and the Borrower are complying with all covenants and obligations imposed upon them, respectively, herein and therein.

(d) *Failure to Act*

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

(e) *Retirement and Removal*

Under the Trust Deed, any Trustee may retire at any time on giving at least 30 days' written notice to the Issuer without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee, provided that the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. Under the Trust Deed, if a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee. In the event of any change of the Trustee, a notice shall be published in a leading newspaper having general circulation in the United Kingdom (which is expected to be the Financial Times).

(f) *Substitution*

The Trust Deed contains provisions to the effect that the Issuer's successor in business, the Borrower or its successors in business or any Subsidiary of the Borrower may, having obtained the consent of the Trustee (which latter consent may be given without the consent of the Noteholders) and subject to having complied with certain requirements as the Trustee may direct in the interests of the Noteholders, of the Issuer as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed or of the Borrower as obligor under the Subordinated Support Agreement, subject to all relevant conditions of the Trust Deed having been complied with. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Borrower to the Noteholders in accordance with Condition 17 (*Notices*).

19. Currency Indemnity

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

20. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect the right or remedy of any Person which exists or is available apart from such Act.

21. Governing Law; Jurisdiction and Arbitration

(a) *Governing Law*

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

(b) *Jurisdiction*

Subject to Condition 21(g) (*Arbitration*), the Issuer has irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have, subject as follows in this Condition 21(b), jurisdiction to hear and determine any suit, action or proceedings, which may arise out of or in connection with the Notes or the Trust Deed (respectively, "**Proceedings**") and, for such purposes, the Issuer irrevocably submits to the jurisdiction of such courts. Nothing in this Condition 21(b) shall limit the right of the Trustee or the Noteholders to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings by the Trustee or the Noteholders in any one or more jurisdictions preclude the taking of Proceedings by the Trustee or the Noteholders in any other jurisdiction (whether concurrent or not) if and to the extent permitted by law.

(c) *Appropriate Forum*

For the purposes of Condition 21(c), the Issuer has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim in any Proceedings that any such court is not a convenient or appropriate forum.

(d) *Agent for Service of Process*

The Issuer has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Bracewell & Giuliani LLP at 1 Cornhill, London EC3V 3ND or, if different, its registered office for the time being. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(e) *Consent to Enforcement, etc.*

The Issuer has consented generally in respect of any Proceedings (or arbitration in accordance with Condition 21(g) (*Arbitration*)) to the giving of any relief or the issue of any process in connection with such Proceedings or arbitration, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award which may be given in such Proceedings or arbitration.

(f) *Waiver of Immunity*

To the extent that the Issuer may in any jurisdiction claim for itself or its respective assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, or its assets or revenues, the Issuer has agreed, in connection with any Proceedings, not to claim and have irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

(g) *Arbitration*

Notwithstanding the provisions of Condition 21(b) (*Jurisdiction*), the Issuer has irrevocably agreed that if any claim, dispute, difference or controversy arises under, out of or in connection with the Notes (including a claim, dispute, difference or controversy as to the breach, existence or validity of the Notes) or the Trust Deed (each a "**Dispute**"), the Trustee or, if the Trustee, having become bound to take proceedings, fails to do so, a Noteholder may elect, by notice in writing to the Issuer that such Dispute shall be referred to and finally settled by arbitration in accordance with the LCIA Arbitration Rules (the "**Rules**") as at present in force (which are deemed incorporated into this Condition 21(g) (*Arbitration*)). The seat of arbitration shall be in London, England and the language of any arbitral proceedings shall be English. The number of arbitrators shall be three. The Issuer shall nominate one arbitrator and the Trustee shall nominate one arbitrator and the two party-nominated arbitrators shall jointly appoint the third arbitrator who shall act as Chairman of the arbitral tribunal. Sections 45 and 69 of the Arbitration Act 1996 shall not apply to any arbitration proceedings pursuant to this Condition 21(g) (*Arbitration*).

There will appear at the foot of the Conditions endorsed on or (as the case may be) attached to each Note Certificate and the Global Note the names and Specified Offices of the Registrar, the Paying and Transfer Agents as set out at the end of this Prospectus.

FORM OF SUBORDINATED SUPPORT AGREEMENT

The following is the text of the Subordinated Support Agreement which will be entered into between the Borrower and the Lender.

WHEREAS:

The Borrower desires, in consideration of the agreement of the Issuer to on-lend the proceeds of the issue of the Notes to the Borrower (pursuant to the terms of a subordinated loan agreement between the Issuer and the Borrower dated 8 November 2006 (the "**Subordinated Loan Agreement**")), to provide support in respect of the Notes (as defined below) to be issued by the Issuer, such support to be for the benefit of the Issuer, *inter alia*, to enable it to meet its payment obligations under such Notes.

NOW, THEREFORE it is agreed by the parties hereto as follows:

1. **Definitions**

As used in this Agreement, capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the trust deed to be dated 10 November 2006 (the "**Trust Deed**") among the Issuer, the Borrower and The Bank of New York, acting through its London Branch, as trustee for the Noteholders from time to time and the following terms shall, unless the context otherwise requires, have the following meanings:

"**Notes**" means the U.S.$100,000,000 10 per cent. perpetual non-cumulative notes outstanding of the Issuer issued for the purposes of enabling the Issuer to advance a subordinated loan to the Borrower capable of qualifying as Tier I Capital of the Borrower, the holders of which are entitled to the benefits of this Agreement as evidenced by the execution of this Agreement; and

"**Subordinated Support Agreement Increased Amounts**" has the meaning ascribed to it in clause 2.7.

2. **Support**

2.1 The Borrower shall for so long as any of the Notes are outstanding, directly or indirectly, own all of the issued and outstanding share capital of the Issuer and shall not pledge, grant a security interest in, encumber or alienate any of such share capital.

2.2 Subject to clause 2.5, the Borrower shall, with effect on and from the date of this Agreement, cause the Issuer to maintain a Tangible Net Worth (as hereinafter defined) of at least one euro.

As used herein "**Tangible Net Worth**" shall mean the total assets of the Issuer less the sum of intangible assets and total liabilities of the Issuer, as determined in accordance with generally accepted accounting principles in The Netherlands applied on a consistent basis as shown in the Issuer's most recent annual audited balance sheet (commencing with the Issuer's audited balance sheet at 31 December 2006). An annual certificate of the auditors of the Issuer as to the amount of Tangible Net Worth shall, in the absence of manifest error, be final and conclusive.

2.3 If the Issuer at any time shall have insufficient funds or other liquid assets to meet its payment obligations in respect of the Notes, the Issuer shall immediately give notice to the Borrower to such effect and the Borrower shall, subject to clause 2.5, make, or have made, available to the Issuer, before the due date of such payment, funds sufficient to enable the Issuer to meet such payment obligations in full, as they fall due. The Issuer agrees for the benefit of the Trustee (on behalf of the Noteholders) that it shall use the funds made available to it by the Borrower hereunder solely for the fulfilment of any obligations it may have in respect of the payment or repayment of money's borrowed and amounts raised, whether present or future, actual or contingent. The Borrower acknowledges for the benefit of the Trustee (as trustee for the Noteholders) that in the event that the Issuer has insufficient funds or other liquid assets to meet its payment obligations falling due in respect of the Notes any failure by the Borrower to perform its obligations hereunder shall mean the Issuer is unable to fulfil such payment obligations under the Notes and, accordingly, agrees that the Trustee (as trustee for the Noteholders) may enforce the Borrower's obligations hereunder in the circumstances described in clause 4.4.

2.4 Any and all funds from time to time provided by the Borrower to the Issuer pursuant to clause 2.2 or 2.3 above shall be either, at the option of the Borrower, (i) by way of subscription for, and payment of, share capital (other than redeemable share capital) of the Issuer, or (ii) by way of subordinated loan, that is to say, a loan principal and interest on which is not permitted to be, and is not capable of being, repaid or paid unless all other debt of the Issuer and its obligations under the Notes have been fully satisfied, or (iii) by way of payment of share premium contribution and, in the case of (i) and (ii), is subordinated on a winding-up of the Issuer to claims of holders of the Notes it being understood that any discharge of the payment obligations of the Borrower under this Agreement shall to the same extent reduce its obligations under the Subordinated Loan Agreement except to the extent that there is a subsequent failure by the Issuer to make payment to the Noteholders.

2.5 The rights and claims against the Borrower under this Agreement are subordinated to Senior Obligations in that any payments otherwise due hereunder by the Borrower are conditional upon satisfaction of the conditions set out in the following provisions of this clause 2.

2.6 Notwithstanding clauses 2.2 and 2.3, if, at the time that the Borrower is required to make a payment under this Agreement in connection with any payment on the Notes, proceedings have been commenced for the voluntary or involuntary liquidation, dissolution or winding-up or analogous proceedings of the Borrower, the rights and claims of the Issuer against the Borrower under this Agreement will rank:

(a) subordinate and junior only to the Senior Obligations of the Borrower;

(b) *pari passu* with all Parity Obligations of the Borrower; and

(c) senior only to all Junior Obligations of the Borrower.

2.7 Subject to Clause 2.5, all payments made under this Agreement will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Kazakhstan or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Borrower, will pay such increased amounts ("**Subordinated Support Agreement Increased Amounts**") as may be necessary in order that the net amounts received by the Issuer after any such withholding or deduction shall equal the amounts which would have been receivable under this Agreement in the absence of such withholding or deduction (and for Kazakhstan tax purposes, such Subordinated Support Agreement Increased Amounts shall be deemed to be part of the payments due to the Issuer).

2.8 In the event that the amounts described in clauses 2.2, 2.3 and 2.7 cannot be made in full by reason of the conditions referred to in clauses 2.5 or 2.6, such amounts will be payable *pro rata* in the Relevant Proportion and the holders shall have no entitlement to any such unpaid balance.

3. Other Undertakings

3.1 the Borrower undertakes that it will not directly or indirectly issue any preference shares or other Tier I securities ranking, as regards distributions on a liquidation of the Borrower, senior to its obligations under this Agreement or enter into any support agreement or give any guarantee in respect of any preference shares or other Tier I securities issued by any Subsidiary or other entity if such support agreement or guarantee would rank, as regards distributions on a liquidation of the Borrower, senior to this Agreement (including, without limitation, any guarantee that would provide a priority of payment with respect to distributable funds) unless, in each case, this Agreement is changed to give the Issuer such rights and entitlements as are contained in or attached to such preference shares or other Tier I securities or such other support agreement or guarantee so that this Agreement ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment on, any such preference shares, Tier I securities or such other support agreement or guarantee.

3.2 The Borrower undertakes that, so long as any of the Notes is outstanding (a) unless the Borrower is itself being wound up or as otherwise required by law or regulation, it will not permit, or take any action that would or might cause, the liquidation, dissolution or winding-up of the Issuer otherwise than with the prior approval or written notice of non- objection of the FMSA (if then required) and (b) the Issuer will at all times be a wholly-owned subsidiary of the Borrower, unless in the case of (a) or (b), otherwise approved by the Trustee (on behalf of the Noteholders).

3.3 The Borrower undertakes that it will comply with the obligations expressed in the Trust Deed to be applicable to it and will procure that the Issuer will comply with the obligations expressed in the Trust Deed to be applicable to the Issuer.

3.4 The Borrower will procure that the Issuer will maintain at all times whilst the Notes are outstanding (a) a Paying and Transfer Agent, (b) whilst the Notes are listed on the Stock Exchange, a Paying and Transfer Agent in London, (c) to the extent not already required by any of the foregoing sub-paragraphs, a Paying and Transfer Agent 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 law implementing or complying with, or introduced in order to conform to, such Directive, (d) a Registrar and (e) at any time required by the terms of the Notes, a Calculation Agent.

4. **Termination and other matters**

4.1 This Agreement is not, and nothing herein contained and nothing done by the Borrower pursuant hereto shall be deemed to constitute, a guarantee by the Borrower of any Note.

4.2 If the Issuer shall be in liquidation, administration or receivership or other analogous proceedings or enters into winding-up proceedings and the Borrower shall be in default of its obligations hereunder, the Borrower shall be liable hereunder by way of liquidated damages for such default in an amount equal to the sum that the Borrower would have paid had it performed in full all of its obligations hereunder, and the Issuer and any liquidator, administrator or receiver of the issuer or other analogous officer or official shall be entitled to claim accordingly.

4.3 The Borrower hereby covenants that it will fully and promptly perform its obligations under this Agreement.

4.4 The Borrower hereby acknowledges and agrees that the Issuer shall be entitled, so long as any sum remains payable under this Agreement, at any time, to take such steps as it deems necessary to enforce the obligations of the Borrower hereunder, but only to the extent that any payment obligations remain due and owing under the Notes. Notwithstanding any other provision hereof, the Borrower and the Issuer agree for the benefit of the Trustee (as trustee for the Noteholders) that in the event that any payment or other obligation of the Issuer under the Notes is not duly performed in accordance with the terms of the Notes and the Issuer has not within ten Business Days in Almaty of such failure to perform, exercised in a manner satisfactory to the Trustee such rights as it has hereunder against the Borrower (including the right to give notice to the Borrower under clause 2.3), the Trustee (as trustee for the Noteholders) may exercise any or all such rights, in the name of, and on behalf of, the Issuer.

4.5 This Agreement shall be deposited with and held by the Registrar for so long as any Note remains outstanding. the Borrower hereby acknowledges the right of the Holders to obtain from it or the Registrar a copy of this Agreement.

4.6 This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

4.7 With respect to the Notes, this Agreement shall terminate and be of no further force and effect upon (i) payment of the Optional Redemption Price on all Notes, or (ii) purchase and cancellation of all Notes, as the case may be, provided however that this Agreement will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid in respect of the Notes or under this Agreement must be restored by a holder, the Trustee or the Issuer for any reason whatsoever.

5. **Transfer; Amendment; Notices**

5.1 Subject to operation of law, all undertakings and agreements by the Borrower contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Borrower and shall inure to the benefit of the Issuer. The Borrower shall not transfer its obligations hereunder without the prior approval of the Issuer.

5.2 Except for those changes (a) required by clause 3.1 hereof; or (b) which do not adversely affect the rights of Noteholders or the Trustee (in any of which cases no agreement will be required), this Agreement shall be changed only by agreement in writing signed by the Borrower and the

Issuer. Save as provided above, each of the Borrower and the Issuer covenant that it will not consent, either orally or in writing, to any modification, amendment or termination of this Agreement and it will not terminate this Agreement while any Note remains outstanding.

5.3 Any notice, request or other communication required or permitted to be given hereunder to the Issuer or the Borrower shall be given in writing by delivering the same against receipt therefor or be addressed c/o the Borrower, as follows, to:

JSC ATFBank
100 Furmanov Street
Almaty 050000
Kazakhstan

Attention: International Department
Telephone: +7 3272 583022
Facsimile: +7 3272 501995

With a copy to the Issuer at:
Schouwburgplein 30-34,
3012 CL, Rotterdam,
The Netherlands

Facsimile: +31 10 411 7894

The address of the Borrower may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Borrower to the Registrar for the Notes.

Any notice, request or other communication required or permitted to be given hereunder to the Noteholders or the Trustee shall be given by the Borrower in the same manner as notices sent on behalf of the Issuer to holders.

6. **Governing Law and Jurisdiction**

6.1 This Agreement is governed by, and shall be construed in accordance with, English law, save for clause 2.6 which shall be construed in accordance with the laws of Kazakhstan.

6.2 Subject to clause 6.7, the Borrower irrevocably agrees for the benefit of the Issuer that the courts of England shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, which may arise out of or in connection with this Agreement (respectively, "**Proceedings**") and, for such purposes, submits to the jurisdiction of such courts. Nothing in this clause 6.2 shall limit the right of the Issuer to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings by the Issuer in any one or more jurisdictions preclude the taking of Proceedings by the Issuer in any other jurisdiction (whether concurrent or not) if and to the extent permitted by law.

6.3 Each of the Issuer and the Borrower hereby irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum in relation to any Proceedings.

6.4 Each of the Issuer and the Borrower hereby agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Bracewell & Giuliani LLP at 1 Cornhill, London EC3V 3ND or, if different, its registered office for the time being. If for any reason the Issuer or the Borrower does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

6.5 Each of the Issuer and the Borrower hereby consents generally in respect of any Proceedings (or arbitration in accordance with clause 6.7) to the giving of any relief (including specific performance) or the issue of any process in connection with such Proceedings or arbitration in connection with any Dispute (as defined in clause 6.7), including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award which may be given in such Proceedings or arbitration.

6.6 To the extent that the Borrower may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Borrower or its assets or revenues, the Borrower hereby agrees not to claim and hereby irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction in relation to any Proceedings and any Dispute.

6.7 Notwithstanding the provisions of clause 6.2 above, the Borrower hereby irrevocably agrees that if any claim, dispute, difference or controversy of whatever nature howsoever arises under, out of or in connection with this Agreement (including a claim, dispute, difference or controversy as to the breach, existence or validity of this Agreement) (each a "**Dispute**"), the Issuer may, at its sole option, elect by notice in writing to the Borrower that such Dispute shall be referred to and finally settled by arbitration in accordance with the LCIA Arbitration Rules (the "**Rules**") as at present in force (which are deemed incorporated into this clause 6.8)) by a panel of three arbitrators appointed in accordance with the Rules. The seat of arbitration shall be in London, England and the language of any arbitral proceedings shall be English. The number of arbitrators shall be three. The Borrower shall nominate one arbitrator and the Issuer shall nominate one arbitrator and the two party-nominated arbitrators shall jointly nominate the third arbitrator who shall act as Chairman of the arbitral tribunal. Sections 45 and 69 of the Arbitration Act 1996 shall not apply to any arbitration proceedings pursuant to this clause 6.7.

6.8 The Borrower and the Issuer hereby agree that the Trustee or, if the Trustee fails to do so when required, the Noteholders shall have the right to enforce (a) clauses 2.3 and 4.4 of this Agreement and (b) clauses 6.1 to 6.7 of this Agreement (for which purpose clauses 6.1 to 6.7 shall be construed as if references to the "Issuer" were references to the "Noteholders" or to the "Trustee (as trustee for the Noteholders)", as the case may be) pursuant to the Contracts (Rights of Third Parties) Act 1999. Otherwise, no third party has or may acquire any right or interest in this Agreement.

6.9 Notwithstanding the foregoing, if the Issuer is represented by an attorney or attorneys in connection with the signing and/or execution and/or delivery of this Agreement or any document or instrument referred to herein or made pursuant hereto and the relevant power or powers of attorney is or are expressed to be governed by the laws of The Netherlands, it is hereby acknowledged and accepted by the other parties hereto that such laws shall govern the existence and extent of such attorney's or attorneys' authority and effects of the exercise thereof.

USE OF PROCEEDS

The Issuer will lend the net proceeds it receives from the Notes to the Borrower on a subordinated basis. Such proceeds are expected to amount to U.S.\$.98,619,700 after deduction of the combined management and underwriting commission, the selling commission, and expenses incurred in connection with the issue of the Notes. The Borrower will use the proceeds from the Subordinated Loan to augment its capital base. Total commissions and expenses relating to the issue (including total expenses related to the admission to trading) are expected to approximately U.S.\$1,380,300.

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 KZT88.00 per U.S. Dollar to a rate of about KZT130.00 per U.S. Dollar by May 1999. The Tenge continued to depreciate in nominal terms against the U.S. Dollar until 2003, but towards the end of 2003 the trend reversed, although since then the Tenge has generally depreciated against the U.S. Dollar. 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

Quarter ended

	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	133.77	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

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

The middle KZT/U.S. Dollar exchange rate on the Kazakhstan Stock Exchange, as reported by the NBK on 6 September 2006, was KZT125.72 per U.S.$1.

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 restrictions. Only certain outflowing capital account operations need to be licensed by or registered with the NBK. Capital inflows are registered and monitored for statistical purposes only, but are not restricted.

Following the influx of 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, as the major step towards achieving the liberalisation of currency operations, extension of export of capital and elimination of double control. Among other things, the new currency control rules substantially expand the scope of Kazakhstan investors that can invest abroad and eases the requirements for international financing to Kazakhstan.

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

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

CAPITALISATION

The following table sets out the consolidated capitalisation of the Borrower as at 30 June 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", "Financial Review" and "Selected Consolidated Financial Information" included elsewhere in this Prospectus.

	As at 30 June 2006			
	Actual		As Adjusted	
	(U.S.$ thousands)(1)	*(KZT millions)*	*(U.S.$ thousands)*(1)	*(KZT millions)*
Long-term debt	234,030	27,777	234,030	27,777
Debt securities issued	982,012	116,555	982,012	116,555
Subordinated long-term debt	147,948	17,560	247,948	29,429
Total long-term debt	1,363,990	161,892	1,463,990	173,761
Common Shares(2)	193,505	22,967	193,505	22,967
Preferred Shares(2)	28,646	3,400	28,646	3,400
Additional paid in capital	2,040	242	2,040	242
Reserves	3,409	405	3,409	405
Retained earnings	74,508	8,843	74,508	8,843
Total shareholders' equity, attributable to shareholders of the parent	302,108	35,857	302,108	35,857
Total capitalisation	1,666,098	197,749	1,766,098	209,618

(1) Translated at the official U.S. Dollar/Tenge exchange rate on the KASE, as reported by the NBK, on 30 June 2006 of KZT118.69 = U.S.$1.00.

(2) As at 30 June 2006, the Borrower's authorised share capital comprised 27,000,000 common and 3,400,000 preferred shares, each having a par value of KZT1,000. As at 30 June 2006, 1,273,416 newly issued common shares were placed among certain existing shareholders for a total amount of approximately KZT6.37 billion or KZT5,000 per share.

Save as discussed above, there has been no mateial change in the Bank's capitalisation since 30 June 2006.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The summary financial information set forth below for the Borrower for the years ended 31 December 2005, 2004 and 2003 and for the six months ended 30 June 2006 has been extracted from the Consolidated Financial Statements and the Unaudited Interim Financial Statements, as the case may be which are included elsewhere in this Prospectus. The Consolidated Financial Statements have been prepared in accordance with IFRS and the Unaudited Interim Financial Statements have been prepared in accordance with IAS 34. The information should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and the Unaudited Interim Financial Statements, as the case may be.

	For the six months ended 30 June				For the year ended 31 December		
	2006	2006	2005	2005	2005	2004	2003
	(U.S.$ thousands)[1]	*(KZT millions)*	*(U.S.$ thousands)*[2]	*(KZT millions)*	*(KZT millions)*		
Consolidated Income Statement:							
Interest income							
Loans	144,882	18,416	66,816	8,771	21,691	10,992	6,655
Securities	12,123	1,541	6,650	873	1,965	1,466	1,116
Credit institutions	3,965	504	1,958	257	766	186	113
	160,970	20,461	75,424	9,901	24,422	12,644	7,884
Interest expense							
Deposits	(27,307)	(3,471)	(16,051)	(2,107)	(5,146)	(2,795)	(2,126)
Borrowings	(28,770)	(3,657)	(8,342)	(1,095)	(2,756)	(1,437)	(958)
Subordinated debt	(6,003)	(763)	(1,478)	(194)	(916)	(63)	(130)
Debt securities issued	(42,365)	(5,385)	(22,869)	(3,002)	(7,319)	(1,513)	(13)
	(104,445)	(13,276)	(48,740)	(6,398)	(16,137)	(5,808)	(3,227)
Net interest income	56,525	7,185	26,684	3,503	8,285	6,836	4,657
Impairment of interest earning assets	(16,458)	(2,092)	(8,540)	(1,121)	(2,101)	(2,894)	(1,694)
	40,067	5,093	18,144	2,382	6,184	3,942	2,963
Fees and commissions							
Fee and commission income	16,466	2,093	10,878	1,428	3,190	2,349	1,635
Fee and commission expense	(1,668)	(212)	(1,394)	(183)	(463)	(428)	(219)
	14,798	1,881	9,484	1,245	2,727	1,921	1,416
Non-interest income							
Gains less losses from financial assets at fair value through profit or loss	(1,518)	(193)	693	91	61	456	308
Gains less losses from available-for-sale security	(189)	(24)	160	21	5	15	—
Dealing profits less losses, precious metals	—	—	—	—	(8)	2	35
Gains less losses from foreign currencies:							
Dealing	6,467	822	3,839	504	1,240	781	528
Translation differences	(252)	(32)	(548)	(72)	(46)	(122)	(76)
Earned premiums, net of reinsurance	5,224	664	3,131	411	1,010	810	436
Share of income from associates	118	15	251	33	40	50	—
Other income	881	112	244	32	586	60	79
	10,731	1,364	7,770	1,020	2,888	2,052	1,310
Non-interest expense							
Salaries and benefits	(19,880)	(2,527)	(10,756)	(1,412)	(3,047)	(2,481)	(1,686)
Administrative and other operating expenses	(11,077)	(1,408)	(9,370)	(1,230)	(2,366)	(1,702)	(1,056)
Depreciation and amortisation	(3,108)	(395)	(1,927)	(253)	(590)	(378)	(251)
Taxes other than income taxes	1,581	(201)	(1,143)	(150)	(403)	(311)	(220)
Other impairment and provisions	1,086	138	(571)	(75)	(134)	(83)	(128)
Insurance claims incurred, net of reinsurance	(2,541)	(323)	(1,813)	(238)	(431)	(333)	(133)
	(37,101)	(4,716)	(25,580)	(3,358)	(6,971)	(5,288)	(3,474)
Income before income tax expense	28,495	3,622	9,818	1,289	4,828	2,627	2,215
Income tax expense	(6,860)	(872)	(2,087)	(274)	(771)	(307)	(759)
Net income	21,635	2,750	7,731	1,015	4,057	2,320	1,456
Attributable to:							
Equity holders of the parent	21,533	2,737	7,739	1,016	4,046	2,320	1,456
Minority interest	102	13	(8)	(1)	11	—	—
Basic and Diluted earnings per share	1	131.3	0.5	64.4	235	224	248

(1) Translated at the official average U.S. Dollar exchange rate for the six months ended 30 June 2006, as reported by the NBK, of KZT127.11 = U.S.$1.00.

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

	As at 30 June		As at 31 December			
	2006	2006	2005	2005	2004	2003
	(U.S.$ thousands)[1]	*(KZT millions)*	*(U.S.$ thousands)*[2]	*(KZT millions)*		
Consolidated Balance Sheet:						
Assets						
Cash and cash equivalents	307,010	36,439	246,678	33,050	14,048	5,836
Obligatory reserves	36,928	4,383	31,826	4,264	2,390	1,775
Amounts due from credit institutions[4]	87,935	10,437	25,309	3,391	3,511	—
Financial assets at fair value through profit or loss	587,194	69,694	196,894	26,380	8,650	23,890
Investment securities[3]	180,529	21,427	246,417	33,015	26,716	—
Commercial loans and advances[4]	2,556,289	303,406	1,827,691	244,874	112,090	60,488
Insurance reserves, reinsurance share	46,348	5,501	26,399	3,537	156	190
Premises and equipment[5]	50,510	5,995	39,110	5,240	3,316	2,280
Current tax assets	4,179	496	2,881	386	180	176
Deferred tax asset	371	44	—	—	515	86
Investments in associates	1,988	236	1,261	169	313	—
Other assets[4]	34,409	4,084	35,543	4,762	2,017	919
Total assets	3,893,690	462,142	2,680,009	359,068	173,902	95,640
Liabilities						
Amounts due to the Government and the NBK	70,671	8,338	69,114	9,260	3,341	3,445
Amounts due to credit institutions	882,037	104,689	624,295	83,643	38,763	33,638
Amounts due to customers	1,340,711	159,129	870,890	116,682	68,747	44,826
Insurance reserves	52,953	6,285	31,482	4,218	515	349
Debt securities issued	1,083,192	128,564	734,662	98,430	43,307	2,848
Subordinated debt	150,029	17,807	132,698	17,779	260	1,498
Provisions	1,508	179	2,112	283	254	159
Other liabilities	9,453	1,122	9,173	1,229	535	535
Total liabilities	3,590,554	426,163	2,474,426	331,524	155,722	87,298
Shareholders' equity						
Share capital:						
Common shares	193,505	22,967	123,899	16,600	12,871	4,340
Preferred shares	28,646	3,400	25,377	3,400	1,900	1,900
Additional paid in capital	2,040	242	1,806	242	202	202
Reserves	3,409	405	5,105	684	465	465
Retained earnings	74,508	8,843	47,977	6,428	2,742	1,435
Attributable to shareholders of the parent	302,108	35,857	204,164	27,354	18,180	8,342
Minority interest	1,028	122	1,419	190	—	—
Total shareholders' equity	303,136	35,979	205,583	27,544	18,180	8,342
Total liabilities and shareholders' equity	3,893,690	462,142	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 June 2006, as reported by the NBK, of KZT118.69 = U.S.$1.00.

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

(3) Starting from 1 January 2004, the Borrower 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 Borrower as at 31 December 2003. See note 3, "Summary of Significant Accounting Policies - Investment securities" to the Consolidated Financial Statements appearing elsewhere in this Prospectus.

(4) Net of allowance for impairment.

(5) Net of accumulated depreciation.

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
		(%)		
Selected Financial Ratios:				
Profitability Ratios				
Net interest margin(1)(2)	3.7(11)	3.4	5.7	6.7
Net interest income/average total assets(2)	3.5(11)	3.2	5.3	6.2
Net income/average total assets(2)	1.3(11)	1.6	1.8	1.9
Net income/average shareholders' equity(2)	15.3(11)	17.5	17.5	22.0
Net interest income/total income(3)	68.9	59.6	63.2	63.1
Non-interest income including fees and commission income/ total income(3)	13.1	20.8	19.0	17.7
Fees and commissions, net/total income(3)	18.0	19.6	17.8	19.2
Cost/income ratio(4)	46.5	49.2	48.2	43.5
Personnel expenses(5)/total income(3)	24.2	21.9	23.0	22.8
Personnel expenses(5)/average total assets(2)	1.2(11)	1.2	1.9	2.2
Loan Portfolio Quality				
Non-performing loans(6)/gross commercial loans and advances(7)	1.7	1.6	2.0	2.4
Allowance for impairment/gross commercial loans and advances(7)	3.0	3.0	4.7	5.3
Allowance for impairment/non-performing loans(6)	181.9	191.4	234.5	218.9
Balance Sheet Ratios and Capital Adequacy				
Amounts due to customers/total liabilities	37.3	35.2	44.1	51.3
Shareholders' equity/total assets	7.8	7.7	10.5	8.7
Tier I ratio(8)	10.2	8.3	9.6	8.7
Capital adequacy ratio(8)	15.3	12.4	11.1	13.6
Regulatory total capital ratio(9)	13.6	12.7	13.4	13.2
Commercial loans and advances/total assets	65.7	68.2	64.5	63.2
Commercial loans and advances/amounts due to customers	190.7	209.9	163.0	134.9
Commercial loans and advances/shareholders' equity	843.3	889.0	616.6	725.1
Liquid assets(10)/total assets	29.9	26.7	30.5	31.1
Liquid assets(10)/amounts due to customers	86.7	82.1	77.0	66.3

(1) Net interest income before provisions as a percentage of average daily interest-earning assets.
(2) Averages were calculated on daily basis.
(3) Total income represents net interest income plus net fees and commissions plus non-interest income.
(4) Non-interest expense not including fee and commission expense minus other provisions expressed as a percentage of the sum of net interest income before impairment charge plus non-interest income plus 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 payment has been suspended 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 "Financial Review - Capital Adequacy and Other Ratios".
(9) Calculated in accordance with the requirements of the FMSA. See "Financial Review - Capital Adequacy and Other Ratios".
(10) Liquid assets comprise securities (which includes investment securities and financial assets at fair value through profit or loss) plus cash and cash equivalents and amounts due from credit institutions.
(11) Annualised.

FINANCIAL REVIEW

The following discussion should be read in conjunction with the Consolidated Financial Statements and the Unaudited Interim Financial Statements appearing elsewhere in this Prospectus. This discussion includes forward-looking statements based on assumptions about the Borrower's future business. The Borrower's actual results could differ materially from those contained in such forward-looking statements.

Introduction

The Borrower is the fifth largest commercial bank in Kazakhstan in terms of assets, according to data compiled by the NBK as at 30 June 2006. The Borrower's total assets as at 30 June 2006 were KZT462,142 million. The Borrower's net income for the six months ended 30 June 2006 was KZT2,750 million as compared to KZT1,015 million for the six months ended 30 June 2005. The Borrower's shareholders' equity as at 30 June 2006 was KZT35,979 million as compared to KZT27,544 million as at 31 December 2005.

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:

	Year ended 31 December			
	2005	**2004**	**2003**	**2002**
Nominal GDP (*KZT billions*)	7,453	5,870	4,612	3,776
Real GDP (*percentage change during the 12 months then ended*)	9.4	9.2	9.5	13.5
Nominal GDP per capita (*KZT*)	489,685	389,516	308,701	254,105
Population (*millions average annual*)	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 non-ferrous metallurgy sectors), increases in agricultural production and strong commodity prices in recent years.

GDP by Source

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

	Year ended 31 December					
	2005	**2004**	**2003**	**2002**	**2001**	**2000**
			(% share of GDP)			
Industry	29.7	31.1	29.5	29.3	30.7	31.9
Construction	7.4	5.9	6.2	6.1	5.5	5.3
Agriculture	6.4	7.9	7.3	7.9	8.7	8.7
Transportation and Telecommunications	11.6	12.2	12.1	11.5	11.2	12.0
Trade	12.4	11.4	12.1	12.0	12.1	12.6
Other[(1)]	32.4	31.4	32.8	33.2	31.8	29.5
Total	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 6.4% 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%.

Inflation

The year-on-year rate of consumer price index has decreased from 9.8% at the end of 2000 to 7.7% as at the end of December 2005, 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 31 December					
	2005	**2004**	**2003**	**2002**	**2001**	**2000**
			(%)			
Consumer prices	7.7	6.7	6.8	6.6	6.4	9.8
Producer prices	20.3	23.8	5.9	11.9	(14.1)	19.4

Source: NSA, NBK

Current Account

Based on NBK data, Kazakhstan's current account deficit in 2003 was U.S.$39.0 million as compared to U.S.$843.4 million and U.S.$1,209.3 million in 2002 and 2001, respectively. The current account surplus for 2004 was U.S.$454.9 million and in the current account deficit in 2005 was U.S.$485.7 million.

Capital and Financial Account

The current account deficit has been offset by inflows of foreign direct investment. In 2001, foreign direct investment in the amount of U.S.$4,557 million resulted in a capital and financial account surplus of U.S.$2,428.7 million. In 2002, foreign direct investment for the year amounted to U.S.$4,106.5 million, which resulted in a capital and financial account surplus of U.S.$1,239.2 million. In 2003, foreign direct investment was U.S.$4,607 million and the capital and financial account surplus was U.S.$2,755.2 million. In 2004, foreign direct investment was U.S.$8,872.7 million and the capital and financial account deficit was U.S.$20.26 million. In 2005, foreign direct investment was U.S.$6,416.4 million and the capital and financial account surplus was U.S.$13.94 million.

Critical Accounting Policies

The Borrower's results of operations and financial condition presented in the Consolidated 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 Borrower's accounting policies.

The Borrower's significant accounting policies are described in Note 3 to the Consolidated Financial Statements. The Borrower 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 Borrower's critical accounting policies on its business operations are discussed in this section where these policies affect the Borrower's financial results as presented in this Prospectus.

Allowances for Impairment of Financial Assets

The Borrower establishes allowances for impairment of financial assets when it is probable that the Borrower 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 Borrower expects to realise the financial instrument.

The allowances are based on the Borrower'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 borrower. The allowances for impairment of financial assets are determined on the basis of existing economic and political conditions. The Borrower is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods. If actual loan losses are higher or market conditions are less favourable than those projected by management, additional allowances may be required.

Deferred Taxes

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

Deferred income tax liabilities are recognised for taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit nor loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Financial assets at fair value through profit or loss

As 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 Borrower 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 Borrower does not classify any financial assets as held-to-maturity if the Borrower 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 Borrower as held-to-maturity or financial assets at fair value through profit or loss are included in the available-for-sale portfolio.

The Borrower classifies investment securities depending upon the intent of management at the time of the purchase. Shares of associates and subsidiaries held by the Borrower 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 Borrower is prohibited to classify any securities as held-to-maturity until 1 January 2008.

Recent Developments

Results of Operations for the six months ended 30 June 2006 and 2005.

Net Income

The following table sets forth the main components of the Borrower's net income for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June	
	2006	**2005**
	(KZT millions)	
Interest income	20,461	9,901
Interest expense	(13,276)	(6,398)
Net interest income before impairment charge	7,185	3,503
Impairment charge	(2,092)	(1,121)
Net interest income after impairment charge	5,093	2,382
Fees and commissions, net(1)	1,881	1,245
Non-interest income	1,364	1,020
Non-interest expense	(4,716)	(3,358)
Income before income tax expense	3,622	1,289
Income tax expense	(872)	(274)
Net income	2,750	1,015
Attributable to:		
Equity holders of the parent	2,737	1,016
Minority interest	13	(1)

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

The Borrower's net income increased by 170.9% to KZT2,750 million during the six month period ended 30 June 2006 from KZT1,015 million during the six month period ended 30 June 2005. The increase in net income for the six months ended 30 June 2006 compared to the corresponding period in 2005 was primarily a result of significant increase in the loan portfolio of the Bank from KZT244,874 million as at 31 December 2005 to KZT303,406 million as at 30 June 2006, compared to an increase from KZT112,090 million as at 31 December 2004 to KZT162,209 million as at 30 June 2005. Moreover, the continued domestic confidence in the Tenge during 2005 and the first half of 2006 encouraged substantial growth in the Borrower's customer and deposit base, resulting in increases in the Borrower'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 Borrower's customers.

Interest Income

The following table sets forth the components of the Borrower's interest income for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June		Variation
	2006	**2005**	**2006/2005**
	(KZT millions)		%
Loans	18,416	8,771	110.0
Securities	1,541	873	76.5
Credit Institutions	504	257	96.1
Total	20,461	9,901	106.7

The Borrower's interest income increased by 106.7% to KZT20,461 million for the six months ended 30 June 2006 from KZT9,901 million for the same period in 2005, reflecting the substantial growth of the Borrower's interest-earning assets, as the Borrower's loan and securities portfolios grew significantly, in that period. See also "Selected Statistical and Other Information - Loan Portfolio."

Interest income on the Borrower's securities portfolio, which historically has primarily consisted of Kazakh sovereign securities and U.S. treasury bills, increased by 76.5% to KZT1,541 million for the six months ended 30 June 2006 from KZT873 million for the corresponding period in 2005 due to the higher levels of funding available to the Borrower for investment purposes because of the growth in the deposit and capital base.

Interest income earned from deposits with credit institutions increased by 96.1% to KZT504 million for the six months ended 30 June 2006 from KZT257 million for the first six months of 2005. The increase in interest income earned on deposits with credit institutions was attributable, in part, to an increase in the volume of transactions with banks.

Interest Expense

The following table sets out the components of the Borrower's interest expense for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June		**Variation**
	2006	**2005**	**2006/2005**
	(KZT millions)		*%*
Deposits	(3,471)	(2,107)	64.7
Borrowings	(3,657)	(1,095)	234.0
Subordinated Debt	(763)	(194)	293.3
Debt securities issued	(5,385)	(3,002)	79.4
	(13,276)	(6,398)	107.5

Interest expense increased by 107.5% during the first six months of 2006 to KZT13,276 million from KZT6,398 million for the same period in 2005.

The growth in interest expense during the first six months of 2006 was largely due to higher payments of interest in connection with the Borrower's strategy of expanding and diversifying its funding base.

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

Net interest income

Net interest income increased by 105.1% to KZT7,185 million during the first six months of 2006 from KZT3,503 million during the same period of 2005. The principal reason for the decline in margins between 2006 and 2005 was the general increase in the Borrower's funding costs. See also "Selected Statistical and Other Information - Loan Portfolio - Loan Portfolio Structure by Maturity" and "- Funding and Liquidity - Customer Accounts".

Impairment of interest-earning assets

The Borrower recorded impairment of interest-earning assets of KZT2,092 million during the six month period ended 30 June 2006, which represented an increase of 86.6% from KZT1,121 million in 2005. The increase in impairment of interest-earning assets was less than the increase in interest-earning assets for the first six months ended 30 June 2006 due to improvements in the quality of the loan portfolio as a result of repayments made by certain higher risk borrowers and better overall credit quality.

Fees and Commissions

During the first half of 2006, net fee and commission income increased by 51.1% to KZT1,881 million from KZT1,245 million for the first six months ended 30 June 2005. The Borrower 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.

Non-interest Income

The Borrower's non-interest income increased by 33.7% during the first six months of 2006 to KZT1,364 million from KZT1,020 million during the same period of 2005. The increase in the Borrower's non-interest income for the first six months ended 30 June 2006 compared to 30 June 2005 was mainly due to an increase in dealing gains less losses and insurance activity.

Non-interest Expense

The Borrower's non-interest expense increased by 40.4% during the first six months of 2006 to KZT4,716 million from KZT3,358 million in 2005. The increase in the Borrower's non-interest expense for the first six months ended 30 June 2006 compared to 2005 was mainly due to an increase in staff costs and administrative and other expenses.

Income Tax Expense

The Borrower's effective tax rate was 24.1% during the six month period ended 30 June 2006 as compared to 21.3% for the same period in 2005. The tax-exempt income increased in 2006 due to active lending in 2003-2005 of long-term loans classified as investment and mortgage loans.

Cash Flow

The following table sets out the Borrower's main sources of cash for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June	
	2006	**2005**
	(KZT millions)	
Net cash flows from operating activities	(66,917)	8,074
Net cash flow from investing activities	8,021	(23,100)
Net cash flow from financing activities	63,656	32,274
Effect of exchange rate changes on cash and cash equivalents	(1,370)	557
Cash and cash equivalents at beginning of the year	33,050	14,048
Cash and cash equivalents at the end of the year	36,439	31,853

As at 30 June 2006, the Borrower used cash in the amount of KZT66,917 million and provided cash totalling KZT8,074 million from its operating activities in 2005. During the first six months of 2006, the Borrower used cash to grant loans to customers in the amount of KZT83,191 million, which was largely generated from its operating activities and the issuance of debt securities. As at 30 June 2006, the Borrower provided net cash totalling KZT8,021 million and used net cash totalling KZT23,100 million in its investing activities, and provided KZT63,656 million as at 30 June 2006 and KZT 32,274 million as at 30 June 2005 from its financing activities.

Financial Condition as at 30 June 2006 and 31 December 2005

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

	As at 30 June 2006	As at 31 December 2005
	(KZT millions)	
Cash on hand	5,499	7,271
Correspondence accounts with other banks	5,225	12,835
Correspondent account with the NBK	16,357	9,043
Short term deposits with other banks	9,358	3,901
Cash and cash equivalents	36,439	33,050
Correspondent account with the NBK allocated to obligatory reserves	4,383	4,264
Obligatory reserves	4,383	4,264
Time deposits	9,011	3,235
Loans to local credit institutions	1,426	156
Amounts due from credit institutions	10,437	3,391
Notes of the NBK	40,532	13,181
Euronotes of the Republic of Kazakhstan	1,913	2,226
Treasury bills of the Ministry of Finance	5,152	6,110
U.S. Treasury bills	10,375	2,308
Bonds of local financial organisations	5,597	1,413
Bonds of foreign financial organisations	3,347	—
Equity securities	5	—
Government securities of OECD countries	—	674
Corporate bonds	2,773	468
Financial assets at fair value through profit and loss	69,694	26,380
available-for-sale	21,427	33,015
Investment securities	21,427	33,015
Commercial loans	311,101	251,385
Advances	1,697	1,138
Less – Allowance for impairment	(9,392)	(7,649)
Commercial loans and advances	303,406	244,874
Insurance reserves, reinsurance share	5,501	3,537
Premises and equipment	5,995	5,240
Current tax assets	496	386
Deferred tax assets	44	—
Tax assets	540	386
Investments in associates	236	169
Other assets	4,084	4,762
Total assets	462,142	359,068

As at 30 June 2006, the Borrower had total assets of KZT462,142 million compared to total assets of KZT359,068 million as at 31 December 2005. The increase in total assets was primarily due to the significant increase in the Borrower's gross loan portfolio and investments to financial assets at fair value through profit and loss.

Cash and cash equivalents increased by 10.3% to KZT36,439 million as at 30 June 2006 from KZT33,050 million as at 31 December 2005. The increase as at 30 June 2006 was caused by a significant deposit from a pension fund placed with the Borrower. As at 30 June 2006, short-term deposits with other banks amounted to KZT9,358 million, in comparison to KZT3,901 million as at 31 December 2005.

The Borrower's total securities portfolio (which comprises both financial assets at fair value through profit and loss and investment securities), increased by 53.4% to KZT91,121 million as at 30 June 2006 from KZT59,395 million as at 31 December 2005. This increase in the Borrower's securities portfolio was due to the need to adequately manage liquidity as a result of the significant overall growth of the Borrower's loan portfolio.

Total Liabilities

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

	As at 30 June 2006	As at 31 December 2005
	(KZT millions)	
Time deposit from NBK	3,041	2,059
Kreditanstalt für Wiederaufbau	572	679
Local municipal authorities	72	143
World Bank	22	29
EBRD	4,681	6,350
Amounts due to the Government and NBK	8,388	9,260
Loans from foreign banks	76,201	54,474
Loans from local banks	355	—
Repurchase agreements	10,070	10
Loans from the Small Business Development Fund of Kazakhstan	725	1,968
Time deposits from local banks	16,087	25,874
Current accounts	1,251	1,317
Amounts due to credit institutions	104,689	83,643
Customer current accounts:		
Individuals	6,161	4,768
Legal entities	46,858	45,313
Term deposits:		
Individuals	37,793	22,292
Legal entities	67,379	43,340
Held as security against letters of credit	938	969
Amounts due to customers	159,129	116,682
Reserves for insurance claims	6,285	4,218
USD denominated notes	125,154	94,752
KZT denominated bonds	4,532	4,532
Other Bonds Issued	8	—
Less unamortised cost of issuance	(1,130)	(854)
Debt securities issued	128,564	98,430
KTZ denominated notes	17,671	17,624
USD denominated subordinated bonds	1,196	1,346
Own USD subordinated bonds held by the Group	(947)	(1,069)
Less unamortized cost of issuance	(113)	(122)
Subordinated debt	17,807	17,779
Provisions	179	283
Other liabilities	1,122	1,229
Total liabilities	426,163	331,524

As at 30 June 2006, the Group had total liabilities of KZT426,163 million compared to KZT331,524 million as at 31 December 2005.

Amounts due to credit institutions increased by 25.2% to KZT104,689 million as at 30 June 2006 from KZT83,643 million as at 31 December 2005.

As at 30 June 2006, the Borrower had debt securities issued of KZT128,564 million which represented a 30.6% increase from KZT98,430 million as at 31 December 2005.

Off-Balance Sheet Arrangements

In the normal course of business, the Borrower 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 Borrower but are reflected in a footnote as financial commitments and contingencies.

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

	As at 30 June 2006	**As at 31 December 2005**
	(KZT millions)	
Undrawn loan commitments	58,670	33,306
Guarantees	21,627	15,029
Letters of credit	3,535	3,601
Less – Provisions	(179)	(283)
Less – Cash collateral	(939)	(969)
Total commitments and contingencies	82,714	50,684

The Borrower'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 Borrower 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 Borrower sets aside provisions applying similar principles as those applied in assessing the required allowances for losses under other credit facilities. As at 30 June 2006 and 31 December 2005, the Borrower set aside provisions of KZT179 million and KZT283 million. 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 Borrower mitigates its risk by taking collateral over the goods.

As at 30 June 2006, the top 10 guarantees of the Borrower accounted for 53.9% of total financial guarantees, respectively, and represented 32.4% of total shareholders' equity. As at 30 June 2006, the top 10 letters of credit of the Borrower accounted for 78.9% of total commercial letters of credit, and represented 7.8% of total shareholders' equity.

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 Borrower's net income for the years ended 31 December 2005, 2004 and 2003:

	2005	2005	2004	2003
	(U.S.$ thousands)(1)	*(KZT millions)*		
Interest income	183,791	24,422	12,644	7,884
Interest expense	(121,441)	(16,137)	(5,808)	(3,227)
Net interest income before impairment charge	62,350	8,285	6,836	4,657
Impairment charge	(15,811)	(2,101)	(2,894)	(1,694)
Net interest income after impairment charge	46,539	6,184	3,942	2,963
Fees and commissions, net(2)	20,523	2,727	1,921	1,416
Non-interest income	21,735	2,888	2,052	1,310
Non-interest expense	(52,461)	(6,971)	(5,288)	(3,474)
Income before income tax expense	36,336	4,828	2,627	2,215
Income tax expense	(5,802)	(771)	(307)	(759)
Net income	30,534	4,057	2,320	1,456
Attributable to:				
Equity holders of the parent	30,450	4,046	2,320	1,456
Minority interest	84	11	—	—

(1) Translated at the official 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.

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

The Borrower's net income increased by 74.9% to KZT4,057 million in 2005 from KZT2,320 million in 2004, which represented an increase of 59.3% in 2004 from the Borrower'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 Borrower's loan and securities portfolios in 2005. The growth in the Borrower's loan and securities portfolio reflected the continued expansion of the Kazakh 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 Kazakh economy. Another factor which contributed to the growth of the Borrower'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 Borrower'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 Borrower's customer and deposit base, resulting in increases in the Borrower'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 Borrower'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 Borrower in both the international and domestic markets in 2005.

The Borrower'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 Borrower's loan and securities portfolios in 2004. The growth in the Borrower's loan and securities portfolio reflected the continued expansion of the Kazakh 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 Kazakh economy. Another factor which contributed to the growth of the Borrower'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 Borrower having significant higher amounts of capital to invest in its securities portfolio due to increased deposits and increased borrowings from capital markets issuances and new and existing syndicated loan facilities. Moreover, the increased domestic confidence in the Tenge in 2004 encouraged substantial growth in the Borrower's customer and deposit base, resulting in increases in the Borrower'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 Borrower continued to expand its operations.

Interest Income

The following table sets forth the components of the Borrower'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	64.6
Total	24,422	12,644	7,884	93.2	60.4

The Borrower'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 Borrower's interest-earning assets, as the Borrower's loan and securities portfolios grew significantly, in that period. In 2005, the Borrower's loan portfolio expanded by 114.7% to KZT252,523 million from KZT117,593 million in 2004 due in large part to significantly higher demand from the Borrower's corporate customer base and the growing 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 Borrower's securities portfolio, which historically has primarily consisted of Kazakh 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 Borrower 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 Borrower 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 Borrower's interest income growth in 2005 was also partially offset by a decline in the average interest rates earned on securities the Borrower classifies as "financial assets at fair value through profit or loss" (which category comprises all of the Borrower'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 Borrower's total securities in 2005, which was approximately 4.0% as compared to 4.8% in 2004. The decreasing returns on the Borrower's securities portfolio were due in large part to declining interest rates for Kazakh 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 banks and in part due to the Borrower depositing with banks the proceeds from the issuance of the Borrower's 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 Borrower utilising such funds, as well as to increased interest rates obtained by the Borrower on deposits with certain Kazakh domestic banks in 2005 as compared to 2004.

The Borrower'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 Borrower's interest-earning assets, as the Borrower's loan and securities portfolios grew significantly, in that period. In 2004, the Borrower'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 Borrower'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 Borrower's total securities portfolio increased by 67.9% to KZT59,395 million. In 2004 the Borrower'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 Borrower's growing deposit base and increased borrowings by the Borrower under its existing credit facilities and issuances of additional debt and equity securities in 2005 and 2004. The Borrower uses its securities portfolio principally to manage liquidity in compliance with Kazakh banking regulations. In addition, the Borrower 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 Borrower 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 Borrower'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 Borrower's total securities in 2005, which was approximately 4.0%. The decreasing returns on the Borrower's securities portfolio were due in part to declining interest rates for Kazakh 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 Borrower depositing with foreign banks the proceeds from the issuance of the Borrower's U.S.$100 million 8.5% Notes due 2007 prior to the Borrower utilising such funds in May 2004.

Interest Expense

The following table sets out the components of the Borrower's interest expense 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)			(%)	
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 Borrower's strategy of expanding and diversifying its funding base, including the issuance of U.S.$200 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.$100 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 Borrower'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 KZT116,682 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 the increased activity of the Borrower in utilising higher interest bearing external credit facilities and issuing debt instruments in the international capital markets in 2005 and 2004, the average interest rates paid by the Borrower for such securities increased to 10.5% in 2005 from 9.1% in 2004. In 2003, the Borrower issued debt securities in KZT at 8.5% per annum. The increase in interest expense from the Borrower's deposit base was partially offset by declining interest rates in Kazakhstan over the same period as inflation rates declined in Kazakhstan. Under the Kazakh deposit insurance system to which the Borrower 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 effected by the prevailing rate of inflation. As a result, the average interest rate paid by the Borrower in respect of customer deposits decreased from 5.2% in 2003 to 4.8% in 2004 and increased to 5.5% 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 Kazakh market and an increase in longer-term deposits held with the Borrower. See "Selected Statistical and Other Information – Average Balances".

An expansion of the Borrower's funding base through the issuance of higher interest bearing Eurobonds, led to an increase between 2003, 2004 and 2005 in average interest paid.

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 Borrower's net interest margin decreased from 6.7% in 2003 to 5.7% in 2004 and to 3.4% in 2005. The principal reason for the decline in margins between 2003 and 2005 was the general increase in the Borrower's funding costs. Consequently, between 2003 and 2005, the Borrower 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 Borrower'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 Borrower's margins was exerted by declining interest rates both in respect of the Borrower's securities and loan portfolios. See also "Selected Statistical and Other Information – Loan Portfolio – Loan Portfolio Structure by Maturity" and "– Funding and Liquidity – Customer Accounts".

Impairment of interest-earning assets

The Borrower 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 improvements in the quality of the loan portfolio as a result of repayments made by certain higher risk borrowers and better overall credit quality. The Borrower's credit policy also became more strict in relation to its borrowers and the Borrower increased its monitoring of borrowers. The increase in the years 2004 and 2003 was due to the growth of the Borrower'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 Borrower, 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 Borrower. In addition, in compliance with the requirement of the NBK, the strength of the Borrower'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 Borrower derives its fee and commissions from services including maintaining and servicing accounts, transaction fees for cash and foreign exchange operations, guarantee fees for corporate customers and credit and debit card fees. Fees and commissions increased in 2005 relative to 2004 principally due to the increased level of activities undertaken by the Borrower as a result of the real growth of the Borrower'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 Borrower'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 Borrower'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 credit card fees from the Borrower's expanding retail business by 26.1% in 2005 to KZT251 million from KZT199 million in 2004.

Fees and commissions increased in 2004 relative to 2003 principally due to the increased level of activities undertaken by the Borrower as a result of the real growth of the Borrower's customer base. The overall increase in fee and commission income in 2004 relative to 2003 was driven in part by increased commissions charged by the Borrower 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 Borrower'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 credit card fees from the Borrower's expanding retail business by 32.7% to KZT199 million from KZT150 million in 2003.

Non-interest Income

The Borrower's non-interest income increased by 40.7% in 2005 to KZT2,888 million from KZT2,052 million in 2004. The increase in the Borrower's non-interest income in 2005 compared to 2004 was mainly due to an increase in dealing gains less losses in 2005 of KZT1,240 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 Borrower for consulting services provided to a large Kazakh raw materials producer.

The Borrower's non-interest income increased by 56.6% in 2004 to KZT2,052 million from KZT1,310 million in 2003. The increase in non-interest income was generally due to the significant growth in the Borrower's capital and funding base between 2002 and 2004. The increase in the Borrower'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 as a result of the foreign exchange translation into U.S. Dollars.

Non-interest Expense

The Borrower's non-interest expense increased by 31.8% in 2005 to KZT6,971 million from KZT5,288 million in 2004. The increase in the Borrower's non-interest expense in 2005 compared to 2004 was mainly due to an increase in staff costs and administrative and other expenses. In 2005, staff costs increased by 22.8% to KZT3,047 million. This increase reflected the 34.8% increase in the Borrower's employees to 2,616 in 2005 from 1,940 in 2004 due to the acquisitions of CJSC OCB (OMSK Commercial Bank) Sibir and OJSC EnergoBank and the expansion of the Borrower's operations in Kazakhstan. In addition, the increase in staff costs reflected higher annual salaries and bonuses paid to the Borrower's management and employees in 2005 due to the competitive employment market and the need to attract and retain quality staff.

During 2004 the Borrower opened four additional full service branches. 2005 was the first full year of operation for these branches and as a result leasing expenses increased by 31.6% to KZT312 million in 2005 from KZT237 million in 2004.

Advertising expenditures increased in 2005 by 131.0% to KZT536 million from KZT232 million in 2004, partially as a result of the celebration of 10th Anniversary of the Borrower. 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 Borrower's Eurobond issuances and IT services.

The Borrower's non-interest expense increased by 52.2% in 2004 to KZT5,288 million from KZT3,474 million in 2003. The increase in the Borrower'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 Borrower'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 Borrower'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 Borrower opened additional branches and expanded its headquarters to provide space for additional staff and equipment. Advertising expenditures increased in 2004 by 39.8% to KZT232 million from

KZT166 million in 2003 as the Borrower 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 Borrower'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 Borrower's effective tax rate in 2004 relative to 2003 was mainly due to the re-assessment of taxes in relation to prior years. In addition, the Borrower'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 Borrower's main sources of cash 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)			(%)	
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 Borrower used cash in the amount of KZT48,383 million, KZT15,578 million and KZT2,324 million from its operating activities. In 2005, the Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower's assets and liabilities should be read in conjunction with "Selected Statistical and Other Information".

	As at 31 December		Change from 31 December 2004 to 2005	As at 31 December		Change from 31 December 2003 to 2004
	2005			2004	2003	
	(U.S.$ thousands)[1] (unaudited)	(KZT millions)	(%)	(KZT millions)		(%)
Cash on hand	54,269	7,271	119.7	3,310	2,477	33.6
Correspondence accounts with other banks	95,798	12,835	32.7	9,672	1,617	498.1
Time deposits with the NBK	—	—	(100.0)	501	1,002	(50.0)
Correspondent account with the NBK	67,495	9,043	1,500.5	565	262	115.6
Short term deposits with other banks	29,116	3,901	100.0	—	478	(100.0)
Cash and cash equivalents	246,678	33,050	135.3	14,048	5,836	140.7
Correspondent account with the NBK allocated to obligatory reserves	31,826	4,264	78.4	2,390	1,775	34.6
Obligatory reserves	31,826	4,264	78.4	2,390	1,775	34.6
Time deposits	24,145	3,235	108.8	1,549	—	100.0
Correspondent accounts with other banks	—	—	(100.0)	1,180	—	100.0
Loans to local credit institutions	1,164	156	(80.1)	783	—	100.0
Less allowance for impairment	—	—	(100.0)	(1)	—	(100.0)
Amounts due from credit institutions	25,309	3,391	(3.4)	3,511	—	100.0
Notes of the NBK	98,380	13,181	2,093.2	601	9,454	(93.6)
Euronotes of the Republic of Kazakhstan	16,614	2,226	(28.8)	3,125	—	100.0
Treasury bills of the Ministry of Finance	45,604	6,110	40.8	4,340	6,560	(33.8)
Sovereign bonds of the Republic of Kazakhstan	—	—	0.0	—	4,239	(100.0)
U.S. Treasury bills	17,226	2,308	100.0	—	2,582	(100.0)
Bonds of local financial organisations	10,546	1,413	183.2	499	556	(10.3)
Equity investments	—	—	0.0	—	416	(100.0)
Government securities of OECD based countries	5,031	674	100.0	—	—	—
Corporate bonds	3,493	468	450.6	85	83	2.4
Financial assets at fair value through profit and loss	196,894	26,380	205.0	8,650	23,890	(63.8)
available-for-sale	246,417	33,015	4,569.7	707	—	100.0
held-to-maturity	—	—	(100.0)	26,009	—	100.0
Investment securities	246,417	33,015	23.6	26,716	—	100.0
Commercial loans	1,876,288	251,385	114.8	117,016	63,481	84.3
Advances	8,494	1,138	97.2	577	404	42.8
Less – Allowance for impairment	(57,091)	(7,649)	39.0	(5,503)	(3,397)	(62.0)
Commercial loans and advances	1,827,691	244,874	118.5	112,090	60,488	85.3
Insurance reserves, reinsurance share	26,399	3,537	2,167.3	156	190	17.9
Premises and equipment	39,110	5,240	58.0	3,316	2,280	45.4
Current tax assets	2,881	386	114.4	180	176	2.3
Deferred tax assets	—	—	(100.0)	515	86	498.8
Tax assets	2,881	386	(44.5)	695	262	165.3
Investments in associates	1,261	169	(46.0)	313	—	100.0
Other assets	35,543	4,762	136.1	2,017	919	119.5
Total assets	2,680,009	359,068	106.5	173,902	95,640	81.8

(1) 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.$1.00.

As at 31 December 2005, the Borrower 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 Borrower'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 Kazakh economy and the generally higher demand for loans from the Borrower's customer base. Similarly, the increase in total assets of 81.8% in 2004 was also attributable to the significant increase in the Borrower'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 Kazakh economy and the increased demand for loans from the Borrower's customer base. Although the stabilisation of the Tenge, higher wages and increased contributions from an emerging pensions fund market has increased the Borrower's sources of deposits, the demand for loans between the end of 2004 and the end of 2005 increased. Thus, the Borrower's commercial loans and advances to amounts due to customers ratio 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 Borrower's strategy has been and will be in the near term to diversify its sources of funding to include syndicated loans and various subordinated debt and other capital markets issuances. Although this funding strategy is consistent with that of other similar banks in Kazakhstan, it has resulted in higher market interest on loans to customers in Kazakhstan who are charged at rates that are higher than those charged in more developed markets to cover the higher funding costs. Consequently, if interest rate levels were to decrease significantly in Kazakhstan and the Borrower could not raise additional funding through deposit-taking, this could affect the Borrower's ability to fund further growth and manage liquidity. See "Risk Factors – 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 Borrower 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 Borrower had none. This increase in the volume of transactions with foreign banks was partly due to the Borrower depositing with such banks the proceeds from the issuance in April 2005 of its U.S.$200 million notes due 2012 and the proceeds from the issuance in October 2005 of its U.S.$200 million notes due 2010 prior to its utilising such funds, and partly due to an increase in demand deposits of the Borrower's customers in 2005.

The Borrower'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 Borrower's securities portfolio was due to the need to adequately manage liquidity as a result of the significant overall growth of the Borrower's loan portfolio.

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 2004 to 2005	As at 31 December		Change from 31 December 2003 to 2004
	2005			2004	2003	
	(U.S.$ thousands)[1] *(unaudited)*	*(KZT millions)*	*(%)*	*(KZT millions)*		*(%)*
Time deposit from NBK	15,368	2,059	1.5	2,029	2,007	1.1
Kreditanstalt für Wiederaufbau	5,068	679	(25.1)	907	923	(1.7)
Local municipal authorities	1,067	143	(58.1)	341	343	(0.6)
World Bank	216	29	(54.7)	64	172	(62.8)
EBRD	47,395	6,350	100.0	—	—	—
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	22.8
Term deposits:						
Individuals	166,383	22,292	75.0	12,740	7,854	62.2
Commercial	323,481	43,340	26.9	34,163	19,557	74.7
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	—	100.0
KZT denominated bonds	33,826	4,532	—	4,532	2,920	55.2
Own USD bonds held by the Group	—	—	—	—	(72)	100.0
Less unamortised cost of issuance	(6,374)	(854)	(105.3)	(416)	—	(100.0)
Debt securities issued	734,662	98,430	127.3	43,307	2,848	1,420.6
KTZ denominated notes	131,542	17,624	100.0	—	—	—
USD denominated subordinated bonds	10,046	1,346	0.1	1,344	1,498	(10.3)
Own USD subordinated bonds held by the Group	(7,979)	(1,069)	(1.4)	(1,084)	—	(100.0)
Less unamortized 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 official U.S. Dollar exchange rate on the KASE as at 31 December 2005, as reported by the NBK, of KZT133.98 = U.S.$1.00.

As at 31 December 2005, the Group 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 Borrower'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 Borrower's deposit base and the increase in the issuance of debt securities by the Borrower in 2005. The increase in the Borrower's total liabilities of 78.4% in 2004 relative to 2003 was primarily attributable to the 53.4% growth of the Borrower's deposit base and the significant increase in the issuance of debt securities by the Borrower 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 Borrower has in the past, and may in the future, secure repurchase agreements by a pledge over certain of the Borrower'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 Borrower 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 Borrower but which are reflected in a footnote as financial commitments and contingencies.

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

	As at 31 December		
	2005	**2004**	**2003**
		(KZT millions)	
Undrawn loan commitments	33,306	17,930	7,544
Guarantees	15,029	16,108	6,364
Open letters of credit	3,601	5,037	2,987
Total commitments and contingencies	51,936	39,075	16,895

The Borrower'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 Borrower 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 Borrower 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 Borrower 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 Borrower mitigates its risk by taking collateral over the goods.

The Borrower requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies but may include deposits held by the Borrower, 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 Borrower 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 Borrower 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.

Foreign Currency Borrowings

Since 1998, the Borrower 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 für Wiederaufbau ("**KfW**").

The Borrower 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 Borrower grants loans to small businesses on the basis of its analysis of their credit worthiness. As at 30 June 2006, the Borrower had a credit facility through the Small Business Development Fund funded by the EBRD with a total outstanding amount of U.S.$6.1 million, maturing in 2007. Additionally the Borrower has U.S.$17.8 million and Euro 6.6 million outstanding under the EBRD's Trade Finance Programme, maturing at the end of 2006, U.S.$10.4 million outstanding under the Kazakhstan small business programme, maturing in 2008 and U.S.$3.0 million under AGRI-EQUIPMENT Program maturing in 2010.

As at 30 June 2006 the Borrower had U.S.$184,690 outstanding under its U.S.$2.6 million facility with the Ministry of Finance funded by the World Bank as part of that institution's U.S.$15 million programme for Kazakhstan's agricultural sector.

As at 30 June 2006 the Borrower had an outstanding loan from the Ministry of Finance funded by KfW to finance small and medium importers with a total outstanding amount of Euro 3.8 million maturing during the period 2006 to 2009.

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

In addition, as part of its programme to increase its capital base, in January 2002, the Borrower issued U.S.$10 million 9% subordinated notes due in 2007. The notes were primarily placed with pension funds and other financial institutions in Kazakhstan. Since these issues the Bank has repurchased a substantial portion of these notes. In addition, the Borrower placed a further KZT17.5 billion 8.5% of subordinated notes on the domestic market on 5 August 2005.

In May 2004, the Borrower issued U.S.$100 million of its 8.5% Notes due 2007, its debut international capital markets transaction, and, in November 2004, issued U.S.$200 million of its 8.875% Notes due 2009. In April 2005, the Borrower made its debut Rule 144A offering through an issue of U.S.$200 million of its 9.25% Notes due 2012. In October 2005, the Borrower issued U.S.$200 million of its 8.125% Notes due 2010. In May 2006, the Borrower issued U.S.$350 million of its 9.0% Notes due 2016 under Regulation S and Rule 144A.

In April 2006, the Borrower entered into a U.S.$100 million DPR Securitisation Programme due 2011. On 12 October 2006, the Borrower entered into, through its subsidiary company ATF Capital B.V., a U.S.$550 million Syndicate Term Loan with a tenor of 370 days.

The following table sets out certain information as to currency and tenor of the Borrower's foreign currency liabilities as at 31 December 2005 in millions Tenge:

	2006	**2007**	**2008**	**2009**	**2010**	**2010 and later**	**Total**
U.S. Dollars	92,105.6	16,710.0	4,417.3	27,798.9	29,548.3	30,021.4	200,601.5
Euro.......................	5,187.6	736.0	1,627.9	2,705.2	1,705.9	—	11,962.6

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

Capital Adequacy and Other Ratios

The following table sets out certain ratios[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 June 2006	As at 31 December 2005	2004	2003
		(%, unless otherwise indicated)			
Minimum Share Capital[1]	Not less than KZT1,500 million	KZT26,367 million	KZT20,000 million	KZT14,771 million	KZT6,240 million
Capital Adequacy Ratios					
K1 – Tier I capital to total risk-weighted assets	Not less than 6%[4]	7.4	8.3	8.8	7.3
K2 – Own capital[3] to total risk-weighted assets	Not less than 12%[4]	13.6	12.4	13.4	13.2
K4 – Current Liquidity ratio	Greater than 30%	135.6	169.0	169.7	91.8
K5 – Short-term Liquidity Ratio	Greater than 50%	95.6	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]	13.95	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[3]	13.1	15.8	21.1	26.9
Maximum aggregate net open foreign currency position[2]	30%[7] of bank's own capital[3]	10.98	11.3	22.0	4.8
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	15%[8] of bank's own capital[3]	12.38	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[3]	1.4	0.3	0.1	0.3
Maximum aggregate on-balance sheet and off-balance sheet exposure to related parties[9]	100% of bank's own capital[3]	14.8	3.3	11.7	8.3
Maximum exposure to any single borrower:					
related parties	Not greater than 10%	6.3	1.1	4.1	3.7
other borrowers	Not greater than 25%	19.4	14.3	23.3	23.9
on unsecured loans	Not greater than 10%	2.5	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 per cent. 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 per cent. of Tier I capital. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk-weighted assets) plus Tier II subordinated debt (but no more than 50 per cent. 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 per cent. of its voting share capital, alone or together with affiliated companies) among its shareholders, K1 must be not less than 5.0 per cent. and for other banks it must not be less than 6.0 per cent., as before, and K2 must be not less than 10.0 per cent. and for other banks it must be not less than 12.0 per cent., 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 K1 and K2 ratios should be not less than 6.0 per cent. and 12.0 per cent., respectively, while for commercial banks whose shareholders have the status of bank holding company under FMSA rules, these ratios should exceed 5.0 per cent. and 10.0 per cent. 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 organizations, special purpose deposits of subsidiaries, debt security liabilities and subordinated debts. External reserve assets include hard currency and certain other assets abroad. The percentage stays unchanged at six per cent.

(6) With effect from 14 July 2006, the NBK requirement of a minimum monthly average of six per cent. of deposits with a maturity of less than three months, has been changed to the minimum requirement of 6.0 per cent. of all domestic liabilities and eight per cent. 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 has introduced three new limits in relation to currency liquidity. 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 one per cent., of the monthly averaged liabilities of a bank.

	As at 30 June		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	303,137	35,979	205,587	27,545	125,231	16,280	44,668	6,442
Tier II capital	148,354	17,608	103,207	13,828	22,692	2,950	25,848	3,728
Gross Tier I and Tier II capital	451,491	53,587	308,794	41,373	147,923	19,230	70,516	10,170
Less investments	—	—	—	—	(2,409)	(313)	(132)	(19)
Tier I and Tier II capital	451,491	53,587	308,794	41,373	145,514	18,917	70,384	10,151
Total risk weighted assets	2,959,063	351,211	2,483,788	332,778	1,306,031	169,784	515,684	74,372
Tier I capital adequacy ratio(1)	10.2%	10.2%	8.3%	8.3%	9.6%	9.6%	8.7%	8.7%
Total risk weighted capital adequacy ratio(2)	15.3%	15.3%	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 Borrower had a Tier I capital adequacy ratio of 10.2% at 30 June 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, 15.3% at 30 June 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 Borrower.

Capitalisation

The following table sets out the capitalistion of the Issuer as at 30 September 2006, as adjusted to reflect a syndicated term loan facility agreement entered into by the Issuer on 12 October 2006 and a U.S.$2,508,600 share premium contribution on such date by the Borrower to the Issuer, and the issue and sale of the Notes before deducting commissions and expenses.

	Actual		As adjusted	
	(U.S.$)[1] *(unaudited)*	*(Euro) (unaudited)*	*(U.S.$)*[1] *(unaudited)*	*(Euro) (unaudited)*
Senior long-term liabilities[2]	0	0	550,000,000	438,491,589
Subordinated long term liabilities	0	0	100,000,000	79,725,743
Total shareholders' equity	8,175	6,518	2,516,775	2,006,518
Total shareholders' equity and long-term liabilities	8,175	6,518	652,516,775	520,223,850

(1) At the exchange rate of €1 = U.S.$1.2543 (from the European Central Bank).

(2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated.

The authorised share capital of the Issuer is €90,000, divided into ordinary shares with a par value of €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 Borrower.

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 used to provide the Subordinated Loan to the Borrower. The Borrower will use the proceeds from such Subordinated Loan to augment its capital base.

Business

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

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

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, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus. To comply with a NBK requirement that the accounts of overseas subsidiaries of Kazakhstan banks must be independently audited, the Issuer is in the process of engaging 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 also a Managing Director of the Borrower, and Equity Trust Co. N.V. ("**Equity Trust**") a company with limited liability incorporated in The Netherlands.

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

Except as described above in the first paragraph of this sub-section, there are no potential conflicts of interest between any duties of the Issuer's managing directors towards the Issuer and their private interests and/or other duties.

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

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

General Information

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

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

THE BORROWER

Overview

The Borrower is the fifth largest commercial bank in Kazakhstan in terms of assets according to data compiled by the NBK as at 30 June 2006. The Borrower's total assets as at 30 June 2006 were KZT462,142 million, compared to KZT359,068 million as at 31 December 2005. The Borrower's net income for the six months ended 30 June 2006 was KZT2,750 million as compared to KZT1,015 million for the six months ended 30 June 2005. The Borrower's shareholders' equity as at 30 June 2006 was KZT35,979 million compared to KZT27,544 million as at 31 December 2005 and KZT18,180 million as at 31 December 2004.

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

As at the date of this Prospectus, the Borrower, in addition to the Borrower's head office in Almaty, had 42 full service branches and 25 limited service branches located throughout Kazakhstan as well as four subsidiaries, JSC ATF Policy in Kazakhstan, OJSC EnergoBank in Kyrgyzstan, CJSC OCB (OMSK Commercial Bank) Sibir in the Russian Federation, ATF Capital B.V. in The Netherlands, one associate company, JSC OSPF Otan, and one affiliate company, JSC ATF Leasing. During 2006 the Borrower anticipates opening three full service branches and 33 limited service branches in Kazakhstan.

The Borrower announced that on 26 September 2006 the Board of Directors made a decision to approve the acquisition of 75.1% of the total charter capital of OJSC "Sokhibkorbank" of Tajikistan, which includes both common and preferred shares. On 29 September 2006, the Borrower acquired 11.3% of the charter capital of OJSC "Sokhibkorbank" and obtained the approval of the National Bank of Tajikistan for the acquisition of 20.0% of the shares of OJSC "Sokhibkorbank".

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

The Borrower is registered with the Ministry of Justice under certificate number 345-1900-AO(UY). The registered office and the head office of the Borrower are at 100 Furmanov Street, Almaty 050000, Kazakhstan. The Borrower's telephone number is +7 3272 583 022 and its fax number is +7 3272 501 995. The Borrower's current banking licence No. 239 was issued to it by the FMSA in February 2006.

History

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

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

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

In January 2002, the Borrower 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 Borrower and to exchange their shares in Apogei Bank for the

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

Strategy

In order to capitalise on the growth of the Kazakhstan economy, the Borrower aims to expand its market share and increase its profitability through

- expanding its banking and other financial services;
- diversifying and strengthening its funding base;
- strengthening risk management;
- enhancing operating efficiency; and
- expanding its regional and international presence to meet the growing demands of its clients.

The components of this strategy are discussed below.

Expanding Banking and Other Financial Services

The Borrower'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 large, medium and small corporate clients and retail customers. In relation to retail customers, the Borrower intends to focus on high net worth individuals and not the broad retail market.

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

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

As Kazakhstan's capital markets gradually develop, the Borrower 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 Borrower 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 Borrower is also focused on increasing revenue from its wholly-owned non-life insurance subsidiary, JSC ATF Policy. The Borrower believes that the insurance sector will be a high growth area and is positioning itself to take advantage of this perceived opportunity.

Diversifying and Strengthening Funding Base

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

Strengthening Risk Management

The Borrower has established internal rules, policies and guidelines for risk management in line with the requirements of the FMSA, and, previously, the NBK. The Borrower's four Credit Committees are responsible for credit risks related to corporate and retail clients. The Borrower'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 Borrower established a Risk Management Department which is primarily responsible for the development and supervision of the Borrower's risk management polices and reports directly to the Borrower's Board of Directors. The Borrower is committed to continue to develop further and strengthen its risk management capabilities. See "Selected Statistical and Other Information – Asset and Liability Management".

Enhancing Operating Efficiency

The Borrower 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 Borrower's full service branches are integrated into a wide area network allowing for on-line communication with the Borrower'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 Borrower 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 Borrower plans to invest in a more advanced banking information system and to establish a unified computer system connecting all branches on a real-time basis and is in the process of tendering for a supplier to provide such a system. See "The Borrower – Technology".

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

Expanding Regional and International Presence

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

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

The Borrower also intends to further enhance its presence in Kyrgyzstan where all top five Kazakh banks are currently represented. This is primarily driven by current customer demand, growing trade between the two countries and existing opportunities in the Kyrgyzstan banking sector, including operations in relation to precious metals. During 2005 the Borrower made an additional contribution of KZT135,378 thousand to the working capital of OJSC EnergoBank and as of the date of this Prospectus the Borrower owned 85.9% of OJSC EnergoBank having purchased an initial 34.4% in June 2004. During the first six months of 2006, the Bank increased its holding in OJSC EnergoBank by 12.0% from 73.9% to 85.9% as at 31 December 2005 and June 30, 2006 respectively, through a capitalisation of dividends of KZT20,207, a purchase of shares from the secondary market of KZT31,641 and a contribution to the share capital of KZT148,568. OJSC EnergoBank is the fifth largest bank in Kyrgyzstan in terms of assets, according to data compiled by the National Bank of the Kyrgyz Republic, with assets of U.S.$45 million or KZT5,359 million as at 30 June 2006.

The Borrower owns CJSC OCB (OMSK Commercial Bank) Sibir in the Omsk region of the Russian Federation. With a population in excess of one million people, the city of Omsk is one of the largest cities in the Russian Federation, and management believes that there is high growth potential for developing banking services for small and medium enterprises in the region, which is currently under serviced by the banking sector. Additionally, the Borrower is considering acquiring a Moscow-based bank to expand its presence in the capital of the Russian Federation.

On 24 April 2006 the Borrower established a new subsidiary ATF Capital B.V. in The Netherlands, and as at 30 June 2006 the Borrower owned 100.0% of the share capital of ATF Capital B.V..

The Borrower has announced that on 26 September 2006, the Board of Directors made a decision to approve the acquisition of 75.1% of the total charter capital of OJSC "Sokhibkorbank" of Tajikistan, which includes both common and preferred shares.

On 29 September 2006, the Borrower acquired 11.3% of the charter capital of OJSC "Sokhibkorbank" and obtained the approval of the National Bank of Tajikistan for the acquisition of 20.0% of the shares of OJSC "Sokhibkorbank".

Business of the Borrower

Overview

The Borrower is a commercial bank in Kazakhstan servicing private commercial enterprises, state-owned enterprises and individual customers. Pursuant to its current banking licence, the Borrower 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 the date of this Prospectus, the Borrower, in addition to the Borrower's head office in Almaty, had 42 full service branches and 25 limited service branches located throughout Kazakhstan as well as four subsidiaries, JSC ATF Policy in Kazakhstan, OJSC EnergoBank in Kyrgyzstan, CJSC OCB (OMSK Commercial Bank) Sibir in the Russian Federation, ATF Capital B.V. in The Netherlands, one associate company, JSC OSPF Otan, and one affiliate, JSC ATF Leasing. The Borrower anticipates opening three full service branches and 33 limited service branches in Kazakhstan in the second half of 2006.

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

The Borrower has three core operating divisions:

- Corporate Banking which provides services to corporate clients and includes the Credit Department (divided into three divisions each responsible for particular industry sectors), the Medium Term Credit Division (which operates the special lending programmes of the Borrower. See "– Corporate Banking") and the SME Credit Division;
- Retail Banking which provides services to retail clients; and
- Investment Banking which provides investment banking services to large corporate clients including investment advisory and financial consulting, market research and mergers and acquisitions structuring advice and includes the Corporate Finance Department, the Client Relationships Division and the International Department.

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

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

Corporate Banking

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

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

As at 30 June 2006, the Borrower had approximately 11,877 corporate accounts and lending to corporate clients represented approximately 54.9% of the Borrower's total assets and 81.2% of the Borrower's gross loan portfolio. As at 30 June 2006, according to information compiled by the NBK, the Borrower's share of the corporate lending market in Kazakhstan was approximately 8.5%.

A major part of the Borrower'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 Borrower operates in conjunction with various export credit agencies, such as Hermes Kreditversicherung, Oesterreichische KontrollBank Aktiengesellschaft, L'Istituto peri Servizi Assicurativi del Commercio Estero and Nederlandsche Credietverzekering Maatschappij, and offers various banking products to its corporate customers with the benefit of guarantees from such agencies.

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

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

Historically, the Borrower was one of the leading participants in Kazakhstan's precious metals markets. The Borrower offers a broad range of services including sales of standard gold bullion domestically, gold loans, hedging and is engaged in financing Kazakhstan's gold mining industry. The country's major gold producers are among the Borrower's clients. Due to changes in Kazakhstan tax legislation in 2002, which introduced value-added taxation of precious metals sales, the Borrower reduced the volume of its business in precious metals in Kazakhstan. In an effort to restore the Borrower's overall volume of business in precious metals, the Borrower established a presence in Kyrgyzstan, where there are a number of gold producers. The Borrower 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 Borrower plans to start offering limited tele-banking and internet banking to its corporate customers. The Borrower does not anticipate significant demand for these services and in particular for internet banking services, in the short term, as the penetration of appropriate telecommunications capacities in Kazakhstan remains relatively low.

Retail Banking

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

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

The Borrower believes that its network of full service branches and limited service branches will allow it to expand its individual customer and depositor base. As at 30 June 2006, the Borrower held KZT37,793 million of retail term deposits in approximately 63,531 individual accounts.

The Borrower also provides loans to its retail customers. As at 30 June 2006, such loans represented 18.8% of the Borrower's gross loan portfolio, 16.7% as at 31 December 2005 compared to 14.5% as at 31 December 2004. As at 30 June 2006, the Borrower's retail loan portfolio, mortgages account for 50.2%, consumer loans account for 14.6% and car loans account for 4.6%. In addition, the Borrower provides loans to individuals under programmes for the financing of small and medium sized enterprises, representing 19.6% of the Borrower's gross loan portfolio, and EBRD programmes, representing 11.6% of the Borrower's gross loan portfolio. Security is taken in respect of all mortgages, consumer loans and car loans and the Borrower requires borrowers to insure any cars acquired using such car loans and to insure any real estate acquired using such mortgage loans. See "Selected Statistical and Other Information – Loan Portfolio – Loan Portfolio Structure by Sector".

In March 1999, the Borrower became a participating member in the VISA system and began issuing VISA Classic, VISA Gold and VISA Business debit and credit cards. Up until March 2006, the Borrower used the card processing centres of CJSC Processing Centre, a subsidiary of the NBK, and JSC Halyk Bank. The Borrower introduced its own processing centre in March 2006. As at 30 June 2006, the Borrower had issued 61,535 cards, of which 59,330 are debit cards and 2,205 are credit cards which represents approximately 1.62% market share, with total payments for the six months ended 30 June 2006 amounting to KZT7,855 million. As at 31 December 2005, the Borrower had issued approximately 39,659 debit and 6,854 credit cards 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 full year in 2004. The Borrower requires customers to have cash in the amount of U.S.$1,000 for VISA Gold and U.S.$500 for VISA Classic debit and credit cards deposited in their accounts as security for credit cards. The Borrower plans to increase its market share of the debit and credit card market aligned to the growth in its retail clients.

Currently, the Borrower has 39 ATMs in almost all regions of Kazakhstan and is in the process of installing an additional 33 ATMs. The Borrower has also entered into ATM sharing agreements with all the major banks including JSC Halyk Bank, JSC Bank TuranAlem and JSC Kazkommertsbank, allowing its customers to use their ATM networks, giving the Borrower's customers access to around 1,000 ATMs in Kazakhstan. In common with other retail banks in Kazakhstan, customers of the Borrower are charged a small fee per withdrawal.

In September 1999, the Borrower 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 Co-operation and Development ("**OECD**") banks. The Borrower's management expects that such developments will increase demand for new product lines from retail customers, and as such, the Borrower intends to introduce domestic and foreign investment advisory and consultancy services and asset management services.

Investment Banking

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

The Borrower has been active as a broker dealer on the Kazakhstan securities market since November 1995. In 1997, the Borrower 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 Borrower 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 Borrower was appointed as the financial adviser and sole lead manager for the issue of municipal bonds by the Western Kazakhstan region. The Borrower intends to expand its securities trading and financial advisory activities.

Insurance Services

The insurance market is developing rapidly in Kazakhstan following enhanced regulatory supervision and general economic development in Kazakhstan. According to data provided by the FMSA, there were 39 insurance companies operating in Kazakhstan, with a total capital estimated at approximately KZT57.1 billion as at 1 July 2006, KZT28 billion as at 31 December 2005 compared to KZT29.6 billion as at 31 December 2004.

The Borrower offers a broad range of property and casualty insurance products through its wholly-owned subsidiary, JSC ATF Policy. As at 30 June 2006 JSC ATF Policy had total assets of KZT2,754 million. Based on data compiled by the NBK, as at 30 June 2006, JSC ATF Policy had approximately a 6.3% share of the insurance market in Kazakhstan (in terms of premium income). JSC ATF Policy's obligations are reinsured with various international insurance organisations. The Borrower is focused on enhancing its penetration of the insurance market over the next few years and, in the longer term, intends to obtain authorisation to expand its range of products to include life insurance as the market for such products develops. See "– Subsidiaries, Associated and Affiliated Companies – JSC ATF Policy".

Branch Operations

As at the date of this Prospectus, the Borrower, in addition to the Borrower's head office in Almaty, had 42 full service branches and 25 limited service branches located throughout Kazakhstan as well as four subsidiaries. During 2006, the Borrower anticipates opening three full service branches and 33 limited service branches. According to the recent amendments to the banking legislation, limited service branches (in the language of the legislation "retail units") will have to be converted to full service branches or units of existing full service branches by the end of 2006. Each full service branch provides a broad range of banking services. In comparison with full service branches, limited service branches provide a limited number of banking services such as utility payments, cash withdrawals and money transfers, mainly for individual customers.

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

Technology

The Borrower operates an integrated banking system and has a unified payment system, which allows for on-line interactive communication between the head office of the Borrower 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 Borrower 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 Borrower plans to invest in a more advanced banking information system and to establish a unified computer system to provide comprehensive real-time, interactive communication between the branches and the head office, and has recently concluded a tender for the supplier to provide a system for such purpose. The Borrower will roll out the new system, the T24 provided by Temenos, over the next 18 months throughout its entire branch network. The Borrower has a budgeted capital expenditure amount of U.S.$14 million allocated for its technology systems in 2005 to 2009.

Competition

As at 30 June 2006, there were 33 commercial banks, excluding the NBK, the DBK and Zhilstrojsberbank (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 Halyk Bank and JSC Bank TuranAlem; 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 JSC ATFBank, 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 Halyk Bank and JSC Bank TuranAlem from which the Borrower faces significant competition. In addition, the Borrower 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 Borrower believes that the Borrower faces materially less competition from other medium and small domestic banks.

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

	As at 30 June 2006		As at 31 December 2005	
	Assets	Shareholders' Equity	Assets	Shareholders' Equity
	(KZT millions)		*(KZT millions)*	
Large Domestic Banks				
Kazkommertsbank	1,165,984	87,022	1,131,763	74,047
Bank TuranAlem	1,145,928	122,427	963,653	91,900
Halyk Bank	762,654	67,543	558,455	60,275
Medium-sized Domestic Banks				
Alliance Bank	524,681	37,155	336,956	29,233
ATFBank	462,200	36,465	353,220	27,491
Bank CenterCredit	410,625	28,860	333,332	25,922
Banks with Foreign Participation				
ABN AMRO Bank Kazakhstan	106,321	8,435	55,183	8,095
HSBC Kazakhstan	40,148	5,849	35,775	4,075
Citibank Kazakhstan	72,847	6,285	55,277	5,969

Source: FMSA.

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

Subsidiaries, Associated and Affiliated Companies

As at the date of this Prospectus, the Borrower has four subsidiaries, JSC ATF Policy, OJSC EnergoBank in Kyrgyzstan, CJSC OCB (OMSK Commercial Bank) Sibir in the Russian Federation, ATF Capital B.V. in The Netherlands, one associate company, JSC OSPF Otan, and one affiliated company, JSC ATF Leasing.

JSC Insurance Company ATF Policy ("ATF Policy")

ATF Policy was established in December 1999 as a closed joint stock company and as at 30 June 2006, it had an authorised issued and fully paid up share capital of KZT1,725 million, shareholders' equity of KZT1,895 million and total assets of KZT2,754 million. For the years ended 31 December 2004 and 2003, ATF Policy did not pay any dividends. ATF Policy offers a full range of property and casualty insurance products and according to data provided by the NBK as at 30 June 2006, it had approximately a 6.3% share of the insurance market in Kazakhstan (in terms of premium income). The Borrower is focused on furthering its penetration of the insurance market over the next few years and, in the longer term, intends to obtain authorisation to expand its range of products to include life insurance as the market for such products develops.

ATF Policy holds state insurance licence No. 24-1/1 issued in March 2001. The registered address of ATF Policy is 83 Kabanbai Batyr Street, Almaty 050091, Kazakhstan.

OJSC EnergoBank ("Energobank")

In June 2004 the Borrower acquired a 34.4% stake in EnergoBank, the fifth largest bank in Kyrgyzstan. In 2005 the Borrower made an additional contribution of KZT135,378 thousand to the working capital of EnergoBank and as at 31 December 2005 owned 73.9% of EnergoBank. During the first six months of 2006 the Borrower increased its holding in EnergoBank by 12.0% and as at date of this Prospectus the Borrower owned 85.9%. As at 30 June 2006 EnergoBank had assets of U.S.$45 million of KZT5,359 million. EnergoBank has its head office in Bishkek and currently has eight branches located in Kyrgyzstan. The Borrower views EnergoBank as a strategic opportunity to expand its operations in Kyrgyzstan.

CJSC OCB (OMSK Commercial Bank) Sibir ("CJSC OCB Sibir")

The Borrower owns CJSC OCB Sibir in the Omsk Region of the Russian Federation. In November 2005, the Bank acquired 100.0% of the total share capital of CJSC OCB Sibir. On 12 July 2006, CJSC OCB Sibir issued further common shares to a value of RUR299,999 million (KZT1,320 billion).

JSC Open Savings Pension Fund Otan ("SPF Otan")

In April 2004, the Borrower purchased a 24.3% holding in SPF Otan for KZT119 million. During 2005 and the first six months of 2006 the Borrower increased its stake in SPF Otan to a 31.4% holding. SPF Otan had assets under management in the amount of KZT621 million as at 30 June 2006 compared to KZT513 million as at 31 December 2005 and, according to data provided by the NBK, it had a 2.0% market share of the pension fund market in Kazakhstan. For the six months ended 30 June 2006, SPF Otan's net income, as derived from its unaudited management records, was KZT61 million compared to KZT39 million for the same period in 2005.

JSF ATF Leasing ("ATF Leasing")

As at 30 June 2006, the Borrower held 9.0% of the issued share capital of its former wholly-owned subsidiary 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, ATF Leasing depended on the Borrower for its funding and, as a related party under Kazakh law, the Borrower was prohibited from making loans to ATF Leasing that exceeded 10.0% of the Borrower's capital. Consequently, to free ATF Leasing from this limitation, the Borrower reduced its ownership interest. Whilst the Borrower is represented on the supervisory board of ATF Leasing, it does not now exercise any significant influence over the operating and financial affairs of ATF Leasing and is no longer consolidated in the Borrower's financial statements. As the Borrower's total capital has grown considerably since 2001, the Borrower believes it has sufficient capital to fund ATF Leasing and intends to reacquire a controlling interest in ATF Leasing in the medium term. ATF Leasing provides financial expertise and leasing services to various corporate clients.

On April 24, 2006, the Borrower established a new subsidiary ATF Capital B.V. in the Netherlands, and as at 30 June 2006 the Borrower owned 100.0% of the share capital of ATF Capital B.V..

Employees

As at 30 June 2006, the Group had 2,906 full-time employees, of which 1,853 were employed at the Borrower's branches. Currently, none of the Borrower's employees are represented by a labour union. The Borrower 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 Borrower's main correspondent banks including Deutsche Bank AG, Dresdner Bank AG, ING Bank N.V., Commerzbank AG and within the Credit Suisse Group.

The Borrower's growth plans will require the recruitment of new staff in the branches established in 2006 and in other areas of the Borrower.

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

Property

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

The Borrower leases offices used by its limited service branches.

Legal Proceedings

Neither the Borrower 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 Borrower, threatened, with respect to the properties, assets or operations of the Borrower or any of its subsidiaries.

SELECTED STATISTICAL AND OTHER INFORMATION

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

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

Average Balances

The following table sets out the average daily balances of assets and liabilities of the Borrower for the periods indicated.

	Year ended 31 December								
	2005			2004			2003		
	Weighted-average balance	Interest	Interest rate	Weighted-average balance	Interest	Interest rate	Weighted-average balance	Interest	Interest rate
	in KZT millions except percentages								
ASSETS									
Correspondent accounts with NBK	3,497.4	0.0	0.00%	2,552.5	0.0	0.00%	1,473.3	0.0	0.00%
Correspondent accounts with other banks	4,291.9	83.9	1.95%	3,959.4	15.6	0.39%	2,498.6	19.2	0.77%
Term deposits with NBK	302.5	19.0	6.28%	1,023.9	31.6	3.09%	995.3	45.2	4.54%
Term deposits with other banks	9,122.9	599.2	6.57%	3,239.7	119.9	3.70%	339.4	33.3	9.81%
Amounts due from credit institutions									
in tenge	235.0	42.2	17.96%	644.7	8.5	1.32%	328.3	13.9	4.23%
in foreign currency	192.5	21.8	11.32%	207.0	10.4	5.02%	24.0	0.7	2.92%
Financial assets at fair value through profit and loss	17,515.0	571.3	3.26%	13,642.4	796.7	5.84%	17,005.8	1,115.9	6.56%
Investment securities									
available for sale	29,155.2	793.4	2.72%	2,208.6	115.7	5.24%	—	—	—
held-to-maturity	5,286.7	600.0	11.35%	11,834.6	553.3	4.68%	—	—	—
Commercial loans and advances									
in tenge	65,687.9	8,623.8	13.13%	26,760.9	3,504.1	13.09%	14,845.1	2,190.5	14.76%
in foreign currency	107,085.6	13,066.8	12.20%	53,760.2	7,487.9	13.93%	31,932.9	4,464.9	13.98%
Interest-earning assets	242,372.6	24,421.4	10.08%	119,833.9	12,643.7	10.55%	69,442.7	7,883.6	11.35%
Cash	5,290.7	—	—	2,931.4	—	—	1,792.7	—	—
Premises and equipment	4,278.3	—	—	2,615.2	—	—	1,990.7	—	—
Tax assets	393.8	—	—	390.7	—	—	94.8	—	—
Investments in associates	81.9	—	—	145.7	—	—	0.0	—	—
Other assets	3,192.9	—	—	3,531.6	—	—	2,180.6	—	—
Non-interest assets	13,237.6	—	—	9,614.6	—	—	6,058.8	—	—
Total assets	255,610.2	24,421.4	—	129,448.5	12,643.7	—	75,501.5	7,883.6	—
Amounts due to Government and NBK	4,893.6	340.8	6.96%	2,050.1	93.3	4.55%	2,378.7	106.7	4.49%
Amounts due to credit institutions	49,599.0	2,415.5	4.87%	33,422.5	1,344.2	4.02%	20,606.8	850.6	4.13%
Amounts due to customers	92,857.7	5,146.3	5.54%	58,114.7	2,794.6	4.81%	40,885.9	2,126.1	5.20%
Issued debt securities	69,721.9	7,318.8	10.50%	16,580.1	1,513.3	9.13%	77.0	13.0	16.88%
subordinated debt	10,774.8	916.0	8.50%	1,174.1	62.6	5.33%	1,464.9	130.0	8.87%
Interest-bearing liabilities	227,847.0	16,137.4	7.08%	111,341.5	5,808.0	5.22%	65,413.3	3,226.4	4.93%
Reserves for insurance claims	519.8	—	—	307	—	—	107.9	—	—
Reserves	2,391.3	—	—	4,771.6	—	—	2,567.4	—	—
Other liabilities	1,710.1	—	—	880.8	—	—	792.3	—	—
Non-interest liabilities	4,621.2	—	—	5,959.4	—	—	3,467.6	—	—
Total liabilities	232,468.2	16,137.4	—	117,300.9	5,808.0	—	68,880.9	3,226.4	—
Shareholders's equity and reserves	23,142.0	—	—	12,147.6	—	—	6,620.6	—	—
Shareholders's equity and Total liabilities	255,610.2	16,137.4	—	129,448.5	5,808.0	—	75,501.5	3,226.4	—

The following table presents certain information regarding changes in interest income and interest expense of the Borrower during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (1) changes in volume (changes in average outstanding balances multiplied by the prior period's average interest rate); (2) changes in interest rate (changes in average interest rate times the average outstanding balances at the end of the period); and (3) changes not solely attributable to volume or rate are allocated on a pro-rata basis.

	2004/2005			2003/2004		
	Increase/decrease due to change in					
	Volume	Interest rate	Net change	Volume	Interest rate	Net change
	in KZT millions except percentages					
Correspondent accounts with NBK	0.0	0.0	0.0	0.0	0.0	0.0
Correspondent accounts with other banks	1.3	67.0	68.3	11.2	(14.8)	(3.6)
Term deposits with NBK	(22.3)	9.7	(12.6)	1.3	(14.9)	(13.6)
Short-term deposits with other banks	217.7	261.6	479.3	284.6	(198.0)	86.6
Amounts due from credit institutions						
in tenge	(5.4)	39.1	33.7	13.4	(18.8)	(5.4)
in foreign currency	(0.7)	12.1	11.4	5.3	4.4	9.7
Financial assets at fair value through profit and loss	226.2	(451.6)	(225.4)	(220.7)	(98.5)	(319.2)
Investment securities						
available-for-sale	1,411.6	(733.9)	677.7	0.0	115.7	115.7
held-to-maturity	(306.1)	352.8	46.7	0.0	553.3	553.3
Commercial loans and advances						
in tenge	5,097.1	22.6	5,119.7	1,758.3	(444.7)	1,313.6
in foreign currency	7,427.3	(1,848.4)	5,578.9	3,051.9	(28.9)	3,023.0
Interest-bearing assets	14,046.8	(2,269.1)	11,777.7	4,905.3	(145.2)	4,760.1
Amounts due to Government and NBK	129.4	118.1	247.5	(14.7)	1.3	(13.4)
Amounts due to credit institutions	650.6	420.7	1,071.3	529.0	(35.4)	493.6
Amounts due to customers	1,670.7	681.0	2,351.7	895.9	(227.4)	668.5
Issued debt securities	4,850.4	955.1	5,805.5	2,786.2	(1,285.9)	1,500.3
Subordinated debt	511.9	341.5	853.4	(25.8)	(41.6)	(67.4)
Interest-bearing liabilities	7,813.0	2,516.4	10,329.4	4,170.6	(1,589.0)	2,581.6
Net position/change	6,233.83	(4,785.53)	1,448.30	734.69	1,443.81	2,178.50

Asset and Liability Management

Introduction

The Borrower'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 Borrower 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 Borrower's profitability and liquidity position.

The Borrower 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 Borrower's First Deputy Chairman, the Managing Director of the Treasury Department, the Managing Director of the Credit Department, the Managing Director of the Retail Business Department, the Director of the Risk Management Department, the Director of the International Department and the Head of the Analysis Division. The ALCO's principal duty is to manage the Borrower's liquidity and to maximise the Borrower's net interest margin within liquidity parameters prescribed by the Borrower's management. The ALCO meets every other week to review the Borrower's asset and liability position based on information provided by the Borrower's Analysis Division and the Treasury Department on various matters, including: maturities, interest rates and yields, the size and maturity of the Borrower's loan portfolio, demand and term deposits and investments, the Borrower's net foreign currency position, the Borrower'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 Borrower 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 Borrower established the Risk Management Department which is responsible for devising, implementing and monitoring the Borrower's risk management policies.

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

Liquidity Risk

The following tables summarise the Borrower's banking assets and liabilities by maturity as at 30 June 2006, 31 December 2005 and contain liquidity risk facing the Borrower. 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 June 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	27,081,240	7,656,857	1,701,277	—	—	—	36,439,374
Obligatory reserves	—	—	—	—	—	4,383,360	4,383,360
Amounts due from credit institutions	—	1,777,854	663,604	7,401,322	594,272	—	10,437,052
Financial assets at fair value through profit or loss	69,693,836	—	—	—	—	—	69,693,836
Available-for-Sale investments	21,427,000	—	—	—	—	—	21,427,000
Commercial loans and advances	—	6,335,405	13,403,477	88,635,246	141,643,703	62,780,156	312,797,987
Insurance reserves, reinsurance share	5,500,880	—	—	—	—	—	5,500,880
Current tax assets	—	—	—	496,019	—	—	496,019
Deferred tax assets	—	—	—	44,496	—	—	44,496
Other assets	492,920	699,864	5,503	131,795	249,048	1,783,786	3,362,916
	124,195,876	16,469,980	15,773,861	96,708,878	142,487,023	68,947,302	464,582,920
Amounts due to the Government and the NBK	—	2,119	1,012,589	4,490,501	2,882,831	—	8,388,040
Amounts due to credit institutions	1,248,461	8,437,598	3,161,311	66,946,937	24,872,023	22,277	104,688,607
Amounts due to customers	53,648,276	28,528,756	8,542,024	37,626,104	18,062,039	12,721,821	159,129,020
Debt securities issued	—	—	—	12,008,778	51,251,755	65,303,499	128,564,032
Subordinated debt	—	—	—	246,966	1,704	17,558,347	17,807,017
Insurance reserves	6,285,440	—	—	—	—	—	6,285,440
Other liabilities	759,669	282,812	16,124	52,572	11,197	—	1,122,374
	61,941,846	37,251,285	12,732,048	121,371,858	97,081,549	95,605,944	425,984,530
Net position	62,254,030	(20,781,305)	3,041,813	(24,662,980)	45,405,474	(26,658,642)	38,598,390
Accumulated gap	62,254,030	41,472,725	44,514,538	19,851,558	65,257,032	38,598,390	

The above table does not include the effect of the allowances for impairment of loans due from credit institutions and other assets totalling KZT9,522,888 thousand as at 30 June 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	—	—	—	—	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	

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 Borrower's banking assets and liabilities by maturity as at 31 December 2004 and contains certain information regarding the liquidity risk facing the Borrower.

	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 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	

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 Borrower'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 Borrower's share capital by KZT8.4 billion. Consequently, the Borrower commenced an offering of common shares and preference shares in October 2004 which resulted in the Borrower issuing an additional 3,180,000 common shares which were subscribed for by certain existing shareholders for a total consideration of KZT3.2 billion. On 20 February 2006, the Borrower's general meeting of shareholders approved the issuance of an additional 27,000,000 common shares. As of 3 April 2006, 1,273,416 of these additional newly issued common shares had been placed with existing shareholders for a total amount of KZT6.37 billion. See "Share Capital and Principal Shareholders". The Borrower issued U.S.$131 million of subordinated bonds to investors on the domestic market during 2005.

Interest Rate Risk

The principal objective of the Borrower'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 Borrower 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 Borrower's assets and liabilities shown under "– Liquidity Risk" above give some indication as to the Borrower's sensitivity to interest rate movements, it is an imprecise measure as it does not take account of the frequency with which the Borrower is able to reprice its assets and liabilities.

The Borrower believes that its sensitivity to interest rate changes is largely reduced by the Borrower'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 Borrower is also entitled to call for prepayment of loans. Accordingly, a substantial portion of the Borrower's assets are susceptible to repricing prior to maturity. Nevertheless, as the average maturity of the Borrower's loan portfolio increases, the Borrower 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 Borrower's funding and liquidity management policy seeks to ensure that, even under adverse conditions, the Borrower maintains sufficient funds available to meet its operational needs and to ensure compliance with NBK and FMSA regulations and covenants contained in the Borrower's various credit facilities. See "Financial Review – Foreign Currency Borrowings". Liquidity risk exists in the general funding of the Borrower'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 Borrower'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 Borrower's liquidity guidelines and strategy on a monthly basis.

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

	As at 30 June	As at 31 December[1]		
	2006	2005	2004	2003
		(%)		
Net commercial loans and advances/total assets...	65.7	68.2	64.5	63.2
Net commercial loans and advances/amounts due to customers	190.7	209.9	163.0	134.9
Net commercial loans and advances/shareholders' equity	843.3	889.0	616.6	725.1
Liquid assets[1]/total assets	29.9	26.7	30.5	31.1
Liquid assets[1]/amounts due to customers	86.7	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 Borrower's funding base consists largely of customer deposits, and as at 31 December 2004, 42.9% of total deposits comprised those of the Borrower's 10 largest corporate depositors. As at 31 December 2005, this ratio had fallen to 34.7%. As at 30 June 2006 this ratio increased to 40.9%. This structure positively affects funding costs and improves the Borrower'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.$1,050 million in senior debt issued in 2004, 2005 and in the first six months of 2006 in the international capital markets and U.S.$149 million of subordinated debt issued in the domestic market during 2005. The Borrower intends to reduce the concentration in its deposit base by attracting small and medium corporate and retail depositors. Failure to reduce such concentration could, however, expose the Borrower to increased liquidity risk and have a material adverse effect on the Borrower's result of operations and financial condition. New borrowings, together with the proceeds of the offering of the Notes, will contribute to the Borrower's medium-to long-term funding base.

The following table sets out certain information as to the Borrower's sources of funds as at the dates indicated:

	As at 30 June		As at 31 December					
	2006		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Amounts due to customers	159,129	37.9	116,682	35.7	68,747	44.4	44,826	51.6
Loans due to credit institutions	87,351	20.8	56,452	17.3	35,995	23.2	28,183	32.5
Deposits from banks	17,338	4.1	27,191	8.3	2,768	1.8	5,455	6.3
Amounts due to the Government and the NBK	8,388	2.0	9,260	2.8	3,341	2.2	3,445	4.0
Debt securities issued	128,564	30.6	98,430	30.1	43,307	27.9	2,848	3.3
Subordinated debt	17,807	4.2	17,779	5.4	260	0.2	1,498	1.7
Other liabilities	1,122	0.4	1,229	0.4	535	0.3	535	0.6
Total liabilities	419,699	100.0	327,023	100.0	154,953	100.0	86,790	100.0

Customer Accounts

The Borrower increased the total amount of its deposits by 36.4% to KZT159,129 million as at 30 June 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 Borrower's funding base is represented by corporate customer accounts. The share of corporate deposits in the Borrower's deposit base has remained relatively unchanged amounting to 71.8%, 76.0%, 77.1% and 77.8% of amounts owed to customers as at 30 June 2006, 31 December 2005, 31 December 2004 and 31 December 2003, respectively. As at 30 June 2006, the Borrower's 10 largest depositors accounted for approximately 40.9% 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 Borrower intends further to reduce the concentration of domestic funding by attracting small and medium enterprises and retail depositors.

The Borrower continued to increase its retail deposit funding base in 2006, which represents an increasingly important source of funding for the Borrower. Because retail funding mainly consists of term deposits, it is less volatile than corporate funding, but also more costly for the Borrower. The Borrower 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 27.6%, 23.2%, 21.9% and 20.6% of the Borrower's total amounts owed to customers as at 30 June 2006, 31 December 2005, 31 December 2004 and 31 December 2003, respectively. As at 30 June 2006, approximately 64.5% of the Borrower's retail accounts were covered by the deposit insurance scheme, compared to 56.2% as at 31 December 2005, 74.1% as at 31 December 2004 and 46.5% as at 31 December 2003. See "The Banking Sector in Kazakhstan".

As at 30 June 2006, term deposits were KZT105,171 million or 66.1% of total amounts owed to customers as compared to KZT65,632 million or 56.2% of total amounts owed to customers as at 31 December 2005, KZT46,903 million or 68.2% of total amounts owed to customers as at 31 December 2004 and KZT27,411 million or 61.1% of total amounts owed to customers as at 31 December 2003, respectively.

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

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
	(KZT millions)	(KZT millions)		
Demand deposits:				
Retail	6,161	4,768	2,308	1,397
Corporate	46,858	45,313	18,825	15,334
Total	53,019	50,081	21,133	16,731
Term deposits:				
Retail	37,793	22,292	12,740	7,854
Corporate	67,379	43,340	34,163	19,557
Total	105,171	65,632	46,903	27,411
Held as security against letters of credit and guarantees.	939	969	711	684
Total deposits	159,129	116,682	68,747	44,826

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

	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
	(% per annum)					
Tenor						
Up to 6 months	6.0	4.0	6.0	4.0	7.5	5.0
Up to 12 months	9.0	5.0	9.0	5.0	10.5	6.0
Up to 36 months	10.0	6.5	10.0	6.5	11.5	7.5
Over 36 months	11.0	7.5	11.0	7.5	12.5	8.5

The following table sets out the average interest rates on the Borrower's deposits calculated on the basis of average daily balances as at the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December[1]		
	2005	2004	2003
	(%)		
KZT deposits:			
Demand deposits	0.5	0.7	0.6
Time deposits	8.2	6.5	6.0
Foreign currency deposits:			
Demand deposits	0.4	0.7	0.9
Time deposits	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 six months ended 30 June 2006 and for the years ended 31 December 2005, 2004 and 2003:

	As at 30 June	As at 31 December(1)		
	2006	2005	2004	2003
Average interest-earning assets	391,346	242,372	119,834	69,443
Interest income	20,461	24,421	12,644	7,884
Net interest income	7,185	8,284	6,836	4,657
Yield (%)(2)	10.4	10.1	10.6	11.4
Net interest margin (%)(3)	3.7	3.4	5.7	6.7
Spread (%)(4)	3.2	3.0	5.3	6.4

(1) Derived from management accounts.

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

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

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

Securities Portfolio

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

As of 1 January 2004, the Borrower 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 Borrower 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 Borrower'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 Borrower 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 Borrower 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 Borrower exclusively with a view to their future disposal are also classified as available-for-sale. See also "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies – Financial Assets of Fair Value through profit and loss" and "Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies – Investment Securities".

The Borrower 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 Borrower's total securities portfolio (54.6% as at 30 June 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) is comprised of Government, Ministry of Finance and NBK securities. The remaining portfolio consists of Government securities of OECD countries, bonds of local financial institutions, corporate bonds and securities issued by Kazakhstan issuers.

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

	As at 30 June	As at 31 December		
	2006	2005	2004	2003(1)
		(KZT millions)		
Financial assets at fair value through profits or loss(2):				
Notes of the NBK	40,532	13,181	601	9,454
Treasury bills of the Ministry of Finance	5,152	6,110	4,340	6,560
U.S. Treasury bills	10,375	2,308	—	2,582
Euronotes of the Republic of Kazakhstan	1,913	2,226	3,125	—
Bonds of local financial organisations	5,597	1,413	499	556
Corporate bonds	2,773	468	85	83
Government securities of OECD based countries.	—	674	—	—
Equity investments	5	—	—	416
Bonds of foreign financial institutions	3,347			
Sovereign bonds of the Republic of Kazakhstan	—	—	—	4,239
Total financial assets at fair value through profit or loss	69,694	26,380	8,650	23,890
Investment Securities				
Available-for-sale securities				
Government securities of OECD based countries.	8,847	10,034	—	—
Treasury bills of the Ministry of Finance	2,124	9,856	—	—
Bonds of foreign financial institutions	6,263	5,439	—	—
Corporate Bonds	2,141	3,691	—	—
U.S. Treasury bills	—	2,154	707	—
Bonds of local financial institutions	1,820	1,453	—	—
Sovereign bonds of the Republic of Kyrgyzstan	188	260	—	—
Notes of the NBK	—	128	—	—
Government bonds of Russia	44	—	—	—
Held-to-maturity securities				
Notes of the NBK	—	—	21,675	—
Treasury bills of the Ministry of Finance	—	—	1,325	—
U.S. Treasury bills	—	—	3,009	—
Total investment securities	21,427	33,015	26,716	—
Total securities	91,121	59,395	35,366	23,890

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

(2) As from 1 January 2005, the Borrower's Trading Securities portfolio was reclassified as "Financial assets at fair value through profit or loss".

The Borrower's total securities portfolio increased by 53.4% to KZT91,121 million as at 30 June 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 increase was due to significant increases in the Borrower's holding of Government securities of other countries and NBK notes. The Borrower'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 KZT8,847 million as at 30 June 2006.

In 2005, in order to manage country risks and improve the liquidity of its securities portfolio, the Borrower decided to diversify its securities portfolio to include U.S. Treasury bills. A significant portion of the increase between 2002 and 2003 in the Borrower'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 132.5% to KZT10,375 million as at 30 June 2006 and by 20.1% to KZT4,462 million as at 31 December 2005, 43.9% to KZT3,716 million as at 31 December 2004, compared to KZT2,582 million as at 31 December 2003, which in turn, represented an increase of 288.3% compared with the Borrower's U.S. Treasury bill holdings of KZT665 million as at 31 December 2002. As at 30 June 2006, the Borrower held U.S. Treasury bill holdings of KZT10,375 million.

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

	As at 30 June 2006										
	Up to 1 month	Average Weighted Yield	1-3 months	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	40,532	3.20	—	—	—	—	—	—	—	—	40,532
Treasury bills of the Ministry of Finance	207	3.45	1,349	3.60	511	3.80	3,013	4.00	72	4.10	5,152
Euronotes	—	—	—	—	1,913	4.46	—	—	—	—	1,913
U.S. treasury bills	1,895	4.39	588	4.67	4,073	4.75	—	—	3,819	5.00	10,375
Bonds of local finance organisations	—	—	2	15.00	20	8.50	1,663	6.40	3,912	6.80	5,597
Bonds of international finance organizations	—	—	—	—	120	4.45	3,227	5.00	—	—	3,347
Corporate bonds	37	8.00	—	—	21	9.00	1,611	8.50	1,104	9.00	2,773
Debt securities	42,671	3.25	1,939	3.94	6,658	4.58	9,514	5.50	8,907	6.26	69,689
Corporate shares	3	—	—	—	—	—	—	—	—	—	3
Shares of local finance organizations	2	—	—	—	—	—	—	—	—	—	2
Equity securities	5	—	—	—	—	—	—	—	—	—	5
Trading securities	42,676	3.25	1,939	3.92	6,658	4.59	9,514	5.45	8,908	6.25	69,694
Notes of the NBK	—	—	—	—	—	—	—	—	—	—	—
Treasury bills of the Ministry of Finance	—	—	107	3.60	975	3.80	1,042	4.00	—	—	2,124
Corporate bonds	—	—	—	—	—	—	263	8.50	1,878	9.00	2,141
Bonds of local financial organisations (banks)	—	—	—	—	98	6.00	905	6.40	817	6.80	1,820
Bonds of international finance organizations	—	—	—	—	—	—	4,219	5.00	2,044	5.14	6,263
GVT securities of OECD based country	—	—	—	—	—	—	8,847	7.50	—	—	8,847
Government bonds of Russia	—	—	—	—	—	—	44	—	—	—	44
Sovereign bonds of the Republic of Kyrgyzstan	27	—	26	4.68	88	6.00	47	12.48	—	—	188
Investment securities	27	—	133	3.81	1,161	4.15	15,367	6.54	4,739	6.96	21,427

	As at 31 December 2005										
	Up to 1 month	Average Weighted Yield	1-3 months	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	13,181	2.0	—	—	—	—	—	—	—	—	13,181
Treasury bills of the Ministry of Finance	—	—	—	—	2,525	2.3	3,585	3.3	—	—	6,110
Euronotes	—	—	—	—	—	—	2,226	5.0	—	—	2,226
U.S. treasury bills	—	—	—	—	—	—	—	—	2,308	4.7	2,308
Bonds of local finance organisations	—	—	—	—	—	—	984	7.6	429	9.5	1,413
Bonds of Germany Government Agency	—	—	—	—	—	—	674	4.8	—	—	674
GVT securities of OECD based countries											
Corporate bonds	—	—	—	—	43	4.8	45	5.0	380	8.4	468
Trading securities	13,181		—		2,568		7,514		3,117		26,380
Available-for-sale securities											
Notes of the NBK	—	—	128	2.0	—	—	—	—	—	—	128
U.S. Treasury bills	—	—	—	—	—	—	2,154	3.7	—	—	2,154
Bonds of Germany Government Agency	—	—	—	—	—	—	5,988	4.5	—	—	5,988
Bonds of Government Mortgage Agency of France	—	—	—	—	—	—	4,046	4.7	—	—	4,046
Notes with fixed par value	—	—	—	—	—	—	810	—	—	—	810
Treasury bills of the Ministry of Finance	—	—	175	2.0	7,991	2.4	1,690	3.0	—	—	9,856
Bonds of ADB	—	—	—	—	—	—	—	—	1,317	4.6	1,317
Bonds of European Investment Bank	—	—	—	—	—	—	3,312	4.5	—	—	3,312
Bonds of local financial organisations (banks)	—	—	—	—	1,428	3.5	1,264	8	2,452	8.2	5,144
Sovereign bonds of the Republic of Kyrgyzstan	—	—	—	—	260	5.0	—	—	—	—	260
Investment securities	—		303		9,679		19,264		3,769		33,015

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%.

The Borrower 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 Borrower's net currency position and advises on the Borrower's strategy accordingly. The ALCO sets the Borrower'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 30.0 per cent., 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 15.0 per cent. of its own capital. The open (long and short positions) for any currency of a country rated from "B" to "A" are both limited to 5.0 per cent. of a bank's own capital.

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

	As at 30 June	As at 31 December[1]		
	2006	2005	2004	2003
Net long (short) position (KZT millions)	742	1,703	(1,901)	1,320
Net position as a percentage of shareholders' equity (%)	2.1	6.18	(10.5)	15.8
Net position as a percentage of foreign currency liabilities (%)	0.3	0.79	(1.82)	2.57

(1) Derived from management accounts.

Treasury Operations

The main objective of the Borrower's treasury operations is efficient management of the Borrower'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 Borrower's cash position on a daily basis and provides the Borrower's management with weekly reports on the Borrower's liquidity and cash flows.

The Borrower'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 Borrower is one of the principal banks in Kazakhstan involved in money market operations and Government securities trading; according to figures provided by KASE, in April 2006 the Borrower was the third 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 Borrower'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 Borrower intends to increase its maturity limits, provided that it can match its funding base with longer-term funding through an increase in borrowings and term deposits. Lending to individuals primarily comprises mortgages, car loans and other loans to finance purchases of consumer products.

The Borrower's loan portfolio, net of allowances for impairment, grew by 23.9% to KZT303,406 million as at 30 June 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 June 2006, the 10 largest borrowers accounted for 21.0% of the Borrower'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 Borrower's loans and contingent liability exposure as at the dates indicated:

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
	(KZT millions)	*(KZT millions)*		
Loans				
Loans and advances to customers, gross	312,798	252,523	117,593	63,885
Allowances for impairment	(9,392)	(7,649)	(5,503)	(3,397)
Loans and advances to customers	303,406	244,874	112,090	60,488
Contingent liabilities				
Undrawn loan commitments	58,760	33,306	17,930	7,544
Guarantees	21,627	15,029	16,108	6,364
Letters of credit	3,535	3,601	5,037	2,987
Provisions	(179)	(283)	(254)	(159)
Cash collateral	(939)	(969)	(711)	(684)
Total contingent liabilities	82,714	50,684	38,110	16,052
Total loans and contingent liabilities	386,120	295,558	150,200	76,540

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

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

	As at 30 June		As at 31 December(1)					
	2006		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Up to U.S.$50,000	38,538	12.3	28,718	11.3	14,568	12.4	9,101	14.2
U.S.$50,001 – 200,000	21,588	6.9	22,241	8.8	8,880	7.6	6,737	10.5
U.S.$200,001 – 1,000,000	31,611	10.1	25,147	10.0	12,807	10.9	11,635	18.2
U.S.$1,000,001 – 3,000,000	30,601	9.8	29,295	11.5	17,548	14.9	14,484	22.7
U.S.$3,000,001 – 5,000,000	30,130	9.6	22,183	8.9	14,365	12.2	9,499	14.9
Over U.S.$5,000,000	160,330	51.3	124,939	49.5	49,425	42.0	12,429	19.5
Total	312,798	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 the breakdown of the Borrower's gross commercial loans and advances (before allowances) by maturity:

	As at 30 June		As at 31 December(1)					
	2006		2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Up to 1 month	6,336	2.0	5,465	2.2	6,417	5.5	2,083	3.3
1-3 months	13,403	4.3	7,182	2.8	7,479	6.4	6,954	10.9
3 months – 1 year	88,635	28.3	92,011	36.4	32,655	27.7	24,385	38.2
1-5 years	141,644	45.3	117,125	46.4	62,341	53.0	25,086	39.2
Over 5 years	62,780	20.1	30,740	12.2	8,701	7.4	5,377	8.4
Total	312,798	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 Borrower'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 Borrower's gross commercial loans portfolio, not including advances and before allowances, by economic sector, as at the dates indicated:

	30 June		As at 31 December					
	2006 (unaudited)		2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Individuals	58,799	18.8	42,208	16.7	17,017	14.5	7,034	11.0
Wholesale trading	55,590	17.8	46,856	18.6	21,565	18.3	14,416	22.6
Construction	40,209	12.8	29,328	11.6	10,570	9.0	9,600	15.0
Services	34,145	10.9	32,186	12.7	4,648	4.0	2,629	4.1
Food industry	25,218	8.1	25,642	10.2	17,023	14.5	5,456	8.5
Retail trading	16,523	5.3	10,330	4.1	6,232	5.3	6,348	9.9
Agriculture	15,478	4.9	13,559	5.4	8,773	7.5	6,722	10.5
Transport	9,298	3.0	5,876	2.3	3,931	3.3	1,135	1.8
Hotel Business	7,761	2.4	7,652	3.0	3,208	2.7	1,107	1.7
Real Estate	6,457	2.1	3,638	1.4	1,211	1.0	241	0.4
Textile industry	4,943	1.6	5,197	2.1	4,876	4.1	187	0.3
Oil and Gas	3,730	1.2	2,331	1.0	3,124	2.7	1,134	1.8
Communications	3,120	1.0	723	0.3	1,866	1.6	518	0.8
Chemical	2,554	0.8	1,694	0.7	777	0.7	863	1.4
Mining	2,155	0.7	2,493	1.0	2,391	2.0	355	0.6
Metallurgy	2,148	0.7	2,480	1.0	1,727	1.5	898	1.4
Entertainment	667	0.2	640	0.3	264	0.2	217	0.3
Other	24,003	7.7	19,690	7.7	8,390	7.1	5,025	7.9
	312,798	100.0	252,523	100.0	117,593	100.0	63,885	100.0

The Borrower increased its gross commercial loans and advances to customers by 23.9% to KZT312,798 million as at 30 June 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 Borrower had KZT58,799 million in loans to individuals outstanding as at 30 June 2006 or 39.3% increase from KZT42,208 million by the end of 2005, which represented 16.7% of the Borrower's loan portfolio. As at 31 December 2004, the Borrower had KZT17,017 million in loans to individuals outstanding which represented 14.5% of the Borrower'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 Borrower's strategic decision to increase its exposure to retail customers, in particular high net worth and middle-income individuals. The Borrower anticipates significant growth in applications for car loans and mortgages, and expects its lending activities to increase in these areas accordingly.

Loans to the food industry also comprised 8.1% of the Borrower's loan portfolio or KZT25,218 million as at 30 June 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 Borrower's loan portfolio and an increase from KZT5,456 million as at 31 December 2003.

Construction companies increased their borrowing to KZT40,209 million as at 30 June 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 Borrower 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 Borrower decided to increase its exposure to companies supplying construction materials to low-cost housing construction companies and to construction companies. The Borrower's total exposure to the construction sector was 12.8% as at 30 June 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 June 2006, loans to the agricultural sector comprised KZT15,478 million. Despite this year-on-year growth as a proportion of the Borrower's total loan portfolio, lending to this sector decreased to 4.9% as at 30 June 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 Borrower's policy of limiting its exposure to currency fluctuations, non-Tenge loans comprise the major part of the Borrower's loan portfolio, of which U.S. Dollar obligations are the most significant. As at 30 June 2006 and for the years ended 31 December 2005, 2004 and 2003, U.S. Dollar and Euro denominated or indexed loans comprised 62.6%, 68.6%, 68.9% and 66.4% of the Borrower'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 Borrower increased its Tenge denominated loan portfolio between 2003, 2004, 2005 and the first six months of 2006 from KZT21,490 million to KZT36,562 million, to KZT78,360 million and further to KZT115,891 million. However, such loans have a shorter-term maturity profile and usually contain provisions to allow the Borrower 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 Borrower's gross commercial loans and advances as at the dates indicated:

	As at 30 June		**As at 31 December[1]**					
	2006		**2005**		**2004**		**2003**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	115,891	37.0	78,360	31.0	36,562	31.1	21,490	33.6
U.S. Dollars	183,435	58.6	162,303	64.3	71,204	60.6	38,208	59.8
Euro	12,362	4.0	10,928	4.3	9,827	8.3	4,187	6.6
Others	1,110	0.4	932	0.4	—	—	—	—
Total	312,798	100.0	252,523	100.0	117,593	100.0	63,885	100.0

(1) Derived from management accounts.

Lending Policies and Procedures

General

The FMSA sets strict guidelines in relation to the credit approval process of banks, credit levels, terms, and interest rates of loans. Relevant regulations limit the exposure to any single borrower or group of borrowers to 10.0% of a bank's equity, for parties related to the bank, and to 25.0% of a bank's equity for unrelated parties. See "Financial Review – Capital Adequacy and Other Ratios" and "Transactions with Related Parties". The Borrower'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 Borrower has four main credit committees based at its head office which are responsible for approving credit decisions within the Borrower. The Retail Business Credit Committee is responsible for implementation of the Borrower's credit policy in respect of retail customers and approving the terms of loans to individuals extended by the Borrower for amounts up to U.S.$150,000. The Small Credit Committee is responsible for approving the terms of credit facilities and/or guarantees extended by the Borrower to corporate clients for amounts up to U.S.$100,000. The Medium Credit Committee is responsible for implementation of the Borrower's credit policy in respect of small and medium-sized enterprises and approving the terms of credit facilities and/or guarantees extended by the Borrower to corporate clients for amounts from U.S.$100,000 to U.S.$600,000. The Principal Credit Committee is responsible for implementation of the Borrower's credit policy in respect of large corporate customers and approving the terms of credit facilities and/or guarantees extended by the Borrower for amounts above U.S.$150,000 for retail customers and U.S.$600,000 for corporate clients. The Management Board must also approve any loan in excess of U.S.$10,000,000 in addition to the approval of the Principal Credit Committee. The Board of Directors must approve all transactions above U.S.$15,000,000 and all transactions with related parties.

Within each branch, credit decisions on loans below the credit level set for that branch are approved by the credit committee within the branch. The levels for each branch are set by the Principal Credit Committee and range from U.S.$3,000 to U.S.$150,000 for any single corporate borrower and from U.S.$3,000 to U.S.$75,000 for any single retail borrower. As the Borrower 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 Borrower's credit policies. Lending limits are reviewed on a quarterly basis.

All applications for credit/guarantee by corporate and retail customers must be submitted to the Borrower on its standard forms. In the case of corporate customers, an application submitted to the head office, depending on the type of the borrower, the credit and the industry sector, is reviewed by one of three divisions of the Credit Department (each of which is responsible for a particular industry sector), the SME Credit Division (which is responsible for small and medium businesses) or the Medium Term Credit Division (which is responsible for credits financed under the Borrower's programmes with EBRD, KfW, ADB or the World Bank), as appropriate. In the case of retail clients, an application is reviewed by the Retail Business Department. The relevant division/department undertakes a thorough review and analysis of the application, including carrying out feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower and then prepares a credit dossier based upon such results. If applicable, the Security Department obtains references on the potential borrower from third parties including other banks and various governmental authorities, such as taxation bodies, the NBK, the FMSA and the Interior Ministry. If the loan is collateralised, the Credit Security Department of the Borrower makes an appraisal of the collateral being offered, including an appraisal as to valuation, legality and enforceability. The Borrower's Legal Department or external legal counsel retained by the Borrower 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 Borrower for a final decision on the extension of the credit.

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

Maturity Limit

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

Nature of the Loan	Maximum Maturity
Working capital facilities	1.5 years
Consumer credits	3 years
Project finance	5 years

Nature of the Loan	Maximum Maturity
Inter-bank credit	up to 1 year
Mortgage loans	10 years
Mortgage loans to employees	15 years

Collateralisation

To reduce its credit risks, the Borrower requires collateral from borrowers. Collateral includes but is not limited to real estate, inventories and equipment (including machinery and motor vehicles, industrial equipment, industrial goods and food stocks and other commercial goods), as well as cash deposits, securities and financial institution guarantees. The Borrower 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 Borrower 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 Borrower's collateralised and non-collateralised gross commercial loans (not including advances and before allowances) and such amount as a percentage of total gross commercial loans as at the dates indicated:

	As at 30 June		As at 31 December					
	2006		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Collaterised	309,188	98.8	249,903	98.9	116,661	99.2	63,718	99.7
Uncollaterised	3,610	1.2	2,620	1.1	932	0.8	167	0.3
Total gross loans	312,798	100.0	252,523	100.0	117,593	100.0	63,885	100.0

Where borrowers of the Borrower 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 Borrower and are required to provide collateral for each other. Thus, if there is a default by one company in the group, all the other companies of the same group become jointly and severally liable and the Borrower 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 Borrower's security documents provide for both non-judicial and judicial foreclosure. To be enforceable, security over immovable property and certain types of movable property is required to be registered with local departments of the Ministry of Justice (for immovable property and certain types of movable property), the Interior Ministry (for vehicles) or with other relevant registering authorities (for securities and some others). No such registration is required for security over certain types of movable property. However, registration of security over either immovable or movable property establishes priority of that security over an unregistered security. The Borrower requires all of its security to be so registered.

Loan Classification and Impairment Assessment

General

The Borrower's Risk Management Department, which is not involved in the loan approval process, is responsible for evaluating of the Borrower'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 Borrower'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.

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

Based on these assessments and other analytical procedures, the Risk Management Department classifies loans according to their risk and the exposure that they potentially present to the Borrower. 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 is still repaying the loan and interest in full and without a delay.

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

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

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

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

The following provisioning rates are used by the Borrower 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 Borrower's loans according to there classification under FMSA regulations as at 30 June 2006:

Loan classification	As at 30 June 2006(1) Total principal amount	Total amount of actual created provision
	(KZT millions)	
Standard	234,078	—
Doubtful 1st Category (5%)	64,250	3,192
Doubtful 2nd Category (10%)	890	63
Doubtful 3rd Category (20%)	6,926	1,362
Doubtful 4th Category (25%)	1,492	366
Doubtful 5th Category (50%)	3,501	1,750
Total Doubtful	77,059	6,721
Loss Loans (100%)	1,661	1,661
Total	312,798	9,392

(1) Derived from management accounts.

IFRS Impairment Assessment

For the purposes of the IFRS financial statements closing and preparation, the Borrower 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 Borrower is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment for financial assets in future periods.

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

	As at 30 June 2006(1)			As at 31 December 2005(1)			As at 31 December 2004(1)			As at 31 December 2003		
Rate of Estimated Impairment	Total exposure	Total Allowances	Allowances Exposure(1)	Total exposure	Total Allowances	Allowances Exposure(1)	Total Exposure	2004 Total Allowances	Allowances Exposure(1)	Total Exposure	2003 Total Allowances	Allowances Exposure(1)
						(KZT millions except for percentages)						
Standard (0% – 5%).....	234,078	1,046	0.4%	189,236	—	—	107,380	2,008	1.9%	43,635	569	1.3%
Sub-standard (5% – 10%)	65,140	3,255	5.0%	51,230	2,597	5.1%	3,334	158	4.7%	15,486	1,000	6.5%
Unsatisfactory (10% – 25%).............	8,418	1,728	20.5%	7,430	1,566	21.1%	1,921	403	21.0%	3,006	589	19.6%
Doubtful (25% – 50%).	3,501	1,738	49.6%	2,284	1,143	50.0%	2,947	1,271	43.1%	985	467	47.4%
Loss (50% - 100%)	1,661	1,625	97.8%	2,343	2,343	100.0%	2,011	1,663	82.7%	773	772	99.9%
Total	312,798	9,392	3.0%	252,523	7,649	3.0%	117,593	5,503	4.7%	63,885	3,397	5.3%

(1) Derived from management accounts.

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

As at 30 June 2006, the effective level of allowances in accordance with IFRS remained at the same level of 3.0% as compared to 31 December 2005, which decreased as compared to 4.7% as at 31 December 2003 as compared to 5.3% as at 31 December 2003, which represented an increase of 0.9% from 2002. Allowances as at 30 June 2006 and 31 December 2005 declined further to 3.0% since there were several large repayments by borrowers of the Borrower in the amount of KZT2 billion which had been classified as "doubtful" and "loss" as of 31 December 2004. These borrowings were repaid in the first half of 2005.

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

Portfolio Monitoring and Write Offs

The review and monitoring of the loan portfolio of the Borrower is conducted by the Risk Management Department and the Credit Administration Division. The Credit Administration Division is responsible for daily monitoring through an automated centralised programme of timely debt service of particular loan or off-balance sheet exposure. This allows the Credit Administration Division to identify problem loans at an early stage. Immediate action is taken by the relevant division of the Credit Department, the Small and Medium Business Credit Division, the Medium Term Credit Division or the Retail Business Department, as appropriate, if any principal or accrued interest repayment problems arise. The Risk Management Department reviews and monitors the Borrower's credit activity on a weekly basis. The Risk Management Department provides weekly and monthly reports to the Borrower's Management Board detailing all aspects of the Borrower's credit activity. In addition, an in-depth review of each borrower is carried out on site by representatives of the relevant division of the Credit Department, the Small and Medium Business Credit Division, the Medium Term Credit Division or Retail Business Division, as appropriate, on a semi-annual basis in order to assess the financial condition of the borrower and the status of any collateral. Any overall deterioration in the quality of the Borrower's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Borrower's Management Board.

The Borrower'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 Borrower, 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 Borrower's Credit Security Department is immediately notified. The Borrower 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 Borrower takes immediate steps to issue notices of default and to carry out the subsequent sale of any collateral either in reliance on its legal rights or with the co-operation of the customer.

MANAGEMENT

Management

The Borrower'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 Internal Auditor. The Internal Auditor Department audits the financial statements of the Borrower prior to approval by the general shareholders' meeting. The general shareholders' meeting represents the highest corporate body of the Borrower. 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 and the members of Internal Audit Department. 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 Borrower and approves its strategic and operational plans. The Board of Directors does not perform executive functions. Overall responsibility for the administration of the Borrower'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 Borrower'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 Borrower, nominating the Chairman and members of the Management Board, making decisions on material contracts (major transactions), calling extraordinary general shareholders' meetings and approving the Borrower's budget.

The current members of the Board of Directors are:

Name	Position	Other Significant Positions
Timur Issatayev	Chairman of the Board of Directors of JSC ATFBank	None
Talgat Kuanyshev	Director	Chairman of the Management Board of JSC ATFBank
Nurlan Smagulov	Director	President of LLP Astana Motors
Alidar Utemuratov	Director	Member of the Board of Directors of LLP Kar Tel, Kazakhstan
Huber Pandza	Independent Director	None

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

Management Board

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

The Management Board consists of 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 has started to work with JSC "ATFBank" since December 1997 in 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 been in his current position since 15 August 2006.

Irina Sindonis (43), 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 Halyk Savings Bank of Kazakhstan from March 1999, before being appointed Director of Operations in February 2000 and Chief Accountant in June 2000. Mrs. Sindonis has been in her current position since joining the Borrower in May 2001.

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

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

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

Nadim Shaidarov (40), Managing Director, graduated from the University of Moscow in 1990 with a degree in economy and business planning. In 1997, Mr. Shaidarov was appointed Deputy Director of commercial activity of the Almaty branch of Halyk Bank and in 1998 he was appointed First Deputy Director of the Akmola branch of Halyk Bank. Mr. Shaidarov has been in his current position since joining the Borrower in July 2002.

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

Aidyn Auyezkanov (29), Managing Director, graduated from the Kazakhstan State University of Management in 1998 with a degree of finance and credit. Mr. Auyezkanov started his career in European Bank of Reconstruction and Development, 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 as president of JSC ATF Leasing. Mr. Auyezkanov has been in his current position since June 2006

Corporate Governance

A new code on corporate governance was introduced by the Borrower in 2005.

Controller

The current Controller is Mrs. Neuchai Satova, Chief Accountant of JSC OSPF 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 Management Board Company towards the Borrower and their private interests and/or other duties.

Management Remuneration

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

The following table sets out the principal amount of loans outstanding to the senior and middle management of the Borrower as at 30 September 2006:

Name	As at 30 September 2006
	(KZT thousands)
Timur Issatayev	35,568
Talgat Abdukhalikov	24,240
Aida Derevyanko	22,435
Kairat Rakhmanov	44,066
Nadim Shaidarov	40,838
Total	167,147

Loans to parties related to the above mentioned senior management of the Borrower amount to KZT1,770 million.

SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

Share Capital

As at 30 June 2006, the Borrower's issued and outstanding share capital comprised 17.9 million common voting shares and 3.4 million preferred shares each having a nominal value of KZT1,000. Each common voting share is entitled to one vote and shares equally in dividends declared. Preferred shares carry a cumulative dividend of a minimum of 10% of their nominal value per annum and do not have voting rights unless the Borrower fails to make payment of dividends on them.

During 2005, the Borrower declared dividends of KZT348 million on its preferred shares and no dividend on its common voting shares, KZT198 million on its preferred shares and no dividend on its common voting shares in relation to 2004 and of KZT319 million on its preferred shares and KZT694 million on its common voting shares in relation to 2003. In relation to 2002, the Borrower declared dividends of KZT241 million on its preferred shares and KZT1,164 million on its common voting shares.

The Borrower's share capital was increased by KZT588 million in 2004 and by KZT903 million in 2003 through the capitalisation of dividends on its common voting shares.

During 2003, the Borrower'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 Borrower commenced an equity offering of up to 5,351,238 shares to existing and new shareholders for a total consideration of KZT5.4 billion (KZT1,000 per share). The equity issue was fully subscribed by August 2004.

In October 2004, the FMSA approved an additional increase in the Borrower's share capital by KZT8.4 billion. Consequently, the Borrower commenced an offering of common shares and preference shares in October 2004 which resulted in the Borrower 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 Borrower increased its equity by KZT5,229,239 through the placement of common voting shares. On 20 February 2006, the Borrower's general meeting of shareholders approved the issuance of an additional 27,000,000 common voting shares. On 13 March 2006, the Borrower's Board of Directors approved the placement of 3,120,000 common voting shares (out of 27,000,000 common voting shares approved for the issuance). As of 30 June 2006, 1,273,416 of these newly issued common shares had been placed with existing shareholders for a total consideration of KZT6.37 billion. See "– Principal Shareholders".

The Borrower issued U.S.$131 million of subordinated bonds to investors on the domestic market during 2005.

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

Principal Shareholders

As at 30 September 2006, following the placement of 1,273,416 shares (out of 3,120,000 shares approved for placement) with existing shareholders and subsequent secondary market trading, the Bank has the following shareholders owning five or more per cent. of the outstanding and fully paid common shares:

Shareholder	Number of Common Shares	Percentage of Common Shares
The Bank of New York (nominal shareholder)	3,833,959	19.44%
Rink-Invest LLP	2,729,099	13.84%
Kambar Firm LLP	1,415,447	7.18%
JSC Kazzink	1,343,949	6.82%
Sapa Tas LLP	1,158,110	5.87%
KMC "Astana Motors" LLP	986,000	5.00%
Other	8,253,436	41.85%
Total	19,720,000	100%

*As at 30 September 2006, entities related to certain members of the Board of Directors held in aggregate 2,320,972 common shares representing 11.8% of the Borrower's share capital (11.8% = 2320972/19720000).

Mr. Bulat Utemuratov, a senior government official, beneficially owns approximately 46.0% of the Borrower's share capital. Mr. Utemuratov does not participate in the management of the Borrower but meets periodically with the Borrower's senior management to review the Borrower's strategy and performance. See "Risk Factors – Influence of Key Shareholder".

TRANSACTIONS WITH RELATED PARTIES

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

	6 months, ended June 30, 2006 (unaudited)			6 months, ended December 31, 2005 (unaudited)			6 months, ended June 30, 2005 (unaudited)		
	Share-holders	Associates	Key manage-ment personnel	Share-holders	Associates	Key manage-ment personnel	Share-holders	Associates	Key manage-ment personnel
Loans outstanding, gross, beginning of the period	270,035	774,942	362,140	275,035	1,337,525	324,631	290,035	1,509,224	194,946
Loans issued during 6 months	—	4,170,748	72,371	—	550,957	116,368	—	1,290,800	177,168
Loan repayments during 6 months	(40,293)	(179,176)	(152,706)	(5,000)	(1,113,540)	(78,859)	(15,000)	(1,462,499)	(47,483)
Loans outstanding, gross, ending of the period	229,742	4,766,514	281,805	270,035	774,942	362,140	275,035	1,337,525	324,631
Less: allowance for impairment	—	(638)	—	—	—	—	—	—	—
Loans outstanding, net, ending	229,742	4,765,876	281,805	270,035	774,942	362,140	275,035	1,337,525	324,631
Interest income on loans	15,278	97,463	13,055	13,705	93,095	18,861	9,528	50,196	8,430
Impairment of loans	—	(638)	—	—	—	—	—	—	—
Deposits and current accounts, beginning of the period	131,937	306,328	254,820	247,087	284,395	251,881	16,797	285,906	245,853
Deposits and current accounts received during 6 months	2,096,964	503,959	389,576	30,000	79,391	97,908	275,608	31,955	27,558
Deposits and current accounts repaid during 6 months	(703,436)	(295,389)	(269,963)	(145,150)	(57,458)	(94,969)	(45,318)	(33,466)	(21,530)
Deposits and current accounts, ending of the period	1,525,465	514,898	374,433	131,937	306,328	254,820	247,087	284,395	251,881
Interest expense on deposits	5,300	11,278	12,026	301	10,024	10,763	207	10,049	7,973
Commitments and guarantees issued	291	6,971	8,491	761	4,365	—	586	1,545	—
Commitments and guarantees received	1,015,000	1,019,751	1,015,400	—	572,360	400	577,623	—	—
Fee and commission income	—	8	—	—	—	—	26	—	90

All the above transactions were on normal conditions.

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

Loans	%
Management	10.0-15.0
Shareholders	10.0-15.0
Associates	10.0-23.0
Deposits	
Management	2.00-11.4
Shareholders	2.9-11.00
Associates	1.5-12.20

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 Borrower 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 Borrower that gives them significant influence over the Borrower, and anyone expected to influence, or be influenced by, that person in their dealings with the Borrower;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Borrower, including directors and officers of the Borrower 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 Borrower and enterprises that have a member of key management in common with the Borrower.

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 Borrower.

As at 30 June 2006, the Borrower held 9.0% of the issued share capital of its former wholly-owned ATF Leasing. Accordingly, ATF Leasing is not regarded as a related party although the Borrower provides financial support to ATF Leasing (which would be a related party if the Borrower 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 Governor, to appoint and remove the NBK's Deputy Governors, to confirm the annual report of the NBK on the recommendation of the Governor, to confirm the concept and design of the national currency, and to request information from the NBK. Anvar Saydenov was appointed Governor of the NBK in 2004.

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

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

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

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

Banking

Structure of the Banking System of Kazakhstan

Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks comprising the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the FMSA, or prior to 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 and in May 2006), "On approval of rules on prudential norms and methodics of the calculation of prudential norms for the second tier banks", which replaced the NBK resolution of 3 June 2002. The resolution set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions amongst other matters. Currently, the approval of prudential rules as well as supervision of their fulfilment is the responsibility of the FMSA.

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

In November 1999, a self-funded domestic deposit insurance scheme was established and as at 31 December 2005, 33 banks, including subsidiaries of foreign banks and the Borrower, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. As of 2004, only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Current legislation requires the FMSA to approve any acquisition of a shareholding of 10.0% 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 a list of which is set by the authorised body.

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 K1 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 Kazakh bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

Effective as of 14 July 2006, the NBK 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 per cent. from 6.0 per cent., although domestic borrowings from residents except as mentioned above will remain at 6.0 per cent.

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.

Commercial Banks

According to the NBK, as at 30 June 2006, there were 33 commercial banks in Kazakhstan, excluding the DBK, the Housing Construction Savings Bank and the NBK, compared to 44 as at the end of 2001 and 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In 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 banks as it is not licensed to accept commercial or retail deposits or to provide corporate settlement services.

In November 2001, the Government divested its remaining 33% stake in JSC Halyk Savings Bank, by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for 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. As of 31 December 2005, all of the commercial banks licensed in Kazakhstan were in compliance with prudential regulatory requirements as to capital adequacy, single borrower limits, liquidity ratios, foreign currency limits and reserve requirements.

The financial standing of Kazakhstan's banks varies. As at 30 June 2006, 22 of the 33 commercial banks (excluding the NBK, the Zhilstrojsberbank (the Housing Construction Savings Bank) and DBK) had registered capital of over KZT2 billion, 11 banks had registered capital of KZT1 billion to KZT2 billion and 1 bank had registered capital of KZT500 million to KZT1 billion. There are no banks with registered capital of less than KZT500 million; any bank whose capital falls below that level is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations.

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 30 June 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, ING Bank N.V., Bankgesellschaft Berlin and Société Générale.

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. The share of total assets of the second-tier banks in Kazakhstan's GDP as at 31 December 2005 amounted to 61.8% as compared to 48.5% at the end of 2004 and 37.7% at the end of 2003.

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

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

1. Form of Notes

All Notes will be in fully registered form, without interest coupons attached. The Notes will be represented by interests in the Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with The Bank of New York, as common depositary for the Euroclear Operator and Clearstream, Luxembourg, and registered in the name The Bank of New York Depository (Nominees) Limited, as nominee for such common depositary.

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

2. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Notes in the register of the Noteholders.

3. Payment

Interest (other than Interest payable on redemption) in respect of Notes represented by a Global Note will be made without presentation and payments of principal and Interest on redemption in respect of the Notes will be made against presentation and surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying and Transfer Agent as shall have been notified to the Noteholders for such purpose.

4. Transfers

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants. In addition, the holder of a Note may transfer such Note only in accordance with the provisions of Condition 3 (*Transfers*) and subject to the restrictions described in paragraph 5 below. 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 for any payment of principal or Interest in respect of the Notes.

5. Transfer Restrictions

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

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

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

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

6. Notices

Notwithstanding Condition 16 (*Notices*) (and without prejudice to the requirements in such Condition to publish notices in accordance with the rules and regulations of such stock exchange(s) on which the Notes are listed), while all the Notes are represented by the Global Note and the Global Note is deposited with a common depositary for the Euroclear Operator and Clearstream, Luxembourg or any other clearing system, notices to Noteholders may be given by delivery of the relevant notice to the Euroclear Operator, Clearstream, Luxembourg or, as the case may be, such other clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to the Euroclear Operator, Clearstream, Luxembourg or, as the case may be, such other clearing system.

7. Meetings

The holder of the Global Note (unless the Global Note represents only one Note) will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 principal amount of Notes for which the Global Note so held may be exchanged.

8. Exchange of Interests in Global Note for Note Certificates

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

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

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

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

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

9. Euroclear Operator and Clearstream, Luxembourg Arrangements

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

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

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

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

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

10. Trading between the Euroclear Operator and/or Clearstream, Luxembourg Account Holders.

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

SUBSCRIPTION AND SALE

HSBC Bank plc and ING Bank N.V., London Branch (the "**Managers**"), have, pursuant to a subscription agreement (the "**Subscription Agreement**") dated 8 November 2006, jointly and severally agreed with the Borrower, subject to the satisfaction of certain conditions, to subscribe for the Notes. The Borrower has agreed to pay certain costs and expenses in connection with the issue of the Notes.

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

United States

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

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

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

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and

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

Kazakhstan

Each Manager has agreed that it will only offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan, in compliance with the laws of Kazakhstan.

General

No action has been or will be taken in any jurisdiction by the Borrower 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 Borrower 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 and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may be introduced at a later date and implemented with or without retroactive effect.

Kazakhstan Taxation

Under Kazakhstan law as presently in effect, payments of principal and 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. Starting from 1 January 2007, in case the Notes are admitted to the special trade platform of the regional financial center of Almaty City, such gains will not be subject to Kazakhstan income tax only if the sale is made on such platform.

Payments of interest from the Borrower 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 15.0% Such withholding tax may be reduced under the Kazakhstan-Netherlands Tax Treaty to a rate of 10.0%, although there can be no assurance that such relief may be obtained.

Payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20.0%, unless reduced by an applicable double taxation treaty. The Borrower will agree in the Subordinated Loan Agreement to pay Additional Amounts (as defined in the Subordinated Loan Agreement) in respect of any such withholding, subject to certain exceptions set out in full in Condition 10. See "Terms and Conditions of the Notes."

Dutch Taxation

Withholding tax

No withholding tax is due upon payments of interest and principal made by the Issuer under the Notes. If the Notes are not redeemed on the Interest Call Date, the Notes may be treated as equity for Dutch tax purposes and, as a consequence, past and future interest on the Notes may be subject to withholding tax.

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 (a statutorily defined term), directly or indirectly, holds an interest of 5.0% or more of the total issued and outstanding capital of that company or of 5.0% or more of the issued and outstanding capital of a certain class of shares of that company; or holds rights to acquire, directly or indirectly, such interest; or holds certain profit sharing rights in that company that relate to 5.0% or more of the company's annual profits and/or to 5.0% 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 a note is an entity that is a resident or deemed to be resident of The Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is subject to a 29.6% corporate income tax rate (a corporate income tax rate of 25.5% applies with respect to taxable profits up to €22,689, the first bracket for 2006). Please note that these rates will be decreased to 29.1% and 24.5% respectively as from 1 January 2007. A proposal is currently pending in the Dutch parliament to further reduce the aforementioned tax rates and change the brackets as of 1 January 2007 (20.0% for the first €25,000, 23.5% for €25,001 – €60,000 and 25.5% for €60,001 and above).

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

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

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of a Note, 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% 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 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, in the case of an individual, has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands; and

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

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

A holder of a Note 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 Notes in respect or in connection with the issue of the Notes or with respect to the payment of interest or principal by the Issuers under the Notes.

European Union Directive on Taxation on Savings Income

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

European Union Taxation

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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 London Stock Exchange's Gilt Edged and Fixed Interest Market.

2. The Global Note issued in respect of the Notes has been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 027461824 and an ISIN of XS0274618247.

3. The Borrower and the Issuer have obtained all necessary consents, approvals and authorisations in Kazakhstan and The Netherlands in connection with the Subordinated Loan Agreement, the Subordinated Support Agreement and the issue and performance of the Notes. The issue of the Notes and the entering into of the Subordinated Support Agreement were authorised by a duly adopted resolution of the management board of the Issuer dated 25 April 2006 and were approved by a resolution of the General Meeting of Shareholders of the Issuer held on 25 April 2006. The entering into of the Subordinated Support Agreement by the Borrower was authorised by a resolution of the board of directors dated 22 May 2006.

4. There has been (i) no significant change in the financial or trading position of the Borrower and its subsidiaries taken as a whole since 30 June 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 Group since 31 December 2005 or in the prospects of the Issuer since the date of its incorporation.

5. Neither the Issuer nor the Borrower 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 Borrower 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 Borrower and its subsidiaries taken as a whole.

6. Neither the Issuer nor the Borrower have entered into any material contracts outside the ordinary course of their businesses which could result in them being under an obligation or entitlement that is material to their ability to make payments under the Subordinated Loan Agreement or the Notes, as the case may be.

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 Subordinated Support Agreement;

   (c) the Trust Deed;

   (d) the Subscription Agreement;

   (e) the statutory documents of the Borrower; and

   (f) 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 Consolidated Financial Statements of the Borrower 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 Borrower prepared in accordance with IAS34 for the six months ended 30 June 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.$1,380,300.

10. The Borrower's independent auditors are Ernst & Young. The Borrower's 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. Neither it nor its employees have any material interest in the Issuer.

INDEX TO FINANCIAL STATEMENTS

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

Unaudited Interim Financial Condensed Consolidated Statements as at and for the six months ended 30 June 2006

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

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ERNST & YOUNG

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

CONSOLIDATED BALANCE SHEET

	Notes	At December 31, 2005 2005	2004	2003
		(Thousands of Kazakh Tenge)		
Assets				
Cash and cash equivalents	4	33,049,949	14,047,880	5,835,819
Obligatory reserves	5	4,264,255	2,389,710	1,775,133
Amounts due from credit institutions	6	3,391,378	3,511,038	—
Financial assets at fair value through profit or loss	7	26,379,619	8,650,301	23,890,146
Investment securities:				
– 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	60,487,547
Premises and equipment	11	5,240,414	3,316,174	2,279,691
Insurance reserves, reinsurance share	12	3,537,255	156,257	189,823
Current tax assets		385,626	180,294	176,480
Deferred tax assets	13	—	514,982	85,787
Investments in associates	14	169,480	313,143	—
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	3,445,225
Amounts due to credit institutions	16	83,643,375	38,762,706	33,637,685
Amounts due to customers	17	116,681,855	68,746,828	44,825,775
Insurance reserves	12	4,217,523	515,510	349,054
Debt securities issued	18	98,429,845	43,307,137	2,848,226
Subordinated debt	19	17,779,474	259,695	1,497,743
Provisions	10	283,270	253,679	158,964
Other liabilities		1,228,607	535,404	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	4,339,523
– preferred shares	20	3,400,000	1,900,000	1,900,000
Additional paid-in capital		242,185	201,900	201,900
Reserves		684,921	465,325	465,325
Retained earnings		6,427,584	2,742,003	1,435,485
Attributable to shareholders of the parent		27,354,690	18,179,989	8,342,233
Minority interest		189,862	—	—
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 — *Chairman of the Board*

Aida Derevyanko — *Chief Accountant*

March 24, 2006

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

CONSOLIDATED STATEMENT OF INCOME

	Notes	2005	2004	2003
		For the year ended December 31, 2005		
		(Thousands of Kazakh Tenge)		
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-11 to F-51 are an integral part of these consolidated financial statements.

CONSOLIDATED 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

	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, 2004	12,870,761	1,900,000	201,900	—	465,325	2,742,003	—	—	18,179,989	—	18,179,989
Fair value change of available-for-sale securities, net of tax	—	—	—	—	—	—	(139,269)	—	(139,269)	1,117	(138,152)
Realised fair value change of available-for-sale securities	—	—	—	—	—	—	(5,040)	—	(5,040)	—	(5,040)
Exchange difference	—	—	—	—	—	—	—	3,934	3,934	1,388	5,322
Total income and expense recognised directly in equity	—	—	—	—	—	—	(144,309)	3,934	(140,375)	2,505	(137,870)
Net income	—	—	—	—	—	4,045,552	—	—	4,045,552	10,670	4,056,222
Total income	—	—	—	—	—	4,045,552	(144,309)	3,934	3,905,177	13,175	3,918,352
Transfers	—	—	—	—	359,971	(359,971)	—	—	—	—	—
Minority interest arising on acquisition of subsidiary	—	—	—	—	—	—	—	—	—	176,687	176,687
Capital contributions	3,729,239	1,500,000	40,285	—	—	—	—	—	5,269,524	—	5,269,524
At December 31, 2005	16,600,000	3,400,000	242,185	—	825,296	6,427,584	(144,309)	3,934	27,354,690	189,862	27,544,552

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

CONSOLIDATED STATEMENT OF 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 incorporation	Industry	Date of acquisition
	December 31						
	2005	2004	2003				
JSC ATF 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
National Pension Fund Otan......	24.3%	24.3%	—	Kazakhstan	Pension Fund	16,995	37,298	—
Energobank OJSC......................	—	34.4%	—	Kazakhstan	Bank	22,713	12,489	—

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:

	2005		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
Treasury bills of the Ministry of Finance	6,110,160	4,340,452	6,559,534
US Treasury bills	2,308,014	—	2,581,952
Euronotes of the Republic of Kazakhstan	2,226,444	3,125,184	—
Bonds of local financial organizations	1,413,021	499,400	556,067
Corporate bonds	466,888	83,976	83,565
Government securities of OECD based countries	673,887	—	—
Sovereign bonds of the Republic of Kazakhstan	—	—	4,239,264
Equity investments	—	—	415,688
Financial assets at fair value through profit or loss	26,379,619	8,650,301	23,890,146
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%-5.5%	2004
Treasury bills of the Ministry of Finance	3.5%-7.0%	2006-2013	4%-8.3%	2005-2013	3.8%-16.8%	2004-2013
US Treasury bills	5.4%	2031	—	—	4.3%-5.4%	2013-2031
Euronotes of the Republic of Kazakhstan	11.1%	2007	11.1%	2007	—	—
Bonds of local financial organizations	7.5%-15.0%	2006-2015	8.5%-12.0%	2006-2009	6.3%-9.0%	2007-2009
Corporate bonds	8.0%-10.4%	2006-2012	8.0%-13.0%	2005-2010	8.0%-13.0%	2005-2010
Government securities of OECD based countries	4.6%	2008	—	—	—	—
Sovereign bonds of the Republic of Kazakhstan	—	—	—	—	11.2%-13.6%	2004-2007

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 of KZT 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	60,487,547

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	—	—	—	—
– Flour production and sale	1,318,531	0.5	222,259	0.2	13,096	0.1
Individuals	42,208,255	16.7	17,017,001	14.5	7,034,254	11.0
Services	32,186,042	12.7	4,648,118	4.0	2,628,779	4.1
Construction	29,328,396	11.6	10,570,038	9.0	9,600,197	15.0
Food industry	25,641,601	10.2	17,023,359	14.5	5,456,412	8.5
Agriculture	13,558,870	5.4	8,773,040	7.5	6,721,801	10.5
Retail trading	10,330,050	4.1	6,231,723	5.3	6,347,996	9.9
Hotel business	7,652,057	3.0	3,208,190	2.7	1,107,370	1.7
Transport	5,876,032	2.3	3,930,903	3.3	1,135,134	1.8
Textile industry	5,197,151	2.1	4,875,541	4.1	186,598	0.3
Real estate	3,637,970	1.4	1,211,382	1.0	240,466	0.4
Metallurgy	2,480,430	1.0	1,727,231	1.5	898,297	1.4
Mining	2,492,672	1.0	2,390,743	2.0	354,624	0.6
Oil and Gas	2,331,378	0.9	3,123,715	2.7	1,134,458	1.8
Chemical	1,694,110	0.7	776,564	0.7	862,879	1.4
Communications	723,044	0.3	1,866,056	1.6	517,762	0.8
Entertainment	639,559	0.3	264,287	0.2	217,078	0.3
Other	19,689,667	7.7	8,390,597	7.1	5,024,524	7.9
	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 Tenge)		
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:

	Other assets	Letters of credit and guarantees
	(Thousands of Kazakh Tenge)	
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	CIP	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)	(114,332)	(180,071)	—	(428,691)
Charge	(38,023)	(32,167)	(58,148)	(92,800)	—	(221,138)
Disposals	2,987	4,525	13,450	13,487	—	34,449
At December 31, 2003	(115,352)	(81,614)	(159,030)	(259,384)	—	(615,380)
Charge	(58,957)	(47,958)	(85,348)	(126,228)	—	(318,491)
Disposals	1,978	4,072	15,729	11,110	—	32,889
At December 31, 2004	(172,331)	(125,500)	(228,649)	(374,502)	—	(900,982)
Charge	(82,982)	(75,617)	(122,125)	(201,708)	—	(482,432)
Disposals	3,775	15,218	21,173	28,525	—	68,691
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 Tenge)		
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	22,914	16,973	8,462
Plus claims incurred	430,863	332,520	133,305
Less claims paid	(361,744)	(326,579)	(124,785)
Net reserves for claims, December 31	92,033	22,914	16,982

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	—	422,938	—
Written off assets and provisions for other losses	306,508	334,805	161,048
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	—	(10,606)	—
Deferred tax liabilities	(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**
	(Thousands 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 Tenge)		
EBRD	6,349,854	—	—
Time deposit from the NBK	2,059,333	2,028,667	2,006,500
Kreditanshtalt fur Wideraufbau	678,806	906,549	922,694
Local municipal authorities	143,644	341,961	342,624
World Bank	28,805	63,771	173,407
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 Tenge)		
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	11.2	1,754,574	2.6	3,857,590	8.6
Oil and Gas	9,829,115	8.4	12,902,086	18.8	6,718,325	15.0
Trade	7,034,755	6.0	6,021,265	8.8	3,984,129	8.9
Construction	6,901,757	5.9	2,268,225	3.3	1,600,587	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	2,093,549	3.0	2,575,966	5.7
Agriculture	897,766	0.8	504,197	0.7	1,520,779	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	1.4
Total	116,681,855	100.0	68,746,828	100.0	44,825,775	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	1,009,357	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 contingent 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	33,049,949
Obligatory reserves	4,260,089	—	4,166	4,264,255
Amounts due from credit institutions	641,388	670,165	2,079,825	3,391,378
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	252,523,196
Insurance reserves, reinsurance share	3,537,255	—	—	3,537,255
Current tax assets	385,626	—	—	385,626
Other assets	2,482,712	1,308,666	47,194	3,838,572
	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	116,681,855
Debt securities issued	4,531,640	93,898,205	—	98,429,845
Subordinated debt	17,777,377	—	2,097	17,779,474
Insurance reserves	4,217,523	—	—	4,217,523
Other liabilities	799,883	383,326	45,398	1,228,607
	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	14,047,880
Obligatory reserves	2,389,710	—	—	2,389,710
Amounts due from credit institutions	1,939,181	—	1,573,107	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	22,999,732	3,008,388	—	26,008,120
Commercial loans and advances	117,593,555	—	—	117,593,555
Insurance reserves, reinsurance share	156,257	—	—	156,257
Current tax assets	180,294	—	—	180,294
Other assets	1,449,118	162,282	141,312	1,752,712
	159,762,854	13,192,350	2,043,388	174,998,592
Amounts due to the Government and the NBK	3,340,948	—	—	3,340,948
Amounts due to credit institutions	8,290,062	30,396,448	76,196	38,762,706
Amounts due to customers	68,746,828	—	—	68,746,828
Debt securities issued	4,533,136	38,774,001	—	43,307,137
Subordinated debt	259,695	—	—	259,695
Insurance reserves	515,510	—	—	515,510
Other liabilities	535,404	—	—	535,404
	86,221,583	69,170,449	76,196	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 currencies	Other foreign currencies	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	17,920,130	14,285,973	843,846	33,049,949
Obligatory reserves	4,260,089	—	4,166	4,264,255
Amounts due from credit institutions	1,141,388	2,092,634	157,356	3,391,378
Financial assets at fair value through profit or loss	21,128,026	5,251,593	—	26,379,619
Investment securities:				
- available-for-sale	13,708,312	19,046,974	260,155	33,015,441
Commercial loans and advances	78,360,518	173,231,096	931,582	252,523,196
Insurance reserves, reinsurance share	3,537,255	—	—	3,537,255
Current tax assets	385,626	—	—	385,626
Other assets	2,408,674	1,429,898	—	3,838,572
	142,850,018	215,338,168	2,197,105	360,385,291
Amounts due to the Government and the NBK	2,202,978	7,057,464	—	9,260,442
Amounts due to credit institutions	9,244,443	74,394,490	4,442	83,643,375
Amounts due to customers	77,047,937	37,958,192	1,675,726	116,681,855
Debt securities issued	4,531,640	93,898,205	—	98,429,845
Subordinated debt	17,502,223	277,251	—	17,779,474
Insurance reserves	4,217,523	—	—	4,217,523
Other liabilities	662,323	523,089	43,195	1,228,607
	115,409,067	214,108,691	1,723,363	331,241,121
Net position	27,440,951	1,229,477	473,742	29,144,170

2004

	KZT	Freely convertible currencies	Other foreign currencies	Total
	(Thousands of Kazakh Tenge)			
Cash and cash equivalents	2,720,697	10,984,261	342,922	14,047,880
Obligatory reserves	2,389,710	—	—	2,389,710
Amounts due from credit institutions	324,304	3,177,631	10,353	3,512,288
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	—	117,593,555
Insurance reserves, reinsurance share	156,257	—	—	156,257
Current tax assets	180,294	—	—	180,294
Other assets	1,628,885	6,844	116,983	1,752,712
	72,442,726	102,085,608	470,258	174,998,592
Amounts due to the Government and the NBK	2,370,628	970,320	—	3,340,948
Amounts due to credit institutions	3,928,834	34,785,689	48,183	38,762,706
Amounts due to customers	39,130,658	29,320,286	295,884	68,746,828
Debt securities issued	4,533,136	38,774,001	—	43,307,137
Subordinated debt	—	259,695	—	259,695
Insurance reserves	515,510	—	—	515,510
Other liabilities	532,524	2,880	—	535,404
	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	Freely 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 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	—	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	Total category	Related party transaction	Total category	Related party transaction	Total category
	(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

June 30, 2006

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REPORT ON REVIEW OF INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

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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 consolidated balance sheet of ATF Bank JSC and its subsidiaries (together the "Bank") as of June 30, 2006, and the related interim condensed consolidated statements of income, changes in shareholders' equity and cash flows for the six-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

August 9, 2006

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
at June 30, 2006
(Thousands of Kazakh Tenge)

	Notes	June 30, 2006 (unaudited)	December 31, 2005
Assets			
Cash and cash equivalents	3	**36,439,374**	33,049,949
Obligatory reserves	4	**4,383,360**	4,264,255
Amounts due from credit institutions	5	**10,437,052**	3,391,378
Financial assets at fair value through profit or loss	6	**69,693,836**	26,379,619
Available-for-sale investments	7	**21,427,000**	33,015,441
Commercial loans and advances	8,9	**303,406,254**	244,874,389
Premises and equipment		**5,994,717**	5,240,414
Insurance reserves, reinsurance share		**5,500,880**	3,537,255
Current tax assets		**496,019**	385,626
Deferred tax assets		**44,496**	–
Investment in associate	11	**235,950**	169,480
Other assets		**4,083,924**	4,761,137
Total assets		462,142,862	359,068,943
Liabilities			
Amounts due to Governments and the NBK	12	**8,388,040**	9,260,442
Amounts due to credit institutions	13	**104,688,607**	83,643,375
Amounts due to customers	14	**159,129,020**	116,681,855
Insurance reserves		**6,285,440**	4,217,523
Debt securities issued	15	**128,564,032**	98,429,845
Subordinated debt	16	**17,807,017**	17,779,474
Provisions	9	**178,990**	283,270
Other liabilities		**1,122,374**	1,228,607
Total liabilities		426,163,520	331,524,391
Shareholders'equity:			
Share capital:			
-common shares	17	**22,967,080**	16,600,000
-preferred shares	17	**3,400,000**	3,400,000
Additional paid-in capital		**242,185**	242,185
Reserves	17	**404,645**	684,921
Retained earnings		**8,843,863**	6,427,584
Attributable to shareholders of the Parent		35,857,773	27,354,690
Minority interest		121,569	189,862
Total shareholders' equity		35,979,342	27,544,552
Total liabilities and shareholders' equity		462,142,862	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

August 9, 2006

The accompanying notes on pages F-61 to F-75 are an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the six months ended June 30, 2006
(Thousands of Kazakh Tenge)

	Notes	Six months ended June 30, 2006 (unaudited)	2005 (unaudited)
Interest income			
Loans		**18,415,766**	8,771,022
Securities		**1,541,201**	873,115
Credit institutions		**503,602**	257,012
		20,460,569	9,901,149
Interest expense			
Deposits		**(3,471,348)**	(2,106,566)
Borrowings		**(3,657,081)**	(1,094,865)
Debt securities issued		**(5,384,790)**	(3,002,395)
Subordinated debt		**(763,294)**	(194,407)
		(13,276,513)	(6,398,233)
Net interest income		**7,184,056**	3,502,916
Impairment of interest earning assets		**(2,092,283)**	(1,121,141)
		5,091,773	2,381,775
Fee and commission income	19	**2,093,424**	1,428,243
Fee and commission expense	19	**(211,649)**	(183,387)
Fees and commissions		**1,881,775**	1,244,856
Gains less losses from financial assets at fair value through profit or loss		**(192,578)**	90,988
Gains less losses from available-for-sale securities		**(24,193)**	20,889
Gains less losses from foreign currencies:			
- dealing		**822,424**	503,965
- translation differences		**(31,483)**	(71,891)
Earned insurance premiums, net of reinsurance		**664,259**	410,675
Share of income from associate	11	**14,749**	33,189
Other income		**112,102**	32,105
Non interest income		**1,365,280**	1,019,920
Salaries and benefits	20	**(2,526,737)**	(1,411,691)
Administrative and other operating expenses	20	**(1,408,538)**	(1,230,236)
Depreciation and amortization		**(395,439)**	(253,212)
Taxes other than income taxes		**(201,187)**	(150,346)
Reversal of provisions/other provisions	9	**138,343**	(75,348)
Insurance claims incurred, net of reinsurance		**(322,793)**	(237,712)
Non interest expense		**(4,716,351)**	(3,358,545)
Income before income tax expense		**3,622,477**	1,288,006
Income tax expense	10	**(872,378)**	(273,692)
Net income		**2,750,099**	1,014,314
Attributable to:			
Equity holders of the parent		**2,737,088**	1,015,544
Minority interest		**13,011**	(1,230)
Basic and diluted earnings per share, (Tenge)	21	**131.3**	64.4

The accompanying notes on pages F-61 to F-75 are an integral part of these unaudited interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended June 30, 2006
(Thousands of Kazakh Tenge)

	Attributable to shareholders of the Parent								*Minority Interest*	*Total Shareholders' Equity*
	Share Capital-Common Shares	*Share Capital-Preferred Shares*	*Additional Paid-in Capital*	*General Reserve*	*Retained Earnings*	*Securities Revaluation Reserve*	*Currency translation reserve*	*Total*		
January 1, 2006	16,600,000	3,400,000	242,185	825,296	6,427,584	(144,309)	3,934	27,354,690	189,862	27,544,552
Fair value change of available-for-sale securities, net of tax	–	–	–	–	–	(247,453)	–	(247,453)	–	(247,453)
Realised fair value change of available-for-sale securities	–	–	–	–	–	24,193	–	24,193	–	24,193
Foreign currency translation	–	–	–	–	–	–	(57,296)	(57,296)	(13,576)	(70,872)
Total income and expense for the period recognized directly in equity	–	–	–	–	–	(223,260)	(57,296)	(280,556)	(13,576)	(294,132)
Net income	–	–	–	–	2,737,088	–	–	2,737,088	13,011	2,750,099
Total income					2,737,088	(223,260)	(57,296)	2,456,532	(565)	2,455,967
Capital contributions	6,367,080	–	–	–	–	–	–	6,367,080	–	6,367,080
Transfers	–	–	–	280	(280)	–	–	–	–	–
Dividends - preferred shares (Note 17)	–	–	–	–	(348,000)	–	–	(348,000)	–	(348,000)
Dividends of subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	(8,616)	(8,616)
Acquisition of minority interests in existing subsidiaries	–	–	–	–	27,471	–	–	27,471	(59,112)	(31,641)
June 30, 2006 (unaudited)	22,967,080	3,400,000	242,185	825,576	8,843,863	(367,569)	(53,362)	35,857,773	121,569	35,979,342

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
For the six months ended June 30, 2005
(Thousands of Kazakh Tenge)

	Attributable to shareholders of the Parent								*Minority Interest*	*Total Share holders' Equity*
	Share Capital Common Shares	*Share Capital Preferred Shares*	*Additional Paid-in Capital*	*General Reserve*	*Retained Earnings*	*Securities Revaluation Reserve*	*Currency translation reserve*	*Total*		
January 1, 2005	12,870,761	1,900,000	201,900	465,325	2,742,003	–	–	18,179,989	–	18,179,989
Fair value change of available-for-sale securities, net of tax	–	–	–	–	–	162,055	–	162,055	(631)	161,424
Realised fair value change of available-for-sale securities	–	–	–	–	–	(20,889)	–	(20,889)	–	(20,889)
Foreign currency translation	–	–	–	–	–	–	1,674	1,674	12,000	13,674
Total income and expense for the period recognized directly in equity	–	–	–	–	–	141,166	1,674	142,840	11,369	154,209
Net income	–	–	–	–	1,015,544	–	–	1,015,544	(1,230)	1,014,314
Total income	–	–	–	–	1,015,544	141,166	1,674	1,158,384	10,139	1,168,523
Capital contributions	1,297,724	1,500,000	40,285	–	–	–	–	2,838,009	–	2,838,009
Transfers	–	–	–	359,971	(359,971)	–	–	–	–	–
Minority interest arising on acquisition of subsidiary	–	–	–	–		–	–	–	349,066	349,066
June 30, 2005 (unaudited)	14,168,485	3,400,000	242,185	825,296	3,397,576	141,166	1,674	22,176,382	359,205	22,535,587

The accompanying notes on pages F-61 to F-75 are an integral part of these unaudited interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2006
(Thousands of Kazakh Tenge)

	Six months ended June 30, 2006 (unaudited)	2005 (unaudited)
Cash flows from operating activities:		
Net income before income tax expense and minority interest	3,622,477	1,288,006
Adjustments for:		
Depreciation and amortization	395,439	253,212
Income from associates	(14,749)	(33,189)
Impairment of interest earning assets	2,092,283	1,121,141
(Reversal of provisions)/other provisions	(138,343)	75,348
Provision for claims, and change in unearned premium reserves	272,458	198,486
Loss on sale of property and equipment	25,666	2,973
Unrealised foreign exchange loss	47,694	51,892
Unrealized loss/(gain) on securities	148,387	(38,094)
Operating income before changes in net operating assets	6,451,312	2,919,775
(Increase) decrease in operating assets:		
Obligatory reserves	(119,105)	(58,490)
Financial assets at fair value through profit or loss	(44,918,853)	1,778,667
Commercial loans and advances	(83,191,264)	(45,559,986)
Due from other banks and financial institutions	(7,728,744)	(1,298,458)
Other assets	529,806	192,700
Increase (decrease) in operating liabilities:		
Amounts due to the Government and the NBK	(129,720)	821,526
Short-term borrowings received from credit institutions	16,423,768	15,031,989
Amounts due to customers	47,007,878	34,937,551
Other liabilities	(215,169)	(23,955)
Net cash flow from operating activities before income tax	(65,890,091)	8,741,319
Income tax paid	(1,027,267)	(667,580)
Net cash flows from operating activities	(66,917,358)	8,073,739
Cash flows from investing activities:		
Net cash received on acquisition of subsidiaries	–	638,223
Acquisition of minority interest in subsidiary	(31,641)	–
Increase of share in associated company	(51,721)	–
Purchases of premises and equipment	(1,141,072)	(792,871)
Proceeds from sale of premises and equipment	52,738	32,879
Purchases of intangible assets	(54,548)	(371,396)
Purchase of available-for-sale securities	(1,344,440)	(94,880,723)
Proceeds from sale of available-for-sale securities	10,591,433	66,744,901
Purchase of held-to-maturity securities	–	(12,081,688)
Proceeds from redemption of held-to-maturity securities	–	17,611,133
Net cash flows from investing activities	8,020,749	(23,099,542)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended June 30, 2006

(Thousands of Kazakh Tenge)

	Six months ended June 30, 2006 (unaudited)	2005 (unaudited)
Cash flows from financing activities:		
Subordinated debt received	–	7,659,844
Subordinated debt repaid	59,380	–
Debt securities issued	43,486,058	26,701,188
Capital contributions	6,367,080	2,839,665
Dividends paid	(356,616)	–
Long- term borrowings repaid to credit institutions	(2,894,111)	(19,494,115)
Long -term borrowings received from credit institutions	16,993,750	14,567,198
Net cash flow from financing activities	63,655,541	32,273,780
Effects of exchange rates changes on cash and equivalents	(1,369,507)	556,657
Net change in cash and cash equivalents	3,389,425	17,804,634
Cash and cash equivalents at the beginning of year	33,049,949	14,047,880
Cash and cash equivalents at the end of year (Note 3)	36,439,374	31,852,514
Supplemental information:		
Interest received	17,456,029	9,108,242
Interest paid	12,287,335	3,896,558

The accompanying notes on pages F-61 to F-75are an integral part of these unaudited interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

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 a joint stock company and incorporated and domiciled 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 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 (the "NBK") 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 June 30, 2006 and December 31, 2005 the Group had forty two and thirty seven branches located throughout Kazakhstan, respectively.

2. Basis of Preparation

General

These interim condensed consolidated financial statements for the six months ended June 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"), a 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 six-month period ended June 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 computations adopted in the preparation of these interim condensed consolidated financial statements are principally 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

2. Basis of Preparation (continued)

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") –Amendment for 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;*
- IAS 39 *–Amendment for hedges of forecast intragroup 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 financial statements;
- IAS 39-*Amendment for the fair value option*-which restricted the use of the option to designate any financial assets or any financial liability to be measured at fair value through profit and 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 %***					
	June 30, 2006	***December 31, 2005***	***Country***	***Date of incorporation***	***Industry***	***Date of acquisition***
ATF Policy	100.0%	100.0%	Kazakhstan	December 1999	Insurance	December 1999
Energobank OJSC	85.91%	73.9%	Kyrgyzstan	August 1991	Bank	May-September 2005
Sibir Bank CJSC	100.0%	100.0%	Russia	November 1992	Bank	November 2005
ATF Capital B.V.	100.0%	–	Netherlands	April 2006	Finance	April 2006

On April 26, 2006, the Bank established a new subsidiary ATF Capital B.V.. As of June 30, 2006, the Bank owned 100% of the share capital of ATF Capital B.V..

During six months of 2006, the Bank increased its holding in JSC Energobank by 12.01% from 73.9% to 85.91% as of January 1 and June 30, 2006 accordingly, through 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:

Associates	***Holding, %***				***Share in net income***	
	June 30, 2006	***December 31, 2005***	***Country***	***Activities***	***For 6 month 2006***	***2005***
National Pension Fund Otan	**31.42%**	**24.3%**	Kazakhstan	Pension Fund	14,749	16,995

Share of income from associates in the interim condensed consolidated statement of income for the six months ended on June 30, 2005, includes income from Energobank OJSC 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 Tenge)

3. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	June 30, 2006 (unaudited)	*December 31, 2005*
Correspondent account with the NBK	**16,357,086**	9,043,005
Short-term deposits with other banks	**9,358,134**	3,900,780
Cash on hand	**5,498,625**	7,271,337
Correspondent accounts with other banks	**5,225,529**	12,834,827
Cash and cash equivalents	**36,439,374**	33,049,949

At June 30, 2006, the top ten counterparty banks accounted for 56.2% (December 31, 2005: 63.2%) of total cash and cash equivalents and represented 56.9% (December 31, 2005: 75.8%) of the Group's total shareholders' equity.

At June 30, 2006 the top ten counterparty banks accounted for 94.9% (December 31, 2005: 95.4%) of total correspondent accounts with other banks.

4. Obligatory Reserves

Obligatory reserves represent correspondent account held by ATF Bank JSC with the NBK of KZT 4,376,869 and KZT 4,260,089 at June 30, 2006 and December 31, 2005, respectively, and a correspondent account held by Sibir Bank CJSC with the Bank of Russia of KZT 6,491 (December 31, 2005: KZT 4,166).

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the NBK, 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.

5. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise:

	June 30, 2006 (unaudited)	*December 31, 2005*
Time deposits	**9,010,598**	3,235,378
Loans to local credit institutions	**1,426,454**	156,000
Amounts due from credit institutions	**10,437,052**	3,391,378

At June 30, 2006, deposits with two OECD based credit institutions were pledged as collateral against the Group's borrowings in the amount of KZT 1,775,475 (December 31, 2005: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

6. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss comprise:

	June 30, 2006 (unaudited)	December 31, 2005
Debt securities:		
Notes of the NBK	**40,531,777**	13,181,205
US Treasury bills	**10,375,358**	2,308,014
Bonds of local financial organizations	**5,597,031**	1,413,021
Treasury bills of the Ministry of Finance	**5,151,859**	6,110,160
Bonds of foreign financial organizations	**3,346,618**	–
Corporate bonds	**2,773,217**	466,888
Euronotes of the Republic of Kazakhstan	**1,913,227**	2,226,444
Government securities of OECD countries	–	673,887
	69,689,087	26,379,619
Equity securities		
Corporate shares	**2,822**	–
Shares of local financial organizations	**1,927**	–
	4,749	–
Financial assets at fair value through profit or loss	**69,693,836**	26,379,619
Subject to repurchase agreements	**3,684,491**	10,004
Pledged as collateral against interbank borrowings	**450,141**	–

Interest rates and maturities of financial assets at fair value through profit or loss follow:

	June 30, 2006 (unaudited)		December 31, 2005	
	%	Maturity	%	Maturity
Debt securities:				
Notes of the NBK	**2.8-3.2%**	**2006**	3.0%-4.0%	2006
US Treasury bills	**4.5%-5.2%**	**2006-2036**	5.4%	2031
Bonds of local financial organizations	**7.0%-15.0%**	**2006-2015**	7.5%-15.0%	2006-2015
Treasury bills of the Ministry of Finance	**3.8%-6.7%**	**2006-2014**	3.5%-7.0%	2006-2013
Bonds of foreign financial organizations	**4.5%-9.5%**	**2006-2011**	–	–
Corporate bonds	**4.9%-13.0%**	**2006-2016**	8.0%-10.4%	2006-2012
Euronotes of the Republic of Kazakhstan	**11.1%**	**2007**	11.1%	2007
Government securities of OECD based countries	–	–	4.6%	2008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

7. Available-for-Sale Investments

Available-for-sale securities comprise:

	June 30, 2006 (unaudited)	*December 31, 2005*
Government securities of OECD countries	**8,847,386**	10,033,843
Bonds of foreign financial institutions	**6,263,008**	5,438,745
Corporate bonds	**2,140,866**	3,691,141
Treasury bills of the Ministry of Finance	**2,123,755**	9,855,912
Bonds of local financial institutions	**1,820,180**	1,453,202
Sovereign bonds of the Republic of Kyrgyzstan	**187,596**	260,154
Government bonds of Russia	**44,209**	–
US Treasury bills	–	2,154,342
Notes of the NBK	–	128,102
	21,427,000	33,015,441
Subject to repurchase agreements	**5,881,433**	–
Pledged as collateral against interbank borrowings	**3,965,594**	4,731,713

Interest rates and maturities of these securities are as follows:

	June 30, 2006 (unaudited)		*December 31, 2005*	
	%	*Maturity*	*%*	*Maturity*
Government securities of OECD 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
Corporate bonds	**7.5%-9.9%**	**2010-2017**	7.0%-9.0%	2006-2014
Treasury bills of the Ministry of Finance	**3.4%-8.3%**	**2006-2010**	4.1%-8.9%	2006-2010
Bonds of local financial institutions	**5.0%-9.0%**	**2007-2014**	5.0%-9.0%	2007-2013
Sovereign bonds of the Republic of Kyrgyzstan	**7.5%**	**2006-2008**	5.1%-13.9%	2006
Government bonds of Russia	**8.1%**	**2010**	–	–
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:

	June 30, 2006 (unaudited)	*December 31, 2005*
Commercial loans	**311,101,463**	251,385,322
Advances	**1,696,524**	1,137,874
	312,797,987	252,523,196
Less – Allowance for impairment (Note 9)	**(9,391,733)**	(7,648,807)
Commercial loans and advances	**303,406,254**	244,874,389

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

8. Commercial Loans and Advances (continued)

The Group's gross commercial loan portfolio is concentrated in the following sectors:

	June30, 2006 (unaudited)	*%*	***December31, 2005***	*%*
Wholesale trading:	**55,589,636**	**17.8**	46,855,912	18.6
-Working capital	*43,648,979*	*14.0*	*34,516,206*	*13.7*
-Purchase and sale of gasoline	*5,811,311*	*1.9*	*4,046,702*	*1.6*
-Purchase and sale of grain	*4,659,478*	*1.5*	*4,750,804*	*1.9*
-Agriculture	*1,365,353*	*0.3*	*2,223,669*	*0.9*
-Flour production and sale	*104,515*	*0.1*	*1,318,531*	*0.5*
Individuals	**58,798,849**	**18.8**	42,208,255	16.7
Construction	**40,208,692**	**12.8**	29,328,396	11.6
Services	**34,145,399**	**10.9**	32,186,042	12.7
Food industry	**25,218,429**	**8.1**	25,641,601	10.2
Retail trading	**16,523,440**	**5.3**	10,330,050	4.1
Agriculture	**15,478,254**	**4.9**	13,558,870	5.4
Transport	**9,297,754**	**3.0**	5,876,032	2.3
Hotel business	**7,761,208**	**2.4**	7,652,057	3.0
Real estate	**6,457,208**	**2.1**	3,637,970	1.4
Textile industry	**4,942,885**	**1.6**	5,197,151	2.1
Oil and Gas	**3,729,996**	**1.2**	2,331,378	0.9
Communications	**3,120,078**	**1.0**	723,044	0.3
Chemical	**2,554,087**	**0.8**	1,694,110	0.7
Mining	**2,155,160**	**0.7**	2,492,672	1.0
Metallurgy	**2,148,198**	**0.7**	2,480,430	1.0
Entertainment	**666,705**	**0.2**	639,559	0.3
Other	**24,002,009**	**7.7**	19,689,667	7.7
	312,797,987	**100.0**	252,523,196	100.0

At June 30, 2006, the largest ten borrowers accounted for 21.0% of the Group's gross commercial loans and advances (2005: 24.7%). The amount of accrued interest income on impaired loans comprised KZT 2,660,956 (2005: 1,438,406).

9. Allowance for Impairment and Provisions

The movements in the allowance for impairment were as follows:

	Due from credit institutions	***Loans to customers***	***Total***
December 31, 2004	(1,250)	(5,503,398)	(5,504,647)
(Charge)/reversal	908	(1,122,049)	(1,121,141)
Write-offs	–	603,183	603,183
Acquisition of subsidiary	–	(101,385)	(101,385)
June 30, 2005(unaudited)	(342)	(6,123,649)	(6,123,990)
December 31, 2005	–	(7,648,807)	(7,648,807)
Charge	–	**(2,092,283)**	**(2,092,283)**
Write-offs	–	**544,380**	**544,380**
Recoveries	–	**(188,797)**	**(188,797)**
Translation effect	–	**(6,226)**	**(6,226)**
June 30, 2006(unaudited)	–	**(9,391,733)**	**(9,391,733)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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9. Allowance for Impairment and Provisions (continued)

The movements in allowances for other provisions were as follows:

	Letters of credit and guarantees	*Other assets*	*Total*
December 31, 2004	(253,679)	(69,607)	(323,286)
Charge(unaudited)	(51,677)	(23,671)	(75,348)
Write-offs	30	26,778	26,808
Recoveries	–	(1,265)	(1,265)
Acquisition of subsidiary	(13,178)	(83)	(13,261)
June 30, 2005 (unaudited)	(318,504)	(67,848)	(386,352)

December 31, 2005	(283,270)	(162,448)	(445,718)
Reversal(unaudited)	**104,280**	**34,063**	**138,343**
Write-offs	–	**208**	**208**
Recoveries	–	**(3,000)**	**(3,000)**
Translation	–	**22**	**22**
June 30, 2006(unaudited)	**(178,990)**	**(131,155)**	**(310,145)**

10. Income Taxes

The components of income tax expense were as follows:

	June 30, 2006 (unaudited)	*June 30, 2005 (unaudited)*
Current tax charge	**(916,875)**	**(369,420)**
Deferred tax benefit	**44,497**	**95,728**
Income tax expense	**(872,378)**	**(273,692)**

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.

11. Investments in Associate

Investment in associated company comprises:

Balance, January 1, 2005	313,143
Share of net income (unaudited)	33,189
Transfer due to acquisition and full consolidation	(183,371)
Balance, June 30, 2005	162,961
Share of net income (unaudited)	6,519
Balance, December 31, 2005	169,480
Additional investment to the associate	**51,721**
Share of net income (unaudited)	**14,749**
Balance, June 30, 2006	**235,950**

Refer also to Note 2.

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12. Amounts due to Governments and the NBK

At December 31, amounts due to the Government of the Republic of Kazakhstan and NBK consisted of the following:

	June 30, 2006 (unaudited)	*December 31, 2005*
EBRD	**4,680,569**	6,349,854
Time deposit from the NBK	**3,041,611**	2,059,333
Kreditanshtalt fur Wideraufbau	**572,137**	678,806
Local municipal authorities	**71,802**	143,644
World Bank	**21,921**	28,805
Amounts due to Governments and the NBK	**8,388,040**	9,260,442

13. Amounts due to Credit Institutions

Amounts due to credit institutions consisted of the following:

	June 30, 2006 (unaudited)	*December 31, 2005*
Current accounts	**1,250,615**	1,316,521
Loans from foreign banks	**76,200,730**	54,474,706
Time deposits from local banks	**16,087,301**	25,873,655
Repurchase agreements	**10,070,390**	10,004
Loans from the Small Business Development Fund of Kazakhstan	**724,769**	1,968,489
Loans from local banks	**354,802**	–
Amounts due to credit institutions	**104,688,607**	83,643,375

The interest rates and maturities follow:

	June 30, 2006 (unaudited)		*December 31, 2005*	
	%	*Maturity*	*%*	*Maturity*
Loans from foreign banks	**0.1%-9.04%**	**2006-2011**	2.8%-8.8%	2006-2010
Time deposits from local banks	**2.5%-8.0%**	**2006-2007**	0.5%-8.0%	2006
Repurchase agreements	**5.3%-6.3%**	**2007-2009**	7.0%	January 4, 2006
Loans from the Small Business Development Fund of Kazakhstan	**5.2%-6.1%**	**2006-2007**	3.6%-6.1%	2005-2008
Loans from local banks	**4.8%-6.6%**	**2007**	–	–

As of December 31, 2005, the Bank had KZT 6,699 as a deposit from a Kazakhstan bank, which was placed on a correspondent account with the same bank. This transaction was closed in January 2006.

14. Amounts Due to Customers

The amounts due to customers included balances in customer current accounts, term deposits, and certain other liabilities, and are analyzed as follows:

	June 30, 2006 (unaudited)	*December 31, 2005*
Customer current accounts:		
Legal entities	**46,857,535**	45,312,597
Individuals	**6,161,296**	4,767,713
Term deposits:		
Legal entities	**67,378,542**	43,340,168
Individuals	**37,792,591**	22,292,017
Held as security against letters of credit and guarantees	**939,056**	969,360
Amounts due to customers	**159,129,020**	116,681,855

(Thousands of Kazakh Tenge)

14. Amounts Due to Customers (continued)

At June 30, 2006 and December 31, 2005 the Group's ten largest customers accounted for approximately 40.9% and 34.7% respectively, of the total amounts due to customers. An analysis of amounts due to customers by sector follows:

	June 30, 2006 (unaudited)	%	December 31, 2005	%
Individuals	**43,953,887**	**27.6**	27,059,730	23.2
Transport and Communication	**16,706,403**	**10.5**	16,452,172	14.1
Financial activities	**15,322,143**	**9.6**	22,732,814	19.5
Oil and Gas	**15,030,682**	**9.4**	9,829,115	8.4
Manufacturing	**12,654,447**	**8.0**	5,298,539	4.5
Metallurgy	**12,419,305**	**7.8**	687,294	0.6
Construction	**9,802,971**	**6.2**	6,901,757	5.9
Trade	**9,392,417**	**5.9**	7,034,755	6.0
Services provided to enterprises	**8,266,106**	**5.2**	2,606,483	2.2
Non-credit financial companies	**7,905,043**	**5.0**	13,046,107	11.2
Education	**1,932,305**	**1.2**	1,145,610	1.0
Research and Development	**1,678,077**	**1.1**	651,489	0.6
Agriculture	**1,473,790**	**0.9**	897,766	0.8
Energy	**1,352,099**	**0.8**	1,143,948	1.0
Government	**130,670**	**0.1**	24,257	0.1
Others	**1,108,675**	**0.7**	1,170,019	0.9
Total	**159,129,020**	**100.0**	116,681,855	100.0

15. Debt Securities Issued

Securities issued comprised:

	June 30, 2006 (unaudited)	December 31, 2005
USD denominated notes	**125,153,560**	94,751,991
KZT denominated bonds	**4,531,680**	4,531,640
Other bonds issued	**9,224**	–
	129,694,464	99,283,631
Less unamortized cost of issuance	**(1,130,432)**	(853,786)
Debt securities issued	**128,564,032**	98,429,845

The interest rates and maturities of debt securities issued follow:

	June 30, 2006(unaudited)		December 31, 2005	
	%	Maturity	%	Maturity
USD denominated notes	**8.1%-9.3%**	**2007-2016**	8.1%-9.3%	2007-2012
KZT denominated bonds	**8.5%**	**2008**	8.5%	2008
Other bonds issued	**9.3%**	**2007**	–	–

In accordance with the terms of USD notes 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 June 30, 2006.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakh Tenge)

16. Subordinated Debt

	June 30, 2006 (unaudited)	***December 31, 2005***
KZT denominated notes	**17,670,744**	17,624,356
USD denominated subordinated bonds	**1,195,917**	1,346,525
Own USD subordinated bonds held by the Group	**(947,247)**	(1,069,274)
	17,919,414	17,901,607
Less unamortized cost of issuance	**(112,397)**	(122,133)
Subordinated debt	**17,807,017**	17,779,474

The subordinated notes of June 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 June 30, 2006 the authorized share capital comprised 17,873,416 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 instance where decision 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 declared dividends on common shares.

In April of 2006, shareholders' meeting declared dividends on preferred shares in amount of KKZT 348,000, which were paid in May of the current year.

Nature and purpose of other reserves

General reserves

General reserves include historical allocations from the retained earnings of the Group that is not distributable in accordance with shareholders' decision.

Revaluation reserve of available-for-sale securities

This reserve records fair value changes on available-for-sale investment securities.

Currency translation reserve

Currency translation reserve reflects the translation effect of the subsidiaries financial statements into KZT, which are domiciled outside of Kazakhstan.

18. Commitments and Contingencies

Operating Environment

The Kazakhstani economy, while deemed to be of market status since 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, 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.

(Thousands of Kazakh Tenge)

18. Commitments and Contingencies (continued)

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:

	June 30, 2006 (unaudited)	*December 31, 2005*
Undrawn loan commitments	**58,670,365**	33,305,967
Guarantees	**21,627,340**	15,029,449
Letters of credit	**3,534,683**	3,600,930
	83,832,388	51,936,346
Less – Provisions	**(178,990)**	(283,270)
Less – Cash collateral	**(939,056)**	(969,360)
Financial commitments and contingencies	**82,714,342**	50,683,716

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 credit 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 June 30, 2006, the top ten guarantees accounted for 53.9% (2005: 61.7%) of total financial guarantees and represented 32.4% (2005: 33.7%) of the Group's total shareholders' equity. At June 30, 2006, the top ten letters of credit accounted for 78.9% (2005: 63.5%) of total commercial letters of credit and represented 7.8% (2005: 8.3%) of the Group's total shareholders' equity.

19. Fee and Commission Income

Fees and commissions income for the six-month periods ended June 30 comprised the following:

	2006 (unaudited)	*2005 (unaudited)*
Settlement operations	**580,353**	402,365
Cash operations	**553,490**	317,023
Guarantees	**271,641**	261,471
Foreign currency trading	**260,135**	191,371
Debit/credit cards	**162,706**	108,403
Project management	**66,685**	29,212
Cash collection	**29,363**	15,806
Custodian activity	**26,125**	5,885
Bank references	**12,648**	19,288
Reinsurance commission	**13,817**	8,193
Other	**116,461**	69,226
Fee and commission income	**2,093,424**	1,428,243

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19. Fee and Commission Income (continued)

Fee and commission expense for the six-month periods ended June 30, comprised the following:

	2006 (unaudited)	2005 (unaudited)
Debit/credit cards	**(85,282)**	(69,819)
Settlement operations	**(45,633)**	(43,542)
Securities	**(32,269)**	(18,217)
Foreign currency banknote transactions	**(12,792)**	(16,045)
Reinsurance commission	**(7,248)**	(18,437)
Custodian services	**(1,417)**	(50)
Cash operations	**(871)**	(1,446)
Guarantees	**(359)**	(326)
Other	**(25,778)**	(15,505)
Fee and commission expense	**(211,649)**	(183,387)

20. Salaries and Administrative and Other Operating Expenses

Salaries and administrative and other operating expenses comprise:

	2006 (unaudited)	2005 (unaudited)
Salaries and bonuses	**(2,185,904)**	(1,208,031)
Social costs	**(250,977)**	(150,349)
Vacation accrual	**(21,481)**	(9,900)
Other payments	**(68,375)**	(43,411)
Salaries and benefits	**(2,526,737)**	(1,411,691)
Advertising	**(256,986)**	(253,622)
Rent expenses	**(198,996)**	(156,484)
Communications	**(151,708)**	(120,046)
Maintenance and repairs	**(150,932)**	(95,373)
Business trip expenses	**(141,573)**	(102,426)
Stationery	**(136,440)**	(59,881)
Charity	**(59,512)**	(29,068)
Insurance expenses	**(39,487)**	(24,955)
Transport expenses	**(44,212)**	(28,169)
Security systems and guards	**(30,880)**	(20,776)
Entertainment expenses	**(26,983)**	(20,711)
Loss from sale of premises and equipment	**(25,666)**	(2,973)
Professional services	**(15,130)**	(27,144)
Other	**(130,033)**	(288,608)
Administrative and other operating expenses	**(1,408,538)**	(1,230,236)

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 Group's rent agreements are subject to the annual renewal.

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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:

	June 30, 2006 (unaudited)	*June 30, 2005 (unaudited)*
Net income attributable to equity holders of the parent	**2,737,088**	1,015,544
Weighted average number of participating shares for basic and diluted earnings per share	**20,841,561**	15,760,875
Basic and diluted earnings per share (Tenge)	**131.3**	64.4

Participating shares comprise common shares and preferred shares that have the right to participate equally with common shares in net income distribution.

22. 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 June 30, 2006 and December 31, 2005, 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 June 30, 2006 and December 31, 2005, were 15.3% and 12.4%, respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

23. Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures", 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.

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.

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23. Related Party Transactions (continued)

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the period are as follows:

	6 months, ended June 30, 2006 (unaudited)			*6 months, ended December 31, 2005 (unaudited)*			*6 months, ended June 30, 2005 (unaudited)*		
	Shareholder:	*Associate:*	*Key management personne*	*Share holder:*	*Associate:*	*Key management personne*	*Share holder:*	*Associate:*	*Key management personne*
Loans outstanding, gross, beginning of the period	**270,035**	**774,942**	**362,140**	275,035	1,337,525	324,631	290,035	1,509,224	194,946
Loans issued during 6 months	**–**	**4,170,748**	**72,371**	–	550,957	116,368	–	1,290,800	177,168
Loan repayments during 6 months	**(40,293)**	**(179,176)**	**(152,706)**	(5,000)	(1,113,540)	(78,859)	(15,000)	(1,462,499)	(47,483)
Loans outstanding, gross, ending of the period	**229,742**	**4,766,514**	**281,805**	270,035	774,942	362,140	275,035	1,337,525	324,631
Less: allowance for impairment	**–**	**(638)**	**–**	–	–	–	–	–	–
Loans outstanding, net, ending	**229,742**	**4,765,876**	**281,805**	270,035	774,942	362,140	275,035	1,337,525	324,631
Interest income on loans	**15,278**	**97,463**	**13,055**	13,705	93,095	18,861	9,528	50,196	8,430
Impairment of loans	**–**	**(638)**	**–**	–	–	–	–	–	–
Deposits and current accounts, beginning of the period	**131,937**	**306,328**	**254,820**	247,087	284,395	251,881	16,797	285,906	245,853
Deposits and current accounts received during 6 months	**2,096,964**	**503,959**	**389,576**	30,000	79,391	97,908	275,608	31,955	27,558
Deposits and current accounts repaid during 6 months	**(703,436)**	**(295,389)**	**(269,963)**	(145,150)	(57,458)	(94,969)	(45,318)	(33,466)	(21,530)
Deposits and current accounts, ending of the period	**1,525,465**	**514,898**	**374,433**	131,937	306,328	254,820	247,087	284,395	251,881
Interest expense on deposits	**5,300**	**11,278**	**12,026**	301	10,024	10,763	207	10,049	7,973
Commitments and guarantees issued	**291**	**6,971**	**8,491**	761	4,365	–	586	1,545	–
Commitments and guarantees received	**1,015,000**	**1,019,751**	**1,015,400**	–	572,360	400	577,623	–	–
Fee and commission income	**–**	**8**	**–**	–	–	–	26	–	90

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23. Related Party Transactions (continued)

The aggregate remuneration and other benefits paid to members of the Shareholders' Council and Management Boards for the six-month of 2006 was KZT 96,996 thousand (2005 – KZT 90,972).

As of June 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:

		% in Foreign	*Maturity*
Loans:	***% in KZT***	***currency***	
Management	10.0-14.0	10.0-15.0	2006-2020
Shareholders	10.0	15.0	2006
Associates	10.0-23.0	10.0-21.0	2011-2020
Deposits:			
Management	2.0-11.4	4.0-10.0	2005-2020
Shareholders	2.9-11.0	–	2006
Associates	3.0-12.2	1.5-10.5	2006-2017

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