IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-US PERSONS OR ADDRESSEES OUTSIDE OF THE US

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY US PERSON OR TO ANY US ADDRESS. 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 review this Prospectus or make an investment decision with respect to the securities described herein, investors must not be a US Person (as defined in Regulation S under the Securities Act). You have been sent the attached Preliminary Prospectus on the basis that you have confirmed to ABN AMRO Bank N.V. and Citigroup Global Markets Limited, being the senders of the attached, (i) that you and any customers that you represent are not US Persons, (ii) that the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States or the District of Columbia (where ''possessions'' include Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iii) that you consent to delivery by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the 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 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 BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The Prospectus has 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 ABN AMRO Bank N.V. and Citigroup Global Markets Limited or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from ABN AMRO Bank N.V. and Citigroup Global Markets Limited.

ALLIANCE BANK

ALB Finance B.V.

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

U.S.$200,000,000 9 per cent. Notes due 2010
unconditionally and irrevocably guaranteed by

JSC Alliance Bank

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

Issue Price: 99.017 per cent.

The U.S.$200,000,000 9 per cent. notes due 2010 (the "Notes") are issued by ALB Finance B.V. (the "Issuer") and are guaranteed by JSC Alliance Bank (the "Bank" or the "Guarantor"). Interest on the Notes will accrue from 22 November 2005 and will be payable semi-annually in arrear on 22 May and 22 November of each year, commencing on 22 May 2006. The Bank will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes (the "Guarantee") pursuant to a trust deed to be dated 22 November 2005 (the "Trust Deed") between the Issuer, the Bank and J.P. Morgan Corporate Trustee Services Limited, as trustee for the holders of the Notes (the "Trustee"). The Notes will be constituted by, subject to, and have the benefit of the Trust Deed.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the "FSMA") (in such capacity the "UK Listing Authority") for the Notes to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. Unless the context otherwise requires, references in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market and have been admitted to the Official List. 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"). In addition, the Bank shall cause the Notes to be listed on the Kazakhstan Stock Exchange ("KASE") within 60 days of the Closing Date (as defined below).

See "Risk Factors" starting on page 17 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Payments on the Notes will be made free and clear of any withholding taxes in The Netherlands. Although the Guarantor is obliged to withhold taxes from payments to the Issuer to fund the Issuer's obligations under the Notes, the Guarantor has agreed to gross up such payments to ensure the Issuer receives an amount sufficient to meet its obligations in respect of the Notes as if no withholding had been made. The Issuer may redeem the Notes in whole, but not in part, if a withholding is required in The Netherlands or in the event that the Guarantor is required to increase the amount it is required to gross up after the date hereof all as more full set out in Condition 8(b) (*Redemption for tax reasons)* of the Terms and Conditions of the Notes.

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

The Notes will be in registered form and will initially be represented by beneficial interests in a global note certificate (the "Global Note Certificate"), in fully registered form, without coupons, which will be deposited on or about 22 November 2005 (the "Closing Date") with JPMorgan Chase Bank, N.A., as common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Notes will be issued in denominations of U.S$100,000 and any amount in excess thereof which is an integral multiple of U.S$1,000. Beneficial interests in the Notes represented by the Global Note Certificate will be reflected in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, individual definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate. See "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form".

Joint Lead Managers

ABN AMRO **Citigroup**

Co-Managers

Alpha Bank **SC Parex Banka**
RZB-Austria Raiffeisen Zentralbank Österreich AG **IS Investment Securities**

The date of this Prospectus is 18 November 2005

None of the Managers (as defined under ''Subscription and Sale''), 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 nothing herein is to be construed as a representation or warranty by 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, Kazakhstan and the terms of the Notes and of the offering, including the merits and the risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own legal adviser, business adviser or tax adviser for legal, business or tax advice.

No person is authorised to give any information or make any representation not contained in this Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Bank, the Managers or the Trustee or any of their directors, affiliates, advisers or agents. No representation or warranty, express or implied, is made by the Managers or any of their 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 since the date hereof or that the information herein is correct as at any time subsequent to its date.

The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. 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. This Prospectus may not be used for, or in connection with, any offer to sell or a solicitation of an offer to purchase the Notes by anyone in any jurisdiction, or under any circumstance, where it is unlawful to make such an offer or solicitation. 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 Gilt Edged and Fixed Interest Market of the London Stock Exchange and may be used only for the purposes for which it is published. Persons into whose possession this Prospectus may come are required by the Issuer, the Bank, 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'' and ''Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form''.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ABN AMRO BANK N.V. (THE ''STABILISING MANAGER'') (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT, 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. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

RESPONSIBILITY STATEMENT

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

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

TABLE OF CONTENTS

ENFORCEMENT OF FOREIGN JUDGMENTS

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

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

FORWARD-LOOKING STATEMENTS

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

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

PRESENTATION OF FINANCIAL INFORMATION

The Bank is required to maintain its books of account in Tenge in accordance with relevant laws and regulations in Kazakhstan, including the regulations of the National Bank of Kazakhstan (the ''NBK'') and, since 1 January 2004, the regulations of the Agency for Regulation and Supervision of Financial Markets and Financial Organisations of Kazakhstan (''FMSA'').

The financial information of the Bank set forth herein, has, unless otherwise indicated, been derived from its unaudited balance sheets and statements of income, cash flows and changes in shareholder's equity as at and for the six months ended 30 June 2005 and 2004 (the ''Unaudited Interim Condensed Financial Statements'') and its audited balance sheet and statements of income, cash flows and changes in shareholders' equity as at and for the years ended 31 December 2004 and 2003 (the ''Audited Financial Statements'' and together with the Unaudited Interim Condensed Financial Statements, the ''Financial Statements''). The Financial Statements, including the notes thereto, were prepared in accordance with International Financial Reporting Standards (''IFRS''), formerly referred to as International Accounting Standards.

The Audited Financial Statements, including the notes thereto, have been audited by TOO Deloitte & Touche (''Deloitte & Touche''), whose report thereon is included in this Prospectus.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to ''U.S.$'', ''U.S. Dollars'' and ''$'' are to the lawful currency of the United States of America, references to ''Tenge'' or ''KZT'' are to Kazakh Tenge, the lawful currency of the Republic of Kazakhstan and references to ''Euro'' and ''€'' are to the currency introduced at the start of the third stage of the European Economic and Monetary union pursuant to the Treaty establishing the European community, as amended. References to ''Kazakhstan'' or the ''Republic'' are to the Republic of Kazakhstan, references to the ''Government'' are to the government of Kazakhstan and 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. 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), which was KZT135.26 per U.S.$1.00 on 30 June 2005 and KZT130.00 per U.S.$1.00 on 31 December 2004, in each case, the official exchange rate for U.S. Dollars reported by the National Bank of Kazakhstan (''NBK''). 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 relates, which was KZT131.20 per U.S.$1.00 for the six months ended 30 June 2005 and KZT136.04 per U.S.$1.00 for the year ended 31 December 2004, in each case, based on the official exchange rates for U.S. Dollars reported by the NBK for the relevant period. As at 16 November 2005, the Tenge/U.S. Dollar exchange rate was KZT134.24 per U.S. $1.

For further details of applicable exchange rates, see ''Exchange Rates and Exchange Controls'' and the Financial Statements.

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.

THIRD PARTY INFORMATION

Generally, information as to the market and competitive position data included in this Prospectus have been obtained from the NBK, Kazakhstan's National Statistics Agency (the "NSA"), the FMSA, published financial information and from surveys or studies conducted by third-party sources that are believed to be reliable. Such information has been extracted from documents and other publications released by various officials and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of views among such sources as to the information provided therein. No assurance can be given as to the accuracy and completeness of any such information and such market, industry and economic data has not been independently verified by the Bank.

GENERAL DESCRIPTION OF THE ISSUER AND THE BANK

The following summary information is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the related notes thereto, appearing elsewhere in this Prospectus as well as related documents referred to herein. Prospective investors should also carefully consider the information set forth under ''Risk Factors'' prior to making an investment decision. A general description of the Notes and the Guarantee is set forth under ''General Description of the Offering''.

Overview of the Issuer and the Bank

Subject as provided above, the following summary highlights significant aspects of the Issuer's business and the Bank's business.

The Issuer

The Issuer is a wholly owned subsidiary of the Bank incorporated on 3 October 2005 under the laws of The Netherlands for the purpose of, amongst other things, raising funds in the international capital markets and lending such funds to the Bank.

The Bank

The Bank was incorporated in 1993 as an open joint stock company under the name IrtyshBusinessBank OJSC and merged with Semipalatinsk City Bank in 1999. The combined bank primarily served large industrial enterprises in the Eastern Kazakhstan and Pavlodar regions.

In 2001, a consortium of domestic companies acquired a 37 per cent. interest in the Bank and in 2002, the Bank changed its name to OJSC Alliance Bank and relocated its headquarters to Almaty, Kazakhstan's financial centre.

In 2004, the Bank was re-registered as a joint stock company, JSC Alliance Bank.

The Bank's Business

As at 30 June 2005, the Bank was the fifth largest commercial bank in Kazakhstan in terms of assets, with assets of KZT221,941 million; the fifth largest bank in Kazakhstan in terms of shareholders' equity, with shareholders' equity of KZT16,608 million; and the fourth largest bank in Kazakhstan in terms of total time deposits (including retail deposits), with total time deposits of KZT67,546 million.

The Bank is authorised to act as a commercial bank and to offer a wide range of traditional banking services, including deposit taking, lending, issuing letters of credit and guarantees, availing promissory notes, issuing payment cards, foreign currency exchange, broker-dealer transactions, custody operations, clearing and safe-keeping operations, leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust operations, pawnshop operations, factoring and forfeiting operations and issuing securities. The Bank's primary business consists of retail and corporate banking. Its retail banking activities include lending and deposit taking as well as the provision of payment cards. The Bank's corporate banking division provides a broad range of banking products to a diversified group of domestic customers, primarily small- and medium-sized enterprises which have in total no more than 250 employees and total assets of up to U.S.$2.5 million (''SMEs''). The Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan.

As at the date of this Prospectus, the Bank had 13 full service branches located in major cities of Kazakhstan and 45 cash settlement offices (that provide a more limited range of banking services) throughout Kazakhstan. In addition, the Bank intends to open three new branches and 24 new cash settlement offices by the end of 2005.

The Bank's Strategy

As Kazakhstan's economy grows and the private sector expands, Management expects to see continued strong demand from private sector companies for financial services, including a range of financing. In addition, Management believes that the demand for retail banking services will continue to grow, to a large extent, due to a further increase of public confidence in the banking sector.

Following two years of rapid expansion of both its deposit base and its loan portfolio, Management aims to consolidate the Bank's position in the market and to continue steady growth. Generally, the Bank's strategy focuses on the strengthening and expansion of its retail, corporate banking (especially SME) and capital market services.

The key elements of the Bank's strategy include:

- development and strengthening of its existing market position;
- entry into new financial market segments;
- continuous improvement of financial performance;
- optimisation and modernisation of banking products;
- increasing the quality of its service; and
- increased national coverage.

The Bank's Credit Ratings

Currently, the Bank is rated by two rating agencies: Fitch IBCA (''Fitch'') and Moody's Investors Service (''Moody's''). The current ratings of the Bank are as follows:

Fitch		**Moody's**	
Individual	D	Strength	E+
Longterm	B+	Longterm	Ba2
Shortterm	B	Shortterm	NP
Outlook	Stable	Outlook	Positive

It is expected that, on issue, Fitch and Moody's will assign B+ and Ba2 ratings, respectively, to the Notes. A credit rating is not a recommendation to buy, sell or hold the securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

SUMMARY FINANCIAL INFORMATION

The summary financial information presented below as at and for the years ended 31 December 2004 and 2003 has been derived from, should be read in conjunction with and is qualified in its entirety by, the Audited Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

The Audited Financial Statements were audited by Deloitte & Touche, Kazakhstan, whose audit report is included elsewhere in this Prospectus.

The summary financial information presented below as at and for the six months ended 30 June 2005 and 2004 has been derived from, should be read in conjunction with and is qualified in its entirety by, the Unaudited Interim Condensed Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

The Financial Statements have been prepared in accordance with IFRS.

Prospective investors should read the summary financial information in conjunction with the information contained in ''Risk Factors'', ''Capitalisation'' and the Financial Statements, including the notes thereto, and the other financial data contained elsewhere in this Prospectus.

Income Statement Data

	For the six month periods ended 30 June			For the years ended 31 December		
	2005		2004	2004		2003
	(*U.S.$ thousands*)[1] (*unaudited*)	(*KZT millions*) (*unaudited*)	(*KZT thousands*) (*unaudited*)	(*U.S.$ millions*)[2] (*unaudited*)	(*KZT millions*) (*audited*)	(*KZT millions*) (*audited*)
Interest income	43,666	5,729	3,041	51,257	6,973	4,292
Interest expense	(31,966)	(4,194)	(1,864)	(30,910)	(4,205)	(2,611)
Net interest income before provision for loan loses	11,700	1,535	1,177	20,347	2,768	1,681
Provision for loan losses	(9,771)	(1,282)	(347)	(9,615)	(1,308)	(1,088)
Net interest income	1,929	253	830	10,732	1,460	593
Fee and commission income	10,015	1,314	543	10,144	1,380	616
Fee and commission expense	(838)	(110)	(26)	(831)	(113)	(62)
Net gain on foreign exchange operations	846	111	4	338	46	235
Net gain on securities held-for-trading	2,858	375	29	941	128	141
Other income	1,014	133	98	515	70	81
Net non-interest income	13,895	1,823	648	11,107	1,511	1,011
Operating income	15,824	2,076	1,478	21,839	2,971	1,604
Operating Expenses	(11,319)	(1,485)	(905)	(15,304)	(2,082)	(1,363)
Operating Profit	4,505	591	573	6,535	889	241
Provision for losses on other transactions	(114)	(15)	(10)	(206)	(28)	(6)
Income from participation in associated company	–	–	–	–	–	2
Profit before income tax	4,391	576	563	6,329	861	237
Income tax expense	(473)	(62)	(58)	–	–	(29)
Net profit	3,918	514	505	6,329	861	208

Notes

(1) Translated at the average U.S. Dollar exchange rate for the six months ended 30 June 2005, as reported by the NBK, of KZT131.20 = U.S.$1.00.

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

Balance Sheet Data

	As at 30 June		As at 31 December		
	2005		2004	2004	2003
	(*U.S.$ thousands*)[1] (*unaudited*)	(*KZT millions*) (*unaudited*)	(*U.S.$ thousands*)[2] (*unaudited*)	(*KZT millions*) (*audited*)	(*KZT millions*) (*audited*)
Assets:					
Cash and balances with the National Bank of the Republic of Kazakhstan	129,343	17,495	151,015	19,632	2,378
Precious metals	22	3	16	2	1
Advances to banks, less allowance for losses	220,339	29,803	6,862	892	2,242
Securities held-for-trading	383,343	51,851	240,954	31,324	1,564
Securities purchased under agreements to resell	74,109	10,024	49,392	6,421	401
Loans and advances to customers, less allowance for loan losses	760,565	102,874	410,069	53,309	30,670
Investment securities:					
securities available-for-sale	47,908	6,480	42,054	5,467	4,904
securities held-to-maturity	3,423	463	9,692	1,260	6,884
Investment in associated companies	–	–	–	–	50
Fixed and intangible assets, less accumulated depreciation and amortization	8,421	1,139	7,969	1,036	748
Other assets, less allowance for losses	13,374	1,809	3,977	517	461
Total assets	1,640,847	221,941	922,000	119,860	50,303
Liabilities and Shareholders' Equity:					
Liabilities:					
Due to the budget of the Republic of Kazakhstan	1,545	209	2,185	284	538
Deposits from the National Bank of the Republic of Kazakhstan	44,359	6,000	30,769	4,000	1,000
Loans and deposits from banks	247,013	33,411	72,792	9,463	3,931
Securities sold under agreements to repurchase	196,444	26,571	127,631	16,592	1,131
Customer accounts	792,888	107,246	518,877	67,454	36,797
Debt securities issued	192,052	25,977	15,377	1,999	296
Dividends payable	185	25	462	60	–
Other liabilities	3,867	523	1,138	148	192
Subordinated debt	39,709	5,371	29,792	3,873	2,688
Total liabilities	1,518,062	205,333	799,023	103,873	46,573
Shareholders' equity					
Share capital	110,720	14,976	115,300	14,989	3,575
Share premium	37	5	38	5	–
Revaluation reserve of fixed assets	540	73	562	73	76
Revaluation reserve on securities available-for sale	1,345	182	292	38	–
Retained earnings/(accumulated deficit)	10,143	1,372	6,785	882	79
Total shareholders' equity	122,785	16,608	122,977	15,987	3,730
Total liabilities and shareholders' equity	1,640,847	221,941	922,000	119,860	50,303

Notes

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

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

	As at or for the six month period ended 30 June	As at or for the years ended 31 December	
	2005	2004	2003
	(*per cent., unless otherwise noted*)		
Combined Key Ratios:			
Return on shareholders' equity[1]	6.3[2]	8.7	7.4
Net earnings per common share (in KZT)	32.62	1,715.98	635.28
Operating expenses/operating income before provisions for loan losses	44.2	48.7	50.6
Operating expenses/operating income after provisions for loan losses	71.5	70.1	84.9
Effective provisioning rate on customer loans (excluding accrued interest income)	3.7	4.8	5.2
Profitability Ratios[3]:			
Net interest margin (i.e., net interest income before provisions for loan losses as a percentage of average interest-earning assets)	2.5[2]	4.2	4.8
Net interest income as a percentage of average interest-earning assets	0.4[2]	2.2	1.7
Operating expenses as a percentage of net interest income before provisions for loan losses	96.7	75.2	81.1
Operating expense as a percentage of average total assets	2.2[2]	3.1	3.6
Profit after taxation as a percentage of average total assets	0.8[2]	1.3	0.6
Profit after taxation as a percentage of average shareholder capital	6.2[2]	16.2	7.2
Balance Sheet Ratios:			
Customer accounts as a percentage of total assets	48.3	56.3	73.2
Total net loans to customers as a percentage of total assets	46.4	44.5	61.0
Total equity as a percentage of total assets	7.5	13.3	7.4
Liquid assets as a percentage of customer accounts[4]	101.8	86.4	17.5
Liquid assets as a percentage of liabilities of up to one month	126.1	136.9	62.2
Capital Adequacy Ratios[5]:			
Total capital	17	28	16
Tier 1 capital	13	21	7
Asset Quality Ratios[6]:			
Non-performing loans as a percentage of total loans	2.7	2.9	4.0
Non-performing loans as a percentage of total loans and guarantees	2.6	2.7	3.8
Provisions for loan losses as a percentage of non-performing loans	134.4	161.2	127.6
Exchange Rates used in financial statements of the Bank[7]**:**			
Period end	135.26	130.00	144.22
Average for the period[8]	131.20	136.04	149.58
Macroeconomic Data:			
Consumer Price Inflation (for the twelve months then ended)	3.5	6.7	6.8
Real GDP (change during the year)	9.1	9.4	9.2

Notes

(1) Based on the average of the opening and closing balances for the period.

(2) Annualised numbers.

(3) Averages are based upon average daily balances.

(4) Liquid assets include cash and balances with NBK, precious metals, loans and advances to banks (with maturity of less than one month), securities in the trading portfolio and securities sold under repurchase agreements.

(5) Calculated in accordance with the Basel Accord, as currently in effect.

(6) For the definition of non-performing loans used by the Bank, see ''Description of the Bank – Lending Policies and Procedures – Provisioning Policy and Write-Offs''.

(7) KZT/U.S.$1.00

(8) The average monthly rate is the average of the Bank's daily rates for the month. The average annual rates is the average of the 12 monthly average rates.

GENERAL DESCRIPTION OF THE OFFERING

The following summary does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus and related documents referred to herein. Capitalised terms not specifically defined in this summary have the meaning set out in the "Terms and Conditions of the Notes". Except where otherwise indicated, references to a "Condition" or "Conditions" are to the specified Condition or Conditions in the "Terms and Conditions of the Notes".

Issuer:	ALB Finance B.V.
Guarantor:	JSC Alliance Bank
Issue:	U.S.$200,000,000 principal amount of 9 per cent. Notes due 2010
Issue Price:	99.017 per cent. of the principal amount of the Notes
Issue Date:	22 November 2005
Maturity Date:	22 November 2010
Trustee:	J.P. Morgan Corporate Trustee Services Limited
Principal Paying and Transfer Agent:	JPMorgan Chase Bank, N.A.
Registrar:	J.P. Morgan Bank Luxembourg S.A.
Interest and Interest Payment Dates:	The Notes will bear interest at a rate of 9 per cent. per annum. Interest on the Notes will accrue from 22 November 2005 and will be payable semi-annually in arrear on 22 May and 22 November of each year, commencing on 22 May 2006.
Guarantee:	The Bank will, on or prior to the Issue Date, enter into the Trust Deed under which the Bank will guarantee, on an unconditional basis, due payment of all sums payable by the Issuer under the Notes.
Status:	The Notes constitute direct, general, unconditional and (subject to Condition 5 (*Negative Pledge and Certain Covenants*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law of general application. The obligations of the Bank under its guarantee in respect of the Notes (the "Guarantee") constitute direct, general, unconditional and (subject to Condition 5 (*Negative Pledge and Certain Covenants*)) unsecured obligations of the Bank which rank and will rank at least *pari passu* in right of payment with all other present and future unsecured obligations as may be preferred by mandatory provisions of applicable law of general application. See Condition 4 (*Guarantee and Status*).
Form:	The Notes will be issued in registered form, without interest coupons attached, in denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof and will initially be represented by beneficial interests in the Global Note Certificate. The Global Note Certificate will be exchangeable for individual definitive certificates only in the limited circumstances specified therein. See "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form".
Tax Redemption:	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with interest accrued but unpaid to the date fixed for redemption, in the event of certain changes in taxation in the Netherlands or the Republic of Kazakhstan. See Condition 8(b) (*Redemption for tax reasons*).

Redemption at the Option of the Noteholders:	Following the occurrence of a Relevant Event (as defined in Condition 8(c) (*Redemption at the Option of the Noteholders*)), the Issuer shall, at the option of the holder of any Note, redeem such Note on the 60th day after notice thereof has been given by the Issuer to Noteholders at their principal amount, together with interest accrued and unpaid to the Put Settlement Date (as defined in Condition 8(c) (*Redemption at the Option of the Noteholders*)). See Condition 8(c) (*Redemption at the Option of the Noteholders*)".
Negative Pledge:	Each of the Issuer and the Bank has agreed that, for so long as any Note remains outstanding, it shall not, and, in the case of the Bank, shall not permit any of its subsidiaries to, create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest in the case of the Bank) (both as defined in Condition 5 (*Negative Pledge and Certain Covenants*)).
Certain Covenants:	The Notes and the Trust Deed contain certain covenants, including, without limitation, covenants with respect to merger and consolidation, limitation on certain transactions, limitation on payment of dividends and maintenance of capital adequacy. See Condition 5 (*Negative Pledge and Certain Covenants*).
Events of Default:	If an Event of Default (as defined in Condition 11 (*Events of Default*)) occurs, the Trustee may, subject as provided in the Trust Deed, give notice to the Issuer and the Guarantor that the Notes are and shall become immediately due and repayable at their principal amount together with accrued interest. See Condition 11 (*Events of Default*).
Taxation:	All payments of principal and interest under the Notes will be made free of any Dutch withholding taxes. See "Taxation—The Netherlands Taxation". Under Kazakhstan's laws as presently in effect, interest payable by a Kazakh obligor to non-residents and certain categories of residents is subject to Kazakhstan withholding tax at a rate of 15 per cent. unless, in the case of non-residents, reduced by a relevant double tax treaty. See "Taxation—Kazakhstan Taxation". The Guarantor is obliged to withhold payments to the Issuer to fund the Issuer's obligations under the Notes. The Guarantor has, however, undertaken, pursuant to Condition 9 (*Taxation*) and in the Trust Deed, to pay additional amounts such that Noteholders would receive (after any withholding required to be made pursuant to Kazakhstan's tax laws in respect of any payments under the Notes) the amount that would have been received by the holders had no such withholding been required. The enforceability in Kazakhstan of such an undertaking has not to date been determined by the courts in Kazakhstan and there is no certainty as to whether they would enforce such an undertaking. See "Risk Factors—Risk Factors Relating to the Notes—Taxation in Kazakhstan".
Use of Proceeds:	The proceeds to the Issuer from the sale of the Notes, expected to amount to approximately U.S.$196,584,000 after deduction of the combined management and underwriting commission and expenses incurred with the issue of the Notes, will be deposited by the Issuer with the Bank who will use such proceeds for funding growth in its loan portfolio and for other general corporate purposes, but not for debt refinancing.
Listing:	Application has been made for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

	After their issue, the Bank will also cause the Notes to be listed on the Kazakhstan Stock Exchange within 60 days of the Closing Date. No assurance can be given that either such listing will be obtained.
Selling Restrictions:	Neither the Notes nor the Guarantee have been or will be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the United Kingdom and the Republic of Kazakhstan) only in compliance with applicable laws and regulations. See ''Subscription and Sale''.
Governing Law:	The Notes, the Trust Deed and the Paying Agency Agreement will be governed by, and construed in accordance with, the laws of England.
Risk Factors:	For a discussion of certain risk factors relating to Kazakhstan, the Bank 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 Code .... XS0234283264 Common Code 023428326

RISK FACTORS

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

Risk Factors Relating to the Bank

The Bank's gross loans and advances (before allowances) have increased rapidly in recent years growing by 105 per cent. in 2003 to KZT32,301 million, by 73 per cent. in 2004 to KZT55,915 million and by a further 91 per cent. in the first half of 2005 to KZT106,725 million. The growth in the gross loan portfolio over the period was attributable to an overall increase in the lending activity of the Bank, especially to SMEs and retail customers. Classified loans, being loans classified by the Bank in accordance with IFRS as unsatisfactory, doubtful and loss, as a percentage of gross loans, decreased from 9.1 per cent. in 2003 to 6.0 per cent. in 2004 and then decreased to 4.0 per cent in the first half of 2005.

The significant increase in the loan portfolio size has increased the Bank's credit exposure and will require continued monitoring by the Bank's management of credit quality and the adequacy of its impairment assessment and continued improvement in the Bank's credit risk management programme.

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

Growth rates such as those recently experienced by the Bank also require the Bank to attract and retain a significant number of qualified personnel and to train new personnel appropriately, not only to monitor asset quality, but also to ensure access to appropriately flexible funding sources that do not impose inappropriate constraints on the Bank's future funding strategy. Furthermore, the development of relatively new products, such as new mortgage products and financing products for SMEs and retail borrowers, require not only credit assessment skills and personnel, but also risk management, experience and systems, some of which are not currently in place at the Bank. As the average maturity of the Bank's loan portfolio increases, it will need to introduce more sophisticated techniques to manage related risks. There can be no assurance that the Bank will obtain the necessary skills and systems to manage these types of risks in a timely manner, if at all. Failure to manage growth and development successfully and to maintain the quality of its assets and/or flexibility as to funding sources could have a material adverse effect on the Bank's financial condition and results of operations.

Concentration of Lending and Deposit Base

As at 30 June 2005, the Bank's 10 largest borrowers accounted for 24.5 per cent. of gross commercial loans and advances, compared to 18.5 per cent. as at 31 December 2004 and 23.7 per cent. as at 31 December 2003. The Bank will have to continue to place emphasis on credit quality and to further develop financial and management controls to monitor this credit exposure; a failure to achieve this could have a material adverse effect on the Bank's results of operations and financial condition.

As at 30 June 2005, the Bank's 10 largest corporate depositors accounted for approximately 24 per cent. of total amounts owed to customers compared to 32 per cent. and 37 per cent. as at 31 December 2004 and 2003 respectively. The Bank intends to reduce the concentration in its deposit base by attracting SME and retail depositors. Failure to reduce such concentration could, however, expose the Bank to increased liquidity risk and have a material adverse effect on the Bank's results of operations and financial condition.

Capitalisation

Although as at 30 June 2005, the Bank has relatively high capitalisation, if the Bank's loan portfolio continues to increase as rapidly as it has in previous years, capital will be required in the medium-term to strengthen further the Bank's capital base. In addition, commercial loans funded through increased levels of debt financing from financial institutions and capital markets will also require the Bank to raise additional capital in order to meet required capital adequacy levels. Any failure to maintain adequate levels of capital in the future could substantially limit the Bank's ability to continue to increase the size of its loan portfolio whilst complying with applicable regulatory guidelines and covenants imposing certain minimum capital adequacy requirements on the Bank, which could, in turn, have a material adverse effect on the Bank's results of operations and financial condition.

Reform of the International Capital Adequacy Framework

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

Liquidity Risk

The Bank, like other commercial banks in Kazakhstan and elsewhere, is exposed to liquidity risk due to maturity mismatches between its assets and liabilities. As at 30 June 2005, the Bank had a negative liquidity gap of KZT25,262 million for maturities of between three months and one year. Although the Bank believes that its level of access to domestic and international inter-bank markets and its liquidity risk management policy, which includes maintaining liquidity reserves sufficient to meet the Bank's liquidity needs for a certain period, allow and will continue to allow the Bank to meet its short-term and long-term liquidity needs, any maturity mismatches between the Bank's assets and liabilities (including by reason of the withdrawal of large deposits) may have a material adverse effect on its business, results of operations and financial condition.

Interest Rate Risk

The Bank is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and interest-earning assets. While the Bank monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments, interest rate movements may have a material adverse effect on its business, results of operations and financial condition.

Foreign Currency Risks

The Bank is exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. Although the Bank is subject to limits on its open currency positions pursuant to NBK and FMSA regulations and the Bank's internal policies, future changes in currency exchange rates and the volatility of the Tenge may adversely affect the Bank's foreign currency positions. Although the Bank uses a limited number of currency hedging arrangements, no assurance can be given that such hedging arrangements will be available or sufficient for the Bank's future operations due to the underdeveloped currency hedging market in Kazakhstan.

Risk Management Systems

Management of these risks also requires substantial resources. Although Management believes that the Bank's information technology and management information system, policies and procedures are adequate for purposes of measuring, monitoring and managing the Bank's exposure to liquidity, interest rate, foreign exchange and other market risks in the context of its existing business, as the Bank's business continues to grow and develop, the Bank's risk profiles are likely to change, particularly as growth in the loan portfolio is focused on SMEs and retail borrowers. Management continually assesses its risk management infrastructure and resources and the Bank has made considerable investments in information technology over the last two years. The Bank intends to complete an upgrade of its systems at an aggregate cost of U.S.$6 million by the end of 2005, including installation of additional information system modules for the Bank's retail operation. However, in the event that the Bank's risk management systems are not developed in line with the growth in the Bank's business and related shifts in its risk exposures, this could have a material adverse effect on the business, results of operations and financial condition of the Bank.

Lack of Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to its economy generally or specific economic sectors within it or corporate or financial information relating to companies and other economic enterprises is not as comprehensive as that found in many countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements and recognised debt rating reports, available to the Bank relating to its prospective corporate borrowers or retail clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Bank ordinarily makes an estimation of the net realisable value of collateral on the basis of which it determines applicable impairment assessment and collateralisation requirements, the absence of additional statistical, corporate and financial information may decrease the accuracy of the Bank's assessments of credit risk, thereby increasing the risk of under provisioning and decreasing the likelihood that the Bank would be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it.

Exposure to the State Treasury and the NBK

Government securities issued by the Ministry of Finance of the Republic of Kazakhstan and the NBK and Eurobonds issued by the Government continue to represent the most significant part of the Bank's total investments in securities (71 per cent. of total investments as at 30 June 2005, compared to 91 per cent. as at 31 December 2004 and 82 per cent. as at 31 December 2003) and a significant part of the Bank's total assets (19 per cent. of total assets as at 30 June 2005, compared to 29 per cent. as at 31 December 2004 and 22 per cent. as at 31 December 2003). Although neither the Government nor the NBK has failed to pay its obligations under such securities, there can be no assurance that, if either failed to do so in the future, this would not adversely affect the business, results of operations or financial condition of the Bank.

Competition

The Bank is subject to competition from both domestic and foreign banks. As at 30 June 2005, there were 34 second tier banks licensed in Kazakhstan, excluding the NBK, JSC Development Bank of Kazakhstan (the "DBK"), and Housing Construction Savings Bank, 14 of which were banks with foreign ownership, including 9 subsidiaries of foreign banks. According to the NBK, as at 30 June 2005, the three largest banks in Kazakhstan, JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank, held approximately 62 per cent. of total loans and 59 per cent. of total bank assets in Kazakhstan. Moreover, although foreign-owned banks do not currently provide significant domestic competition, these institutions have significantly greater resources and cheaper funding bases than the Bank. Foreign banks also have greater international experience, allowing them to target the best domestic corporate customers, as well as foreign companies operating in Kazakhstan. Accordingly, these entities are likely to become competitive with the Bank in the corporate banking sector in the longer-term. The Bank also expects that the DBK, established in 2001, whilst not licensed to accept deposits or provide corporate settlement services, may become an important competitor in the corporate lending sector. See "Description of the Bank — Competition".

Dependence on Key Personnel

The Bank's success in growing its business will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel. The Bank relies on its senior management for the implementation of its strategy and its day-to-day operations. As competition for skilled personnel, especially at the senior management level, is intense, the Bank seeks further to develop its remuneration levels and to take other measures to attract and motivate skilled personnel. If the Bank is unable to retain key members of its senior management and cannot hire new qualified personnel in a timely manner, its business and results of operations could be adversely affected. Competition in Kazakhstan for personnel with relevant expertise is intense due to a disproportionately low number of available qualified and/or experienced individuals compared to demand. The Bank's failure to manage successfully its personnel needs could adversely affect the Bank's business and results of operations.

Regulation of the Banking Industry

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

Regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the regulators may differ from those applicable to banking operations in more highly developed regulatory regimes. See ''Risk Factors Relating to the Republic of Kazakhstan — Underdevelopment and Evolution of Legislative and Regulatory Framework''. There can be no assurance that the Government will not implement regulations or policies, including policies or regulations or legal interpretations of existing banking or other regulations, relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action, that could have a material adverse effect on the Bank's business, financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

Risk Factors Relating to the Notes

Taxation in Kazakhstan

As discussed in ''Taxation — Kazakhstan Taxation'', in the event a demand is made under the Guarantee, payments of interest in respect of the Notes made by the Guarantor under the Guarantee will be subject to Kazakhstan withholding tax at a rate of 15 per cent., unless, in the case of non-resident holders, reduced by a relevant double tax treaty. The Bank will agree in the Trust Deed to pay additional amounts in respect of such withholding. See ''Terms and Conditions of the Notes — Condition 9 (Taxation)''.

The enforceability in Kazakhstan of such an agreement has not to date been determined by the courts in Kazakhstan and there may be some doubt as to whether they would enforce such an agreement. The Notes are subject to redemption in whole at their principal amount plus accrued interest (if any) at the option of the Bank, in the event of certain changes in taxation in Kazakhstan. See ''Terms and Conditions of the Notes – Condition 8(b) (Redemption for Tax Reasons)''.

Prospective purchasers and holders of Notes should consult their own professional advisers as to the tax consequences of them holding or transferring the Notes.

Credit Rating

The outstanding Eurobonds of the Republic of Kazakhstan are rated Baa3 by Moody's and BBB- by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. The Bank's long-term rating was upgraded to ''Ba2'' by Moody's on 19 May 2005 and the Bank also received a ''B+'' long-term rating from Fitch on 8 April 2005. Any adverse change in the credit rating of either the Bank or the Republic of Kazakhstan could negatively affect the trading price of the Notes.

Absence of Trading Market for the Notes

There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell their Notes or the price at which such Noteholders would be able to sell Notes. Application has been made for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. In addition, the Bank shall cause the Notes to be listed on the KASE within 60 days of the Closing Date. There can be no assurance that either such listing will be obtained or, if such listing is obtained, that an active trading market will develop or be sustained. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Further, Kazakhstan is considered by international investors to be an emerging market. Political, economic, social and other developments in other emerging markets may have an adverse effect on the market value and liquidity of the Notes. Accordingly, there can be no assurance as to the development or liquidity of any market for 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 market price of the Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Bank.

Financial stability in emerging market countries other than Kazakhstan could adversely affect the market price of the Notes, even if the economy in Kazakhstan remains relatively stable. Accordingly, the Notes may be subject to fluctuations which may not necessarily be related to the financial performance of the Bank or economic conditions in Kazakhstan.

Risk Factors Relating to the Republic of Kazakhstan

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

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

Political and Regional Considerations

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has experienced significant change as it emerged from a single-party political system and a centrally controlled command economy to a market-oriented, democratic model. The transition was 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 some other countries of the CIS. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, steel, copper, ferro-alloys, iron ore, aluminium, 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 and government policies, both in Kazakhstan and in the region, appear to support further economic integration within the CIS, one of the aims of which is to assure continued access to export routes. However, should access to these routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in the regional markets may adversely impact Kazakhstan's economy.

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, such as Turkey, which is a major infrastructure project contributor in the Central Asian region.

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's economy 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. Notwithstanding these efforts, however, low commodity prices and weak demand in its export markets may adversely affect Kazakhstan's economy in the future.

The Government of Kazakhstan began implementing market-based economic reforms in 1992, including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment, particularly in the oil and gas sectors, and the introduction of an extensive legal framework. Despite 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. According to figures compiled by the NSA, 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 per cent. in 2001, 9.8 per cent. in 2002, 9.2 per cent. in 2003 and 9.4 per cent. in 2004. However, there can be no assurance that GDP will continue to grow and any decrease in GDP or in the rate of GDP growth in subsequent years could adversely affect Kazakhstan's development.

The Tenge is convertible for current account transactions, although it is not a fully convertible currency outside Kazakhstan. Between 1991, when Kazakhstan began its transition to a market-based economy, and April 1999, the NBK maintained a managed exchange rate policy which, although permitting the general trend in the exchange rate to reflect market conditions, involved official intervention aimed at limiting fluctuations. Depressed export markets in 1998 and early 1999, however, caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the authorities instituted a number of expenditure cuts and took revenue increasing measures and, in April 1999, the NBK floated the Tenge. The Tenge fell by 64.6 per cent. against the U.S. Dollar in the year ended 31 December 1999, compared to a depreciation of 10.7 per cent. in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge continued to depreciate in value against the U.S. Dollar, although at a much slower rate, depreciating by 4.6 per cent. in 2000, by 3.8 per cent. in 2001 and 3.3 per cent. in 2002. The Tenge subsequently appreciated against the U.S. Dollar by 7.3 per cent. during 2003, by a further 9.9 per cent. during 2004 before depreciating against the U.S. Dollar by a further 4.0 per cent. in the first six months of 2005 to KZT135.26 per U.S.$1.00 as at 30 June 2005. As at 16 November 2005, the official KZT/USD rate of exchange reported by the NBK was KZT134.24 per U.S.$1.00.

While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK's 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 telecommunication company. However, there remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the amount of non-cash transactions in the economy and the size of the shadow economy adversely affect the implementation of reforms and hamper 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. However, the implementation of these measures in the short-term has produced few positive results, and improved results may not materialise until the medium-term, if at all. Currently, the Government is considering the possibility of presenting to Parliament a law establishing a one-time property amnesty aimed at reducing the size of the shadow economy and increasing the size of the country's tax base. Implementation of these measures, however, may not happen in the short term and any positive results of such actions may not materialise until the medium-term, if at all.

Underdevelopment and Evolution of Legislative, Tax 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 arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan (although one of the most developed among the CIS countries) is still at a relatively early stage of development compared to countries with established market economies. The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces; there have been instances of improper payments being made; court decisions can be difficult to predict; and administrative decisions have on occasion been inconsistent.

As a result of these ambiguities, as well as a lack of an established system of precedent or consistency in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system. Further, due to the presence of numerous ambiguities in Kazakhstan's commercial legislation, in particular its tax legislation, the tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, 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, the Government may not continue such policy in the future or such policy, if continued, may not ultimately prove to be successful. It is expected that the tax legislation in Kazakhstan will become more sophisticated and that there will be additional revenue raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Bank's business and financial condition and on the results of operation of companies operating in Kazakhstan.

Less Developed Securities Markets

An organised securities market was established in Kazakhstan in the mid-to-late 1990 and procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are less well developed in Kazakhstan, and less strictly enforced, than in the United States and Western European countries and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement. In addition, less information relating to Kazakhstan entities, such as the Bank, may be publicly available to investors in securities issued or guaranteed by such entities than are available to investors in entities organised in the United States or Western European countries.

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 Note in definitive form (if issued). The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were 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.$200,000,000 9 per cent. Notes due 2010 (the "Notes"; which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of ALB Finance B.V. (the "Issuer") are (a) guaranteed by JSC Alliance Bank (the "Guarantor") pursuant to a trust deed dated 22 November 2005 (as amended or supplemented from time to time, the "Trust Deed") between the Issuer, the Guarantor and J.P. Morgan Corporate Trustee Services Limited, as trustee (the "Trustee", which expression includes all persons for the time being appointed as trustee or trustees for the holders of the Notes (the "Noteholders") under the Trust Deed) (the "Guarantee"), (b) constituted by, and subject to, and have the benefit of the Trust Deed and (c) the subject of a paying agency agreement dated 22 November 2005 (as amended or supplemented from time to time, the "Paying Agency Agreement") between the Issuer, the Guarantor, J.P. Morgan Bank Luxembourg S.A., as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Notes); JPMorgan Chase Bank, N.A., 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 or transfer agents appointed from time to time in connection with the Notes) and the Trustee.

Certain provisions of these Conditions are summaries of the Trust Deed 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 and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Paying Agency Agreement) of each of the Paying 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 Trinity Tower, 9 Thomas More Street, London E1W 1YT, United Kingdom. References herein to the "Agents" are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying 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. Notes shall be issued in denominations of U.S.$100,000 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 Certificate, 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 Certificate will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by Euroclear, Clearstream, Luxembourg and their participants as applicable. The Global Note Certificate will be exchangeable for Notes in definitive form, without interest coupons attached, only in certain limited circumstances.

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Conditions 2 (*Registration*) and 3 (*Transfers*). The holder (as defined below) of any Note shall (except as otherwise required by law 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 thereon (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

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

2. Registration

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

3. Transfers

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

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

(c) The transfer of a Note will be effected without charge by the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such 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 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. Guarantee and Status

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

The Notes are direct, general, unconditional and (subject to Conditions 5(a) (*Negative Pledge of the Issuer*) and (b) (*Negative Pledge of the Guarantor*)) unsecured obligations of the Issuer and will at all times rank pari passu among themselves. The payment obligations of the Issuer under the Notes and of the Guarantor under the Guarantee will at all times rank at least *pari passu* in right of payment with all their respective other present and future unsecured and unsubordinated obligations, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge and Certain Covenants

(a) *Negative Pledge of the Issuer*

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

(b) *Negative Pledge of the Guarantor*

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

(c) *Merger and Consolidation*

For so long as the Notes remain outstanding, the Guarantor shall not consolidate with, merge with or into, or liquidate into, or convey, transfer or lease all or substantially all of its assets to, any Person, unless (i) the Person (if other than the Guarantor) formed by or resulting from any such consolidation or merger shall be duly incorporated, or otherwise organised and existing, under the laws of Kazakhstan and shall assume the performance and observance of all of the Guarantor's obligations under the Notes and the Trust Deed and (ii) at the relevant time there shall not have occurred and be continuing any Event of Default (as defined in Condition 11 (*Events of Default*) or 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 11, become an Event of Default.

(d) *Limitations on Certain Transactions*

For so long as any Note remains outstanding, the Guarantor shall not in any 12 month period, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$2,000,000, unless such transaction or series of transactions is or are at Fair Market Value.

(e) *Limitation on Payment of Dividends*

For so long as any Note remains outstanding, the Guarantor shall not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default or 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 11 (*Events of Default*), become an Event of Default or (ii) at any time when no such Event of Default or event exists, (x) more frequently than once during any calendar year or (y) in an aggregate amount exceeding 50 per cent. of the Guarantor's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with IFRS, for which purpose, the amount of the Guarantor's net income shall be determined by reference to its audited and, if available, consolidated, financial statements for the period in respect of which the dividend is being paid. The foregoing limitation shall not apply to the payment of (i) any dividends in respect of any preferred shares of the Guarantor, which may be issued by the Guarantor from time to time or (ii) any dividends in respect of any common shares of the Guarantor, which are paid through the issuance of additional common shares.

(f) *Maintenance of Capital Adequacy*

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

(g) *Definitions*

For the purposes of these Conditions:

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

''Fair Market Value'' means, with respect to any transaction, the value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

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

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

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

''Indebtedness for Borrowed Money'' means any Indebtedness of any Person for or in respect of (a) moneys borrowed; (b) amounts raised by acceptance under any acceptance credit facility; (c) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments; (d) amounts raised pursuant to any issue of shares of such Person, which are expressed to be redeemable; (e) the amount of any liability in respect of leases or hire purchase contracts, which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases; (f) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service;

and (g) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a ''with recourse'' basis) having the commercial effect of a borrowing.

''Permitted Security Interest'' means any Security Interest:

(i) granted in favour of the Guarantor by any Subsidiary to secure Indebtedness for Borrowed Money or other obligations owed by such Subsidiary to the Guarantor;

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

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

(iv) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;

(v) arising pursuant to any agreement (or other applicable terms and conditions), which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Guarantor or any Subsidiary other than on a short-term basis as part of the Guarantor's or such Subsidiary's liquidity management activities), in connection with (a) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (b) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (c) the Guarantor's foreign exchange dealings or other proprietary trading activities, including, without limitation, Repos;

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

(vii) granted by the Guarantor in favour of a Development Organisation to secure Indebtedness for Borrowed Money owed by the Guarantor to such Development Organisation pursuant to any loan agreement or other credit facility entered into between the Guarantor and such Development Organisation, provided, however, that (a) the amount of Indebtedness for Borrowed Money so secured pursuant to this clause (vii) shall not exceed in the aggregate an amount in any currency or currencies equivalent to 15 per cent. of the Guarantor's loans and advances to customers before allowances for loan losses (calculated by reference to the most recent audited and, if available, consolidated, financial statements of the Guarantor prepared in accordance with IFRS) and (b) the relevant Security Interest only extends to the asset financed by the relevant Indebtedness for Borrowed Money and/or any Security Interest or other claim held by the Guarantor in relation thereto;

(viii) created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Guarantor or any Subsidiary (a) arising out of any securitisation of such property or assets or other similar structured finance transaction in relation to such property or assets where the recourse in relation to the Indebtedness for Borrowed Money secured by such property or assets is limited to such property or assets or (b) comprising loans or advances to customers secured on the relevant customers' residences in connection with any offering of bonds, notes, debentures, loan stock or similar instruments, provided that the aggregate amount of Indebtedness for Borrowed Money so secured pursuant to (a) and (b) of this clause (viii) at any one time shall not exceed, at the time such Indebtedness is incurred, an amount in any currency or currencies equivalent to 20 per cent. of the Guarantor's loans and advances to customers before allowances for loan losses (calculated by reference to the most recent audited and, if available, consolidated, financial statements of the Guarantor prepared in accordance with IFRS);

(ix) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the issue date of the Notes or permitted by any of the above exceptions, provided that the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest; and

(x) not included in any of the above exceptions, in aggregate securing Indebtedness for Borrowed Money or Indebtedness Guarantees in respect of Indebtedness for Borrowed Money with an aggregate principal amount at any time not exceeding U.S.$25,000,000 (or its equivalent in other currencies) at that time.

"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.

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

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

"Subsidiary" means, in relation to any Person (the "first Person") at a given time, any other Person (the "second Person") (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50 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, provided, however, that for the purposes of Condition 5(b) (*Negative Pledge of the Guarantor*), "Subsidiary" shall not include the Issuer.

6. Interest

(a) *Interest Accrual*

Each Note bears interest on its outstanding principal amount from 22 November 2005 (the "Issue Date") at the rate of 9 per cent. per annum (the "Rate of Interest"), payable on 22 May and 22 November in each year (each, an "Interest Payment Date"), subject as provided in Condition 7 (*Payments*). Each period beginning on (and including) the Issue Date or any Interest Payment Date, as the case may be, and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

(b) *Cessation of Interest*

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

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

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) *Calculation of Interest for any Other Period*

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

The determination of the amount of interest payable under Condition 6(c) (*Calculation of Interest for an Interest Period*) and this Condition 6(d) by the Principal Paying Agent shall, in the absence of manifest error, be binding on all parties.

7. 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 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, subject to (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or any Paying Agent. Payments of all amounts other than as provided in Condition 7(a) (*Principal*) and this Condition 7(b) 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''). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the close of business on the relevant Record Date.

(d) *Payments*

Each payment in respect of the Notes pursuant to Condition 7(a) (*Principal*) and 7(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 at his address appearing in the Register; provided, however, that, upon application by the holder to the Specified Office of the Registrar or any Paying Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a United States dollar account maintained by the payee with a bank in New York City.

Where payment is to be made by cheque, the cheque will be mailed, on the business day for payment or, in the case of payments referred to in Condition 7(a) (*Principal*), if later, on the business day on which the relevant Note is surrendered as specified in Condition 7(a) (*Principal*) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

(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 9 (*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 7 (*Payments*) arriving after the due date for payment or being lost in the mail. In this Condition 7(f), ''business day'' means any day on which banks are open for business (including dealings in foreign currencies in London and New York City and, in the case of surrender (or, in the case of 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 Agent makes a partial payment in respect of any Note, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(h) *Paying Agents*

In acting under the Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The initial Paying Agents and their initial Specified Offices are listed below. Each of the Issuer and the Guarantor reserve the right (with prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a principal paying agent and registrar. In addition, the Issuer undertakes that it will ensure that it maintains a paying agent 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 other European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

8. Redemption and Purchase

(a) *Scheduled Final Redemption*

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 22 November 2010, subject as provided in Condition 7 (*Payments*).

(b) *Redemption for Tax Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued but unpaid to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay, on the next date on which any amount would be payable with respect to the Notes or the Guarantor has or will become obliged to pay on the next date on which any amount would be payable by the Guarantor to the Issuer to fund the Issuer's obligations under the Notes, additional amounts, as provided or referred to in Condition 9 (*Taxation*), to any greater extent than would have been required had such a payment been required to be made on 18 November 2005, as a result of any change in, or amendment to, the laws or regulations of The Netherlands or the Republic of Kazakhstan or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction, but excluding any such change or amendment which obliges the Issuer or (as the case may be) the Guarantor to pay additional amounts in respect of Notes held by or on behalf of a person resident, domiciled or organised in the Republic of Kazakhstan in respect of whom no additional amounts would be required to be paid in relation to a payment of interest on the Notes if it were required to be made on 18 November 2005), which change or amendment becomes effective on or after 18 November 2005 and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes (or the Guarantee, as the case may be) were then due. Prior to the publication of any notice of redemption pursuant to this Condition 8(b), the Issuer (or the Guarantor, as the case may be) shall deliver or procure that there is delivered to the Trustee (x) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred and (y) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept, without further enquiry, such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event these shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 8(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 8(b).

(c) *Redemption at the Option of the Noteholders*

Following the occurrence of a Relevant Event (as defined below), the Issuer shall promptly, and in any event within five business days thereafter, give notice (the ''Relevant Event Notice'') of such Relevant Event to the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*), which notice shall specify the date, (which shall not be more than 60 days after the Relevant Event Notice (the ''Put Settlement Date'') on which the Issuer shall, at the option of the holder of any Note, redeem such Note at its principal amount, together with interest accrued and unpaid to the Put Settlement Date. In order to exercise the option contained in this Condition 8(c), the holder of a Note must, not less than 15 days before the Put Settlement Date, deposit with any Paying Agent the relevant Note Certificate and a duly completed put option notice (a ''Put Option Notice'') in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(c), may be withdrawn; provided, however, that if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note Certificate on the Put Settlement Date, payment of the redemption monies is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Trustee shall not be responsible monitoring whether or not any Relevant Event has occurred and shall be entitled to assume unless it receives written notice to the contrary, that no Relevant Event has occurred.

(d) *Redemption at the Option of the Issuer Following A Partial Redemption of the Notes at the Option of Noteholders*

If 75 per cent. or, as the case may be, more of the aggregate principal amount of the Notes originally issued shall have been redeemed on the Put Settlement Date in accordance with the provisions of Condition 8(c) (*Redemption of the Option of the Noteholders*), the Issuer may, having given not less than 30 or more than 60 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable) (with a copy to the Trustee), redeem on the expiry date of such notice all (but not some only) of the Notes at their principal amount, together with interest accrued and unpaid to but excluding the date of such redemption.

(e) *Notice of Redemption; No Other Redemption*

All Notes in respect of which any notice of redemption is given under this Condition 8 shall be redeemed on the date specified in such notice in accordance with this Condition 8. The Issuer shall not be entitled to withdraw any notice of redemption or redeem the Notes otherwise than as provided in this Condition 8 (*Redemption and Purchase*).

(f) *Purchase*

The Issuer, the Guarantor and any Subsidiary of the Guarantor may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (provided that such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer, or the Guarantor, as the case may be, in compliance with Condition 8(g) (*Cancellation of Notes*). Any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at such meetings.

(g) *Cancellation of Notes*

All Notes which are redeemed or surrendered for cancellation pursuant to this Condition 8 shall be cancelled and may not be reissued or resold. So long as the Notes are listed on the London Stock Exchange, the Issuer shall notify the London Stock Exchange of any such cancellation.

(h) *Definitions*

As used in this Condition 8:

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

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

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

"Rating Downgrade" means:

(i) the withdrawal by Moody's or, as the case may be, Fitch of any of the long term foreign currency debt or deposit ratings of the Guarantor or the Notes; or

(ii) the reduction by Moody's or, as the case may be, Fitch by two or more rating sub-categories of any of the long term foreign currency debt or deposit ratings of the Guarantor or the Notes from Ba2 to B1 (or lower) (Moody's) or B+ to B- (or lower) (Fitch) (or their respective equivalents for the time being, meaning the rating symbol which Moody's or, as the case may be, Fitch may use from time to time to denote the same rating sub-category); provided that if any rating of the Guarantor or the Notes has been reduced by one or more rating sub-categories and the reduction is stated by the relevant Rating Agency to result solely from the withdrawal or reduction of the rating of any debt of the Republic of Kazakhstan, then, for the purposes of determining whether or not a Relevant Event has occurred, the ratings of the Guarantor and the Notes in existence at the time of the announcement of such Merger Event or Asset Sale shall, if different, be substituted for the ratings set out in (ii) above.

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

9. Taxation

(a) *Taxation*

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

(i) presented 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) 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 additional 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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or any law implementing or complying with, or introduced in order to conform to, such directive; or

(iv) 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 Agent in a member state of the European Union; or

(v) to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In the event that the foregoing obligation to pay additional amounts is for any reason unenforceable against the Issuer or (as the case may be) the Guarantor, the Issuer or (as the case may be) the Guarantor shall pay to any holder of a Note (subject to the exclusions set out in (i), (ii) (iii), (iv) and (v) 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), (iv) and (v) 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 additional amount.

If, at any time, the Issuer or (as the case may be) the Guarantor 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 or (as the case may be) the Guarantor 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 Note.

(b) *Relevant Date*

In these Conditions, ''Relevant Date'' means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in New York by the Principal Paying 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.

(c) *Additional Amounts*

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

(d) *Taxing Jurisdiction*

If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdiction other than The Netherlands or, in the case of the Guarantor, the Republic of Kazakhstan, references in this Condition 9 (*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.

The Trust Deed provides that if and for so long as the Notes are represented by a Global Note, Condition 9(a)(i) will not apply to any of the Notes unless the Trustee agrees that such Condition shall apply.

10. Prescription

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

11. Events of Default

(a) 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 interest and without further action or formality if any of the following events (each, an ''Event of Default'') occurs:

(i) *Non-Payment*

the Issuer fails to pay the principal of the Notes when the same becomes due and payable either at maturity, by declaration or notice or otherwise or the Issuer is in default with respect to the payment of interest or any additional amount payable in respect of any of the Notes and such default in respect of interest or additional amounts continues for a period of five business days; or

(ii) *Breach of Other Obligations*

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

(iii) *Cross-Default*

(A) any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Subsidiary of the Guarantor becomes (or becomes capable of being declared) due and payable prior to the due date for the payment thereof by reason of default of the Issuer, the Guarantor or the relevant Subsidiary (as the case may be), or is not paid when due or within any originally applicable grace period; or (B) any Indebtedness Guarantee given by the Issuer, the Guarantor or any Subsidiary of the Guarantor in respect of Indebtedness for Borrowed Money of another Person is not honoured when due and called, provided that the amount of Indebtedness for Borrowed Money referred to in (a) above and/or the amount payable under any Indebtedness Guarantee referred to in (b) above individually or in the aggregate exceeds U.S.$10,000,000 (or its equivalent in any other currency or currencies (as determined by the Trustee)); or

(iv) *Judgment Default*

a judgment or order or arbitration award for the payment of an aggregate amount in excess of U.S.$10,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against the Issuer, the Guarantor or any Subsidiary of the Guarantor and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or

(v) *Bankruptcy*

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

(vi) *Substantial Change in Business*

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

(vii) *Maintenance of Business*

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

(viii) *Material Compliance with Applicable Laws*

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

(ix) *Invalidity or Unenforceability*

(A) the validity of the Notes, the Trust Deed or the Paying Agency Agreement is contested by the Issuer or the Guarantor, or the Issuer or the Guarantor shall deny any of its obligations under the Notes, the Trust Deed or the Paying Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or (B) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with all or any of their respective obligations set out in the Notes, the Trust Deed or the Paying Agency Agreement (as the case may be); or (C) all or any of the obligations of the Issuer or the Guarantor set out in the Notes, the Trust Deed or the Paying Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of the events specified in this

Condition 11(a)(ix), the Trustee is of the opinion in its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(x) *Government Intervention*

(A) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Subsidiary is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government or (B) the Issuer, the Guarantor or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 11(a)(x), the Trustee is of the opinion in its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders.

(b) For purposes of this Condition, ''Material Subsidiary'' means, at any given time, any Subsidiary of the Guarantor whose gross assets or gross revenues or whose pre-taxation profits attributable to the Guarantor (having regard to its direct and/ or indirect beneficial interest in the shares, or the like, of that Subsidiary) represent at least 5 per cent. of the consolidated gross assets or consolidated gross revenues or, as the case may be, the pre-taxation profits of the Guarantor and its consolidated Subsidiaries and, for these purposes:

(i) the gross assets, gross revenues and pre-taxation profits of such Subsidiary shall be determined by reference to its then most recent audited and, if available, consolidated, financial statements (or, if none, its then most recent management accounts); and

(ii) the consolidated gross assets, consolidated gross revenues and pre-taxation profits of the Issuer and its consolidated Subsidiaries shall be determined by reference to then most recent audited and, if available, consolidated, financial statements of the Guarantor.

12. Replacement of Notes

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

13. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*

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

(b) *Written Resolution*

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all 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) or the Trust Deed (other than in respect of a Reserved Matter), which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed, which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. 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 14 (*Notices*).

14. 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 London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication.

So long as any of the Notes are represented by a Global Note Certificate, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided, however, that, so long as the Notes are listed on the London Stock Exchange such notice is also delivered to the London Stock Exchange and publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

(b) *To the Issuer*

Notices to the Issuer and/or the Guarantor will be deemed to be validly given if delivered to the Guarantor at 100A Furmanov Street, Almaty 050000, Kazakhstan and clearly marked on their exterior "Urgent — Attention: Chairman" with a copy to the Issuer at Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands and clearly marked on the external "Urgent – Attention: Equity Trust Co. N.V." (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 14(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 Guarantor'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.

15. Trustee

(a) *Indemnification*

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

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 Guarantor of their respective obligations under or in respect of the Notes, the Guarantee 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 Guarantor 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.

It may not be possible for the Trustee to take certain actions whether in relation to the Notes or the Guarantee and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for Noteholders to take such actions directly.

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 Guarantor 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 Guarantor 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 11 (*Events of Default*) become an Event of Default has occurred.

The Trust Deed provides that the Issuer 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 11 (*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 Guarantor set out in these Conditions 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 Guarantor are complying with all covenants and obligations imposed upon them, respectively, herein and therein.

(d) *Failure to Act*

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

(e) *Retirement and Removal*

Any Trustee may retire at any time on giving at least three months' 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. 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 London (which is expected to be the Financial Times).

(f) *Substitution*

The Trust Deed contains provisions to the effect that the Trustee may (without the consent of the Noteholders) agree on such terms as it may specify to the substitution of the Issuer's successor in business, the Guarantor or its successors in business or any Subsidiary of the Guarantor in place of the Issuer as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, 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 Guarantor to the Noteholders in accordance with Condition 14 (*Notices*).

16. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so that such further issue is consolidated and forms a single series with the outstanding securities of any series of the Issuer (including the Notes) or upon such other terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

17. Currency Indemnity

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

18. 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.

19. 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 19(g) (*Arbitration*), the courts of England shall have, subject as follows in this Condition 19(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 and the Guarantor irrevocably submit to the jurisdiction of such courts. Nothing in this Condition 19(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*

Each of the Issuer and the Guarantor 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*

Each of the Issuer and the Guarantor has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being. If for any reason the Issuer or the Guarantor 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.*

Each of the Issuer and the Guarantor has consented generally in respect of any Proceedings (or arbitration in accordance with Condition 19(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 or judgment which may be given in such Proceedings.

(f) *Waiver of Immunity*

To the extent that the Issuer or the Guarantor 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 the Guarantor, or their respective assets or revenues, each of the Issuer and the Guarantor 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*

(i) *Disputes*

Each of the Issuer and the Guarantor has agreed that 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 and/or the Guarantor, to refer to arbitration in accordance with the provisions of this Condition 19(g) any claim, dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including a claim, dispute or difference as to the breach, existence or validity of the Notes) or the Trust Deed (each a "Dispute").

(ii) *UNCITRAL Arbitration Rules*

Each of the Issuer and the Guarantor has agreed, and hereby agrees, that (with respect to any Dispute subject to a notice of election in accordance with Condition 19(g)(i)), such Dispute may be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules (the "Rules") as at present in force (which are deemed incorporated into this Condition 19(g)) by a panel of three arbitrators appointed in accordance with the Rules. The seat of arbitration shall be in London, England. The procedural law of any reference shall be English law. The Issuer and/or the Guarantor (as the case may be) shall appoint one arbitrator and the Trustee shall appoint one arbitrator and the two arbitrators thus appointed shall appoint the third arbitrator who shall be chairman of the arbitral tribunal. The language of any arbitral proceedings shall be English. The appointing authority for the purposes of the Rules shall be the President of the London Court of International Arbitration. Sections 45 and 69 of the Arbitration Act 1996 shall not apply to any arbitration proceedings pursuant to this Condition 19(g).

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

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 Certificate which apply to the Notes.

1. Form of Notes

All Notes will be in registered form. The Notes will initially be represented by interests in the Global Note Certificate, which will be deposited on or about the Closing Date with JPMorgan Chase Bank, N.A., London Branch, as common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of Chase Nominees Limited, as nominee for such common depositary.

For the purposes of the Global Note Certificate, 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 Certificate 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 Noteholders.

3. Payment

Payments of principal and interest in respect of Notes represented by a Global Note Certificate will be made without presentation or if no further payment is to be made in respect of the Notes against presentation and surrender of such Global Note Certificate to or to the order of the Principal Paying Agent or such other Paying 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 Certificate for Individual Note Certificates (as defined below) 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 by it, the beneficial owner of such Notes and (a) it is not, nor will be at the time the Notes are purchased by it, a U.S. person and is located outside the United States (within the meaning of Regulation S); and (b) it is not an affiliate of the Bank or a person acting on behalf of such an affiliate.

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

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

6. Notices

In accordance with Condition 14 (*Notices*), so long as any of the Notes are represented by a Global Note Certificate, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided, however, that, so long as the Notes are listed on the London Stock Exchange such notice is also delivered to the London Stock Exchange and publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

7. Exercise of Put Option

While the Notes are represented by the Global Note Certificate and the Global Note Certificate is deposited with a common depositary for Euroclear and Clearstream, Luxembourg, the exercise of the put option referred to in Condition 8(c) (*Redemption at the Option of the Noteholders*) will be subject to the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg.

8. Meetings

The holder of the Global Note Certificate (unless the Global Note Certificate 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 Certificate so held may be exchanged. The Trustee may allow a person with an interest in Notes in respect of which a Global Note Certificate has been issued to attend and speak at a meeting of Noteholders on appropriate proof of his identity and interest.

9. Exchange of Interests in Global Note Certificate for Individual Note Certificates

The Global Note Certificate will become exchangeable for certificates in registered, definitive form (''Individual Note Certificates'') if Euroclear or Clearstream, Luxembourg (or any successor depositary on behalf of which the Notes evidenced by the Global Note Certificate may be held) 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 an Event of Default (as defined in Condition 11 (*Events of Default*)) occurs. In such circumstances, Individual Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer will procure that the Registrar notify the holders as soon as practicable after the occurrence of the relevant events.

In the event that the Global Note Certificate is to be exchanged for Individual Note Certificates, the Global Note Certificate shall be exchanged in full for Individual Note Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Individual 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 Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer, the Guarantor and the Registrar may require to complete, execute and deliver such Individual Note Certificates.

10. Euroclear and Clearstream, Luxembourg Arrangements

Interest payable on an Individual Note Certificate (other than interest on redemption) will be paid to the holder shown on the Register on the fifteenth day before the due date for such payment (the ''Record Date''). Principal and interest on the Individual Note Certificates payable upon redemption will be paid to the holder shown on the Register on the Record Date upon delivery and surrender of the relevant Individual Note Certificate.

The holdings of book-entry interests in the Notes in Euroclear 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 Euroclear and Clearstream, Luxembourg.

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

So long as Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of the Global Note Certificate, Euroclear, 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 Certificate for all purposes under the Paying Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, in respect of the Global Note Certificate will be made to Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Bank, the Trustee, any Agent or the Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Note Certificate 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 Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg, or their common depositary or its nominee from the Principal Paying and Transfer Agent, to the cash accounts of customers held with Euroclear or Clearstream, Luxembourg in accordance with the relevant system's rules and procedures.

11. Trading between Euroclear and/or Clearstream, Luxembourg Account Holders

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

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 3 October 2005 for an unlimited duration. Its number in the commercial register is 33126512. The Issuer is a direct, wholly owned subsidiary of the Bank.

Capitalisation

The following table sets out the capitalisation of the Issuer as at 3 October 2005, its date of incorporation, and as adjusted to reflect the issue and sale of the Notes, before deducting commissions and expenses and the EUR 2 million capital contribution agreed to be made by the Bank upon the issue of the Notes:

	Actual		**As adjusted**(1)	
	(U.S.$, unaudited)(2)	*(Euro, unaudited)*	*(U.S.$, unaudited)*(2)	*(Euro, unaudited)*
Senior long-term liabilities(3)	–	–	200,000,000	165,289,256
Total shareholders' equity	21,780	18,000	2,441,780	2,018,000
Total shareholders' equity and long term liabilities	21,780	18,000	202,441,780	167,307,256

Notes:

(1) Adjusted to reflect the issue and sale of the Notes, before deducting commissions and expenses and the EUR 2 million capital contribution agreed to be made by the Bank upon the issue of the Notes.

(2) U.S. Dollar amounts have been translated from the Euro amounts at the rate of Euro 1.00 = U.S.$1.21, which is the rate published by Bloomberg L.P. on 3 October 2005.

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

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

Except for the issue of the Notes, and as described below, there has been no material adverse change in the capitalisation, financial position or prospects of the Issuer since the date of its incorporation on 3 October 2005. The Bank has agreed to increase the Issuer's total paid-in capital by EUR 2 million upon the issue and sale of the Notes, by way of a payment of share premium.

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

Business

As set out in Article 2 of its Articles of Association, the Issuer was incorporated for the purpose of, amongst other things, raising funds in the international capital markets and lending such funds to the Bank or its subsidiaries. See ''Use of Proceeds''. The Issuer has no employees or subsidiaries.

The Issuer has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Prospectus.

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) involving the Issuer, which may have, or have had since the date of incorporation of the Issuer, a significant effect on the financial position of the Issuer.

Financial Statements

The Issuer will publish annual financial statements in accordance with Dutch law. To comply with an NBK requirement that the accounts of overseas subsidiaries of Kazakhstan banks must be independently audited, the Issuer will engage Mazars Paardekooper Hoffman, Rotterdam, The Netherlands, 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 currently has two managing directors, Alexey Ageyev (33), who is a First Deputy Chairman of the Bank, and Equity Trust Co. N.V., a company incorporated with limited liability in The Netherlands.

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

General Information

The business address of the Issuer is Schouwburgplein 30-34, 3012 CL, Rotterdam, The Netherlands and its telephone number is +31 (0)10 2245333. Administrative services are provided to the Issuer by Equity Trust Co. N.V., whose business address is Schouwburgplein 30-34, 3012 CL, Rotterdam, The Netherlands. The Issuer has obtained all necessary consents, approvals and authorisations in The Netherlands in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

USE OF PROCEEDS

The proceeds of the issue of the Notes, expected to amount to approximately U.S.$196,584,000 after deduction of the combined management and underwriting commission, the selling commission and the expenses incurred in connection with the issue of the Notes, will be deposited by the Issuer with the Bank who will use such proceeds to fund growth in its loan portfolio and for other general corporate purposes, but not for debt refinancing.

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 domestic currency market in Kazakhstan in order to prevent volatile exchange rate fluctuations caused by short-term changes in supply and demand.

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

In April 1999, the NBK and the Government publicly announced that they would cease to intervene in the foreign exchange markets to support the Tenge, allowing the exchange rate to float freely. This decision was supported by international financial organisations such as the International Monetary Fund (the ''IMF''). As a result, the Tenge depreciated from a pre-announcement rate of KZT88.00 per U.S. Dollar to a rate of about KZT130.00 per U.S. Dollar by May 1999. Since then, the Tenge has generally continued to depreciate in value against the U.S. Dollar, although at a much slower rate. However, the Tenge appreciated in value against the U.S. Dollar during 2003 and 2004. See ''Risk Factors – Risk Factors relating to the Republic of Kazakhstan – Macroeconomic Considerations and Exchange Rate Policies''.

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	136.04	130.00

Note:

(1) The weighted average rate reported by the NBK for each month during the relevant period.

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

	Period-end	High	Average(1)	Low
January to 30 June 2005	135.26	136.00	131.20	129.83
July 2005	138.84	136.12	135.59	134.41
August 2005	135.25	135.89	135.47	135.05
September 2005	133.95	135.35	134.31	133.89

Note:

(1) The weighted average rate reported by the NBK for each month during the relevant period.

The KZT/U.S. Dollar exchange rate on the KASE, as reported by the NBK on 19 October 2005, was KZT134.23 per U.S.$1.00.

The above rates may differ from the actual rates used in the preparation of the Bank's financial statements and other financial information appearing in this Prospectus. No representation is made that the Tenge or U.S. Dollar amounts in this Prospectus actually represent such U.S. Dollar amounts or that such amounts could have been converted into U.S. Dollars or Tenge, as the case may be, at any particular rate or at all.

Exchange Controls

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

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

The NBK intends further to liberalise licensing rules in the next few years. However, there can be no assurance that there will be no transfer restrictions for foreign currencies in the future and that the liberalisation of Kazakhstan's foreign exchange regulations will result in the international convertibility of the Tenge.

CAPITALISATION

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

	As at 30 June 2005			
	Actual		As Adjusted	
	(U.S.$ thousands)[1]	*(KZT millions)*	*(U.S.$ thousands)*[1]	*(KZT millions)*
	(Unaudited)			
Liabilities				
Senior long-term liabilities[2]	403,068	54,519	603,068	81,571
Subordinated long-term liabilities	39,354	5,323	39,354	5,323
Total long-term liabilities	442,422	59,842	642,422	86,894
Shareholders' equity				
Share capital[3]	110,720	14,976	110,720	14,976
Share premium	37	5	37	5
Fixed asset revaluation reserves	540	73	540	73
Revaluation reserve on securities available-for-sale	1,345	182	1,345	182
Revenue reserves	10,143	1,372	10,143	1,372
Total shareholders' equity	122,785	16,608	122,785	16,608
Total capitalisation	565,207	76,450	765,207	103,502

Notes:

(1) U.S. dollar amounts have been translated from the Tenge amounts at the rate of KZT135.26 = U.S.$1.00, which is the rate reported by the NBK on 30 June 2005.

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

(3) Comprises 1,448,916 authorised, issued and fully-paid ordinary shares with a par value of KZT10,000 each, and 50,000 authorised, issued and fully-paid preference shares with a par value of KZT10,000 each. The Bank has not issued any debt securities convertible into, or exchangeable for, its ordinary shares.

As at 30 September 2005, since 30 June 2005 the Bank had placed KZT9,788 million ordinary shares among its shareholders.

As at 17 October 2005, since 30 June 2005 the Bank had placed KZT1,056 million senior unsecured 7 per cent. bonds due 2008.

Other than as set forth above, there has been no material change in the Bank's capitalisation since 30 June 2005.

DESCRIPTION OF THE BANK

Overview

As at 30 June 2005, the Bank was the fifth largest commercial bank in Kazakhstan in terms of assets, with assets of KZT221,941 million; the fifth largest bank in Kazakhstan in terms of shareholders' equity, with shareholders' equity of KZT16,608 million; and the fourth largest bank in Kazakhstan in terms of total time deposits (including retail deposits), with total time deposits of KZT67,546 million.

In accordance with Kazakhstan laws and article eight of the Bank's Charter, the Bank is authorised to act as a commercial bank and to offer a wide range of traditional banking services, including deposit taking, lending, issuing letters of credit and guarantees, availing promissory notes, issuing payment cards, foreign currency exchange, broker-dealer transactions, custody operations, clearing and safe-keeping operations, leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust operations, pawnshop operations, factoring and forfeiting operations and issuance of securities. The Bank's primary business consists of retail and corporate banking. Its retail banking activities include lending and deposit taking as well as the provision of payment card services. The Bank's corporate banking division provides a broad range of banking products to a diversified group of domestic customers, primarily SMEs. The Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan.

As at the date of this Prospectus, the Bank had 13 full-service branches located in the principal cities of Kazakhstan and 45 cash settlement offices (that provide a more limited range of banking services) throughout Kazakhstan. In addition, the Bank intends to open three new branches and 24 new cash settlement offices by the end of 2005.

The Bank holds a general banking licence (No. 250), as amended by the FMSA on 2 September 2005. In addition, the Bank was granted a licence to conduct broker/dealer operations by the FMSA on 11 August 2004 and a licence to conduct custodian operations on 28 May 2005. The Bank's registration number is 4241 1900 AO; its headquarters are located at 100A Furmanov Street, Almaty 050000, Kazakhstan; and its registered address is at 80 Satpayev Street, Almaty 480046, Kazakhstan and its telephone number is +7 3272 584 040.

History

The Bank was incorporated on 14 May 1993 as an open joint stock company under the name IrtyshBusinessBank OJSC. Headquartered in Pavlodar, the Bank became one of the first banks in Kazakhstan to have branches in more than one region. On 13 July 1999, IrtyshBusinessBank OJSC merged with Semipalatinsk City Bank, another regional bank based in Eastern Kazakhstan, which had been incorporated in 1992. The combined bank primarily served large industrial enterprises in the Eastern Kazakhstan and Pavlodar regions.

In October 2001, a consortium of domestic companies, led by OJSC Almaty Kus (a poultry company part owned by Seimar Investment Group), CJSC Astyk Astana 2030 (a grain company), CJSC Byte Corporation (a media holding company) and CJSC Zhana Gasyr NS (a construction company) acquired a 37 per cent. interest in the Bank. In connection with this acquisition, the Bank increased its share capital to KZT1,179 million. The Bank retained a new management team and developed and began to implement a new growth strategy.

In March 2002, the Bank changed its name to OJSC Alliance Bank and relocated its headquarters to Almaty, Kazakhstan's financial centre. Following an issue of shares amounting to KZT820 million to two leading Kazakhstan companies, Rakhat Confectionery and the ANT Group, in August of 2002, the Bank's authorised share capital increased to KZT2 billion, making it the eighth largest bank in Kazakhstan in terms of authorised share capital as at 31 December 2002.

In 2002, in addition to the then existing branches in Ust-Kamenogorsk, Semipalatinsk, Pavlodar and Ekibastuz, the Bank opened new branches in Astana, Almaty and Petropavlovsk. In the same year the Bank joined the Kazakhstan Deposit Insurance Fund, which guarantees certain retail deposits made with member banks, thereby making such deposits more attractive to potential customers.

In the fourth quarter of 2002, the Bank first entered the international syndicated loan market as a borrower and issued its first offering of subordinated bonds on the domestic market.

In April 2003, the Bank became a member of the KASE with the right to deal in government and corporate securities traded on the KASE.

In May 2003, the Bank authorised a third issue of ordinary shares totalling 200,000 shares, with an aggregate nominal value of KZT2 billion, followed by a fourth issue of shares in September 2004 totalling a further 200,000 shares (KZT2 billion), of which 150,000 were designated ordinary shares and 50,000 were designated preference shares. As at 31 December 2004, following the fifth issue of shares by the Bank, the authorised share capital of the Bank amounted to KZT28 billion, of which KZT500 million were preference shares and KZT27.5 billion were ordinary shares. As at 30 September 2005, the Bank had placed KZT9,788 million of its ordinary shares among its shareholders. The Bank intends to place the remaining KZT3,092 million of its ordinary shares among its shareholders in 2006.

In 2003, the Bank assisted the State mortgage company ''Mortgage Loans Guarantee Fund'' JSC with the implementation of an extensive programme to promote long-term mortgage-backed lending in the regions, which provided the Bank with an opportunity to broaden its client base and to expand the range of financial products it offers (including mortgages to home-owners and long-term loans to construction businesses). Participation in this programme also effectively reduced the Bank's credit risk as mortgages granted under the programme are insured by ''Mortgage Loans Guarantee Fund'' JSC.

In 2003, the Bank further expanded its branch network by opening branches in Karaganda and Atyrau.

On 13 March 2004, the Bank was reregistered as a joint stock company to comply with the requirements of the Law on Joint Stock Companies in Kazakhstan adopted in May 2003.

In August 2004, the Bank concluded an agreement with Kazpost, a state owned postal company under which the Bank started offering a range of its financial products through a number of Kazpost outlets.

In January 2005, the Bank established branches in Kostanay and Aktau.

In May 2005, the Bank entered into a one year loan facility agreement with a syndicate of international banks led by Citibank, N.A., London branch and ING Bank N.V., pursuant to which the Bank was entitled to draw down loans up to the aggregate amount of U.S.$80 million for the purpose of funding current trade related contracts entered into by customers of the Bank.

On 27 June 2005, the Bank issued its debut U.S.$150 million 9 per cent. Eurobonds due 2008. The Eurobonds were issued pursuant to Regulation S under the Securities Act. J.P. Morgan Securities Ltd. and HSBC Bank plc acted as joint lead managers for the transaction.

In September 2005, the Bank opened a second branch in Almaty and converted an existing cash settlement office in Zhezkazgan into a branch. By the same time the Bank was offering a range of its financial products through all 4,000 Kazpost outlets throughout Kazakhstan.

Strategy

As Kazakhstan's economy grows and the private sector expands, Management expects to see continued strong demand from private sector companies for financial services, including a range of financing. In addition, Management believes that the demand for retail banking services will continue to grow to a large extent due to a further increase of public confidence in the banking sector. A major contributing factor to the recent growth in the private sector in Kazakhstan was the set of measures taken by the NBK and FMSA with a view to developing and stabilising Kazakhstan's banking sector, including the establishment in 2000 of the Kazakhstan Deposit Insurance Fund.

Following two years of rapid expansion of both the deposit base and loan portfolio of the Bank, Management aims to ensure that the Bank consolidates its position in the market and continues to grow steadily. Generally, the Bank's strategy focuses on strengthening and expanding its retail, corporate banking (especially SME) and capital market services.

The key elements of the Bank's strategy include:

- development and strengthening of its existing market position;
- entrance into new financial market segments;
- continuous improvement of financial performance;
- optimisation and modernisation of banking products;
- increased quality of services provided; and
- increased national coverage.

Development and Strengthening of Existing Market Position

The Bank intends to build on its existing market positions in its different business areas initially to remain competitive but also to increase its market shares. It intends to do this primarily by developing its retail and SME businesses. The Bank also plans to increase the diversity of its loan and deposit portfolios to avoid over-dependence on a single business sector or geographical area.

Management believes that the Bank's relatively high capitalisation, with a risk weighted capital adequacy ratio of 17 per cent. as at 30 June 2005, puts the Bank at a competitive advantage in the Kazakhstan banking sector and enables the Bank to grow in line with the growth of the market. This is supported by the fact that the Bank's shareholders have declared their intention to support this growth through further capital injections over the next couple of years.

In addition, Management sees aggressive marketing as an important factor in attracting new customers. Management expects its marketing costs for 2005 to reach KZT439 million, compared to KZT396 million in 2004.

Entrance into New Financial Market Segments

Management believes it can substantially expand its client base and reduce its market risk by attracting clients in market segments in which the Bank currently has no or limited presence. In particular, the Bank aims to launch its operations in the pension funds market by starting to hold securities for pension funds as administrator and registrar on the basis of the licence to conduct custodian operations obtained from the FMSA on 28 May 2005; in the payment card market, through the launch of its own ATM network; and in the promissory note market, by increasing the volume of its operations in promissory notes.

Continuous Improvement of Financial Performance

In order to continue to improve its financial performance in the highly competitive market environment where margins are decreasing, the Bank will seek to improve the efficiency of its operational processes. Management intends to achieve this by increasing the sales volumes of its core banking products while streamlining its internal operational processes to make them more efficient and cost effective.

Optimisation and Modernisation of Banking Products and Flexibility of Product Range

In order to attract new clients and retain existing customers, Management intends to further develop and expand the Bank's product range. Platforms aimed at achieving these goals include:

- market research to identify banking products and services that are in greater demand among existing and potential customers and offer higher levels of customer satisfaction;
- gaining a greater understanding of the processes involved in each of the products and services the Bank offers to be able to offer such products and services in the most effective way;
- further development of the Bank's support systems, particularly its IT, marketing, operational and sales processes with the aim of improving the quality of the Bank's products;
- segmentation of the Bank's client base, with a view to allowing the Bank to tailor its individual banking products and series of products to specific client segments; and
- focusing on cross-selling opportunities.

Increased Quality of Services Provided

Management will seek to continue to improve the quality of its products and customer service. For this purpose, the Bank intends to implement the following:

- a quality control division responsible for setting standards of product and service quality and monitoring compliance with quality standards;
- standardised service standards across the Bank's branch network;
- training programmes for employees, focussing particularly on client contact skills;
- regular monitoring and appraisal of the technical and client service skills of the Bank's personnel;
- comprehensive quality control procedures; and
- an efficient client feedback system to enable the Bank to react swiftly and effectively to customers' needs.

Increased National Coverage

In order to make the Bank's products more easily accessible to individuals and companies throughout Kazakhstan and to attract new customers the Bank intends to expand its network of branches and cash settlement offices throughout Kazakhstan.

However, Management will limit the opening of new branches and cash settlement offices to areas offering a realistic prospect of financial stability and growth of customer base. In particular, in addition to the recent establishment of new branches in Kostanay and Aktau, which are in the centre of Kazakhstan's oil industry and of a second branch in Almaty, and the recent conversion of a cash settlement office in the fast developing city of Zhezkazgan into a branch, the Bank plans to expand its branch network to Aktobe, Uralsk and Shymkent, locations considered by Management to be primary growth areas, and to convert the existing cash settlement office in Taldykorgan, which is believed to be another fast developing city, into a full-service branch.

In certain other locations, where growth levels are likely to remain relatively modest, the Bank intends to open cash settlement offices rather than full-service branches. The Bank intends to continue to offer its services through 4,000 Kazpost outlets and to increase the range of services offered through such outlets.

Management has no current intention to expand its services or branch network to neighbouring countries.

Business of the Bank

Overview

The Bank offers most traditional corporate and retail banking products and services, including deposit taking, lending, issuing letters of credit and guarantees, availing promissory notes, issuing payment cards, foreign currency exchange, broker-dealer transactions, custody operations, clearing and safe-keeping operations, leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust operations, pawnshop operations, factoring and forfeiting operations and issuance of securities. The Bank's primary business consists of retail and corporate banking. Its retail banking activities include lending and deposit taking as well as the provision of payment card services. The Bank's corporate banking division provides a broad range of banking products to a diversified group of domestic customers, primarily SMEs. The Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan.

Corporate Banking

The Bank provides commercial banking products and services to small-, medium- and, to a limited extent, large-size businesses in Kazakhstan. The Bank's corporate banking activities include the provision of a broad range of traditional corporate banking services, including deposit taking and lending, to a diversified group of domestic customers. As at 30 June 2005, the Bank had approximately 457 corporate deposit accounts and approximately 13,109 corporate current accounts, representing a market share of 5.2 per cent. Loans to corporate clients represented approximately 39 per cent. of the Bank's total assets. As at 30 June 2005, the Bank's share of the corporate lending market in Kazakhstan was approximately 4.7 per cent.

The Bank established its Corporate Finance Department in 2003, followed by its SME Business Department in early 2005.

Although the Bank has a number of large corporate clients, the Bank's principal focus is on the SME sector. The Bank recognises that SMEs historically have been the primary component of the Bank's customer base and Management believes that this will not change in the near future. As at 30 June 2005, SMEs accounted for 46.4 per cent. of the Bank's total loan portfolio and the Bank had a 4.7 per cent. share of the SME lending market in Kazakhstan.

In addition to traditional corporate banking products, the Bank has developed the following products aimed specifically at the SME sector:

- SME ''Express'' Loans

  SME ''Express'' loans are loans for amounts of between U.S.$500 and U.S.$10,000, with a maximum term of 36 months bearing interest at rates of between 26 per cent. to 28 per cent. per annum. These loans are targeted at small companies, such as family run grocery stores and are generally secured against personal belongings such as cars.

- ‘‘Micro’’ Loans

  Micro loans are loans for amounts of between U.S.$500 and U.S.$50,000 with a maximum term of 48 months and bearing interest at rates of between 16 per cent. and 22 per cent. per annum. These loans are usually secured against real estate or other similar assets.

- ‘‘Small’’ Loans

  Small loans are loans for amounts of between U.S.$50,000 and U.S.$500,000 with a maximum term of seven years and bearing interest at rates of between 16 per cent. to 19 per cent. per annum. These loans are generally granted for working capital or investments and must be secured against real estate. The amount of the loan cannot exceed 70 per cent. of the value of the real estate on which it is secured.

- Loans for the Purchase of Commercial Real Estate

  Loans for the purchase of commercial real estate are loans for amounts of up to U.S.$1 million with a maximum term of seven years (although the typical maturity is between three and four years) and bearing interest at rates of between 18 per cent. and 26 per cent. per annum. These loans are secured on the real estate purchased with the proceeds of the loan. The maximum amount of the loan is 70 per cent. of the appraised value of the real-estate. The borrower is required to make a down-payment in the amount of between 30 per cent. and 40 per cent. of the appraised value of the real-estate.

- Over-Collateralised Loans

  Over-collateralised loans are loans for amounts of between U.S.$500 and U.S.$500,000 with a maximum term of three years and bearing interest at rates of between 18 per cent. and 26 per cent. per annum depending on the nature of the business and the quality of the collateral. These loans are granted to borrowers considered to pose a high credit risk and, consequently, are not able to obtain financing on the customary terms. Such borrowers are required to provide collateral amounting to 200 per cent. of the value of the loan which can only be in the form of real estate.

- Business Start-Up and Operating Loans Secured by a Deposit.

  Business start-up and operating loans secured by a deposit are in amounts between U.S.$1,000 and U.S.$1 million with a maximum term of 10 years (although usually maturity does not exceed five years) and bearing interest at rates of between 15.5 per cent. and 24 per cent. per annum. These loans are extended for the purchase of real estate, plant, machinery or for the replenishment of inventory and are secured by the real estate to be financed by the loan, deposits, real estate already owned by the borrower or automotive vehicles. The value of any financed real estate shall not be less than between 60 and 90 per cent. of loan amount.

As at the date of this Prospectus, the Bank is the only commercial bank in Kazakhstan to offer financing on the terms described under the captions ‘Loans for the Purchase of Commercial Real Estate’, ‘Over-Collateralised Loans’ and ‘Loans for Start-Ups and Operating Businesses’. As a result, the Bank has experienced a particularly high demand for these products and is in a position to set relatively high interest rates for these products.

The Bank has also implemented the following initiatives to expand its client base in the SME sector:

- Mobile Credit Committees

  The Bank has established Mobile Credit Committees that are groups of credit officers that travel to isolated areas where there is a cluster of SMEs but there is otherwise no access to banking products. A Mobile Credit Committee can give provisional decisions to a specific SME as to whether a loan can be granted to it and provide the SME with indicative terms of such loan. Although following this procedure, the management of the SME will still need to visit a branch of the Bank in order to comply with the Bank’s internal requirements and to draw the loan, such SMEs are more likely to do so once they have a preliminary loan decision and indicative terms.

- SME Finance Outlets

  The Bank has established SME Finance Outlets that are set up in locations with a large number of SMEs, such as shopping districts and markets. SME Finance Outlets have the authority to give provisional decisions on loans to SMEs and provide SMEs with indicative terms of such loans. As is the case with Mobile Credit Committees, the borrower is still required to visit the Bank's branch to formalise the loan agreement and to draw the loan.

- SME Lending Units

  The Bank has also established specialised SME Lending Units in every branch to deal specifically with SME clients.

- SME programmes supported by the Government and multilateral agencies

  The Bank also participates in a number of special programmes for financing SMEs and enterprises in targeted industries, arranged and sponsored by the NBK, the Ministry of Finance, the Ministry of Agriculture and several local (regional) executive bodies, as well as international financial institutions such as the Islamic Development Bank (the ''IDB'') and the Asian Development Bank. In addition, by the end of 2005, the Bank intends to join the EBRD's programmes relating to trade financing, SME financing and financing of grain exports from Kazakhstan.

The Bank makes a decision on the interest rate applicable to each loan on a case-by-case basis taking into account the nature of the business of the specific SME, the quality of collateral and other relevant factors. Management believes that this flexibility with regards to setting interest rates gives the Bank a competitive advantage over a number of other commercial banks operating in the Kazakhstan SME lending sector, which use a set interest rate for all SME loans.

The Bank's approval procedures for SME lending are based, in part, on EBRD guidelines for SME financing. See ''—Lending Policies and Procedures''.

A major part of the Bank's corporate banking activity, other than SMEs, is made up of the provision of trade finance and short-term credit facilities, including letters of credit, guarantees and working capital facilities mostly in Euro and in U.S. Dollars. The majority of the Bank's trade finance loans have maturities of less than 12 months. As demand for longer-term facilities grows, the Bank intends to link underlying funding sources to longer-term financing when available. In addition, the Bank has limited dealings with governmental agencies, primarily making short-term loans to state entities involved in the rail and nuclear industries by discounting commercial paper issued to their suppliers.

Retail Banking

The retail banking market in Kazakhstan has expanded rapidly since 2001. The factors contributing to this expansion were the establishment of the Kazakhstan Deposit Insurance Fund in 2000 and the announcement by the Government of a tax amnesty in relation to any capital deposited with banks between June and July 2001. The latter programme brought approximately U.S.$480 million into the Kazakhstan banking system.

The Bank offers a wide range of retail banking products and services, including current accounts, time deposits, debit and payment cards and currency exchange.

Retail Accounts and Lending

According to information compiled by the NBK, the Bank had the fifth largest retail customer deposit base in Kazakhstan as at 30 June 2005. As at 30 June 2005, the Bank held approximately 133,415 retail deposit accounts and approximately 3,453 retail current accounts. The Bank's share of the Kazakhstan retail deposit market has increased from 5.6 per cent. as at 31 December 2004 to 6.8 per cent. as at 30 June 2005. The Bank's share in the Kazakhstan retail lending market grew from 3.4 per cent. as at 31 December 2004 to 5.0 per cent. as at 30 June 2005. The increase in the Bank's market share was supported by an increase in the number of cash settlement offices in areas with the fastest growing retail banking market, particularly in Almaty, Astana, Karaganda, Pavlodar, Semipalatinsk and Ust-Kamenorgorsk.

The Bank believes that its branch network, along with the sales opportunities offered by its strategic partnership with Kazpost JSC and its relationships with retail outlets, will allow it to take advantage of the expansion of the retail market to increase its individual customer and depositor base. See ''—Distribution Channels''.

By means of extensive market research into the retail market, carried out in 2004, the Bank has been able to develop a range of new retail banking products.

In relation to retail lending, the Bank divides its customers into two categories:

- those who can confirm their income through the State Pension Payment Centre of Kazakhstan (which holds the pension deduction records of all employees in Kazakhstan) (''Confirmed Income Borrowers'') and
- those who cannot do so (''Self-Certified Income Borrowers''). See ''—Lending Policies and Procedures'' for more information. Generally speaking, while Confirmed Income Borrowers qualify for unsecured loans, Self-Certified Income Borrowers must provide collateral.

The Bank offers a relatively wide range of consumer lending products, which include the following:

- ''Express'' Loans for Confirmed Income Borrowers

  These loans can be applied for through the Bank's branches or cash settlement offices or Kazpost outlets (see ''—Distribution Channels''). Analysis of a borrower's application and loan decisions made under this product are made within 30 minutes on the basis of an automated scoring system. The loan amount that could be granted to the borrower (up to a maximum of KZT750,000) is determined automatically on the basis of the monthly income of the borrower. Loans are extended for a term of up to 24 months with interest rates of 19 per cent. per annum. Proceeds of the loans are paid to the customer in cash immediately upon approval. ''Express'' loans are designed for customers who have their salary paid into an account held with the Bank or through a Kazpost outlet. These loans do not require any collateral, but the borrower is required to sign a mandate authorising the Bank to deduct amounts due under the loan from the borrower's salary paid into the borrower's account with the Bank or a Kazpost outlet.

- Retail ''Express'' Loans for Confirmed Income Borrowers

  Retail ''Express'' Loans for Confirmed Income Borrowers are unsecured loans for amounts of three times the borrower's monthly net salary (subject to a maximum amount of U.S.$2,000 or an equivalent in Tenge) with a maximum term of 24 months bearing interest at the rates of 42.5 per cent. per annum. Interest and principal is repaid in equal monthly instalments. ''Express'' Loans for Confirmed Income Borrowers can be authorised and drawn-down within 30 minutes of an application being made. These loans are offered by the Bank for the purchase of specific items, such as electric appliances and furniture, and the Bank pays the proceeds of the loan directly to the vendor of the products to ensure the loan is used for the stated purpose.

- ''Loans for urgent needs'' for Self-Certified Income Borrowers

  ''Loans for urgent needs'' for Self-Certified Income Borrowers are collateralised loans for an amount KZT150,000 (or equivalent in US Dollars) with a maximum term of 5 years. For loans secured on real estate, the Bank will lend up to 70 per cent. of the market value of the property, whereas loans secured on vehicles are limited to 50 per cent. of the value of the vehicle. ''Loans for urgent needs'' for Self-Certified Income Borrowers drawn in US Dollars bear interest at the rate of 18 per cent. per annum and loans drawn in Tenge bear interest at the rate of 21 per cent. per annum. In addition, the Bank charges a commission for draw down in the amount of 2 per cent. of the principal.

- Education loans

  The target customer group for these loans comprises individuals pursuing higher education. Management believes that the main competitive advantage of this product over similar products offered by the Bank's competitors is that repayment of the principal amount of the loan is deferred until completion of the agreed term of study. These loans have a maximum term of 7 years, subject to a grace period of up to a further 5 years. These loans bear interest at rates of 14 per cent. per annum for loans denominated in Tenge and 12 per cent. per annum for loans denominated in U.S. Dollars.

  In addition to consumer lending, the Bank also provides residential mortgage lending to its customers. Mortgage loans are represented by two products offered by the Bank and one product offered in conjunction with JSC Kazakhstan Mortgage Company.

- ''Mortgage Class'' mortgage loans

  Mortgage Class mortgage loans are loans offered by the Bank in US dollars and Euro for terms of up to 15 years. Customers must provide a deposit of at least 20 per cent. of the purchase price of the real estate. The loans bear interest at rates of between 4 per cent. and 7 per cent. per annum depending on the amount of deposit placed with the Bank. The advantages of this type of mortgage loan are that a minimum level of documentation is required, approval can be provided within a relatively short period of time, and the Bank bases its decision on the quality of collateral rather than the credit-worthiness of the borrower.

- ''Express'' mortgage loans

  Express mortgage loans are provided in Tenge and US Dollars and have a maximum term of 15 years. There is no deposit required, but the borrower must either prepay at least 20 per cent. of the purchase price of the real estate or provide collateral other than the real estate financed by the Express mortgage to cover 20 per cent. of the purchase price. Interest rates are 12 per cent. per annum for loans denominated in KZT and 10 per cent. per annum for loans denominated in U.S. Dollars. Similar to ''Mortgage Class'' loans, the advantages of this product include a minimum level of required documentation, approval within a relatively short period of time and reliance on the quality of collateral rather than the credit-worthiness of the borrower.

- ''Alliance Mortgage''

  ''Alliance Mortgage'' is a product that is offered jointly with JSC Kazakhstan Mortgage Company. Under the terms of this joint project, the Bank acts as a trustee in the management of mortgage loans extended under this product. These mortgage loans bear interest at rates determined by the Bank, at a margin of up to 4 per cent. over JSC Kazakhstan Mortgage Company's base rate.

The Bank also participates in the programme established by the NBK in 2000 for long-term financing of house construction and to encourage the development of a mortgage finance system in Kazakhstan. Under this programme, participating banks extend mortgage loans to retail customers and then transfer such loans to the JSC Kazakhstan Mortgage Company, a wholly-owned subsidiary of the Ministry of Finance, for further resale in the secondary mortgage market. In the event of a default by a borrower, the relevant mortgage loan is transferred back to the Bank. As at 1 October 2005, the Bank has lent KZT3.39 billion to its customers under this programme. Management expects the Bank's lending under this programme to reach approximately KZT3.5 billion by the end of 2005, compared to KZT2.5 billion in 2004.

In addition, the Bank is a member of the state Mortgage Loan Guarantee Fund, which guarantees repayments on its members' mortgage loans up to a limit of 40 per cent. of the loan, in the case of loans to be transferred to JSC Kazakhstan Mortgage Company, or 30 per cent. of the loan, if provided direct by the Bank under its Mortgage Class or Express mortgage loans, allowing the Bank to mitigate possible mortgage loan non-repayment risk.

As at 30 June 2005, mortgage loans comprised 21 per cent. of the Bank's retail loan portfolio.

Payment Cards

In September 2002, the Bank became an associated member of the VISA International payment system, which enabled the Bank to begin issuing VISA payment cards. As an associated (rather than principal) member, as at the date of this Prospectus, the Bank relies on the card processing and VISA ATM system operated by Kazkommertsbank. As at 1 October 2005, the Bank had issued over 11,000 VISA debit and credit cards. The Bank issues four types of VISA cards (VISA Electron, VISA Classic, VISA Business and VISA Gold). By the end of 2005, the Bank intends to expand the range of its VISA payment card products by launching VISA Instant Issue (a card which can be issued virtually instantly upon the customer's request), VISA Virtual (a payment card marketed as being geared towards purchases of goods and services over the Internet), and VISA Platinum (a card marketed among clients with a relatively high income and/or net worth) and to increase the total number of its VISA payment cards to 50,000. In addition, by the end of 2005, the Bank intends to upgrade its status with the VISA International payment system from an associated membership to a principal membership. Among other things, this will allow the Bank to issue a higher number of VISA payment cards and to install and operate the Bank's own payment card processing and VISA ATM system, which will enable the Bank to provide payment card processing and VISA ATM services to other banks. Assuming the Bank achieves principal membership status, Management expects that, by the end of 2006, the number of VISA cards issued by the Bank will increase to 130,000.

In addition, the Bank is engaged in negotiations with a view to joining the MasterCard payment system. Management expects the Bank to be the fourth bank in Kazakhstan to join the system as a principal member. Upon joining, the Bank intends to launch five payment card products within the MasterCard range (styled MasterCard Standard, MasterCard Electronic, MasterCard Gold, MasterCard Platinum and MasterCard Virtual) and to issue 120,000 MasterCard payment cards by the end of 2006.

Furthermore, by the end of 2005, the Bank intends to join the American Express payment system and to launch four products within the American Express payment card range, including Amex Corporate, Amex Gold, Amex Platinum and Amex Centurion. Management believes that the launch of the American Express products, which are viewed as a desirable accessory by high net worth and high income customers in the Kazakhstan personal finance market, will assist the Bank in the expansion of its client base among high net worth and high income clients and will generally strengthen the reputation of the Bank in the retail banking sector.

The Bank has implemented a number of programmes in order to expand its client base in the payment cards sector. Among other things, the Bank has launched the ''Salary'' card programme, under which the Bank issues cards to the staff of participating companies who, in return for signing a salary deposit agreement with the Bank, receive privileges and reduced commissions on card payments. The Bank was the third Kazakhstan bank to start issuing chip and PIN cards which give holders greater security against card fraud. In 2006, the Bank intends to introduce a number of additional services relating to the Bank's payment cards, including money transfers between different cards through ATMs, funds transfers between different banks with the use of payment cards and a customer loyalty programme.

The Bank believes that the debit and credit card business will be one of the biggest growth areas in the retail banking market over the next few years.

Trading

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

The Bank's primary activities in the capital markets sector are the sale, trading and underwriting of government, municipal and corporate securities in Kazakhstan. As at 30 June 2005, the Bank had a 5.0 per cent. market share of repo operations on the KASE, according to the official web site of the KASE.

The Bank's trading partners include certain major domestic and international financial institutions such as JSC Kazkommerts Bank, JSC Bank TuranAlem, JSC Halyk Bank, JSC ATF Bank, JSC Nurbank, Eurasian Bank, Bank Caspian, JSC Bank CenterCredit, HSBC Kazakhstan, ABN AMRO Bank Kazakhstan and Citibank Kazakhstan, as well as major international banks such as Raiffeisen Zentralbank Österreich AG, Commerzbank AG, The Bank of New York, Moscow Narodny Bank Limited, Nomura Securities Ltd., ING Bank N.V., Standard Bank London Ltd., PAREX Bank, Bank Petrocommerce (Moscow) and Promsvyaz Bank (Moscow).

The Bank has established an internal dealing department consisting of three members conducting operations in response to the Bank's liquidity requirements.

Until 2004, the Bank held a 39 per cent. interest in Alliance Investment Management JSC, one of the leading brokerage houses operating in the securities market of Kazakhstan. The Bank sold its entire shareholding in Alliance Investment Management JSC in 2004 in order to concentrate exclusively on its banking business. Alliance Investment Management is the market maker in relation to the Bank's share issues and bond issues on the domestic securities market.

International Banking and Trade Finance

The Bank provides services for customers engaged in international trading. The Bank maintains correspondent banking relationships with many international leading banks, including HSBC Bank plc, Citibank, JP Morgan, ABN AMRO Bank N.V., ING Bank N.V., Deutsche Bank AG, Deutsche Bank Trust Company Americas, Credit Suisse, Commerzbank AG, The Bank of New York, Raiffeisen Zentralbank Österreich AG, Bank Gesellschaft Berlin AG, Bank Austria Creditanstalt, Bank of Montreal, Bayerische Hypo- und Vereinsbank, BNP Paribas, Standard Bank London Ltd., American Express, Ost-West Handelsbank AG, BCEN Eurobank, KBC Bank, Swedbank, UBS AG and PAREX Bank. The Bank continues to actively seek further international partners to enhance its growth prospects.

In the second half of 2002, the Bank became a participating member of the Western Union payment system for international money transfers worldwide.

As at 1 October 2005, the Bank had entered into a number of loan facilities in the aggregate amount of U.S.$230 million, including a syndicated loan facility in the aggregate amount of U.S.$80 million signed in May 2005, which was drawn in the amount of U.S.$80 million at the time of signing, as well as a further U.S.$150 million in trade finance facilities with a number of international banks, including ING Bank N.V., RZB, UBS AG, Swedbank, Nordea Bank, IDB, BGB, Commerzbank AG, HVB, Bank Austria Creditanstalt, Bank of Montreal and KBC Bank, of which U.S.$66.5 million were drawn as at 1 October 2005. See ''– Funding – Foreign Currency Bank Borrowings''.

The Bank is actively involved in trade finance and offers a number of different products to support trade financing, including letters of credit, guarantees and bank acceptances by way of pre-export financing, post-financing and discounting. The Bank enjoys a strong relationship in trade finance with some of Kazakhstan's largest corporations, including Kazpoligraf, Rakhat, ANT Group, Technodom Company and Ak-Erke and Renault Kazakhstan.

The Bank executes insurance transactions with Export-Credit Agencies such as SACE, HERMES and KUKE. The Bank has entered into agreements with a number of banks, including Bayerische Landensbank AG, Bayerische Hypo- und Vereinsbank, Bank Gesellschaft Berlin AG and Deutsche Bank AG providing for insurance cover to be extended to certain of the Bank's trade finance loans.

Distribution Channels

Branches and Cash Settlement Offices

As at the date of this Prospectus, the Bank had 13 branches and 45 cash settlement offices throughout Kazakhstan. The operations of each branch are subject to internal regulations and to oversight by the head office. Each branch provides a broad range of banking products and services, such as deposit-taking, lending, foreign exchange operations and remittances, although discount operations, trust operations, clearing operations, mortgage operations, issuance of cheque books and payment cards, guarantee operations, issuance of securities, factoring and forfeiting operations and transactions with precious metals are conducted out of the head office only. In comparison to branches, cash settlement offices perform a limited number of banking operations, such as utility payments, cash withdrawals and money transfers, mainly for retail customers.

The Bank has a presence in both northern and eastern Kazakhstan. In 2003, the Bank opened branches in Atyrau, in order to expand its sphere of influence into the oil-rich western region and in Karaganda, a major industrial city in central Kazakhstan. In 2005, the Bank also opened branches in the cities of Aktau and Kostanay, a second branch in Almaty and converted a cash settlement office in the fast developing city of Zhezkagan into a full service branch. In addition, by the end of 2005, the Bank intends to open further branches in Aktobe, Uralsk and Shymkent, locations considered by Management to be primary growth areas, and to convert an existing cash settlement office in Taldykorgan, which is believed to be a fast developing city, into a full-service branch.

The Bank is currently undergoing a rebranding exercise to standardise the Bank's brand across its branch network and to promote the Bank's new corporate image with current and prospective clients.

The aggregate lending limit for a single borrower of an individual branch is set by the Credit Committee and ranges from U.S.$150,000 to U.S.$350,000. The co-ordination and planning of the lending operations of the branches and controls of their lending activity are conducted by the Corporate Finance Department which monitors the lending operations of the branches and is responsible for the development of branch lending policies and strategies.

Kazpost JSC

Kazpost JSC (''Kazpost'') is a state-owned postal services company with a network of approximately 4,000 outlets throughout Kazakhstan. Although Kazpost has a limited licence to provide certain banking services, including deposit-taking and cash transfers with regard to the provision of other banking products and services, it can only act as agent for institutions that have a comprehensive banking licence, such as the Bank. The Bank entered into a strategic partnership agreement with Kazpost in late 2004, allowing the Bank to provide retail lending and deposit taking services through Kazpost outlets. As at the date of this Prospectus, all of Kazpost's outlets offered the Bank's products and services. The Bank has set up a fully automated process throughout those outlets, allowing them to offer products both quickly (the loan approval procedure can be finalised within 30 minutes in some cases) and over a secure network. Kazpost takes commissions of 4.5 per cent. on retail loans and 1.0 per cent. on retail deposits, which are paid by the borrower and the Bank, respectively. Furthermore, when a loan is taken by a borrower through a Kazpost outlet, the borrower is required to sign a mandate authorising the Bank to automatically deduct amounts due to the Bank under the loan from the borrower's salary paid through a Kazpost outlet. The majority of public sector employees and a certain proportion of private sector employees are paid through Kazpost outlets. The Kazpost network gives the Bank the opportunity to offer its products to customers in remote locations where it has no presence as well as providing further cross-selling opportunities. From the establishment of this arrangement to October 2005, Kazpost activity has generated approximately U.S.$19.6 million in terms of loans advanced through Kazpost outlets.

Other Partners

The Bank has agreements with a network of retail outlets which offer on-site financing provided by the Bank. The network includes, amongst others, furniture and electrical goods stores as well as car dealerships. These products can be purchased on credit provided by the Bank. No commission is charged by such retail outlets.

Other Distribution Channels

In common with many other retail banks in Kazakhstan, customers of the Bank can use the ATM networks of other Kazakhstan banks for a small fee per withdrawal. The Bank intends to establish its own network of ATMs commencing with the installation of 20 ATMs by the end of 2005 and to expand this network to 250 ATMs by the end of 2006.

In addition to being able to use the ATM network as well as the Bank's VISA cards for payment to merchants participating in the VISA payment system, as at 1 October 2005, under arrangements between the Bank and third-party vendors, the Bank's customers are entitled to use the Bank's payment cards to pay for goods or services in 42 ''trade-service outlets'' and to withdraw cash in 35 ''cash outlets'' in each case operated by third-party vendors. By the end of 2006, the Bank intends to conclude additional arrangements with a view to expanding the network of ''trade-service outlets'' which the Bank's customers may use to 300.

As at 1 October 2005, the Bank's provision of internet and telephone banking services is limited to a remote access, information-only service for corporate customers. The Bank is exploring ways of developing this system further to allow for a variety of banking services to become available to the Bank's customers over the Internet and fixed line and mobile telephone networks. Among other things, the Bank intends to offer its customers money transfer and utility bill payment services over the Internet and through ATMs, as well as cash deposit services through ATMs.

The Bank also takes advantage of cross-selling opportunities with JSC Alliance Leasing and JSC Alliance Policy Insurance Company (companies controlled by the same shareholders as the Bank); this is limited to referring customers requiring leasing or insurance services to them in return for those companies referring customers requiring banking services to the Bank.

Competition

As at 30 June 2005, there were 34 commercial banks, excluding DBK and Housing Construction Savings Bank, licensed in Kazakhstan. The commercial banks in Kazakhstan are divided into four groups: large domestic banks, including such banks as JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank; banks with foreign participation, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan; medium-sized domestic banks, such as the Bank, JSC ATF Bank, JSC Nurbank and JSC Bank CenterCredit; and small banks.

Although the Bank intends to expand its client base among large corporate clients, generally speaking, it does not compete with the leading Kazakhstan banks in this market segment. The Bank competes with banks of all levels (including the leading Kazakhstan banks) in the SME sector. In addition, the Bank competes with its peer group banks in the areas of corporate and retail deposits and lending. Management believes that the Bank's historical ties to the SME sector and long-term relationships in that sector, as well as its experienced management, transparent and consistent business practices and strong nationwide branch network, position it favourably in the Kazakhstan market to compete for business in the SME and retail banking sectors. The Bank's wide range of lending products, including some not offered by its peer group banks, its flexible approach to interest rates, and its novel methods of reaching potential clients (such as Mobile Credit Committees), give it a strong basis to compete for customers, despite the aggressive competition in relation to interest rates between the banks.

The following table compares certain financial information (prepared in accordance with Kazakhstan accounting practices and the regulations of the NBK) relating to the Bank and other leading banks operating in Kazakhstan as at 30 June 2005:

	As at 30 June 2005	
	Assets	**Shareholders' Equity**
	(KTZ millions)	
Large Domestic Banks		
JSC Kazkommertsbank	744,246	69,324
JSC Bank TuranAlem	736,558	67,360
JSC Halyk Bank	498,503	40,904
Medium sized Domestic Banks		
JSC ATF Bank	265,171	22,583
JSC Alliance Bank	225,540	17,029
JSC Bank CenterCredit	224,445	16,775
JSC Nurbank	114,407	11,012
Banks with Foreign Participation		
ABN AMRO Bank Kazakhstan	55,792	5,523
HSBC Bank Kazakhstan	36,700	3,770
Citibank Kazakhstan	36,421	5,540

Source: Published financial statements

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

Technology

The Bank operates an integrated banking system and has a payment system which allows unified online interactive communication between the head office of the Bank and its branches through a real-time wide area network. The Bank considers the upgrading of its information technology systems as an important aspect of its further development and plans to make additional investments in its computer and communication technology.

During 2005, the Bank has implemented a new system for processing credit card and ATM transactions, the aggregate cost of which is U.S.$0.8 million. In addition, by the end of 2005, the Bank intends to complete the implementation of a new integrated retail banking management system, including upgrading the system to a more efficient RISC server platform, at the aggregate cost of U.S.$6 million.

The Bank's IT systems are equipped with international reputable and up-to-date anti-virus and security systems. The Bank's disaster recovery procedures comply with all national requirements. The Bank maintains two back-up servers situated in two different locations in Almaty and the back-up of data is carried out every 24 hours. In addition, on a weekly basis, data is recorded to magnetic tapes that are then transported for safe-keeping to a location in Astana. By the end of 2005, the Bank intends to establish a further back-up server in Astana.

Subsidiaries and Affiliates

ALB Finance B.V. The Issuer is a wholly owned subsidiary of the Bank incorporated on 3 October 2005 under the laws of The Netherlands for the purpose of, amongst other things, raising funds in the international capital markets and lending such funds to the Bank.

Alliance Finance LLC (Russia). In 2005, the Bank established a wholly owned subsidiary in Russia, Alliance Finance LLC. Alliance Finance LLC was established as a special purpose finance subsidiary through which the Bank intends to issue Rouble-denominated bonds guaranteed by the Bank. As at 1 October 2005, no such bonds were issued.

As at 1 October 2005, the Bank had no other subsidiaries or affiliates.

Property

The Bank leases its head office in Almaty.

The Bank owns or leases the buildings used by its branches and cash settlement offices depending on the specific circumstances of different locations. At the date of this Prospectus, the Bank owns the premises in which eight of its branches and five of its cash settlement offices are located and leases the premises where the remaining five branches and 40 cash settlement offices are located.

Legal Proceedings

As of the date of this Prospectus, there were no material legal proceedings pending or, to the knowledge of the Bank, threatened, with respect to the properties, assets or operations of the Bank which could have a material impact on the Bank's results of operations, financial condition or prospects.

Asset and Liability Management

Introduction

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

Risk Management

To manage its risks, the Bank has established the Asset and Liability Management Committee (the ''ALCO''), the Credit Committee, the Small Credit Committee and the Retail Credit Committee which are responsible for devising, implementing and monitoring the Bank's risk policies. Each of the Bank's branches also has its own credit committee. The Bank conducts its credit risk management at these various levels, depending upon the amount of risk involved. See ''— Lending Policies and Procedures''.

The Bank monitors and manages its asset and liability position through the ALCO, which is a permanent committee reporting to the Management Board. The ALCO is headed by the Managing Director of the Treasury Department. The ALCO also includes two Deputy Chairmen and the Managing Director of the Corporate Business and Finance Planning Departments. The ALCO meets on a monthly basis to review the Bank's asset and liability position based on information provided by the Treasury Department on various matters, including maturities, interest rates and yields; the size and maturity of the Bank's loan portfolio, demand and time deposits and investments; the Bank's net foreign currency position; the Bank's operational ratios conforming to the regulations established by the NBK; exchange rates, inflation rates and other economic data; and general national and international political and economic trends. The ALCO can also be convened at the request of any department of the Bank.

Based on its review of this information, the ALCO evaluates the Bank's risk profile and determines strategies and policies for transactions relating to assets and liabilities for the coming month with the aim of increasing revenues for the Bank while maintaining adequate liquidity, complying with prudential norms and regulations, and minimising the impact of financial market risks. These decisions are reviewed and approved by the Bank's Board of Directors, Management Board or Shareholders' Meeting, depending on the type of decision.

Liquidity and Interest Rate Risk Management

The Bank's maturity profile is monitored by means of a liquidity table which is produced daily on the basis of the cash flow statement and reflects the Bank's current payment position, as well as gap analysis procedures.

The following tables summarise the Bank's banking assets and liabilities by maturity as at 30 June 2005 and 31 December 2004, respectively:

	As at 30 June 2005						
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (incl. allowance for losses)	30 June 2005 (unaudited) Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
ASSETS							
Precious metals	2,646	–	–	–	–	–	2,646
Advances to banks	29,799,061	–	104	–	–	–	29,799,165
Securities held-for-trading	21,867,086	29,827,784	–	–	–	–	51,694,870
Securities purchased under agreements to resell	9,993,980	–	–	–	–	–	9,993,980
Loans and advances to customers, net	15,744,206	8,401,429	14,850,994	55,436,251	7,561,545	(2,780,512)	99,213,913
Investment securities:							
– securities available-for-sale	381,289	–	5,938,942	–	–	–	6,320,231
– securities held-to-maturity	–	–	11,834	445,493	–	–	457,327
Total interest bearing Assets	**77,788,268**	**38,229,213**	**20,801,874**	**55,881,744**	**7,561,545**	**(2,780,512)**	**197,482,132**
Cash and balances with the NBRK	17,495,089	–	–	–	–	–	17,495,089
Loans and advances to customers, net	485,033	354,925	905,770	1,082,241	37,993	(1,070,449)	1,795,513
Securities available-for-sale	–	–	47,384	–	–	–	47,384
Fixed and intangible assets, net	255	1,405	13,205	651,437	473,077	–	1,139,379
Other assets, net	1,859,923	–	–	–	–	(50,736)	1,809,187
Interest accrued on interest bearing assets	1,043,666	1,122,532	6,021	–	–	–	2,172,219
TOTAL ASSETS	**98,672,234**	**39,708,075**	**21,774,254**	**57,615,422**	**8,072,615**	**(3,901,697)**	**221,940,903**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	12,719	3,768	53,780	135,537	–	–	205,804
Deposits from NBRK	4,000,000	–	2,000,000	–	–	–	6,000,000
Loans and advances from banks	13,755,135	5,270,297	14,023,299	216,311	–	–	33,265,042
Securities sold under agreements to repurchase	26,564,662	–	–	–	–	–	26,564,662
Customer accounts	10,572,547	6,263,878	30,816,830	27,280,766	970,251	–	75,904,272
Debt securities issued	–	–	–	25,882,214	–	–	25,882,214
Subordinated debt	–	–	–	2,330,223	2,993,200	–	5,323,423
Total interest bearing liabilities	**54,905,063**	**11,537,943**	**46,893,909**	**55,845,051**	**3,963,451**	**–**	**173,145,417**
Customer accounts	30,154,551	–	–	–	–	–	30,154,551
Dividends payable	–	–	24,500	–	–	–	24,500
Other liabilities	489,601	–	–	–	–	33,843	523,444
Interest accrued on interest bearing liabilities	1,031,518	335,673	118,202	–	–	–	1,485,393
TOTAL LIABILITIES	**86,580,733**	**11,873,616**	**47,036,611**	**55,845,051**	**3,963,451**	**33,843**	**205,333,305**
Liquidity gap	12,091,501	27,834,459	(25,262,357)	1,770,371	4,109,164		
Interest sensitivity gap	22,883,205	26,691,270	(26,092,035)	36,693	3,598,094		
Cumulative interest sensitivity gap	22,883,205	49,574,475	23,482,440	23,519,133	27,117,227		
Cumulative interest sensitivity gap as a percentage of total assets	10.31%	22.34%	10.58%	10.6%	12.22%		

	As at 31 December 2004						
	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity undefined (incl. allowance for losses)**	**Total**
	(KZT thousands, unless otherwise noted)						
ASSETS							
Loans and advances to banks, less allowance for loan losses	891,672	–	–	–	–	–	891,672
Securities held-for-trading	25,119,582	6,121,846	–	–	–	–	31,241,428
Securities purchased under agreements to re-sell	6,420,006	–	–	–	–	–	6,420,006
Loans and advances to customers, less allowance for loan losses	2,432,303	4,878,634	10,824,531	30,284,191	4,639,324	(1,818,301)	51,240,682
Investment securities:							
securities available-for-sale	–	2,731,969	2,592,610	–	–	–	5,324,579
securities held-to-maturity	–	–	794,182	455,558	–	–	1,249,740
Total interest bearing assets	**34,863,563**	**13,732,449**	**14,211,323**	**30,739,749**	**4,639,324**	**(1,818,301)**	**96,368,107**
Cash and balances with the NBK	19,631,484	–	–	–	–	–	19,631,484
Precious metals	1,866	–	–	–	–	–	1,866
Loans and advances to customers, less allowance for loan losses	6,552	129,875	260,700	1,175,199	44,305	(787,657)	828,974
Securities available-for-sale	–	–	47,750	–	–	–	47,750
Fixed and intangible assets, less accumulated depreciation and amortisation	–	39,682	99,205	590,240	307,151	–	1,036,278
Other assets, less allowance for losses	63,278	20,999	431,780	24,495	–	(23,240)	517,312
Interest accrued on interest bearing assets	642,597	571,197	214,198	–	–	–	1,427,992
	20,345,777	761,753	1,053,633	1,789,934	351,456	(810,897)	23,491,656
TOTAL ASSETS	**55,209,340**	**14,494,202**	**15,264,956**	**32,529,683**	**4,990,780**	**(2,629,198)**	**119,859,763**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	–	1,559	54,509	222,867	–	–	278,935
Deposits from banks	3,265,522	1,173,045	4,761,350	190,513	–	–	9,390,430
Deposits from NBK	–	4,000,000	–	–	–	–	4,000,000
Securities sold under agreements to repurchase	16,590,001	–	–	–	–	–	16,590,001
Debt securities issued	–	–	–	1,970,239	–	–	1,970,239
Customer accounts	14,633,988	5,807,716	22,441,673	16,553,375	44,023	–	59,480,775
	34,489,511	10,982,320	27,257,532	18,936,994	44,023	–	91,710,380
Subordinated debt	–	–	–	2,433,177	1,413,954	–	3,847,131
Total interest bearing liabilities	**34,489,511**	**10,982,320**	**27,257,532**	**21,370,171**	**1,457,977**	**–**	**95,557,511**
Customer accounts	7,448,960	–	–	–	–	–	7,448,960
Dividends payable	60,000	–	–	–	–	–	60,000
Other liabilities	40,645	1,375	44,575	14,950	–	46,112	147,657
Interest accrued on interest bearing liabilities	526,042	131,511	–	–	–	–	657,553
TOTAL LIABILITIES	**42,565,158**	**11,115,206**	**27,302,107**	**21,385,121**	**1,457,977**	**46,112**	**103,871,681**
Interest sensitivity gap	374,052	2,750,129	(13,046,209)	9,369,578	3,181,347		
Cumulative interest sensitivity gap	374,052	3,124,181	(9,922,028)	(552,450)	2,628,897		
Cumulative interest sensitivity gap as a percentage of total assets	0.31 per cent.	2.61 per cent.	(8.28 per cent.)	(0.46 per cent.)	2.19 per cent.		

The above tables and gap analysis do not reflect the historical stability of the Bank's current accounts, whose liquidation has historically taken place over a longer period than that indicated in the tables above. The tables are based upon these accounts' entitlement to withdraw on demand. Although there can be no assurance as to the Bank's ability to continue to extend the term of customer accounts beyond their stated terms (see "Risk Factors — Risk Factors Relating to the Bank — Liquidity Risk"), the majority of its customer accounts have historically remained with the Bank over a period beyond their initial contractual terms.

In addition, the Bank's ability to discharge liabilities relies on its ability to realise an equivalent amount of assets within the same period of time. As is typical for Kazakhstan banks, although the Bank had a negative short-to-medium term maturity gap as at 30 June 2005, Management believes that the Bank's access to domestic and international funding will continue to allow it to meet its liquidity needs.

On the other hand, long-term credits and overdrafts are generally not available in Kazakhstan except under programmes established by international financial institutions or the DBK. In the Kazakhstan market, however, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may also be different from the analysis presented above. Current account balances are included in amounts due in less than one month in the table above, while trading and investment securities available-for-sale are shown at demand. Realising such assets upon demand, however, is dependent upon financial market conditions and, in some instances, it may not be possible for significant security positions to be liquidated in a short period of time without adverse price effects.

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

Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the periodic re-pricing of assets and liabilities. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income while an increase in interest rates would have a negative effect on interest income.

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

In 2002, the Bank breached its K2 ratio (risk-weighted assets to Tier I plus Tier II capital) and its K3.1 ratio (risk to a group of borrowers). These breaches were due to insufficient provisioning in 2002 when the Bank failed to make provisions of approximately U.S.$3.5 million. The short-fall was discovered by the NBK during its regular inspection at the beginning of 2003. Furthermore, in 2002, the Bank breached its K3 ratio regarding cumulative risk for all related borrowers, which should have been less than 100 per cent. of own capital at that time. The breach was due to insufficient provisioning in 2002. The breach was discovered and corrected by the Bank's auditors at the time of review of the Bank's results for the year ended 2002. The breach was cured expeditiously as the Bank undertook a substantial Tier II capital increase (through the issue of subordinated domestic bonds). No other sanctions were imposed on the Bank. As at the date of this Prospectus there have been no other violations of the NBKs prudential ratios.

Liquidity is centrally managed on a daily basis by the Treasury Department according to real-time requirements and forecasts for all the Bank's divisions and branches. All types of treasury operations are implemented within the limits established by the ALCO. In addition, the Board of Directors reviews the Bank's liquidity guidelines and strategy on a monthly basis, making any necessary adjustments. Liquidity risk management is based on the strict observance of the capital adequacy ratio limits of the NBK, the continuous monitoring of the structure of assets and liabilities, fund raising and placement on the interbank markets and strict compliance with reserve requirements imposed by the NBK and the Bank's policies.

The following table gives certain information as to the Bank's liquidity as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(per cent.)	
Loans (net)/assets	46	44	61
Loans (net)/deposits	96	79	83
Loans (net)/equity	619	333	822
Liquid assets/total assets	49	49	13
Liquid assets[(1)]/total customer accounts	102	86	17

Note:

(1) Liquid assets include cash and balances with the NBK, precious metals, loans and advances to banks (with maturities of less than one month), securities in the trading portfolio and securities sold under repurchase agreements.

Foreign Currency Management

The Tenge has been subject to fluctuations against the U.S. Dollar. The Tenge depreciated against the U.S. Dollar by 4 per cent. in 2002, and appreciated against the U.S. Dollar by 7.5 per cent. in 2003 and by 9.9 per cent. in 2004. Since 31 December 2004, the Tenge depreciated slightly against the U.S. Dollar. The ALCO monitors the net open foreign currency position in relation to the prevailing market conditions and outlook and advises on the Bank's position and implements the Bank's strategy accordingly. The Bank's long position is within the limits set by the NBK.

Regulation and monitoring of the net foreign currency positions of banks is carried out by the NBK. According to current NBK regulations, the ratio of a bank's net open foreign currency position to its own capital must not exceed 30 per cent. and the net open foreign currency position for any currency of a country rated "A" by Standard and Poor's Rating Services, a division of McGraw Hill Companies ("S&P") (or the equivalent from other rating agencies) or higher or the Euro must not exceed 15 per cent. of its own capital. The open long and short position for any currency of a country rated below "A" by S&P (or the equivalent from other rating agencies) is limited to 5 per cent. of own capital. See "— Capital Adequacy and Other Ratios".

The following table shows the net foreign currency position of the Bank as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
Net open long (short) position (millions of Tenge)	1.008	2.751	(3.013)
Net position as a percentage of own capital	6%	17%	(81%)
Net position as a percentage of foreign currency liabilities	1%	11%	(17%)

Securities risks

Securities risks are divided into country risk, issuer risk and portfolio risk. The Bank's Treasury Department sets country limits using a rating scale and the classifications approved by international rating agencies. The Treasury Department manages issuer risk by establishing limits on exposure to particular issuers based on the Bank's counter-party's financial performance and ratings from international rating agencies.

Trading and Investment Securities Portfolio

The Bank structures its securities portfolio based on a number of factors, including the liquidity, diversification and yield-to-maturity of the securities held by it. As at 30 June 2005, government securities comprised 71 per cent. of the Bank's securities portfolio, compared to 91 per cent. as at 31 December 2004. As a matter of policy, the Bank intends to keep the level of Kazakhstan government securities at approximately 70 per cent. of its securities portfolio. As at the date of this Prospectus, the Bank as a matter of policy does not hold securities issued by non-Kazakhstan entities or securities issued by foreign governments.

The following table shows the composition of securities held by the Bank as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	**2004**	**2003**
		(KZT millions)	
Securities held-for-trading	51,851	31,324	1,564
Securities available-for-sale	6,480	5,467	4,904
Securities held-to-maturity	463	1,260	6,884
Investments in associated companies	–	–	50
Total	58,794	38,051	13,402

The Bank's total securities portfolio increased by 184 per cent. from KZT13,402 million as at 31 December 2003 to KZT38,051 million as at 31 December 2004 and by a further 54.5 per cent. to KZT58,794 million between 31 December 2004 and 30 June 2005.

The Bank's securities held-for-trading comprise notes issued by the NBK and bonds issued by the Ministry of Finance and other Kazakhstan governmental and private entities. As at 30 June 2005, notes issued by the NBK comprised 60 per cent. of the securities held-for-trading portfolio and bonds issued by the Ministry of Finance constituted 13 per cent.

The securities held-for-trading portfolio increased by KZT29,760 million from KZT1,564 million as at 31 December 2003 to KZT31,324 million as at 31 December 2004 and by a further KZT20,527 million from 31 December 2004 to KZT51,851 million as at 30 June 2005. This increase was mainly due to the fact that the Bank chose to invest the proceeds of its fifth issue of shares in 2004 in securities held-for-trading as these are seen by Management as a generally liquid form of assets, and (in the case of the NBK bonds in particular) a relatively low-risk investment.

The Bank's securities available-for-sale comprise mostly bonds of the Ministry of Finance of the Republic of Kazakhstan, Eurobonds issued by the Republic of Kazakhstan and other governmental and private Kazakhstan entities. As at 30 June 2005, debt securities available-for-sale issued by Kazakhstan corporates comprised principally securities issued by companies in the financial sector (53 per cent. of the Bank's total holding of private corporate securities). As at 30 June 2005, the Bank's available-for-sale securities also included small equity investments of KZT47 million in Kazakhstan banks and corporates, including shares of the KASE, JSC National Processing Centre (a Kazakhstan company established to develop the interbank payment card system through the provision of services and the performance of operations connected with the processing of payment card transactions), First Credit Bureau LLP (a Kazakhstan company established by a number of Kazakhstan banks in order to set up and process individual borrower's credit information), JSC Alliance Capital FC and JSC Alliance Policy.

As at 30 June 2005, securities held-to-maturity comprised treasury bills issued by the Ministry of Finance and Astana municipal bonds, for the aggregate principal amount of KZT463 million. The 63 per cent. decrease in securities held-to-maturity as at 30 June 2005 compared to 31 December 2004 was largely due to a number of such securities maturing in the first half of 2005.

Funding

Introduction

The Bank's principal source of funding is domestic customer deposits. Other important sources of funding include borrowings from international and domestic banks and the issue of debt securities in domestic and international markets. The following table sets out the Bank's sources of funds as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June		As at 31 December			
	2005		2004		2003	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Customer accounts	107,246	52	67,454	65	36,797	79
Deposits from banks (including NBK)	39,411	19	13,463	13	4,931	11
Securities sold under agreements to repurchase	26,571	13	16,592	16	1,131	2
Subordinated debt	5,371	3	3,873	4	2,688	6
Debt Securities issued	25,977	13	1,999	2	296	1
Other liabilities	757	0	491	0	730	1
Total liabilities	205,333	100	103,872	100	46,573	100

Customer deposits

As at 30 June 2005, the total customer accounts of the Bank were KZT107,246 million, deposited in over 150,434 accounts (including current accounts). The Bank's share of the total deposit market in Kazakhstan (retail and corporate) was approximately 5.3 per cent. as at 30 June 2005, according to an analysis by Management of financial information published by Kazakhstan banks. 38 per cent. of the Bank's non-capital funding base is represented by corporate customer accounts, which Management believes are relatively insensitive to short-term fluctuations in market rates of interest.

In the first six months of 2005, the Bank increased its retail funding base, which continues to be an important source of funding for the Bank. Retail funding is less susceptible to volatility in demand than corporate funding, although it is more costly for the Bank.

As at 30 June 2005, the Bank's ten largest depositors accounted for 24 per cent. of total deposits, compared to 32 per cent. as at 31 December 2004 and 37 per cent. as at 31 December 2003. As at 30 June 2005, the Bank's two largest depositors accounted for 7 per cent. of total deposits compared to 12 per cent. as at 31 December 2004 and 16 per cent. as at 31 December 2003.

As at 30 June 2005, time deposits were KZT67,546 million and comprised 63 per cent. of total customer accounts, compared to KZT49,451 million or 73 per cent. of total customer accounts as at 31 December 2004 and 77 per cent. as at 31 December 2003.

The following table sets out the composition of the Bank's deposits by type of customer as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(KZT millions)	
Banks (including short-term loans)	33,411	9,463	3,931
Customers (including interest expense)	107,246	67,454	36,797
Total	140,657	76,917	40,728

The following table shows the breakdown of deposits from other banks as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(KZT millions)	
Short-term loans from banks	31,307	8,971	2,513
Time deposits from banks	1,958	419	1,386
Accrued interest expense on deposits from banks	146	73	32
Total loans and deposits from banks	33,411	9,463	3,931

As at 30 June 2005, the Bank had a short-term syndicated loan from 27 foreign banks and financial organisations in the amount of U.S.$80 million and bearing interest at a rate equal to 6 month LIBOR plus 2.2 per cent. The loan was obtained for a term of one year with an option to extend for an additional year.

The following table sets forth details of customer accounts as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(KZT millions)	
Time deposits	67,546	49,451	28,376
Deposits on demand	31,438	14,428	5,401
Guarantee deposits	7,075	3,051	2,407
Accrued interest expense on customer accounts	1,187	524	613
Total	107,246	67,454	36,797

As at 30 June 2005 and 31 December 2004 and 2003, the top 10 customers of the Bank accounted for approximately 24 per cent., 32 per cent. and 37 per cent. of total customer accounts, respectively.

The following table sets out the customer deposits of the Bank by industry sector as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(KZT millions)	
Private sector	29,148	21,255	11,832
Finance services	22,028	10,186	12,163
Trade	18,016	7,473	323
Other services	16,227	5,927	–
Construction	3,847	2,116	1,704
State administration	2,944	4,536	–
Fuel	2,431	1,728	3
Transport and communication	1,455	5,263	5,664
Consumer food production	1,195	551	–
Agriculture	744	6,081	1,474
Real estate	675	41	13
Education	427	447	840
Machine building	83	58	–
Health care and social services	78	28	559
Chemical industry	4	150	–
Food production	0	207	499
Metallurgy	0	543	886
Other	7,944	864	837
Total customer accounts	**107,246**	**67,454**	**36,797**

The interest rates on the Bank's deposits are similar to those of competing banks, allowing the Bank to offer rates which are competitive with those of other institutions in Kazakhstan.

The following table sets out the weighted average interest rates on the Bank's deposits as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(per cent.)	
KZT deposits			
Time deposits	9.6	8.8	10.1
Demand deposits	2.0	2.0	1.8
Foreign currency deposits			
Time deposits	7.2	7.4	8.3
Demand deposits	1.0	1.0	0.5

As at 30 June 2005, approximately 48 per cent. of the Bank's retail deposit portfolio and 99.1 per cent. of the total number of retail accounts held with the Bank (including current accounts) were covered by the Kazakhstan Deposit Insurance Fund. See ''The Banking Sector in Kazakhstan''.

Foreign Currency Bank Borrowings

Over the course of the past few years, the Bank has entered into a number of financings with foreign banks and other financial institutions:

In November 2002, the Bank raised its first syndicated loan in the amount of U.S.$6 million from leading Russian banks, arranged by Renaissance Capital. The loan was fully repaid in May 2003.

In December 2003, the Bank raised a syndicated loan in the amount of U.S.$10 million for gold preexport financing from western banks (including Bayerische Hypo- und Vereinsbank AG, Raiffeisen Zentralbank

Österreich AG), arranged by Standard Bank London Ltd. The facility was fully repaid prior to its maturity in September 2004.

In November 2004, the Bank raised a syndicated loan in the amount of U.S.$23.5 million for the Bank's clients' export and import contracts financing from Western and Asian banks (including Bank Gesellschaft Berlin AG, Bank of Montreal, Bank of Overseas Chinese), arranged by Standard Bank London Ltd and Raiffeisen Zentralbank Österreich AG. The facility was fully repaid in May 2005.

In May 2005, the Bank entered into a one year loan facility agreement with a syndicate of international banks led by Citibank, N.A., London branch, and ING Bank N.V., pursuant to which the Bank was entitled to draw down loans up to the aggregate amount of U.S.$80 million to finance loans by the Bank to certain of its customers pursuant to current trade related loan contracts entered into for the purpose of funding such customers' contracts (the "Citibank/ING Facility"). The Citibank/ING Facility was drawn down in full in May 2005. The rate of interest applicable to the outstanding principal balances under the Citibank/ING Facility is 6 month LIBOR plus 2.2 per cent. The Citibank/ ING Facility may be extended at the option of the Bank for a further one-year period. As at 1 October 2005, the outstanding principal amount under the Citibank/ING Facility was U.S.$80 million.

In addition to the Citibank/ING Facility, as at 1 October 2005, the Bank had U.S.$66.5 million of outstanding indebtedness, and was entitled to draw-down up to a further U.S.$83.5 million, under trade finance facilities with maturities of up to a year with a number of international banks, including ING Bank N.V., RZB, UBS, Swedbank, Nordea Bank, IDB, BGB, Commerzbank AG, HVB, Bank Austria, Bank of Montreal and KBC Bank. Management believes that it will be able to meet its repayment obligations under these facilities through an increase in borrowings, including the issue of the Notes, and by increasing the aggregate amount of its time deposits.

On 27 June 2005, the Bank issued its U.S.$150 million 9 per cent. Eurobonds due 2008. The Eurobonds were issued pursuant to Regulations S under the Securities Act. J.P. Morgan Securities Ltd. and HSBC Bank plc acted as joint lead managers for the transaction.

On 7 November 2005, the Bank entered into an unsecured loan facility agreement with a syndicate of foreign banks led by Deutsche Bank AG, London Branch and ING Bank N.V. (the "Deutsche/ING Facility"), pursuant to which the Bank is permitted to draw up to U.S.$170 million (consisting of a tranche "A" loan in the amount of U.S.$119 million and a tranche "B" loan in the amount of U.S.$51 million) for the purpose of financing export and import contracts entered into by the Bank's clients. The tranche "A" loan has a term of one year and the tranche "B" loan has a term of two years, in each case subject to an extension at the request of the Bank for a further one year term. The tranche "A" loan will bear interest on its outstanding principal balance at the annual rate of LIBOR plus 1.8 per cent. and the tranche "B" loan will bear interest on its outstanding principal balance at the annual rate of LIBOR plus 2.25 per cent. The Bank may pre-pay loans drawn under the Deutsche/ING Facility at any time in full or in part. The Bank drew down the full amount under the Deutsche/ING Facility on 10 November 2005.

Domestic Bonds

In October 2004, the Bank issued a third tranche of subordinated domestic bonds with an aggregate principal amount of KZT3 billion, which were fully placed by 31 March 2005.

In April 2005, the Bank registered with the NBK its domestic bond programme (the "2005 Domestic Bond Programme"). Under the 2005 Domestic Bond Programme, the Bank is entitled to, at any time, subject to further registration with the NBK, issue and place up to an outstanding aggregate principal amount not exceeding KZT40 billion in domestic unsecured and/or asset-backed bonds. In April 2005, the Bank registered KZT5 billion in aggregate principal amount of senior unsecured bonds due 2008 under the 2005 Domestic Bond Programme, which were fully placed by August 2005. The bonds have been listed in the top "A" category on the KASE. In August 2005, the Bank registered under the 2005 Domestic Bond Programme a further aggregate principal amount of KZT1 billion of bonds secured on the right of the Bank to receive payments of principal and interest under its residential mortgages. In addition, the Bank intends to register and place a further aggregate principal amount of KZT5 billion in senior unsecured bonds.

Issuance of the Notes

The issuance of the Notes is one of the steps being taken by Management in an effort to diversify and extend the maturity of the Bank's funding sources.

Issuance and Placement of Shares

In May 2003, the Bank authorised a third issue of ordinary shares totalling 200,000 shares, with an aggregate nominal value of KZT2 billion, followed by a fourth issue of shares in September 2004 totalling a further 200,000 shares (KZT2 billion), of which 150,000 were designated ordinary shares and 50,000 were designated preference shares. As at 31 December 2004, following the fifth issue of shares, the authorised share capital of the Bank amounted to KZT28 billion, of which KZT500 million were preference shares and KZT9.788 billion were ordinary shares. As at 30 September 2005, the Bank had placed KZT9.788 million of its ordinary shares among its shareholders. The Bank intends to place the remaining KZT3,092 million of its ordinary shares among its shareholders in 2006.

Although the Bank had a relatively high capitalisation prior to the most recent issue and placement of shares, the Bank intends to use a portion of its capital basis and the proceeds of share issues to finance further growth.

In the first half of 2006, the Bank plans to issue its first global depositary receipts and to list them on a major European exchange. The Bank intends to use the proceeds of the issuance to finance further growth.

Treasury Operations

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

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

Capital Adequacy and Other Ratios

The following table sets out certain ratios calculated in accordance with the requirements of the NBK as at 30 June 2005 and 31 December 2003 and 2004 regarding capital adequacy, foreign exchange positions, maximum exposures and certain other matters:

		As at 30 June	**As at 31 December**	
	NBK's minimum requirements	**2005**	**2004**	**2003**
Minimum charter fund(1)	Not less than KZT2,000 million(2)	KZT14,976 million	KZT14,989 million	KZT3,575 million
Capital Adequacy Ratios				
K1 – Tier I capital to total assets	Not less than 6 per cent.	7 per cent.	13 per cent.	7 per cent.
K2 – Own capital to total assets weighted for risk	Not less than 12 per cent.	15 per cent.	33 per cent.	18 per cent.
K4 – Current Liquidity ratio(3)	Greater than 40 per cent.	242 per cent.	109 per cent.	141 per cent.
K5 – Short-term Liquidity Ratio	Greater than 50 per cent.	104 per cent.	103 per cent.	109 per cent.
Reserves with the NBK and cash	A monthly average of 6 per cent. of deposits with a maturity of less than two months	KZT8,265 thousand	KZT5,609 thousand	KZT969 thousand
K6 – investments in fixed assets and nonfinancial assets to own capital(4)	50 per cent. of bank's own capital	10 per cent.	6 per cent.	13 per cent.
Maximum aggregate net open foreign currency position(3)	50 per cent. and 30 per cent. of bank's own capital in 2003 and 2004 respectively	1.0 per cent.	2.3 per cent.	(6.7) per cent.
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	30 per cent. and 15 per cent. of bank's own capital in 2003 and 2004 respectively	0.8 per cent.	2.2 per cent.	(7.1) per cent.
Maximum net open position in currencies of countries rated below "A"	Short position – 15 per cent. and 5 per cent. of bank's own capital in 2003 and 2004 respectively	0.2 per cent.	0.0 per cent.	0.4 per cent.
Maximum exposure to any single borrower	Percentage of bank's own capital			
– related parties	10 per cent.	3 per cent.	1 per cent.	1 per cent.
– other borrowers	25 per cent.	23 per cent.	10 per cent.	20 per cent.
– on unsecured loans	10 per cent.	2 per cent.	4 per cent.	1 per cent.

Notes:

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

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

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

(4) The NBK'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) less equity investments. Tier I capital is the sum of share capital plus share premium plus revenue reserves less intangible assets and 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 subordinated debt (but not more than 50 per cent. of Tier I).

The following table gives certain information regarding the Bank's Tier I and Tier II capital and its risk weighted capital adequacy ratio as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(KZT millions)	
Tier I capital	15,866	15,436	3,654
Tier II capital	5,599	4,901	2,384
Tier I and Tier II capital (less investments in capital)	21,418	20,290	5,699
Total risk weighted assets	125,531	72,464	35,619
Risk weighted capital adequacy ratio	17 per cent.	28 per cent.	16 per cent.

Based on methodology established by the Bank for International Settlements, as at 30 June 2005, the Bank had a Tier I capital ratio (comprising Tier I capital of KZT15,866 million divided by total risk weighted assets) of 13 per cent. as at 30 June 2005 and a risk weighted capital adequacy ratio (comprising Tier I + Tier 2 capital less investments in unconsolidated banking and financial companies divided by total risk weighted assets) of 17 per cent. as at 30 June 2005. Management acknowledges that, as at 1 October 2005, its capital adequacy level was extraordinarily high as a result of the recent capital increases; however, the Bank intends to use the capital to finance further growth of the Bank's operations. Management's target in the medium-term is to maintain a risk weighted capital adequacy ratio at a level of 15 per cent.

At the meeting of the shareholders of the Bank in February 2005, a capitalisation programme was approved for the years 2005 to 2007 relating to plans to increase the Bank's capitalisation by U.S.$100 million per annum through the placement of shares and the capitalisation of retained earnings.

Loan Portfolio

Introduction

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

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

The following table sets out the composition of the Bank's loans and contingent liability exposure as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June	As at 31 December	
	2005	2004	2003
		(KZT millions)	
Loans			
Loans and advances to customers (gross)	106,725	55,915	32,301
Provisions for loan losses	(3,851)	(2,606)	(1,631)
Loans and advances to customers, net	102,874	53,309	30,670
Contingent Liabilities			
Guarantees	4,485	4,445	1,772
Letters of credit	795	694	60
Total contingent liabilities	5,280	5,139	1,832
Total loans (gross) and contingent liabilities (net)	112,005	61,054	34,133

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

The Bank's loan portfolio, net of provisions, grew by 74 per cent. from KZT30,670 million as at 31 December 2003 to KZT53,309 million as at 31 December 2004 and a further 93 per cent. between 31 December 2004 and 30 June 2005 to KZT102,874 million.

As at 30 June 2005, the top 10 largest borrowers comprised 24.5 per cent. of the Bank's gross loan portfolio, compared to 18.5 per cent. as at 31 December 2004 and 23.7 per cent. as at 31 December 2003.

Loan Portfolio Structure by Sector

The Bank's Credit Committee sets limits on the Bank's total exposure to economic sectors as a percentage of the Bank's net loan portfolio, based upon its review of macro-economic data prepared by the Corporate Finance Department. Current limits include maximum exposures to wholesale trade companies of 21.4 per cent., to the construction sector of 20 per cent. and to service companies of 16 per cent. in each case, of the Bank's total net loan portfolio. The Bank also limits its exposure to high risk sectors of the economy including the agriculture and transport industry.

The following table sets forth certain information as to the structure of the Bank's gross loan portfolio by economic sector, as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June		As at 31 December			
	2005		2004		2003	
	(KZT million)	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*
Wholesale trade	21,947	20.6	11,302	20.2	8,872	27.5
Construction	21,526	20.2	8,174	14.6	2,404	7.4
Consumer-loans	20,868	19.6	9,517	17.0	2,966	9.2
Population related services	8,390	7.9	3,527	6.3	2,155	6.7
Finance services	4,301	4.0	3,025	5.4	1,059	3.3
Transportation	3,738	3.5	1,878	3.4	929	2.9
Food	3,630	3.4	2,333	4.2	2,065	6.4
Coal mining	3,055	2.9	2,005	3.6	883	2.7
Paper manufacturing	3,051	2.9	1,347	2.4	1,553	4.8
Retail	3,014	2.8	1,483	2.7	1,400	4.3
Real estate operations	2,874	2.7	3,067	5.5	1,660	5.1
Agriculture	2,322	2.2	2,175	3.9	1,735	5.4
Publications	1,676	1.6	73	0.1	358	1.1
Entertainment and recreational activities	1,173	1.1	1,155	2.1	384	1.2
Chemical industry	943	0.9	749	1.3	634	2.0
Heavy industry	719	0.7	274	0.5	737	2.3
Finance Lease	312	0.3	25	0.0	0	–
Production of metal goods	289	0.3	338	0.6	147	0.4
Mail and Communications	134	0.0	111	0.2	546	1.7
Services related to oil and gas extraction	78	0.0	17	0.0	148	0.4
Metallurgy industry	15	0.0	29	0.1	156	0.5
Other	2,670	2.4	3,311	5.9	1,510	4.7
Total	**106,725**	**100**	**55,915**	**100**	**32,301**	**100**

Gross loans to wholesale trade companies increased by 27 per cent. from KZT8,872 million as at 31 December 2003 to KZT11,302 million as at 31 December 2004 and by 94 per cent. from KZT11,302 million as at 31 December 2004 to KZT21,947 million as at 30 June 2005. Loans to construction companies increased from 7 per cent. of the Bank's total loan portfolio as at 31 December 2003 to 15 per cent. as at 31 December 2004 to 20 per cent. as at 30 June 2005, reflecting the overall increase in the total amount of the Bank's loans by 163 per cent. Loans to the retail sector increased by 221 per cent. from KZT2,966 million as at 31 December 2003 to KZT9,517 million as at 31 December 2004 and by a further 119 per cent. from KZT9,517 million as at 31 December 2004 to KZT20,868 million as at 30 June 2005. Loans to the retail and housing sector include approximately KZT4,382 million of mortgage loans.

Whilst companies providing population related services (including companies involved in industries such as the education, health, automotive and hospitality services), real estate operations, finance and transportation services are not major borrowers of the Bank, lending to these sectors increased overall by 68 per cent. with combined borrowings from these sectors of KZT19,303 million as at 30 June 2005 compared to KZT11,497 million and KZT5,803 million as at 31 December 2004 and 2003, respectively. As at 30 June 2005, companies in the mining sector also increased their borrowings from the Bank by 52 per cent. as compared to 31 December 2004, although overall the sector represented only 3 per cent. of the Bank's total loan portfolio as at 30 June 2005, compared to 4 per cent. as at 31 December 2004. Lending to paper manufacturing companies increased by 127 per cent. from KZT1,347 million as at 31 December 2004 to KZT3,051 million as at 30 June 2005 after decreasing slightly between 2003 and 2004.

In line with the Bank's lending policy, the Bank decreased its exposure to companies operating within the food industry and agriculture sector, as loans decreased from 12 per cent. as at 31 December 2003 to 8 per cent. of the Bank's total loan portfolio as at 31 December 2004 to 6 per cent. as at 30 June 2005. The Bank believes this sector, which is predominantly exposed to domestic economy and cross-border competition, is the most sensitive to any negative change in the domestic and regional economic environment.

As at 30 June 2005 and 31 December 2004, the Bank had loans totalling KZT78,544 million and KZT40,899 million, respectively, which originated in Almaty. These loans represented 74 per cent. and 73 per cent. of the total loan portfolio as at 30 June 2005 and 31 December 2004, respectively, compared to 80 per cent. as at year end 2003 indicating that the Bank is becoming less dependent on Almaty and is succeeding in expanding its lending base in other areas of Kazakhstan.

Loan Portfolio Structure by Currencies

The level of Tenge denominated loans has increased to 65 per cent. of the Bank's loan portfolio as at 30 June 2005 compared to 61 per cent. as at 31 December 2004. Such Tenge denominated loans generally have a shorter-term maturity profile and usually contain provisions that allow the Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

The following table sets forth certain information as to the currency profile of the Bank's net loan portfolio as at 30 June 2005 and 31 December 2003 and 2004:

	As at 30 June		As at 31 December			
	2005		2004		2003	
	(KZT million)	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*
Tenge	68,487	65	33,304	61	22,964	73
U.S. Dollars	35,206	34	20,048	37	8,624	27
Euro	1,167	1	1,324	2	51	–
Total(1)	**104,860**	**100**	**54,676**	**100**	**31,639**	**100**

Note:

(1) Excluding accrued interest income

Loans and Advances to Banks

As at 30 June 2005, loans and advances to banks were KZT29,803 million, compared to KZT892 million as at 31 December 2004 and KZT2,242 million as at 31 December 2003. At the same time, loans and advances to banks as a percentage of total assets increased to 13.4 per cent. from 0.7 per cent. between 31 December 2004 and 30 June 2005. In general, for the six months ended 30 June 2005 and the years ended 31 December 2004 and 2003, loans and advances to banks were represented by short-term U.S. Dollar deposits placed for liquidity management. The Bank undertakes a conservative approach in its funding activities through deposits. Funds are usually placed for a short-term period with a maximum limit on the amount deposited, unless such loans are backed by state securities or cash deposits.

Lending Policies and Procedures

General

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

The Bank has established General Credit Committee, Small Credit and Retail Credit Committee, where each of the Committee approves loans to be extended by the Bank depending on the type of the borrower.

The General Credit Committee is responsible for the implementation of the Bank's credit policy and for approving the terms of credit facilities and/or guarantees extended by the Bank (including its branches) to large corporate customers for amounts exceeding U.S.$1,000,000. The Board of Directors is responsible for approving loans for amounts of up to 25 per cent. of the Bank's capital, which is the maximum exposure per client. The Small Credit Committee is responsible for approving the terms of credit facilities and/or guarantees extended by the Bank (including its branches) to SMEs and corporate customers for amounts of up to U.S.$1,000,000.

Within each branch, credit decisions for 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 Credit Committee and range from U.S.$150,000 to U.S.$350,000 aggregate exposure per client. The monitoring unit of the Corporate Finance Department, which reports to the Credit Committee 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 quality of the loan portfolio of the branch, the credit quality of the borrowers, as well as the individual branch's compliance with the Bank's credit policies. Lending limits are reviewed on a quarterly basis.

All applications for credit by corporate and retail customers must be submitted to the Bank on its standard forms. The relevant branch conducts an initial compliance review of each application. After such review, depending on the type of the borrower and the credit, the application is sent for review and analysis by the SME Business Department for loans of up to U.S.$1 million or by the Corporate Finance Department for loans exceeding U.S.$1 million. The relevant department undertakes a thorough review and analysis of the application, including carrying out feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower, and prepares a credit dossier based upon the results of such analysis. If applicable, the relevant credit department obtains references on the potential borrower from third parties, including other banks and various governmental authorities, such as taxation bodies, the NBK and the Interior Ministry. If the loan is to be collateralised, the Bank makes an appraisal of the collateral being offered, including as to valuation, legality and enforceability. The Bank also employs independent legal advisers to review the loan agreements and other legal documentation involved in the lending process. The Bank's approval policies are based, in part, on EBRD guidelines for SME financing.

In relation to retail loans, individual branch credit committees are authorised to approve applications by individuals that do not exceed the limits established by the Retail Credit Committee. The lending limits are established by the branch and are dependent on the collateral type (from U.S.$15,000 to U.S.$70,000). The Retail Credit Committee is mainly responsible for approval and revision of conditions on the provision of retail products, the establishment of separate lending conditions on certain loans, the approval of lending limits on retail lending products for the Bank's branches, and the extension of retail loans exceeding established lending limits for the Bank's branches.

The Bank has also established mobile credit committees to be able to give SME customers in remote areas a preliminary decision in relation to loan applications. These officers are authorised to assess potential customers' credit and provide provisional assessments of applications. Customers are still required to provide the requisite documentation to the credit committee of their closest branch in order to satisfy the Bank's internal requirements.

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

Maturity Limit

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

Nature of the Loan	Maximum Maturity
Financing of working capital	Up to 48 months
Consumer credit to individuals	Up to 7 years
Loans to employees	Up to 5 years
Payroll	Up to 1 month
Investments	Up to 7 years
Inter-bank credit:	
Short-term	Overnight
	Up to 1 month
	Up to 1 year
Long-term	Above 1 year
Mortgage loans	Up to 20 years
Leasing	Up to 7 years

Collateralisation

To reduce its credit risks, the Bank requires collateral from borrowers. Collateral includes but is not limited to real estate, machinery and motor vehicles, industrial equipment and, industrial goods and inventories, as well as cash deposits, domestic securities and personal, corporate and financial institution guarantees. The Bank regularly monitors the quality of the collateral taken as security.

In certain cases when existing collateral decreases in value, additional collateral may be requested. In addition, the terms of its loan agreements usually provide the Bank with the flexibility to adjust interest rates or request a prepayment of the loan or a portion thereof upon changes in circumstances, including a decline in the value of collateral.

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

Collateral Categories	**Loan/Collateral Value**
Cash	1.0
Government debt securities	0.9
Corporate securities (traded on the KASE)	0.9
Residential real estate	0.8
Commercial real estate	0.8
Goods in turnover	0.7
Equipment	0.7
Corporate securities (traded on the KASE)	0.7
Live stock	0.5

The following table sets forth a breakdown of the Bank's collateralised and non-collateralised loans by amount and as a percentage of total gross loans as at 30 June 2005 and 31 December 2004 and 2003:

	As at 30 June		**As at 31 December**			
	2005		**2004**		**2003**	
	(KZT million)	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*
Collateralised	96,266	90	50,661	91	30,617	95
Uncollateralised	10,459	10	5,254	9	1,684	5
Total gross loans	**106,725**	**100**	**55,915**	**100**	**32,301**	**100**

The following table sets forth a breakdown of total gross collateralised loans by type of collateral and as a percentage of the total gross loan portfolio as at 30 June 2005 and 31 December 2004 and 2003:

	As at 30 June		**As at 31 December**			
	2005		**2004**		**2003**	
	(KZT million)	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*	*(KZT million)*	*(Share, per cent.)*
Loans collateralised by real estate	62,258	58	33,895	61	12,678	39
Loans collateralised by deposits	12,171	12	1,319	2	2,163	7
Loans collateralised by goods	6,916	6	3,251	6	3,518	11
Loans collateralised by transport vehicles	6,094	6	3,252	6	2,734	8
Loans collateralise by guarantees	4,372	4	4,364	8	1,938	6
Loans collateralised by liquid securities	2,351	2	2,349	4	2,853	9
Loans collateralised by equipment	2,104	2	2,231	4	4,733	15
Other	10,459	10	5,254	9	1,684	5
Total	**106,725**	**100**	**55,915**	**100**	**32,301**	**100**

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

The laws of Kazakhstan allow a secured creditor to foreclose on collateral upon the occurrence of an event of default through both judicial and non-judicial procedures. Non-judicial foreclosure allows the secured creditor to seize collateral in the event of a default and to hold an auction, if necessary, to dispose of such collateral after 60 days' notice. The Bank's security documents also provide for both non-judicial and judicial foreclosure. To be enforceable, a pledge over immovable property is required to be registered with local departments of the Ministry of Justice. In certain cases, the same requirement applies to movable property. The Bank requires all of its pledges to be so registered.

Portfolio Supervision

The Bank classifies its loans in accordance with requirements established by the NBK. The monitoring unit of the Risk Management Division, together with the Corporate Finance Department, is responsible for monitoring the total loan portfolio of the Bank, including specific review of the loan portfolio of each branch. The monitoring unit of the Risk Management Division monitors the Bank's loan portfolio using an automated centralised programme on a daily basis, which allows the monitoring unit to identify problem credits or loans at an early stage. Using this system the monitoring unit provides weekly updates on the state of the loan portfolio in general and any problematic loans specifically to branches and to the director of the Risk Management Division, this allows the Risk Management Division to evaluate the quality of the loan portfolio and the requirements for loan loss provisions in relation to it. In addition, an in-depth review of each borrower is carried out on-site on a monthly basis during which the financial state of the borrower and the status of any collateral is re-assessed. In the event of a default the Corporate Finance Department is notified to assess the situation in conjunction with the Risk Management Division.

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

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

In relation to the Financial Performance criteria:

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

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

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

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

In relation to the Quality of Collateral criteria: ''Reliable'' means highly liquid collateral, in the form of Kazakhstan governmental guarantees, guarantees from banks having an international rating not less than ''AA'' by S&P (or the equivalent from other rating agencies), cash collateral and pledges over Kazakhstan governmental securities, securities issued by foreign governments having an international rating of not less than ''A'' by S&P (or the equivalent from other rating agencies) or monetary precious metals securing all of the credit.

''Good'' means highly liquid collateral (as in Reliable) securing not less than 90 per cent. of the credit.

''Satisfactory'' means non-highly liquid collateral securing all of the credit or highly liquid collateral (as in Reliable) securing not less than 70 per cent. of the credit.

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

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

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

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

Total classified loans under the FMSA's classification comprise doubtful loans (irrespective of the categories) and loss loans. Total classified loans under IFRS comprise unsatisfactory loans, doubtful loans and loss loans.

In addition, the Bank established its own internal customer rating system in 2003 pursuant to which each of the Bank's customers are assigned an internal credit rating. The ratings assigned are based on criteria such as the customer's management, credit history, quality of collateral and financial performance. The assigned ratings determine the applicable interest rate, other terms and conditions of the credit extended to the customer and the frequency and level of monitoring.

The Risk Management Division produces a monthly report to the Credit Committee which covers all aspects of the Bank's credit activity, including as to the timeliness of debt repayments and the classification of loans and contingent liabilities. Any deterioration in the overall quality of the entire loan portfolio is brought to the attention of the Bank's Management Board. If any repayment problems arise, the monitoring unit of the Risk Management Division notifies the director of the Risk Management Division and immediate action is taken by the Risk Management Division along with the Corporate Finance Department, which have responsibility for supervising and monitoring loan repayment if any principal or accrued interest repayment problems arise. The Bank's determination as to whether a repayment problem has arisen is based on a number of objective and subjective criteria including: the credit's classification as described above; sudden changes in volumes in the customer's accounts with the Bank; sudden changes in the standard of living of the customer, which imply improper use of credit facilities; applications to change credit terms; failure of the customer or a counterparty to fulfil terms under a contract relating to the credit; and refusal of a customer to cooperate in supplying documentation, and evasion of the Bank's officers by the customer. The Bank believes that it has a good record in enforcing its security and attempts to resolve security enforcement without resort to court action or arbitration where possible. In particular, the Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any pledged collateral either in the co-operation with the customer or by way of enforcement of security.

Provisioning Policy and Write-Offs

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

The Bank may make specific provisions for possible loan losses on a case-by-case basis. Actual provisions established take into account the value of any collateral or third party guarantees. For this reason the actual provision levels may differ from the prescribed provisioning rate.

The Bank considers a loan to be non-performing when either interest or principal payments are past their due date by 30 days or more. At such time, the accrual of interest is suspended. In 2004, the Bank changed its policy from that prescribed by the FMSA to IFRS methodology. This means that the Bank does not write off loans until such time as the recovery value is determined to be zero. Once a loan has been fully provisioned by the Bank, the Risk Management Division continues to monitor the loan and related collateral for a five-year period in order to assess the possibility of making a subsequent recovery.

The Bank applies a provisioning policy under IFRS which is more stringent than the provisioning policy under relevant laws in Kazakhstan and under the regulations of the FMSA (collectively, "Kazakhstan Practices"). In particular, no general provision is created for unclassified loans under Kazakhstan Practices, whereas IFRS requires the creation of a general provision of 2 per cent. of each credit exposure, although, Management expects the FMSA to introduce such a requirement by year-end 2005.

The FMSA's current requirements as to classification of and provisions in relation to loans and advances to customers are based not only on a borrower's debt service performance but also on such criteria as a borrower's financial performance, quality of collateral and credit history. See "—Lending Policies and Procedures—Portfolio Supervision".

The table below sets forth certain information relating to the Bank's gross loans and the credit classifications and provisions in relation to them in accordance with IFRS as at 30 June 2005 and 31 December 2004:

	As at 30 June 2005			
IFRS Risk Category	**Provisions/ Exposure(1)**	**Total Exposure**	**(per cent.)**	**Total Provisions**
	(KZT millions, except for percentages)			
Standard	5	76,985	(73.4)	–
Sub-standard	16	23,702	(22.6)	1,397
	4	100,687		1,397
Unsatisfactory	252	1,526	(1.5)	356
Doubtful	350	1,099	(1.0)	550
Loss	249	1,548	(1.5)	1,548
Total classified	92	4,173		2,454
Total[2]	**3.7**	**104,860**		**3,851**

IFRS Risk Category	As at 31 December 2004			
	Provisions/ Exposure(1)	**Total Exposure**	**(per cent.)**	**Total Provisions**
	(KZT millions, except for percentages)			
Standard	7	38,216	(69.9)	–
Sub-standard	20	13,151	(24.1)	681
	5	51,367		681
Unsatisfactory	212	1,227	(2.2)	268
Doubtful	307	850	(1.5)	425
Loss	211	1,232	(2.3)	1,232
Total classified	79	3,309		1,929
Total2	**4.8**	**54,676**		**2,606**

Notes:

(1) Provisions are stated net of the value of any collateral.

(2) Excluding accrued interest income.

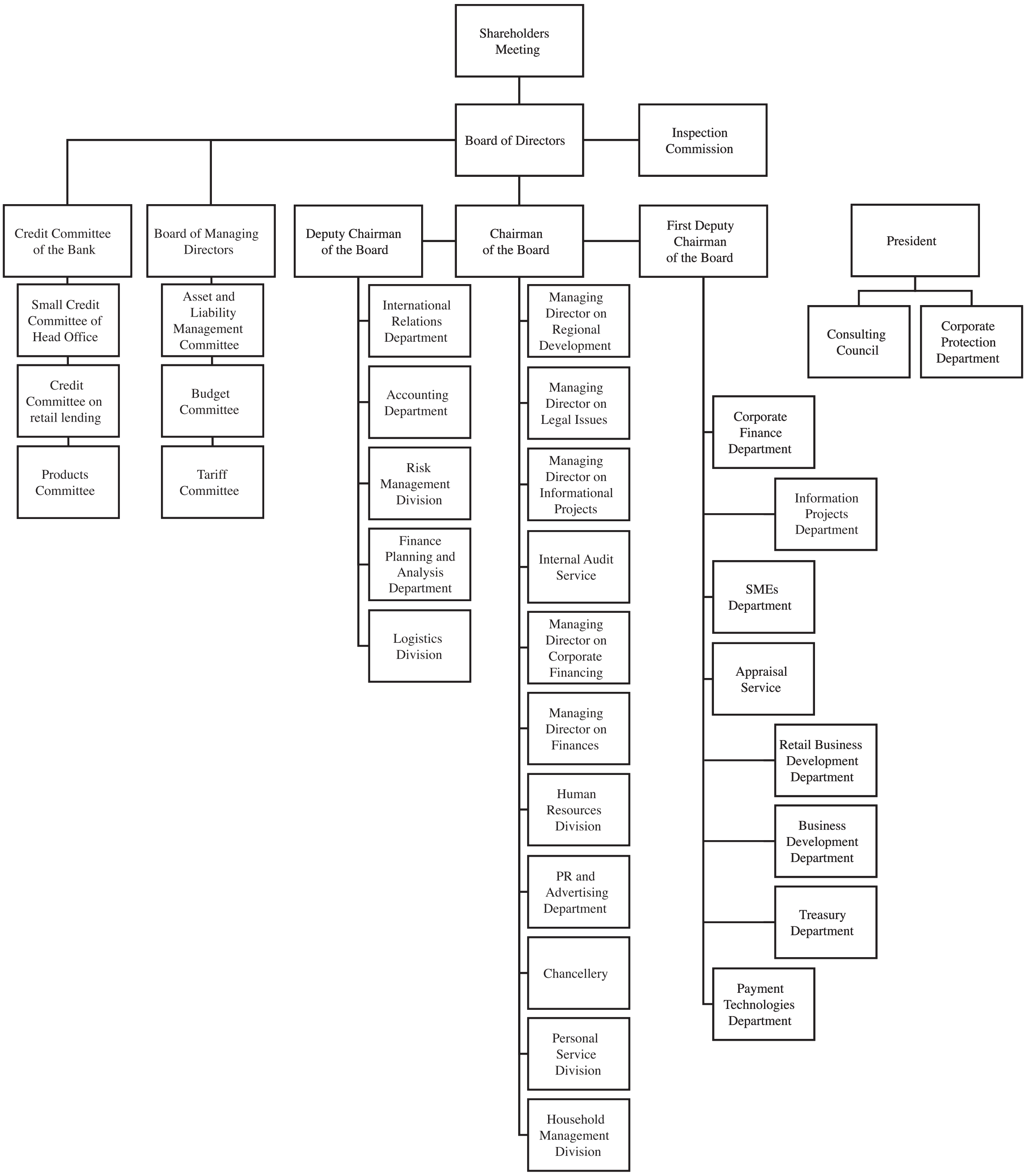
The effective level of provisions decreased as at 30 June 2005 to 3.7 per cent. from 4.8 per cent. as at 31 December 2004. Total classified loans increased by 26 per cent. as at 30 June 2005 compared to 31 December 2004, primarily as a result of a more conservative classification of some ''investment type'' loans for accounting purposes and certain tax considerations. The Bank intends to maintain the level of provisioning at approximately 4.0 per cent. from the end of 2005.

Non-performing loans, determined in accordance with IFRS (including classified and certain substandard loans under the NBK methodology), which include loans on which accrual of interest has been suspended, were KZT2,866 million, or 2.7 per cent. of the Bank's gross loan portfolio, as at 30 June 2005, compared with KZT1,617 million, or 2.9 per cent. of gross loans as at 31 December 2004.

MANAGEMENT AND EMPLOYEES

Organisation Chart

The following organisational chart sets out the management reporting lines and principal business units of the Bank.



Management

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

The shareholders elect members of the Board of Directors. The Board of Directors in turn elects members of the Management Board. The Board of Directors represents the interests of shareholders. It is responsible for the overall management of the Bank and approves its strategic and operational plans. The Board of Directors does not perform day-to-day management functions. Overall responsibility for the administration of the Bank's activities is vested in the Management Board. In accordance with Kazakhstan legislation, the members of the Board of Directors and the Chairman and Deputy Chairmen of the Management Board are appointed only with the consent of the NBK. The Audit Committee oversees the Bank's accounting and internal control processes.

Board of Directors

The Board of Directors is not directly involved in management and has no authority to act on its own behalf or to perform any executive functions. The Board of Directors supervises the Management Board's activities to protect shareholders' interests. The authorities of the Board of Directors include deciding the strategy of the Bank, defining the investment, credit and other policies of the Bank, nominating the Chairman and members of the Management Board, approving the amount and source of any dividends, approving material contracts, approving all loans to customers amounting to 25 per cent. of the Bank's capital, calling General Shareholders' Meetings and approving the Bank's budget.

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

Name	Position
Igor Mazhinov................	Chairman of the Board of Directors, First Deputy General Director of ''HOZU Corporation'' LLP
Anatoliy Popelyushko ...	Member of the Board of Directors, President of ''Rakhat'' Confectionery
Anuar Beisebayev	Member of the Board of Directors, Chairman of the Board of Seimar Investment Group
Zhomart Yertayev..........	Member of the Board of Directors, Alliance Bank's Chairman of the Board
Kanat Assylov................	Member of the Board of Directors, Director of ''Steiner und Zingermann LLP''

All members of the Board of Directors were elected for a period of one year.

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

Management Board

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

The Management Board consists of three members chosen by the Board of Directors. As at the date of this Prospectus, the members of the Management Board are:

Name	Position
Zhomart Yertayev..........	Chairman of the Management Board
Alexey Ageyev	First Deputy Chairman of the Management Board
Nurtaza Baitenov	Deputy Chairman of the Management Board

Management Team

The Management Team comprises the individuals responsible for the day-to-day management of their respective departments or divisions and who report regularly to the Management Board in relation to the status of their respective departments. Any of the Management Team can be called to sit at a meeting of the Management Board as appropriate.

The Management Team consists of 14 members. As at the date of this Prospectus, the members of the Management Team are:

Name	Position
Kairat Beketov	Managing Director, Legal Issues
Konstantin Babkin	Managing Director, PR & Advertising
Almira Akhmetkarimova	Director, International Relations
Dauren Kereybayev	Managing Director, Finance Planning
Irina Stepanova	Managing Director, Monitoring of Business Development
Aida Sultanova	Managing Director, Marketing and Product Development
Elina Reshetova	Managing Director, Corporate Finance
Timur Kounanbayev	Director, Corporate Finance, CFA
Abylkasym Mamyrbekov	Managing Director, Business Accounting Department
Timir Jantayev	Managing Director , Treasury Department
Alexey Vorontsov	Managing Director, Informational Projects
Oleg Grishechkin	Director, Corporate Protection
Regina Ogatayeva	Director, SMEs Department
Ildar Amreyev	Director, Payment Technologies Department

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

Zhomart Yertayev – Chairman of the Management Board. (33) Mr. Yertayev has ten years of experience in the banking sector. His principal area of expertise is financial analysis and business management. He has held the position of Chairman of the Management Board since 2002 having joined the Bank from the position of Chairman of the Board at Seimar Investment Group. Previously, he was chairman of the board of Alfa Bank in Kazakhstan. Mr. Yertayev has a degree in Economics from the Kazakh State Architecture and Construction Academy, Almaty. Alliance Bank's Legal Department, PR and Advertising, Internal Audit and HR departments are under Mr. Yertayev's supervision.

Alexey Ageyev – First Deputy Chairman of the Management Board. (33) Mr. Ageyev has over ten years of experience in the banking sector. He held key positions in different financial institutions including the local branch of Alfa Bank and Semipalatinsk City Bank. In 2002, he was nominated as First Deputy Chairman of the Management Board of the Bank. Mr. Ageyev has a degree in applied mathematics from the Moscow State University of Mechanics and Mathematics. Mr. Ageyev is responsible for Treasury, Corporate Finance, Evaluation, monitoring of Business Development, Marketing and Product Development and Banking Technologies at the Bank.

Nurtaza Baitenov – Deputy Chairman of the Management Board. (39) Mr. Baitenov has more than 12 years' experience in diverse aspects of auditing. From 1993 to 2004, he held key positions including Arthur Andersen in Ukraine, USA and Central Asia and Deloitte & Touche Central Asia. In 2004, he was assigned to the position of Deputy Chairman of the Management Board. Mr. Baitenov is a member of the Association of Auditors of the Republic of Kazakhstan. Mr. Baitenov supervises the Accounting, Financial Planning, International Relations and Risk Management divisions of the Bank.

Kairat Beketov – Managing Director, Legal Issues. (31) Mr. Beketov has professional experience in different organisations including Banking Association of Kazakhstan, the legal department of the Kazakhstan International Bank and Steiner und Zingermann law firm. In 2001, he joined the Bank as the Managing Director responsible for legal issues. Mr. Beketov has a masters degree in Law from the Kazakh State University, Almaty.

Dauren Kereybayev – Managing Director, Finance Planning. (34) Mr. Kereybayev has more than 13 years of experience in the banking sector. At the time of the reorganisation of IrtyshBusinessBank into the Bank in 2002, he was appointed as Managing Director in charge of the Finance Planning Department. Mr. Kereybayev has a degree in applied mathematics from the Novosibirsk State University (Russia) and a degree in finance from the Kazakh State Academy of Management.

Almira Akhmetkarimova – Director, International Relations. (27) Ms. Akhmetkarimova has more than seven years of experience in the finance and banking sector. She joined the Bank from the Kazakhstan International Bank in 2002, where she specialised in project finance. She was appointed as a Director of the International Relations Department of the Bank early in 2004. Ms. Akhmetkarimova has a degree in Finance from the East Kazakhstan State University.

Timir Jantayev – Managing Director, Treasury. (31) Mr. Jantayev has more than 13 years' experience in the financial sector. His professional background includes positions at broker/dealer company "ATERA CAPITAL", "IT Group" LLP and pension asset managing company "ALFA TRUST" JSC. In 2004, he joined the Bank as the Managing Director of Treasury Department. Mr. Jantayev graduated from the Kazakh State Academy of Management.

Konstantin Babkin – Managing Director, PR and Advertising. (34) Mr. Babkin has had various positions in different PR departments and press-services of government agencies. In 2002, he joined the Bank as a Managing Director for PR and Advertising. His education includes a degree in history and social science from Semipalatinsk Institute of Education and a degree in Public Relations and Advertising from Moscow State University.

Abylkasym Mamyrbekov – Managing Director, Accounting Department, Chief Accountant. (39) From 1995 to 2002, Mr Mamyrbekov worked for Bank CenterCredit and left his position of Deputy Managing Director of the Analysis and Risk Control Department to join the Bank in 2002 as a Chief Accountant. Mr. Mamyrbekov has a degree in Engineering and System Analysis from Kazakh Polytechnic Institute and a degree in Economics and Finance from Eurasia Market Institute.

Irina Stepanova – Managing Director, Monitoring of Business Development. (36) From 1993 to 2004, Mrs. Stepanova held a senior position at Texaka Bank CJSC. In 2004, she joined to lead the Monitoring of Business Development Department of the Bank as a Managing Director. Mrs. Stepanova has an Economics degree from the Kazakh State Academy of Management and a degree from the Kazakh State University of International Relations and Languages.

Aida Sultanova – Managing Director, Marketing and Product Development. (40) Mrs. Sultanova has held various positions at the National Bank of Kazakhstan and, in 2004, she was appointed as Managing Director, Marketing and Product Development of the Bank. Mrs. Sultanova has a degree from the Kazakh State Architecture and Construction Academy, Almaty. She also obtained a degree in Economics from the Institute of Market attached to the Kazakh State Academy of Management and has a PhD degree in Economics. Mrs. Sultanova has been in her current position since 2004.

Elina Reshetova – Managing Director, Corporate Finance. (36) Prior to her appointment at the Bank in 2002, Mrs. Reshetova held key positions in a number of major investment and financial companies. She has a degree in Engineering from Almaty Architecture and Construction Institute, a Masters of Business Administration from KIMEP and a degree in Finance from London School of Economics. Mrs. Reshetova has been in her current position since 2003.

Timur Kounanbayev – Director, Corporate Finance, CFA. (29) Before Mr. Kounanbaev joined the Bank in 2003, he worked for Central Asian American Enterprise Fund as a Regional Investment Manager. Mr. Kounanbaev has been in his current position since 2004. Mr. Kounanbaev graduated from the Kazakh State Academy of Management in 1998. He obtained a Masters degree in Economics from Sydney University and a CFA qualification in 2004.

Oleg Grishechkin – Director, Corporate Protection. (53) Mr. Grishechkin has professional experience of security issues from different organisations including Halyk Savings Bank of Kazakhstan and the International Airport of Almaty. Mr. Grishechkin graduated from the Kuybishev Aviation Institute in 1975. Mr. Grishechkin has been in his current position since 2002.

Alexey Vorontsov – Managing Director, Informational Projects. (37) Mr. Vorontsov has held different positions in different banks and companies including the Kazakh branch of Alfa Bank, IrtyshBusinessBank, Hilan Tech Solutions, Israel, Apoalim Bank, Israel and First International Bank of Israel. Mr. Vorontsov graduated from the Institute of Automotive Systems of Management and Radio Electronics, Tomsk. In 2004, he joined the Bank as the Managing Director of Information Projects.

Regina Ogatayeva – Director, SMEs Department. (34) Before Ms. Ogatayeva joined the Bank in 2002 as the Head of Documentary Operations Division, she worked for Komirbank OJSC as the Head of Correspondent Relations and Documentary Operations Department. She has a degree in banking business organisation from Kazakh State Academy of Management. Ms. Ogatayeva has held her current position since October 2005.

Ildar Amreyev – Director, Payment Technologies Department. (38) Prior to joining the Bank, Mr Amreyev worked at Alem Kard as a General Director from 2002 to 2005. He graduated from Moscow Technical University of Communication with a degree in telecommunications engineering. He joined the Bank in May 2005 as the Head of the Bank Cards Division. Mr. Amreyev has held his current position since September 2005.

The Bank also has the following committees:

Asset and Liability Management Committee

The current members of the Asset and Liability Management Committee are as follows:

Name	Position
T. Jantayev	Managing Director, Treasury Department, Chairman of the Committee
A. Ageyev	First Deputy Chairman of the Board
N. Baitenov	Deputy Chairman of the Board
E. Reshetova	Managing Director, Corporate Business Department
D. Kereybayev	Managing Director, Finance Planning Department

For a description of the duties of the ALCO, see "Description of the Bank – Asset and Liability Management – Risk Management".

Credit Committee

The current members of the Credit Committee at head office are as follows:

Name	Position
A. Ageyev	First Deputy Chairman of the Board
K. Beketov	Managing Director on Legal Issues
E. Reshetova	Managing Director, Corporate Business Department
E. Rykunova	Head of Risks Control Division

The Credit Committee is responsible for implementing the Bank's credit policy with minimum credit risk and maximum profitability. It also decides the Bank's short- and long-term credit policies. The Credit Committee meets on a weekly basis.

Name	Position
A. Ageyev	First Deputy Chairman of the Board. Chairman of the Committee.
I. Stepanova	Managing Director, Monitoring of Business Development Department
A. Sultanova	Managing Director Marketing and Product Development Department
D. Kereybayev	Managing Director, Finance Planning Department
E. Markova	Deputy Director, Banking Technologies Department – Head of Products Technologies Division

The tariff committee of the Bank is responsible for forming the Bank's pricing policy to ensure it offers competitive rates and tariffs.

Retail Loan Committee

Name	Position
A. Ageyev	First Deputy Chairman of the Board. Chairman of the Committee.
I. Stepanova	Managing Director, Monitoring of Business Development Department
E. Rykunova	Head of Risks Control Division
D. Tuganbay	Consultant on legal issues

The retail loan committee reports to the Credit Committee of the Bank and is responsible for developing the Bank's short- and medium-term retail lending strategy, as well as establishing credit limits for the individual branches.

Management Remuneration

In accordance with the Bank's charter, the remuneration and compensation of the members of the Bank's senior management team are determined by the shareholders of the Bank. The Bank paid such members KZT11.9 million in aggregate for the year ended 31 December 2004 and KZT9.9 million in aggregate for the six-month period ended 30 June 2005.

The following table sets out the principal amount of loans outstanding to members of the Board of Directors and the Management Board as at 30 June 2005.

	As at 30 June 2005
	Principal amount outstanding
	(KZT thousands)
Zhomart Yertayev – Chairman of the Board	54,798
Alexey Ageyev – First Deputy Chairman of the Board	12,634
Igor Mazhinov – Chairman of the Board of Directors	40,605
Kanat Asylov – Member of the Board of Directors	3,562

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

As at 30 June 2005, the Bank's senior and middle management held in aggregate less than 10 per cent. of the outstanding share capital of the Bank. The following table sets out information on percentage ownership (direct and indirect) by the directors and senior and middle management of the Bank as at 30 June 2005:

	As at 30 June 2005	
	Direct	**Indirect**
	(per cent.)	
Zhomart Yertayev	0.01	4.79
Alexey Ageyev	0.03	4.88

Employees

As at 30 June 2005, the Bank had 1,552 full-time employees, of which 921 were employed at the Bank's branches. The increase in total full time employees from 888 as at 31 December 2004 principally reflected the expansion of the branch network. The Bank has never experienced industrial action or other work stoppages resulting from labour disputes.

The Bank currently has a staff motivation and social package in place for the employees of the Bank.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Bank towards the Bank and their private interests and/or other duties.

PRINCIPAL SHAREHOLDERS

The Bank's common shares are listed on the "A" list of the KASE. The Bank has more than 38 shareholders. The following table sets out information as to all holders of more than 5 per cent. of the Bank's common shares as at 1 October 2005.

	Shareholding
	(per cent.)
Name	
Seimar Investment Group	32.7
Central Depositary of Securities	20.4
Rakhat Confectionery	9.8
Management	9.8
Others	27.3
Total	**100.0**

The above shareholders are legally unrelated.

Seimar Investment Group is a large industrial investment company, based in Kazakhstan, which was founded in 1991. Prior to the middle of 2005, the group was engaged in a variety of industry sectors, including: the provision, storage and processing of grain and rice; egg and poultry production; paper and cardboard manufacturing; telecommunications; and, investing in different industrial projects within Kazakhstan. In the middle of 2005, the group disposed of its interests in all industry sectors except banking, finance and insurance with a view to concentrating on these latter sectors. In addition to holding shares in the Bank, Seimar Investment Group is the beneficial owner of Alliance Leasing and Alliance Policy. Seimar Investment Group is beneficially owned by Mr. Margulan Seisembayev, a prominent Kazakhstan businessman, and his two brothers.

The Central Depositary of Securities is the only depositary in the Republic of Kazakhstan and is authorised to hold securities issued by the Ministry of Finance and provides services for state, municipal and non-state (trading on stock exchange) securities.

Rakhat Confectionery is one of the largest businesses in the Kazakhstan food industry. It was established in 1942 and has well-established production methods and technology. Management has been advised that as at the date of this Prospectus, Rakhat Confectionery estimates that it has an approximate 60 per cent. share of Kazakhstan's confectionery market.

Following the recent increase of the authorised share capital of the Bank to KZT28 billion, as at 30 September 2005, the Bank had placed KZT9,788 million of its ordinary shares among its shareholders. The Bank intends to place the remaining KZT3,092 million of its ordinary shares among its shareholders in 2006.

Seimar Investment Group has announced its intention to increase its holding of the Bank's shares to between 51 and 60 per cent., partly through the purchase of existing shares from the Bank's current shareholders and partly through the purchase of newly issued shares. As at the date of this Prospectus, Seimar Investment Group had concluded binding arrangements for the purchase of shares from the existing shareholders to increase Seimar Investment Group's stake in the Bank to 51 per cent. Seimar Investment Group intends to complete the purchase of additional shares by the end of 2005, subject to approval by the FMSA, an application for which is currently pending.

In the first half of 2006, the Bank intends to issue its first global depositary receipts and to list them on a major European exchange. The amount of this issuance is yet to be determined, but it likely to exceed U.S.$100 million. The Bank intends to use the proceeds of the issuance to finance further growth.

TRANSACTIONS WITH RELATED PARTIES

For a description of the definition of related parties under IAS 24 ''Related Party Disclosure'', see note 30 to the audited financial statements included elsewhere in this Prospectus.

The Bank had the following transactions outstanding with related parties as at 30 June 2005 and 31 December 2004 and 2003 and as at 30 June 2005 and 2004:

	As at 30 June		As at 31 December			
	2005		2004		2003	
	Related party transactions	Total	Related party transactions	Total	Related party transactions	Total
	(KZT millions)					
Loans and advances to customers, gross	3,187.5	106,725	373.7	55,914	5,751.9	32,300.7
Allowance for losses on loans and advances to customers	40.9	3,851	21.3	2,606.0	1.8	1,630.8

During the six months ended 30 June 2005 and the year ended 31 December 2004 and 2003 the Bank originated loans and advances to related party customers of KZT3,229 million, KZT241 million and KZT291 million, respectively, and received repayments of such loans and advances repaid of KZT415 million, KZT619 million and KZT1,940 million, respectively. The Bank had interest income accrued in respect of loans and advances granted to related parties totalling KZT48.5 million, KZT3.6 million and KZT4.8 million, respectively, as at 30 June 2005 and 31 December 2004 and 2003.

Transactions with related parties accounted for the following amounts in the Bank's income statement for the years ended 31 December 2004 and 2003 and for the six-month periods ended 30 June 2005 and 2004:

	For the six-month periods ended 30 June				For the years ended 31 December			
	2005		2004		2004		2003	
	Related party trans-actions	Total	Related party trans-actions	Total	Related party trans-actions	Total	Related party trans-actions	Total
	(KZT millions)							
Interest income								
Related companies	75	–	8	–	15.0	–	9.2	–
Directors	7	–	4	–	5.9	–	8.6	–
	82	5,730	12	3,041	20.9	6,972.7	17.8	4,292.2
Interest expense								
Related companies	11	–	1	–	2.1	–	6.3	–
Directors	5	–	2	–	4.2	–	5.9	–
	16	4,194	3	1,864	6.3	4,205.4	12.2	2,610.8
Fee and commission income								
Related companies	0.9	–	0.2	–	0.3	–	0.2	–
	0.9	1,314	0.2	543	0.3	1,380.4	0.2	615.8
Operating expenses								
Directors	45	–	24	–	44.3	–	35.5	–
	45	1,485	24	905	44.3	2,802.3	35.5	1,363.2

Transactions with related parties entered into by the Bank during the six months ended 30 June 2005 and the years ended 31 December 2004 and 2003 and outstanding as at 30 June 2005 and 31 December 2004 and 2003 were made in the normal course of business and under arm's-length conditions.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994, Kazakhstan has adhered to a strict macro-economic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which has sharply reduced inflation and lowered interest rates, thereby fostering an efficient, stable banking sector that, for the most part, has avoided the series of financial crises that have adversely affected Russia and other emerging market countries. The financial sector, which is dominated by private commercial banks, has been one of the fastest growing sectors in Kazakhstan. This growth has been facilitated by a favourable macroeconomic environment, which has resulted from early and continuing structural reforms, a cautious fiscal stance and consistently strong revenues. In particular, the Government and the NBK have undertaken structural reforms in the banking sector, aimed at promoting consolidation and improving the overall viability of the system.

The National Bank of Kazakhstan and the FMSA

The NBK is the central bank of Kazakhstan and, although it is an independent institution, it is subordinate to the President. The President has the power, among other things, to appoint (with the approval of Parliament, in the case of the NBK's Governor) and remove the NBK's Governor and deputy Governors, to confirm the annual report of the NBK on the recommendation of the Governor, to confirm the concept and design of the national currency and to request information from the NBK. Mr. Anvar Saydenov is the Governor of the NBK, after having been appointed to the position in 2004 for a six-year term, unless he is earlier dismissed or he resigns.

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

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

The FMSA is an independent institution reporting directly to the President. The President appointed Mr. Bolat Zhamishev, former Deputy Governor of the NBK, as the Chairman of the FMSA in 2004. 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 licence 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 (including the Bank) comprising the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the FMSA.

Banking Reform and Supervision

Reform of the banking sector commenced in 1996 with the introduction of international prudential standards, including capital adequacy requirements and liquidity ratios, to regulate and protect the banking system, transparency requirements as to the auditing of banks by local and international auditors, harmonisation of local accounting practices to IFRS and personnel training programmes. In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, the NBK required commercial banks to adopt recapitalisation and corporate enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the

NBK, now to the FMSA. In 2003, all banks were requested to develop and install an internal risk management system.

The objectives of these reforms were to bring supervisory practices closer to international standards and to allow for a more transparent view of banks' levels of capitalisation and exposure to financial risks. The FMSA, which currently includes what was the NBK's Banking Supervision Department, will continue to focus on ensuring financial solvency and protection of depositors, 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 2002, the NBK issued its Prudential Norms. The Prudential Norms have since been amended several times, including most recently in June 2005. The Prudential Norms establish certain capital adequacy requirements for Tier I and Tier II capital of Kazakhstan banks, limitations on a single borrower exposure, short- and long-term liquidity requirements, limitations on currency exposure and limitations on investment by Kazakhstan banks into fixed and other non-financial assets. The Prudential Norms are fully applicable to the Bank.

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

The NBK also works closely with the FMSA and the banks to enhance the overall viability and solvency of the banking system. In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 30 June 2005, 35 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. As at the date of this Prospectus, the insurance coverage is presently limited to personal time deposits in an amount of up to KZT7 million in any currency and current accounts up to KZT400,000 in total at any given bank. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

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

Commercial Banks

As at 31 August 2005, there were 34 banks operating in Kazakhstan (excluding the DBK), compared to 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation, enforcement of Prudential Norms 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.

As at 31 December 2004, two commercial banks failed to comply with prudential regulatory requirements, compared to one as at 31 December 2003 and one as at 31 December 2002. These banks did not meet any of the current liquidity ratio, own capital ratios, single borrower exposure ratio, the open currency position ratio and maximum asset investment ratio. Provisions for bad debts of all banks operating in the Kazakhstan banking sector as at 31 August 2005 amounted to KZT52.5 billion.

The financial standing of Kazakhstan's banks varies. As at 31 August 2005, 18 of the 34 commercial banks (excluding DBK) had registered capital of over KZT2 billion, 15 banks had registered capital of KZT1 billion to KZT2 billion and 1 bank had registered capital of KZT500 million to KZT1 billion. There are no banks with a registered capital of less than KZT500 million; any bank whose capital falls below this level is required to submit to the FMSA an application for voluntary reorganisation into an organisation performing only limited banking operations.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment or otherwise participating in the banking and financial services sector. A foreign bank may not open a branch in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture (owned or controlled by more than 50 per cent. by a non-resident) in order to operate as a bank in Kazakhstan. A "bank with foreign participation" is defined as any bank more than one-third of the shares of which are owned or controlled by a non-resident.

As at 31 August 2005, there were 14 banks with foreign participation operating in Kazakhstan, including ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan. Banks with less than one-third foreign ownership are considered domestic banks.

The aggregate registered capital of banks with foreign participation may not exceed 50 per cent. of the aggregate registered capital of all Kazakhstan banks, unless authorised by the FMSA. As at 31 August 2005, the aggregate registered capital of all banks with foreign participation represented approximately 12.8 per cent. of the aggregate registered capital of all Kazakhstan banks.

A number of foreign banks have opened representative offices in Kazakhstan, including Dresdner Bank, Deutsche Bank, Commerzbank, Société Générale and ING Bank N.V.

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 take effect after such date.

Kazakhstan Taxation

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

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

Payments of interest to Non-Kazakhstan Holders under the Guarantee will be subject to withholding of Kazakhstan tax at a rate of 15 per cent. and payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20 per cent., unless reduced by an applicable double taxation treaty. The Bank will agree in the Trust Deed and the Guarantee to pay additional amounts (as defined in the Trust Deed) in respect of any such withholding, subject to certain exceptions set out in full in Condition 9 (*Taxation*). See ''Terms and Conditions of the Notes''. Payments, if any, under the Guarantee to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

The Netherlands Taxation

General

The following is a general summary of the Dutch tax consequences as at the date hereof in relation to payments made under Notes and in relation to the acquisition, holding or disposal of Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of a Note or a prospective holder and in view of its general nature, it should be treated with corresponding caution. Holders should consult their tax advisers with regard to the tax consequences of investing in Notes. Except as otherwise indicated, this summary only addresses The Netherlands tax legislation as in effect at the date hereof and as interpreted in published case law until this date.

This summary does not describe The Netherlands tax considerations for holders, who have a substantial interest (''*aanmerkelijk belang*'') in the Issuer. In general, a holder of a Note is considered to have a substantial interest in the Issuer, if he, alone or together with his partner (a statutorily defined term) or certain other related persons, directly or indirectly, has (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer.

Withholding tax

All payments made by the Issuer under Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, provided that none of the payments under Notes will depend on or will be deemed to depend on the profits or distribution of the profits by the Issuer or an affiliated party (a statutorily defined term).

Corporate Income Tax and Individual Income Tax

Residents of The Netherlands

If the holder of a Note is a resident or deemed to be resident of The Netherlands for Dutch corporate income tax purposes, income derived from Notes held by it and gains realised upon the disposal of Notes held by it are subject to a 31.5 per cent. corporate income tax rate (a corporate income rate of 27 per cent. applies with respect to taxable profits up to €22,689). Currently, a proposal is pending in parliament to change the aforementioned rates to 29.6 per cent. and 25.5 per cent., respectively, as from 1 January 2006.

If the 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), the income derived from Notes held by it and the gains realised upon the disposal of Notes held by it are taxable at the progressive income tax rates (with a maximum of 52 per cent.), if:

(i) the holder has an enterprise or an interest in an enterprise, to which enterprise the Notes are attributable; or

(ii) the holder is considered to perform activities with respect to the Notes that exceed regular asset management (''*normaal vermogensbeheer*'').

If the abovementioned conditions (i) or (ii) do not apply to the individual holder of a Note, such holder will be taxed annually on a notional income of 4 per cent. of the net average value of the Notes held by it at a flat rate of 30 per cent. (effective rate of 1.2 per cent.), regardless of whether any interest is received or any capital gains are actually realised. The individual holder of a Note will only be subject to the above income tax in so far as certain thresholds are exceeded.

Non-residents of The Netherlands

A holder of a Note who derives income from a Note or who realises a gain on the disposal or deemed disposal of a Note will not be subject to Netherlands taxation on income or capital gains, provided that:

(i) such holder is neither resident nor deemed to be resident in The Netherlands nor, in 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

(ii) such holder does not have and is not deemed to have an enterprise or an interest in an enterprise which is, in whole or in part, 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 attributable; and

(iii) in the event the holder is an individual, such holder does not carry out any other activities in The Netherlands that exceed regular asset management; and

(iv) such holder does not have an interest in an enterprise in The Netherlands other than by way of securities.

A holder of a Note will not become subject to taxation 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, Estate or Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the acquisition of a Note by way of gift by, or on the death of, a holder of a Note, unless: (i) the holder is, or is deemed to be, resident in The Netherlands; or (ii) such holder at the time of the gift has or at the time of his/her death had an enterprise or an interest in an enterprise that is or was, in whole or in part, 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 (iii) 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 and inheritance tax, an individual who holds Dutch nationality will be deemed to be resident in The Netherlands, if he/she has been resident in The Netherlands at any time during the 10 years preceding the date of the gift or his/her death.

For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in The Netherlands, if he/she has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

Other Taxes and Duties

There is no Dutch registration tax, capital tax, stamp duty or any other similar tax or duty other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce, payable by a holder of a Note in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

There is no Dutch value added tax payable in respect of payments in consideration for the issue of the Notes, in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

EU Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive (2003/48/EC) on the taxation of savings income. From 1 July 2005, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria (unless during that period they elect otherwise) are operating a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

A number of countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., Citigroup Global Markets Limited, Alpha Bank A.E., SC Parex Banka, Raiffeisen Zentralbank Österreich Aktiengesellschaft and İş Yatirim Menkul Degerler A.Ş. (together the "Managers"), have, upon the terms and subject to the conditions contained in the subscription agreement dated 18 November 2005 (the "Subscription Agreement") between the Issuer, the Bank and the Managers, agreed to subscribe and pay for the Notes at their issue price of 99.017 per cent. of their principal amount less a combined management, underwriting and selling commission of 0.55 per cent. of their principal amount. The Issuer and the Bank have also agreed to reimburse the Managers for certain expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

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

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

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

United Kingdom

Each Manager has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Bank and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Kazakhstan

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

The Netherlands

Each Manager has represented and agreed that this Prospectus may not be distributed and the Notes (including rights representing an interest in a global note) may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands other than professional market parties within the meaning of the Exemption regulation under the Dutch Act on the Supervision of Credit Institutions 1992 (*Vrijstellingsregeling Wtk* 1992) ("PMPs") who acquire the notes for their own account or for the account of another PMP.

General

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

GENERAL INFORMATION

1. The Bank and the Issuer have obtained all necessary consents, approvals and authorisations required in connection with the issue and performance of the Notes and the Guarantee.
2. The creation and issue of the Notes was authorised by the resolutions of the management board of the Issuer dated 28 October 2005 and was approved by shareholders' meetings of the Bank dated 22 February 2005 and 28 September 2005 and a resolution of its Management Board dated 28 October 2005.
3. The Guarantee was authorised by the Bank by a decision of its Board of Directors passed on 11 November 2005.
4. 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. In addition, the Bank shall cause the Notes to be listed on the KASE within 60 days of the Closing Date.
5. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 023428326 and ISIN XS0234283264.
6. Neither the Bank nor the Issuer has entered into any material contracts outside the ordinary course of its business which could result in any of the Bank or its subsidiaries being under an obligation or entitlement that is material to the Bank's ability to meet its obligations under the Guarantee or the Trust Deed or the Issuer's ability to make payments under the Notes or the Trust Deed, as the case may be.
7. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank or the Issuer is aware), and there have been no such proceedings during the 12 months preceding the date of the Prospectus, which may have, or have had in the recent past, significant effects on the Bank and its subsidiaries' or the Issuer's financial position and profitability.
8. Since the Issuer's date of incorporation, there has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Issuer. Save as disclosed in this Prospectus, since 31 December 2004, there has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Bank and its subsidiaries.
9. So long as any of the Notes remain listed on the Official List, copies in English of the following documents will be available from the specified office of the Principal Paying Agent and Transfer Agent during normal business hours:
   (a) the constitutional documents of the Bank and the Issuer;
   (b) copies of the authorisations in paragraph 2 above;
   (c) a copy of this Prospectus, together with any supplement to this Prospectus;
   (d) the Paying Agency Agreement;
   (e) the Trust Deed, which contains the forms of the Notes in global and definitive form;
   (f) the Guarantee;
   (g) the audited financial statements of the Bank as at and for the years ended 31 December 2004 and 2003, prepared in accordance with IFRS;
   (h) the unaudited interim condensed financial statements of the Bank as at and for the six months ended 30 June 2005 and 2004, prepared in accordance with IFRS; and
   (i) the latest publicly available audited annual and unaudited interim condensed financial statements (if any) of the Bank, prepared in accordance with IFRS.
10. The Bank's independent auditors are Deloitte & Touche. The Bank's financial statements for the years ended 31 December 2004 and 2003 were audited by Deloitte & Touche. Deloitte & Touche's audit reports are included in this Prospectus.
11. The Issuer's independent auditors are Mazars Paardekooper Hoffman.
12. The total fees and expenses in connection with the admission of the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market are expected to be approximately U.S.$1,450,000.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEX TO FINANCIAL STATEMENTS

Financial Statements of the Bank

JOINT-STOCK COMPANY ALLIANCE BANK

INTERIM PROFIT AND LOSS ACCOUNT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005

	Notes	Six-month period ended 30 June 2005 (unaudited)	Six-month period ended 30 June 2004 (unaudited)
Interest income	4, 27	5,729,464	3,040,537
Interest expense	4, 27	(4,194,049)	(1,863,783)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		1,535,415	1,176,754
Provision for impairment losses on interest bearing assets	5	(1,281,718)	(346,788)
NET INTEREST INCOME		253,697	829,966
Fee and commission income	6	1,314,357	543,011
Fee and commission expense	6	(109,847)	(25,971)
Net gain on foreign exchange operations		111,494	3,742
Net gain on trading securities		374,534	29,536
Other income		131,855	97,904
NET NON-INTEREST INCOME		1,822,393	648,222
OPERATING INCOME		2,076,090	1,478,188
OPERATING EXPENSES	7	(1,485,422)	(905,118)
OPERATING PROFIT		590,668	573,070
Provision for impairment losses on other transactions	5	(15,348)	(9,961)
PROFIT BEFORE INCOME TAX		575,320	563,109
Income tax expense	8	(61,806)	(58,425)
NET PROFIT		513,514	504,684
EARNINGS PER SHARE BASIC AND DILUTED (KZT)	9	32.62	138.43

On behalf of the Board:

Yertayev Zh. Zh.	Mamyrbekov A. T.
Chairman of the Board	Chief Accountant
5 August 2005	5 August 2005
Almaty	Almaty

The notes on pages F-7-F-37 form an integral part of these interim financial statements.

JOINT-STOCK COMPANY ALLIANCE BANK

INTERIM BALANCE SHEET
AS AT 30 JUNE 2005

	Notes	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	10	17,495,089	19,631,484
Precious metals		2,646	1,866
Advances to banks	11	29,802,545	891,974
Securities held-for-trading	12	51,850,528	31,324,220
Securities purchased under agreements to resell	13	10,023,642	6,421,331
Loans and advances to customers, net	14, 27	102,874,145	53,308,589
Investment securities:			
- securities available-for-sale	15	6,480,393	5,466,947
- securities held-to-maturity	15	463,349	1,259,762
Fixed and intangible assets, net		1,139,379	1,036,278
Other assets, net	16	1,809,187	517,312
TOTAL ASSETS		221,940,903	119,859,763
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Due to the budget of the Republic of Kazakhstan	17	209,305	283,742
Deposit from the National Bank of the Republic of Kazakhstan		6,000,000	4,000,000
Loans and advances from banks	18	33,410,705	9,463,069
Securities sold under agreements to repurchase	19	26,571,068	16,591,988
Customer accounts	20	107,245,943	67,453,777
Debt securities issued	21	25,977,146	1,998,572
Dividends payable		24,500	60,000
Other liabilities	22	523,444	147,657
		199,962,111	99,998,805
Subordinated debt	21	5,371,194	3,872,876
TOTAL LIABILITIES		205,333,305	103,871,681
SHAREHOLDERS' EQUITY:			
Share capital	23	14,976,360	14,989,160
Share premium	23	5,182	5,182
Revaluation reserve of fixed assets		72,861	72,861
Revaluation reserve on securities available-for-sale		181,724	38,422
Retained earnings		1,371,471	882,457
TOTAL SHAREHOLDER'S EQUITY		16,607,598	15,988,082
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		221,940,903	119,859,763

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

5 August 2005
Almaty

Mamyrbekov A. T.
Chief Accountant

5 August 2005
Almaty

The notes on pages F-7-F-37 form an integral part of these interim financial statements.

JOINT-STOCK COMPANY ALLIANCE BANK

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005

	Share capital KZT'000	Share premium KZT'000	Revaluation reserve on securities available-for-sale KZT'000	Revaluation reserve of fixed assets KZT'000	Retained earnings KZT'000	Total shareholders' equity KZT'000
31 December 2003	3,575,000	-	-	75,954	78,761	3,729,715
Issue of ordinary shares	425,000	-	-	-	-	425,000
Loss on revaluation of securities available-for-sale	-	-	(46,477)	-	-	(46,477)
Net profit for the period	-	-	-	-	504,684	504,684
30 June 2004 (unaudited)	4,000,000	-	(46,477)	75,954	583,445	4,612,922
Issue of ordinary shares	10,618,710	-	-	-	-	10,618,710
Issue of preference shares	500,000	-	-	-	-	500,000
Share capital repurchased	(129,550)	5,182	-	-	-	(124,368)
Gain on revaluation of securities available-for-sale	-	-	84,899	-	-	84,899
Depreciation of fixed assets revaluation reserve	-	-	-	(3,093)	3,093	-
Dividends declared on preference shares	-	-	-	-	(60,000)	(60,000)
Net profit for the period	-	-	-	-	355,919	355,919
31 December 2004	14,989,160	5,182	38,422	72,861	882,457	15,988,082
Share capital repurchased	(12,800)	-	-	-	-	(12,800)
Gain on revaluation of securities available-for-sale	-	-	143,302	-	-	143,302
Dividends declared on preference shares	-	-	-	-	(24,500)	(24,500)
Net profit for the period	-	-	-	-	513,514	513,514
30 June 2005 (unaudited)	14,976,360	5,182	181,724	72,861	1,371,471	16,607,598

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

5 August 2005
Almaty

Mamyrbekov A. T.
Chief Accountant

5 August 2005
Almaty

The notes on pages F-7-F-37 form an integral part of these interim financial statements.

JOINT-STOCK COMPANY ALLIANCE BANK

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005

	Notes	Six-month period ended 30 June 2005 (unaudited) KZT'000	Six-month period ended 30 June 2004 (unaudited) KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		575,320	563,109
Adjustments for:			
Provision for impairment losses		1,297,066	356,724
Unrealized gain and amortization of discounts on securities		(497,556)	(36,695)
Amortization of discount on issued securities		16,860	10,761
Depreciation and amortization		128,616	70,613
Change in interest accruals, net		83,613	(429,292)
Cash flow from operating activities before changes in operating assets and liabilities		1,603,919	535,220
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Advances to banks		(20,281,308)	244,164
Securities held-for-trading		(19,916,669)	(3,047,711)
Securities purchased under agreements to resell		(3,573,974)	(740,090)
Securities available-for-sale		(897,019)	(1,440,845)
Securities held-to-maturity		798,231	2,335,217
Loans and advances to customers		(50,221,488)	(10,081,312)
Other assets		(1,319,371)	(25,202)
Increase/(decrease) in operating liabilities:			
Due to the budget of the Republic of Kazakhstan		(73,131)	(57,758)
Deposit from NBRK Kazakhstan		2,000,000	3,000,000
Loans and advances from banks		23,874,612	1,288,645
Securities sold under agreements to repurchase		9,974,661	3,163,013
Customer accounts		39,129,088	4,210,326
Other liabilities		363,222	89,703
Net cash used in operating activities before income tax		(18,539,227)	(526,630)
Income tax paid		(37,093)	(16,666)
Net cash outflow from operating activities		(18,576,320)	(543,296)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(234,928)	(147,796)
Proceeds on sale of fixed and intangible assets		3,211	13,645
Disposal of investments in associates		-	39,000
Net cash outflows used in investing activities		(231,717)	(95,151)

The notes on pages F-7-F-37 form an integral part of these interim financial statements.

JOINT-STOCK COMPANY ALLIANCE BANK

INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005

	Notes	Six–month period ended 30 June 2005 (unaudited) KZT'000	Six-month period ended 30 June 2004 (unaudited) KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on issue of ordinary share capital		-	425,000
Preferred share repurchased		(12,800)	-
Proceeds from debt securities issued		23,895,115	1,497,250
Increase in subordinated debt		1,476,292	-
Dividends paid		(60,000)	-
Net cash inflows from financing activities		25,298,607	1,922,250
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,490,570	1,283,803
CASH AND CASH EQUIVALENTS, at beginning of the period	10	20,449,037	3,970,031
CASH AND CASH EQUIVALENTS, at the end of the period	10	26,939,607	5,253,834

Interest paid and received by the Bank during the six-month period ended 30 June 2005 amounted to KZT 3,450,696 thousand and KZT 5,069,680 thousand, respectively.

Interest paid and received by the Bank during the six-month period ended 30 June 2004 amounted to KZT 2,145,429 thousand and KZT 2,873,721 thousand, respectively.

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

5 August 2005
Almaty

Mamyrbekov A. T.
Chief Accountant

5 August 2005
Almaty

The notes on pages F-7-F-37 form an integral part of these interim financial statements.

1. ORGANIZATION

Joint-Stock Company Alliance Bank (the "Bank") was incorporated in the Republic of Kazakhstan in 1999 under the name of Irtyshbusinessbank as a result of the merger of OJSC Semipalatinsk Municipal Joint-Stock Bank and OJSC Irtyshbusinessbank. The Bank's activity is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan on Financial Market and Financial Organizations Supervision and Regulation ("Supervisory Agency"). The Bank conducts its business under NBRK license No. 250 issued by Supervisory Agency on 31 May 2004 to perform operations in tenge and foreign currencies stipulated by the banking legislation. In accordance with a decision made by the Bank's Shareholders the Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with a subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 the Bank was re-registered as Joint Stock Company Alliance Bank. The registered address of the Head Office is 80 Satpayev St., 480046, Almaty, Republic of Kazakhstan.

At the end of June 2005, the Bank had 11 branches located in the territory of the Republic of Kazakhstan.

The Bank's primary business is related to commercial banking activity, originating loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

The numbers of employees of the Bank at 30 June 2005 and 31 December 2004 were 1,552 and 888, respectively.

As of 30 June 2005, the following shareholders individually owned more than 5% of the issued shares.

Shareholders	**%**
Seimar Investment Group	31.86
Management	9.67
JSC Rakhat	9.00
Other	49.47
Total	100.00

These financial statements were authorized for issue by the Bank's Management Board on 5 August 2005.

2. BASIS OF PRESENTATION

Accounting basis

The interim condensed financial statements of the Bank have been prepared by management in compliance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Accordingly, certain information and disclosures normally included in the notes to the annual financial statements as required by International Financial Reporting Standards (IFRS) have been omitted or condensed. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Bank's Financial Statements for the year ended 31 December 2004.

These financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), unless otherwise indicated. These financial statements have been prepared on an accrual basis under the historical cost convention, except for the buildings and constructions revaluation which was performed in 2002 and 2003 to record their fair value and amounted to KZT 34,124 thousand and KZT 43,195 thousand respectively and cost of financial assets and liabilities modified for the measurement at fair value of available-for-sale investment securities, financial assets and financial liabilities held-for-trading.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Although the interim condensed financial statements are unaudited, they do reflect all adjustments that, in the opinion of management of the Bank, are necessary for a fair presentation of the results of operations for the interim periods. All such adjustments to the financial statements are of a normal, recurring nature. Because the results from common banking activities are so closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

Measurement currency

The measurement currency of these financial statements is the Kazakhstani Tenge ("KZT").

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and derecognition of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of financial assets are recognized and derecognized using settlement date accounting. For regular way purchases of financial assets that will be subsequently measured at fair value, any change in fair value between trade date and settlement date is accounted for in the same way as for the acquired asset.

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

Financial assets are derecognised when they expire or are transferred. Financial liabilities are derecognized when they are extinguished by the obligation being discharged, cancelled or expired.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan with original maturity within 90 days, and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), which may be converted to cash within a short period of time.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates at 30 June 2005 and 31 December 2004 using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals in other income.

Advances to banks

Advances to banks represent amounts placed with other banks with varying maturities. Advances to banks 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. Advances to banks are carried net of any allowance for impairment losses.

Securities held-for-trading

Securities held-for-trading represent debt and equity securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Securities held-for-trading are initially recognized and subsequently measured at fair value. Fair value is determined with reference to prices quoted in an active market or by using another valuation technique, including reference to recent market transactions, reference to the fair value of similar financial instruments, discounted cash flow analysis, or appropriate valuation models based on market inputs. Gains and losses arising from changes in fair value are recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") on various securities. A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions.

Financial assets sold under repo are not derecognised in the financial statements and the consideration received under these agreements is included under loans and advances from banks. Financial assets purchased under reverse repos are recognised in the financial statements under loans and advances to banks. The difference between the purchase and sale consideration is recognized in profit and loss over the term of the agreements as interest income or interest expense.

Where financial assets purchased under reverse repo are sold to third parties the obligation to return the financial asset to the other party is recognized under liabilities held-for-trading until the obligation is extinguished. Such liabilities are measured as for securities held-for-trading. Where financial assets purchased under reverse repo are sold under repo to a different third party the repo is accounted for as described above for repos.

Loans to customers

Loans to customers are initially recognized at fair value which normally amounts to the funds disbursed plus directly attributable transaction costs. Loans to customers with fixed maturities are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for loan losses.

Where loans to customers are originated at off-market interest rates fair value is determined using a valuation technique, including discounted cash flow analysis or appropriate valuation models based on market inputs, and the difference between fair value and the net amount disbursed is accreted to profit and loss using the effective interest method.

Allowance for impairment losses

The Bank establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. Financial assets and groups of financial assets are assessed for impairment with reference to observable data about loss events. Individually significant financial assets are assessed individually and groups of financial assets with similar credit risk characteristics are assessed collectively. Financial assets for which an impairment is or continues to be recognized, whether individually significant or not, are not included in a collective assessment of impairments. As soon as information is available that specifically identifies losses on individually impaired assets in a group, those assets are removed from the group.

For financial assets carried at amortized cost the allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusted the allowance account and recognising the amount of the reversal in profit and loss for the period. The amount of the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The change in the allowance for impairment losses is recognized in profit and loss for the period and the related financial assets are carried net of allowances for impairment losses. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised on the carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Financial assets are written off against the allowance for impairment losses after management has exercised all possibilities available to collect amounts due including realization of collateral. Any subsequent recoveries are recognised in profit and loss for the period.

While management refers to observable data and uses its experienced judgement in assessing evidence of impairment and determining impairment losses it should be understood that the use of reasonable estimates is an essential part of the preparation of financial statements and that actual losses incurred in future periods may exceed the allowances for impairment losses recognized in the current period.

Securities held-to-maturity

Securities held-to-maturity represent debt securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Securities held-to-maturity are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost, less any allowance for impairment. Amortized discounts/premiums are recognized in interest income/expense over the period to maturity using the effective interest method.

Securities available-for-sale

Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such re-measurement included in equity as revaluation reserve. The Bank uses quoted market prices to determine fair value for securities available-for-sale. If such quotes do not exist, management estimation is used. Unrealized gains and losses arising from changes in the fair value of securities available-for-sale are included in equity in the period in which they arise as gain/(loss) on revaluation of securities available-for-sale. Realized gain/(loss) is included in the profit and loss account. Coupon earned on securities available-for-sale is reflected in the profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the profit and loss account.

In the year 2004 the Bank changed its' accounting policy in relation to securities available-for-sale. Previously unrealized gains and losses arising from changes in the fair value of securities available-for-sale were included in the profit and loss account in the period in which they arise as gain/(loss) on investment securities. The change in accounting policy has no material effect on current and prior period financial statements.

Fixed and intangible assets

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the fixed assets revaluation fund, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixed assets other than land and buildings and intangible assets are stated at historical cost less accumulated depreciation and any recognised impairment loss.

Depreciation of fixed and amortization of intangible assets, other than land and properties under construction, are charged to write off assets over their useful economic lives and is calculated on a straight line basis with the following periods of useful life:

	years
Building	25-30
Computers	4-5
Vehicles	5-7
Office furniture	7
Other	2-15
Intangible assets	1-8

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Revaluation gains/(losses) arising from changes in the fair value of fixed assets are included in equity in the period in which they arise as gain/(losses) and then amortized over their useful economic lives to the profit and loss account.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and,
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases less any provision for impairment of finance leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Operating lease

Lease of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases.

Bank as lessee

Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included in operating expenses.

Taxation

Income tax expense represents the sum of the current and deferred tax expense. The current tax expense is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the amount expected to be payable or recoverable as a result of differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

Kazakhstan also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the profit and loss account.

Loans and advances from banks and customer accounts

Loans and advances from banks and customer accounts are initially recognized at fair value, which amounts to the issue proceeds less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. Consequently any difference between net proceeds and the redemption value is recognized in profit and loss over the period as an adjustment to interest expense.

Debt securities issued

Debt securities issued represent bonds issued by the Bank to customers. They are accounted for according to the same principles used for loans and advances from banks and customer accounts.

Share capital

Share capital is recognized at historic cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

External cost directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Preferred shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date but before the approval of the financial statements are not recognised but are disclosed in the notes to the financial statements.

Retirement and other benefit obligations

The Bank does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Bank withholds pension contributions from employee salaries and transfers them into state or private pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the above pension funds.

Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method, which includes amortisation and accretion of discounts and premiums on interest bearing financial instruments. Non-interest income is generally recognised in profit and loss when the related transactions are completed. Commission income and expenses are generally recognized on an accrual basis.

Fee and commission income

Fee and commission income includes loan origination fees, loan commitment fees, and loan servicing fees. Fee and commission income recognized in profit and loss when loans originated and services are provided. Recognized revenue reversed when fee and commission are not repaid within 90 days.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Kazakhstani Tenge at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends to settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Rates of exchange

The exchange rates and prices on precious metals at the period-end used by the Bank in the preparation of the financial statements are as follows:

	30 June 2005	31 December 2004
Tenge/USD	135.26	130.00
Tenge/EURO	163.00	177.10
Tenge/ROUBLE	4.72	4.67
Tenge/silver (1 ounce)	952.23	881.40

4. NET INTEREST INCOME

	Six-month period ended 30 June 2005 (unaudited) KZT'000	Six-month period ended 30 June 2004 (unaudited) KZT'000
Interest income:		
Interest on loans to customers	4,594,519	2,618,305
Interest on debt securities	1,099,348	412,505
Interest on advances to banks	35,597	9,727
Total	5,729,464	3,040,537
Interest expenses:		
Interest on customer accounts	3,232,947	1,353,905
Interest on loans and deposits from banks	532,658	257,450
Interest on subordinated debt	255,419	119,942
Interest on debt securities issued	140,235	66,175
Interest on repurchase transactions	24,204	48,589
Other interest	8,586	17,722
Total	4,194,049	1,863,783
Net interest income before provision for loan losses	**1,535,415**	**1,176,754**

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

	Interest earning assets		Other transactions		
	Advances to Banks	Loans and advances to customers	Other assets	Guarantees and other commitments	Total
31 December 2003	532	1,630,805	21,409	20,246	1,672,992
Provisions/(recoveries) for the period	-	346,788	(8,508)	18,469	356,749
Assets written off	(25)	(314,787)	(143)	-	(314,955)
30 June 2004 (unaudited)	507	1,662,806	12,758	38,715	1,714,786
Provisions for the period		961,232	10,508	7,397	979,137
Assets written off	(507)	(18,080)	(26)	-	(18,613)
31 December 2004	-	2,605,958	23,240	46,112	2,675,310
Provisions for the period	-	1,281,718	27,496	(12,148)	1,297,066
Assets written off	-	(36,715)	-	(121)	(36,836)
30 June 2005 (unaudited)	-	3,850,961	50,736	33,843	3,935,540

Allowances for impairment losses on assets are deductible from related assets. Allowances for losses on guarantees and other commitments are recorded in other liabilities.

6. FEE AND COMMISSION INCOME AND EXPENSE

	Six-month period ended 30 June 2005 (unaudited) KZT'000	Six-month period ended 30 June 2004 (unaudited) KZT'000
Fee and commission income:		
Loans to customers	432,100	77,343
Cash operations	267,913	99,279
Guarantee issued	196,932	147,731
Settlements	179,692	93,760
Foreign exchange operations	96,273	64,758
Trust operations	35,682	25,301
Documentary operations	32,558	2,902
Accounts opening to customers	9,940	4,018
Operations with securities	925	299
Other operations	62,342	27,620
Total	**1,314,357**	**543,011**
Fee and commission expense:		
Loans from foreign banks	40,127	-
Settlements	21,406	9,668
Foreign exchange operations	16,295	1,665
Operations with securities	9,560	3,782
Operations with card accounts	7,209	1,813
Interbank services	9,175	7,643
Guarantee received	1,610	-
Custody operations	1,266	1,132
Other operations	3,199	268
Total	**109,847**	**25,971**

7. OPERATING EXPENSES

	Six-month period ended 30 June 2005 (unaudited) KZT'000	Six-month period ended 30 June 2004 (unaudited) KZT'000
Staff costs	604,694	323,143
Advertising and marketing expenses	183,894	180,498
Taxes, other than income tax	160,509	101,269
Depreciation and amortization	128,616	70,613
Expenses on rent	116,926	48,435
Communication	41,756	29,661
Business trip and related expenses	34,549	23,921
Audit and consulting	26,082	19,268
Repairs and maintenance expenses	25,659	9,474
Legal services	23,794	12,945
Insurance	22,681	7,548
Security services	20,255	11,622
Office maintenance	19,815	13,372
Transportation expenses	12,028	7,420
Cash collection	10,166	8,544
Information services	8,346	6,366
Representative expenses	-	2,446
Other	45,652	28,573
Total	**1,485,422**	**905,118**

8. INCOME TAX

The Bank provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 30 June 2005 and 31 December 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences at 30 June 2005, 31 December 2004, 30 June 2004 and 31 December 2003 were as follows:

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000	30 June 2004 (unaudited) KZT'000	31 December 2003 KZT'000
Deferred assets:				
Accrued interests on loans, written off	244,247	148,443	96,103	-
Taxes, other than corporate income tax	13,545	-	-	-
Loans and advances to banks and customers	-	-	-	121,903
Total deferred assets	257,792	148,443	96,103	121,903
Deferred liabilities:				
Fixed assets and intangibles, net	(74,466)	(114,398)	(90,795)	(219,537)
Total deferred liabilities	(74,466)	(114,398)	(90,795)	(219,537)
Net deferred assets/(liabilities)	183,326	34,045	5,308	(97,634)
Deferred tax assets/(liabilities) at the statutory rate (30%)	54,998	10,213	1,593	(29,290)
Valuation allowance	(54,998)	(10,213)	(1,593)	-
Net deferred tax liabilities	-	-	-	(29,290)

Relationships between tax expenses and accounting profit for the periods ended 30 June 2005 and 30 June 2004 are explained as follows:

	Six month period ended 30 June 2005 (unaudited) KZT'000	Six month period ended 30 June 2004 (unaudited) KZT'000
Profit before income tax	575,320	563,109
Statutory tax rate	30%	30%
Tax at the statutory rate	172,596	168,933
Tax effect of permanent differences	(110,790)	(110,508)
Income tax expense	61,806	58,425
Current income tax expense	17,021	56,832
Deferred income tax (benefit)/expense	-	-
Change in valuation allowances	44,785	1,593
Income tax expense	61,806	58,425

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Deferred income tax (liabilities)/assets		
At beginning of the period	-	(29,290)
Change of the deferred income tax for the period	-	29,290
At end of the period	-	-

Income tax assets and liabilities as of 30 June 2005 and 31 December 2004 consist of the following:

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Current income tax assets/(liabilities)	91,853	116,403
Deferred income liabilities	-	-
Income tax assets/(liabilities)	91,853	116,403

9. EARNINGS PER SHARE

	Six-month period ended 30 June 2005 (unaudited) KZT'000	Six-month period ended 30 June 2004 (unaudited) KZT'000
Income:		
Net profit	513,514	504,684
Less:		
Dividends on preference shares	(24,500)	-
Income less dividends on preference shares	489,014	504,684
Weighted average number of ordinary shares for basic and diluted earnings per share (pieces)	14,991,100	3,645,800
Earnings per share – basic and diluted (KZT)	32.62	138.43

10. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Cash in vault	2,796,045	2,244,763
Cash in transit	416,452	-
Balance with the NBRK	14,282,592	17,386,721
Total	**17,495,089**	**19,631,484**

Minimum reserves are determined as a percentage from deposits in accordance with the requirements of the NBRK. As of 30 June 2005 and 31 December 2004, the Bank was in compliance with the NBRK requirements by maintaining the specified cash on hand balances and balances in the correspondent accounts with the NBRK. Thus, the Bank was able to use the amounts.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000	30 June 2004 (unaudited) KZT'000	31 December 2003 KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	17,495,089	19,631,484	4,470,435	2,378,285
Precious metals	2,646	1,866	1,218	670
Advances to banks in OECD countries	9,441,872	815,687	782,181	1,591,076
Total	**26,939,607**	**20,449,037**	**5,253,834**	**3,970,031**

11. ADVANCES TO BANKS

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Overnight deposits to banks	13,218,342	-
Correspondent accounts in banks	12,033,497	891,672
Short-term deposits to banks	4,547,326	-
	29,799,165	891,672
Accrued interest on deposits and advances to banks	3,380	302
Total	**29,802,545**	**891,974**

12. SECURITIES HELD-FOR-TRADING

	Interest to nominal %	30 June 2005 (unaudited) KZT'000	Interest to nominal %	31 December 2004 KZT'000
Notes of NBRK	-	31,174,296	5.0	25,728,482
Bonds of the Ministry of Finance of the Republic of Kazakhstan	5.6-8.3	6,520,997	6-8	3,523,106
Halyk Bank bonds	5-12	807,980	5-12	373,885
Kaz Int B.V Eurobonds	9	732,116	9.0	442,879
Euronotes of RK 7th emission	11.13	509,944	11-13	506,308
Bank CenterCredit bonds	7-9.4	407,541	9.0	155,733
KazTransCom bonds	8	397,129	8	71,516
TexacaBank bonds	11	251,416	11	224,275
KazPost bonds	8	151,545	8	151,350
TuranAlemFinance B.V. Eurobonds	10	148,136	10	146,686
Kazcommertsbank bonds	8	114,208		-
ATF Bank bonds	8.5	51,737		-
Valut-Tranzit Bank bonds	9	90,518		-
BTA Ipoteka bonds	8.3	1,265,238		-
Nurbank AK bonds	9	684,213		-
Government of United States of America	3.5-4.1	7,837,720		-
Banque Europeene D'Inves	4.6	705,794		-
Total		**51,850,528**		**31,324,220**

As of 30 June 2005 and 31 December 2004 included in securities held-for-trading was accrued interest income on debt securities amounting to KZT 155, 658 thousand and KZT 82,792 thousand, respectively.

As of 30 June 2005 securities held-for-trading included Notes of NBRK pledged in Alfabank amounting to KZT 810,872 thousand, Bonds of the Ministry of Finance of the Republic of Kazakhstan pledged in Bank of China amounting to KZT 500,979 thousand, in Tsesna Bank amounting to KZT 695,325 thousand. All agreements have maturity from 1 week up to 3 months.

As of 30 June 2005 securities held-for-trading included Notes of NBRK amounting to KZT 21,098,595 thousand, Bonds of the Ministry of Finance of Republic of Kazakhstan amounting to KZT 4,619,561 thousand pledged under repurchase agreement with other banks. As of 8 July 2005 all the repurchase agreements expired.

As of 31 December 2004 securities held-for-trading included notes of NBRK pledged under repurchase agreements with other banks amounting to KZT 16,341,988 thousand. All agreements have maturity within 3 months.

13. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Share of Kazakhtelekom JSC	4,011,059	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	2,980,000	5,045,330
Notes of NBRK	2,849,352	1,306,001
Alliance Bank bonds	101,736	-
Kaztranscom bonds	71,495	70,000
Euronotes of NBRK	10,000	-
Total	**10,023,642**	**6,421,331**

As of 30 June 2005 and 31 December 2004 securities purchased under agreements to resell comprised accrued interest income amounting to KZT 29,662 thousand and KZT 1,325 thousand, respectively. The carrying amount of securities approximates to the market value.

14. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Originated loans	104,860,387	54,675,614
Accrued interest income on loans and advances to customers	1,864,719	1,238,933
	106,725,106	55,914,547
Less allowance for loan losses	(3,850,961)	(2,605,958)
Total	**102,874,145**	**53,308,589**
Analysis by collateral:		
Loans collateralized by real estate	62,257,659	33,894,532
Loans collateralized by deposits	12,171,268	1,319,379
Loans collateralized by goods	6,915,978	3,250,776
Loans collateralized by transport vehicles	6,093,659	3,251,823
Loans collateralized by guarantees	4,372,639	4,364,328
Loans collateralized by liquid securities	2,351,322	2,349,151
Loans collateralized by equipment	1,791,705	2,206,404
Finance lease	311,816	24,600
Other	10,459,060	5,253,554
	106,725,106	55,914,547
Less allowance for loan losses	(3,850,961)	(2,605,958)
Total	**102,874,145**	**53,308,589**

Movements in allowances for loan losses for the years ended 30 June 2005 and 31 December 2004 are disclosed in Note 5.

As of 30 June 2005 the Bank had 6 loans to customers totaling KZT 17,805,717 thousand, of each which individually exceeded 10% of the Bank's equity. As of 31 December 2004 the Bank did not have any loans, which individually exceeded 10% of the Bank's equity.

As of 8 July 2005 loans to customers totaling KZT 12,800,000 thousand originated as at the reporting date with interest of 6% per annum were repaid (Note 26).

Loans to customers include a short-term loan to LLC Crowell Investment Limited amounting to KZT 4,193,060 thousand collateralized by a deposit for the same amount from ATF Bank.

As of 30 June 2005 and 31 December 2004 included in loans and advances to customers are non-accrual loans amounting to KZT 2,865,962 thousand and KZT 1,616,631 thousand, respectively.

As of 30 June 2005 and 31 December 2004 the Bank had loans totaling KZT 78,543,900 thousand and KZT 40,899,099 thousand, respectively, which represent significant geographical concentration in Almaty forming 75.4% and 73% of the loan portfolio, respectively.

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Analysis by sector:		
Wholesale	21,946,705	11,302,005
Construction	21,526,147	8,174,045
Consumer loans	20,867,850	9,517,444
Population related services	8,390,364	3,526,952
Finance services	4,301,502	3,025,224
Transportation	3,738,001	1,878,385
Food	3,629,816	2,333,149
Coal mining	3,054,935	2,005,035
Paper manufacturing	3,051,444	1,347,334
Retail	3,014,518	1,483,375
Real estate operations	2,873,660	3,066,551
Agriculture	2,322,351	2,174,898
Publications	1,675,966	72,752
Entertainment and recreational services	1,173,429	1,155,436
Chemical industry	942,770	748,470
Heavy industry	718,722	273,459
Finance lease	311,816	24,600
Production of metal goods	288,670	337,719
Mail and communications	133,562	111,432
Services related to oil and gas extraction	77,634	16,546
Metallurgy industry	15,250	29,029
Other	2,669,994	3,310,707
	106,725,106	55,914,547
Less allowance for loan losses	(3,850,961)	(2,605,958)
Total	**102,874,145**	**53,308,589**

Finance lease comprise:

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Total minimum lease payments	378,491	34,107
Less: unearned finance income	(66,675)	(9,507)
Total	**311,816**	**24,600**
Current portion	123,471	11,560
Long-term portion	188,345	13,040
Total	**311,816**	**24,600**

The present value of future minimum lease payments due from customers under finance lease as at 30 June 2005 and 31 December 2004 are as follows:

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Not later than one year	123,471	11,560
Later than one year not later than five years	185,864	13,040
After five years	2,481	-
Total	**311,816**	**24,600**

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 13% per cent per annum.

15. INVESTMENT SECURITIES

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Securities available-for-sale	6,480,393	5,466,947
Securities held-to-maturity	463,349	1,259,762
Total	**6,943,742**	**6,726,709**

Securities available-for-sale comprise:

	Interest to nominal %	30 June 2005 (unaudited) KZT'000	Interest to nominal %	31 December 2004 KZT'000
Debt securities available-for-sale				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.1-6.5	1,451,877	6.1-6.5	1,950,128
Euronotes of RK of 7th emission	11.13	1,570,010	11.13	1,558,814
Kazakhstan kagazy bonds	9.2	606,133	-	-
Nurbank bonds	8-9	455,903	8-9	493,743
Bank CenterCredit bonds	13.8	319,019	12.80	310,184
Euronotes of Halyk Bank	8.125	290,056	-	-
ATF Bank bonds	8.5-9	444,646	9.00	28,206
RG Brand bonds	10	271,566	10.00	270,685
Kazakhstan Mortgage Company bonds of 3rd emission	8.1	194,265	9.50	170,819
Kazakhstan Mortgage Company bonds of 4th emission	7.6	145,793	8.20	168,615
Almaty Kus bonds		449,486	10.00	159,205
Kazakhstan Mortgage Company bonds of 2rd emission	8.9	180,311	8.70	256,853
Development Bank of Kazakhstan bonds	8.5	43,703	8.50	42,066
Bank TuranAlem bonds	9.4	10,241	8.00	9,879
	Ownership interest %	**KZT'000**	**Ownership interest %**	**KZT'000**
Equity securities available-for-sale				
JSC Alliance Policy	9.00	27,000	9.00	27,000
JSC Processing Center	1.37	10,000	1.37	10,000
JSC FK Alliance Capital	9	4,500	9.00	4,500
LLP First Credit Office	14.28	4,050	14.28	4,050
JSC Kazakhstan Stock Exchange	1.68	1,834	2.32	2,200
Total		**6,480,393**		**5,466,947**

As of 30 June 2005 and 31 December 2004 securities available-for-sale included accrued interest income on debt securities of KZT 112,778 thousand and KZT 94,618 thousand, respectively.

As of 30 June 2005 securities available-for-sale included Bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreement with other banks amounting to KZT 750,669 thousand. As of 8 July 2005 the repurchase agreement expired.

As of 30 June 2005 securities available-for-sale included Bonds of JSC Kazakhstan kagazy pledged under repurchase agreement with other banks amounting to KZT 102,243 thousand. The repurchase agreement has maturity within 1 month.

As of 31 December 2004 securities available-for-sale included Bonds of Bank Center Credit pledged under repurchase agreement with other banks amounting to KZT 250,000 thousand. All agreements have maturity within 3 months.

Securities held-to-maturity comprise:

	Interest to nominal %	30 June 2005 (unaudited) KZT'000	Interest to nominal %	31 December 2004 KZT'000
Securities held-to-maturity				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.1-8.3	417,792	6.1-8.3	821,775
Notes of NBRK	-	-	-	394,182
Astana municipal bonds	8.5	45,557	8.5	43,805
Total		**463,349**		**1,259,762**

As of 30 June 2005 and 31 December 2004 included in securities held-to-maturity was accrued interest income on debt securities amounting to KZT 6,022 thousand and KZT 10,022 thousand, respectively.

16. OTHER ASSETS

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Prepayments and receivables	788,501	279,915
Debtors on capital investments	696,573	24,495
Inventories	107,831	44,165
Current income tax receivable	91,853	116,403
Accrued commission income	41,178	20,039
Other banking debtors	22,525	20,322
Other non-banking debtors	15,874	18,535
Taxes receivable, other than income tax	7,906	-
Other	87,682	16,678
	1,859,923	540,552
Less allowance for losses	(50,736)	(23,240)
	1,809,187	**517,312**

Movements in allowances for losses for the years ended 30 June 2005, 31 December 2004 are disclosed in Note 5.

17. DUE TO THE BUDGET OF THE REPUBLIC OF KAZAKHSTAN

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Due to the Ministry of Finance in relation to ADB loan	167,000	228,918
Due to regional budgets	38,804	50,017
Accrued loan expenses	3,501	4,807
Total	**209,305**	**283,742**

The Bank participated in various lending programs financed from local budgets. As at 30 June 2005 and 31 December 2004, the amount due to regional budgets comprised:

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Ust-Kamenogorsk Oblast	32,582	37,586
Pavlodar Oblast	2,598	4,048
Eastern-Kazakhstan Oblast	2,000	2,000
Petropavlovsk Oblast	1,572	5,891
Ekibastuz Oblast	52	492
Total	**38,804**	**50,017**

18. LOANS AND ADVANCES FROM BANKS

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Short-term loans and advances from banks	31,306,770	8,971,337
Correspondent accounts from banks and other financial organizations	1,138,551	77,652
Overnight loans and advances from banks	603,410	316,678
Long-term loans from banks	216,311	24,763
Accrued interest expense on loans and advances from banks	145,663	72,639
Total	**33,410,705**	**9,463,069**

As of 30 June 2005 the Bank had a short-term syndicated loan from 27 foreign banks and financial organizations of USD 80,000 thousand with interest of 6 months LIBOR plus 2.2%. The loan was obtained for a term of one year with an option of prolongation for the same period. The loan exceeded 60% of the Bank's equity.

As of 31 December 2004 the Bank had a short-term syndicated loan from a group of banks from several European countries and Canada of USD 23,500 thousand with interest of 3 months LIBOR plus 3%. The loan exceeded 10% of the Bank's equity. The syndicated loan was repaid in May 2005.

19. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Notes of NBRK	21,098,595	16,341,988
Bonds of the Ministry of Finance of the Republic of Kazakhstan	5,370,230	-
JSC Kazakhstan kagazy bonds	102,243	-
Bank CenterCredit bonds	-	250,000
Total	**26,571,068**	**16,591,988**

As of 30 June 2005 and 31 December 2004 included in securities sold under agreements to repurchase was accrued interest expense amounting to KZT 6,406 and KZT 1,987 thousand, respectively. The carrying amount of securities sold under agreements to repurchase approximates to the market value.

As of 8 July 2005 all securities except bonds of JSC Kazakhstan kagazy were repurchased (Note 26).

20. CUSTOMER ACCOUNTS

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Time deposits	67,545,948	49,451,049
Deposit on demand	31,438,248	14,427,487
Guarantee deposits	7,074,627	3,051,199
Accrued interest expense on customer accounts	1,187,120	524,042
Total	**107,245,943**	**67,453,777**

As of 30 June 2005 and 31 December 2004, 10 customers approximated 24% and 32% of total customer accounts, respectively, which represent significant concentration.

21. DEBT SECURITIES ISSUED

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Kazakhstan bonds	5,593,214	1,970,239
Eurobonds	20,289,000	-
Accrued interest expense on debt securities issued	94,932	28,333
	25,977,146	1,998,572
Kazakhstan subordinated bonds	5,323,423	3,847,131
Accrued interest expense on subordinated bonds	47,771	25,745
	5,371,194	3,872,876
Total	**31,348,340**	**5,871,448**

In December 2002 the Bank issued 3 billion coupon subordinated bonds with a face value of KZT 1 each. The bonds were issued with a discount amounting to KZT 94,397 thousand. The interest rate on these bonds is 9% per annum, with a circulation period of 7 years.

In October 2003 the Bank issued 2 billion coupon bonds with a face value of KZT 1 each. The bonds were issued with a total discount of KZT 47,502 thousand. The interest rate on these bonds is 8.5% per annum, with a circulation period of 3 years.

In October 2004 the Bank issued 3 billion coupon subordinated bonds with a face value of KZT 1 each. As of 31 December 2004 the bonds were partially placed in the amount of 1,483 million bonds with a discount amounting to KZT 69,233 thousand. As of 31 March 2005 the bonds were fully placed with a total discount of KZT 223,919 thousand. The interest rate on these bonds is 8.5% per annum, with a circulation period of 7 years.

The discount on the bonds is amortized over the life of the bond and is recorded in interest expense on debt securities issued using the straight-line interest rate method.

In April 2005 the Bank issued 5 billion coupon bonds with a face value of KZT 1,000 each. As of 30 June 2005 the bonds of KZT 3,944,000 thousand were partially placed with a total discount of KZT 306,884 thousand. The interest rate on these bonds is 7% per annum, with a circulation period of 3 years.

In June 2005 the Bank issued and fully placed coupon Eurobonds of USD 150 million with a face value of USD 10,000 each. The interest rate on these Eurobonds is 9% per annum, with a circulation period of 3 years.

22. OTHER LIABILITIES

	30 June 2005 (unaudited) KZT'000	31 December 2004 KZT'000
Creditors on capital investments	300,860	14,950
Taxes payable, other than income tax	111,923	37,554
Other banking creditors	52,094	10,950
Allowance for guarantees and other commitments	33,843	46,112
Other non-banking creditors	14,971	17,292
Other prepayments	5,329	16,333
Due to employees	4,073	1,375
Accrued commission expenses	351	3,091
	523,444	**147,657**

23. SHARE CAPITAL

As of 30 June 2005 the Bank's share capital comprised the following:

	Authorized share capital	Unissued and unpaid share capital	Treasury shares	Share premium	Total share capital
Ordinary shares	27,500,000	(12,881,290)	(129,550)	5,182	14,494,342
Preference shares	500,000	-	(12,800)	-	487,200
Total	**28,000,000**	**(12,881,290)**	**(142,350)**	**5,182**	**14,981,542**

As of 31 December 2004 the Bank's share capital comprised the following:

	Authorized share capital	Unissued and unpaid share capital	Treasury shares	Share premium	Total share capital
Ordinary shares	27,500,000	(12,881,290)	(129,550)	5,182	14,494,342
Preference shares	500,000	-	-	-	500,000
Total	**28,000,000**	**(12,881,290)**	**(129,550)**	**5,182**	**14,994,342**

Ordinary shares:

As of 30 June 2005 and 31 December 2004 2,750,000 shares were authorized, 1,461,871 shares were issued and fully paid, 12,955 shares were repurchased with value of KZT 9,600. All ordinary shares are with par value of KZT 10,000 and carry one vote.

Preference shares:

As of 30 June 2005 50,000 shares were authorized, issued and fully paid, 1,000 shares were repurchased with value of KZT 12,800. All preference shares are with par value of KZT 10,000 with dividend of KZT 1,000 per share.

As of 31 December 2004 50,000 shares were authorized, issued and fully paid with par value of KZT 10,000 each, with dividend of 12% per share.

24. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterpart risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 30 June 2005 and 31 December 2004, the nominal or contract amounts and the risk-weighted credit equivalents of instruments with off-balance sheet risks were:

	30 June 2005 (unaudited)		31 December 2004	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Guarantees issued and similar commitments	4,484,758	4,484,758	4,445,492	4,445,492
Letters of credit	794,667	397,334	694,039	326,039

As of 30 June 2005 and 31 December 2004 guarantees and similar commitments issued of KZT 151,953 thousand, 508,821 thousand, respectively, were secured by cash deposited at customer accounts.

As of 30 June 2005 and 31 December 2004, standby letters of credit of KZT 22,209 thousand and KZT 41,962 thousand, respectively, were secured by cash deposited at customer accounts.

The Bank has made a provision of KZT 33,843 thousand and KZT 46,112 thousand against commitments under guarantees issued as of 30 June 2005 and 31 December 2004, respectively.

25. FINANCIAL COMMITMENTS AND CONTINGENCIES

Capital commitments

The Bank had no material capital commitments outstanding as of 30 June 2005.

Operating leases

The Bank's future minimum rental payments under non-cancelable operating leases of buildings for the next 5 years as of 30 June 2005 are presented in the table below:

	KZT'000
2005	190,671
2006	180,549
2007	179,408
2008	178,217
2009	177,643

Operating environment

The Bank's principal activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to frequent changes and the Bank's assets and operations could be at a risk due to negative changes in the political and business environment.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Bank may be assessed additional taxes, penalties and interest. The Bank's management believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Insurance

In 2002, the Bank joined the Kazakhstani Customer Loans Insurance Fund and obtained an insurance coverage for the deposits received from individuals.

26. SUBSEQUENT EVENTS

As of 8 July 2005 loans to customers totaling KZT 12,800,000 thousand originated as at the reporting date with interest of 6% per annum were fully repaid (Note 14).

As of 8 July 2005 all securities except bonds of JSC Kazakhstan kagazy were repurchased (Note 19).

On 30 June 2005 the Bank had received approval of the Supervisory Agency to open a subsidiary in Kyrgyz Republic.

27. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 "Related Party Disclosure", are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);

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

(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

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

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major Shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties as of 30 June 2005 and 31 December 2004:

	30 June 2005 (unaudited)		31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans and advances to customers, gross	3,187,546	106,725,106	373,674	55,914,547
Allowance for losses on loans and advances to customers	40,903	3,850,961	21,320	2,605,958

During the years ended 30 June 2005 and 31 December 2004 the Bank originated loans and advances to customers - related parties amounting to KZT 3,228,848 thousand and KZT 240,997 thousand, respectively, and received loans and advances repaid of KZT 414,976 thousand and KZT 619,184 thousand, respectively. The Bank has interest income accrued in respect of loans and advances granted to related parties totaling KZT 48,462 thousand and KZT 3,599 thousand, respectively, as of 30 June 2005 and 31 December 2004.

Included in the profit and loss account for the years ended 30 June 2005 and 30 June 2004 are the following amounts which arose due to transactions with related parties:

	Six–month period ended 30 June 2005 (unaudited)		**Six–month period ended 30 June 2004 (unaudited)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
- related companies	74,604		8,100	
- directors	7,449		3,452	
	82,053	5,729,464	11,552	3,040,537
Interest expense				
- related companies	10,823		1,083	
- directors	4,629		2,384	
	15,452	4,194,049	3,467	1,863,783
Fee and commission income				
- related companies	910		173	
	910	1,314,357	173	543,011
Operating expenses				
- directors	44,730		24,406	
	44,730	1,485,422	24,406	905,118

Transactions with related parties entered into by the Bank during the years ended 30 June 2005 and 30 June 2004 and outstanding as of 30 June 2005 and 31 December 2004 were made in the normal course of business and mostly under arms-length conditions.

28. PENSIONS AND RETIREMENT PLANS

In accordance with the Law of the Republic of Kazakhstan "Pension provisioning in the Republic of Kazakhstan" acting from 1 January 1998, and replacing the previous solidarity system of pension provisioning for accumulating system, all employees have the right to receive guaranteed pension benefits if they have a working time record as of 1 January 1998, in proportion to their accumulated working time record. They also have the right to receive pension payments from accumulating pension funds from the individual pension accumulations accounts provided by compulsory pension contributions of 10% from income.

As of 30 June 2005 and 31 December 2004 the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 30 June 2005 and 31 December 2004 the following methods and assumptions were used by the Bank to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the National Bank of the Republic of Kazakhstan

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Advances to banks

As of 30 June 2005 and 31 December 2004 the carrying amount of advances of bank given is a reasonable estimate of fair value.

Loans and advances to customers

The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for loan losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities held-for-trading

As of 30 June 2005 and 31 December 2004 securities held-for-trading are stated at fair value. Fair value of securities held-for-trading was determined with reference to an active market.

Securities purchased under agreements to resell

As of 30 June 2005 and 31 December 2004 the carrying amount of securities purchased under agreements to resell is a reasonable estimate of the fair value.

Securities available-for-sale

As of 30 June 2005 and 31 December 2004 securities available-for-sale are stated at fair value. Fair value of securities available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities, the carrying value is an amortized cost approximated to fair value.

Securities held-to-maturity

Securities held-to-maturity are stated at cost and adjusted for amortization of premiums and discounts, respectively, less any allowance for impairment. The fair value of securities held-to-maturity as of 30 June 2005 and 31 December 2004, was KZT 475,867 thousand and KZT 1,263,661 thousand, respectively. Fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Due to the budget of the Republic of Kazakhstan

As of 30 June 2005 and 31 December 2004 the carrying amount is a reasonable estimate of their fair value.

Loans and deposits from banks

As of 30 June 2005 and 31 December 2004 the carrying amount is a reasonable estimate of their fair value.

Securities sold under agreements to repurchase

As of 30 June 2005 and 31 December 2004 the fair value of securities sold under agreements to repurchase amounting to their carrying amount.

Customer accounts

As of 30 June 2005 and 31 December 2004 the carrying amount of time deposits and current accounts of the Bank customers is a reasonable estimate of their fair value.

Debt securities issued

Debt securities issued are stated at cost, adjusted for amortization of premium and discounts, which approximates their fair value.

30. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Banks' operations. The main risks inherent to the Bank operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Management Department performs determination of the optimal structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Management Department performs monitoring of liquidity ratios.

The following table presents an analysis of interest rate risk and liquidity risk on balance sheet. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	Up to 1 month KZT'000	1 month to 3 months KZT'000	3 months to 1 year KZT'000	1 year to 5 years KZT'000	Over 5 years KZT'000	Maturity undefined (incl. allowance for losses) KZT'000	30 June 2005 (unaudited) Total KZT'000
ASSETS							
Precious metals	2,646	-	-	-	-	-	2,646
Advances to banks	29,799,061	-	104	-	-	-	29,799,165
Securities held-for trading	21,867,086	29,827,784	-	-	-	-	51,694,870
Securities purchased under agreements to resell	9,993,980	-	-	-	-	-	9,993,980
Loans and advances to customers, net	15,744,206	8,401,429	14,850,994	55,436,251	7,561,545	(2,780,512)	99,213,913
Investment securities:							
- securities available-for-sale	381,289	-	5,938,942	-	-	-	6,320,231
- securities held-to-maturity	-	-	11,834	445,493	-	-	457,327
Total interest bearing Assets	**77,788,268**	**38,229,213**	**20,801,874**	**55,881,744**	**7,561,545**	**(2,780,512)**	**197,482,132**
Cash and balances with the NBRK	17,495,089	-	-	-	-	-	17,495,089
Loans and advances to customers, net	485,033	354,925	905,770	1,082,241	37,993	(1,070,449)	1,795,513
Securities available-for-sale	-	-	47,384	-	-	-	47,384
Fixed and intangible assets, net	255	1,405	13,205	651,437	473,077	-	1,139,379
Other assets, net	1,859,923	-	-	-	-	(50,736)	1,809,187
Interest accrued on interest bearing assets	1,043,666	1,122,532	6,021	-	-	-	2,172,219
TOTAL ASSETS	**98,672,234**	**39,708,075**	**21,774,254**	**57,615,422**	**8,072,615**	**(3,901,697)**	**221,940,903**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	12,719	3,768	53,780	135,537	-	-	205,804
Deposits from NBRK	4,000,000	-	2,000,000	-	-	-	6,000,000
Loans and advances from banks	13,755,135	5,270,297	14,023,299	216,311	-	-	33,265,042
Securities sold under agreements to repurchase	26,564,662	-	-	-	-	-	26,564,662
Customer accounts	10,572,547	6,263,878	30,816,830	27,280,766	970,251	-	75,904,272
Debt securities issued	-	-	-	25,882,214	-	-	25,882,214
Subordinated debt	-	-	-	2,330,223	2,993,200	-	5,323,423
Total interest bearing liabilities	**54,905,063**	**11,537,943**	**46,893,909**	**55,845,051**	**3,963,451**	**-**	**173,145,417**
Customer accounts	30,154,551	-	-	-	-	-	30,154,551
Dividends payable	-	-	24,500	-	-	-	24,500
Other liabilities	489,601	-	-	-	-	33,843	523,444
Interest accrued on interest bearing liabilities	1,031,518	335,673	118,202	-	-	-	1,485,393
TOTAL LIABILITIES	**86,580,733**	**11,873,616**	**47,036,611**	**55,845,051**	**3,963,451**	**33,843**	**205,333,305**
Liquidity gap	12,091,501	27,834,459	(25,262,357)	1,770,371	4,109,164		
Interest sensitivity gap	22,883,205	26,691,270	(26,092,035)	36,693	3,598,094		
Cumulative interest sensitivity gap	22,883,205	49,574,475	23,482,440	23,519,133	27,117,227		
Cumulative interest sensitivity gap as a percentage of total assets	10.31%	22.34%	10.58%	10.6%	12.22%		

	Up to 1 month KZT'000	1 month to 3 months KZT'000	3 months to 1 year KZT'000	1 year to 5 years KZT'000	Over 5 years KZT'000	Maturity undefined (incl. allowance for losses) KZT'000	31 December 2004 Total KZT'000
ASSETS							
Loans and advances to banks, less allowance for loan losses	891,672	-	-	-	-	-	891,672
Securities held-for trading	25,119,582	6,121,846	-	-	-	-	31,241,428
Securities purchased under agreements to resell	6,420,006	-	-	-	-	-	6,420,006
Loans and advances to customers, less allowance for loan losses	2,432,303	4,878,634	10,824,531	30,284,191	4,639,324	(1,818,301)	51,240,682
Investment securities:							
- securities available-for-sale	-	2,731,969	2,592,610	-	-	-	5,324,579
- securities held-to-maturity	-	-	794,182	455,558	-	-	1,249,740
Total interest bearing assets	**34,863,563**	**13,732,449**	**14,211,323**	**30,739,749**	**4,639,324**	**(1,818,301)**	**96,368,107**
Cash and balances with the NBRK	19,631,484	-	-	-	-	-	19,631,484
Precious metals	1,866	-	-	-	-	-	1,866
Loans and advances to customers, less allowance for loan losses	6,552	129,875	260,700	1,175,199	44,305	(787,657)	828,974
Securities available-for-sale	-	-	47,750	-	-	-	47,750
Fixed and intangible assets, net	-	39,682	99,205	590,240	307,151	-	1,036,278
Other assets, less allowance for losses	63,278	20,999	431,780	24,495	-	(23,240)	517,312
Interest accrued on interest bearing assets	642,597	571,197	214,198	-	-	-	1,427,992
	20,345,777	761,753	1,053,633	1,789,934	351,456	(810,897)	23,491,656
TOTAL ASSETS	**55,209,340**	**14,494,202**	**15,264,956**	**32,529,683**	**4,990,780**	**(2,629,198)**	**119,859,763**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	1,559	54,509	222,867	-	-	278,935
Deposits from banks	3,265,522	1,173,045	4,761,350	190,513	-	-	9,390,430
Deposits from NBRK	-	4,000,000	-	-	-	-	4,000,000
Securities sold under agreements to repurchase	16,590,001	-	-	-	-	-	16,590,001
Debt securities issued	-	-	-	1,970,239	-	-	1,970,239
Customer accounts	14,633,988	5,807,716	22,441,673	16,553,375	44,023	-	59,480,775
	34,489,511	10,982,320	27,257,532	18,936,994	44,023	-	91,710,380
Subordinated debt	-	-	-	2,433,177	1,413,954	-	3,847,131
Total interest bearing liabilities	**34,489,511**	**10,982,320**	**27,257,532**	**21,370,171**	**1,457,977**	**-**	**95,557,511**
Customer accounts	7,448,960	-	-	-	-	-	7,448,960
Dividends payable	60,000	-	-	-	-	-	60,000
Other liabilities	40,645	1,375	44,575	14,950	-	46,112	147,657
Interest accrued on interest bearing liabilities	526,042	131,511	-	-	-	-	657,553
TOTAL LIABILITIES	**42,565,158**	**11,115,206**	**27,302,107**	**21,385,121**	**1,457,977**	**46,112**	**103,871,681**
Liquidity gap	12,644,182	3,378,996	(12,037,151)	11,144,562	3,532,803		
Interest sensitivity gap	374,052	2,750,129	(13,046,209)	9,369,578	3,181,347		
Cumulative interest sensitivity gap	374,052	3,124,181	(9,922,028)	(552,450)	2,628,897		
Cumulative interest sensitivity gap as a percentage of total assets	0.31%	2.61%	(8.28%)	(0.46%)	2.19%		

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Bank liquidity and its susceptibility to fluctuation of interest and exchange rates.

The Treasury Department performs management of interest rate risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Bank to avoid negative interest margin. Risk Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Bank previous experience indicate that these deposits is a stable and long-term source of finance for the Bank.

	30 June 2005 (unaudited)	
	KZT	**USD**
	%	%
ASSETS		
Advances to banks	5.08	3.21
Securities held-for-trading	7.43	5.65
Securities purchased under agreement to resell	5.6	-
Loans and advances to customers	13.3	12.35
Investment securities:		
- securities available-for-sale	9.52	4.56
- securities held-to-maturity	6.12	8.5
LIABILITIES		
Loans and deposits from banks	6.4	3.8
Securities sold under agreements to repurchase	1.6	-
Customer accounts	8.95	6.8
Subordinated debt	9.7	-
Debt securities issued	9.55	-

	31 December 2004	
	KZT	**USD**
	%	%
ASSETS		
Advances to banks	-	-
Securities held-for-trading	7.16	5.33
Securities purchased under agreement to resell	5.56	-
Loans and advances to customers	14.00	12.25
Investment securities:		
- securities held-to-maturity	5.39	8.50
- securities available-for-sale	9.10	4.05
LIABILITIES		
Loans and deposits from banks and NBRK	6.97	3.94
Securities sold under agreements to repurchase	5.70	-
Customer accounts	9.70	7.35
Subordinated debt	9.32	9.10
Debt securities issued	9.30	-
Due to the budget	6.80	7.30

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1= KZT 135.26	EURO EUR 1 = KZT 163	RUR RUR 1= KZT 4.72	Silver 1 ounce = KZT 952.23	Other currencies	Allowance for losses	30 June 2005 (unaudited) Total KZT'000
ASSETS								
Cash and balances with the NBRK	15,891,494	1,030,149	510,658	62,143	-	645	-	17,495,089
Precious metals	-	-	-	-	2,646	-	-	2,646
Advances to banks	2,357,206	26,567,048	849,315	24,854	-	742	-	29,799,165
Securities held-for-trading	40,894,421	10,800,449	-	-	-	-	-	51,694,870
Securities purchased under agreements to resell	9,993,980	-	-	-	-	-	-	9,993,980
Loans and advances to customers, net	68,487,278	35,206,241	1,166,868	-	-	-	(3,850,961)	101,009,426
Investment securities:								
- securities available-for-sale	3,714,129	2,653,486	-	-	-	-	-	6,367,615
- securities held-to-maturity	411,834	45,493	-	-	-	-	-	457,327
Fixed and intangible assets, net	1,118,565	18,950	-	1,864	-	-	-	1,139,379
Other assets, net	609,200	918,916	328,463	3,344	-	-	(50,736)	1,809,187
Interest accrued	1,607,906	485,903	78,410	-	-	-	-	2,172,219
TOTAL ASSETS	**145,086,013**	**77,726,635**	**2,933,714**	**92,205**	**2,646**	**1,387**	**(3,901,697)**	**221,940,903**
LIABILITIES								
Due to the budget of the Republic of Kazakhstan	28,682	177,122	-	-	-	-	-	205,804
Deposits from NBRK	6,000,000	-	-	-	-	-	-	6,000,000
Loans and advances from banks	2,743,551	30,130,779	390,712	-	-	-	-	33,265,042
Securities sold under agreements to repurchase	26,564,662	-	-	-	-	-	-	26,564,662
Customer accounts	80,353,750	23,982,641	1,685,128	34,648	-	2,656	-	106,058,823
Debt securities issued	5,593,214	20,289,000	-	-	-	-	-	25,882,214
Dividends payable	24,500	-	-	-	-	-	-	24,500
Other liabilities	489,601	-	-	-	-	-	33,843	523,444
Subordinated debt	2,784,243	2,539,180	-	-	-	-	-	5,323,423
Accrued on interest	968,332	506,327	10,716	18	-	-	-	1,485,393
TOTAL LIABILITIES	**125,550,535**	**77,625,049**	**2,086,556**	**34,666**	**-**	**2,656**	**33,843**	**205,333,305**
OPEN BALANCE SHEET POSITION	**19,535,478**	**101,586**	**847,158**	**57,539**	**2,646**	**(1,269)**		

	KZT	USD USD 1= KZT 130.00	EURO EUR 1 = KZT 177.10	RUR RUR 1= KZT 4.67	Silver 1 ounce = KZT 881.40	Other currencies	Allowance for losses	31 December 2004 Total
ASSETS								
Cash and balances with the NBRK	18,535,802	821,797	204,101	69,164	-	620	-	19,631,484
Precious metals	-	-	-	-	1,866	-	-	1,866
Advances to banks, less allowance for losses	-	807,607	16,204	66,805	-	1,056	-	891,672
Securities held-for-trading	30,021,934	1,219,494	-	-	-	-	-	31,241,428
Securities purchased under agreements to resell	6,420,006	-	-	-	-	-	-	6,420,006
Loans and advances to customers, less allowance for loan losses	33,303,804	20,047,946	1,323,864	-	-	-	(2,605,958)	52,069,656
Investment securities:								-
- securities held-to-maturity	1,206,016	43,724	-	-	-	-	-	1,249,740
- securities available-for-sale	3,268,470	2,103,859	-	-	-	-	-	5,372,329
Investments in associated companies	-	-	-	-	-	-	-	-
Fixed and intangible assets, net	1,036,278	-	-	-	-	-	-	1,036,278
Other assets, less allowance for losses	455,702	82,999	1,526	325	-	-	(23,240)	517,312
Interest accrued on interest bearing assets	1,018,772	285,137	123,889	194	-	-	-	1,427,992
TOTAL ASSETS	**95,266,784**	**25,412,563**	**1,669,584**	**136,488**	**1,866**	**1,676**	**(2,629,198)**	**119,859,763**
LIABILITIES								
Due to the budget of the Republic of Kazakhstan	21,142	257,793	-	-	-	-	-	278,935
Deposits from NBRK	4,000,000	-	-	-	-	-	-	4,000,000
Loans and deposits from banks	1,491,740	7,578,871	319,702	117	-	-	-	9,390,430
Securities sold under agreements to repurchase	16,590,001	-	-	-	-	-	-	16,590,001
Customer accounts	53,374,183	12,041,814	1,483,805	28,059	1,866	8	-	66,929,735
Debt securities issued	1,970,239	-	-	-	-	-	-	1,970,239
Dividends payable	60,000	-	-	-	-	-	-	60,000
Other liabilities	96,964	3,046	1,535	-	-	-	46,112	147,657
Subordinated debt	1,420,072	2,427,059	-	-	-	-	-	3,847,131
Interest accrued on interest bearing liabilities	329,654	324,144	3,755	-	-	-	-	657,553
TOTAL LIABILITIES	**79,353,995**	**22,632,727**	**1,808,797**	**28,176**	**1,866**	**8**	**46,112**	**103,871,681**
OPEN BALANCE SHEET POSITION	**15,912,789**	**2,779,836**	**(139,213)**	**108,312**	**-**	**1,668**		

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations.

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan KZT'000	Other CIS countries KZT'000	OECD Countries KZT'000	Other non-OECD countries KZT'000	Allowance for losses KZT'000	30 June 2005 (unaudited) Total KZT'000
ASSETS						
Cash and balances with the NBRK	17,495,089	-	-	-	-	17,495,089
Precious metals	-	-	2,646	-	-	2,646
Advances to banks	11,002,206	125,545	18,403,657	271,137	-	29,802,545
Securities held-for-trading	43,307,014	-	8,543,514	-	-	51,850,528
Securities purchased under agreements to resell	10,023,642	-	-	-	-	10,023,642
Loans and advances to customers, net	102,052,102	477,382	-	4,195,622	(3,850,961)	102,874,145
Investment securities:						
- securities available-for-sale	6,480,393	-	-	-	-	6,480,393
- securities held-to-maturity	463,349	-	-	-	-	463,349
Fixed and intangible assets, net	1,139,379	-	-	-	-	1,139,379
Other assets, net	1,545,304	19	314,773	-	(50,909)	1,809,187
TOTAL ASSETS	**193,508,478**	**602,946**	**27,264,590**	**4,466**	**(3,901,870)**	**221,940,903**
LIABILITIES						
Due to the budget of the Republic of Kazakhstan	209,305	-	-	-	-	209,305
Deposits from NBRK	6,000,000	-	-	-	-	6,000,000
Loans and advances from banks	21,979,434	270,546	10,950,307	210,418	-	33,410,705
Securities sold under agreements to repurchase	26,571,068	-	-	-	-	26,571,068
Customer accounts	105,024,352	342,139	120,041	1,759,411	-	107,245,943
Debt securities issued	25,961,929	-	15,217	-	-	25,977,146
Dividends payable	24,500	-	-	-	-	24,500
Other liabilities	489,601	-	-	-	33,843	523,444
Subordinated debt	5,371,194	-	-	-	-	5,371,194
TOTAL LIABILITIES	**191,631,383**	**612,685**	**11,085,565**	**1,969,829**	**33,843**	**205,333,305**
NET BALANCE SHEET POSITION	**1,877,095**	**(9,739)**	**16,179,025**	**2,496,930**		

	Kazakhstan KZT'000	Other CIS countries KZT'000	OECD countries KZT'000	Other non-OECD countries KZT'000	Allowance for losses KZT'000	31 December 2004 Total KZT'000
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631,484	-	-	-	-	19,631,484
Precious metals	-	-	1,866	-	-	1,866
Advances to banks	7,675	68,612	815,687	-	-	891,974
Securities held-for-trading	30,804,220	-	520,000	-	-	31,324,220
Securities purchased under agreements to resell	6,421,331	-	-	-	-	6,421,331
Loans and advances to customers, less allowance for loan losses	55,475,101	439,446	-	-	(2,605,958)	53,308,589
Investment securities:						
- securities held-to-maturity	1,259,762	-	-	-	-	1,259,762
- securities available-for-sale	5,466,947	-	-	-	-	5,466,947
Fixed and intangible assets, net	1,036,278	-	-	-	-	1,036,278
Other assets, less allowance for losses	490,617	7,437	42,498	-	(23,240)	517,312
TOTAL ASSETS	**120,593,415**	**515,495**	**1,380,051**	**-**	**(2,629,198)**	**119,859,763**
LIABILITIES						
Due to the budget of the Republic of Kazakhstan	283,742	-	-	-	-	283,742
Deposits from NBRK	4,000,000	-	-	-	-	4,000,000
Loans and deposits from banks	5,059,796	65,000	4,319,442	18,831	-	9,463,069
Securities sold under agreements to repurchase	16,591,988	-	-	-	-	16,591,988
Customer accounts	66,307,990	131,075	991,835	22,877	-	67,453,777
Debt securities issued	1,998,572	-	-	-	-	1,998,572
Dividends payable	60,000	-	-	-	-	60,000
Other liabilities	101,545	-	-	-	46,112	147,657
Subordinated debt	3,872,876	-	-	-	-	3,872,876
TOTAL LIABILITIES	**98,276,509**	**196,075**	**5,311,277**	**41,708**	**46,112**	**103,871,681**
NET BALANCE SHEET POSITION	**22,316,906**	**319,420**	**(3,931,226)**	**(41,708)**		

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Joint Stock Company Alliance Bank, (the "Bank") as of 31 December 2004, the related profit and loss account and statements of cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

DELOITTE & TOUCHE
18 February 2005
Almaty, Kazakhstan

JOINT STOCK COMPANY ALLIANCE BANK

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
Interest income	4, 30	6,972,704	4,292,225	1,773,458
Interest expense	4, 30	(4,205,353)	(2,610,795)	(1,056,397)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES		2,767,351	1,681,430	717,061
Provision for loan losses	5	(1,308,020)	(1,088,188)	(235,013)
NET INTEREST INCOME		1,459,331	593,242	482,048
Fee and commission income	6, 30	1,380,436	615,788	144,013
Fee and commission expense	6	(113,119)	(61,927)	(33,802)
Net gain on foreign exchange operations	7	45,793	234,845	69,571
Net gain on securities held-for-trading		128,062	141,496	100,118
Other income	8	70,302	81,221	644
NET NON-INTEREST INCOME		1,511,474	1,011,423	280,544
OPERATING INCOME		2,970,805	1,604,665	762,592
OPERATING EXPENSES	9, 30	(2,082,336)	(1,363,219)	(666,740)
OPERATING PROFIT		888,469	241,446	95,852
Provision for losses on other transactions	5	(27,866)	(6,352)	(12,017)
Income from participation in associated company		-	1,746	8,830
PROFIT BEFORE INCOME TAX		860,603	236,840	92,665
Income tax expense	10	-	(29,290)	(78,866)
NET PROFIT		860,603	207,550	13,799
Earnings per share Basic and diluted (KZT)	11	1,715.98	635.28	94.99

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

18 February 2005
Almaty

АЛЬЯНС БАНК

Mamyrbekov A.T.
Chief Accountant

18 February 2005
Almaty

The notes on pages F-44-F-76 form an integral part of these financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

BALANCE SHEET
AS OF 31 DECEMBER 2004

	Notes	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	12	19,631,484	2,378,285	728,774
Precious metals		1,866	670	-
Advances to banks, less allowance for losses	13	891,974	2,241,651	971,394
Securities held-for-trading	14	31,324,220	1,564,473	-
Securities purchased under agreements to resell	15	6,421,331	401,011	507,822
Loans and advances to customers, less allowance for loan losses	16, 30	53,308,589	30,669,937	14,993,703
Investment securities:				
- securities available-for-sale	17	5,466,947	4,903,878	1,339,333
- securities held-to-maturity	17	1,259,762	6,884,316	2,536,628
Investment in associated companies	18	-	49,576	47,830
Fixed and intangible assets, less accumulated depreciation and amortization	19	1,036,278	748,177	432,151
Other assets, less allowance for losses	20	517,312	460,565	246,795
TOTAL ASSETS		119,859,763	50,302,539	21,804,430
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Due to the budget of the Republic of Kazakhstan	21	283,742	537,634	722,937
Deposit from the National Bank of the Republic of Kazakhstan		4,000,000	1,000,000	-
Loans and deposits from banks	22	9,463,069	3,931,492	2,207,457
Securities sold under agreements to repurchase	23	16,591,988	1,131,451	-
Customer accounts	24	67,453,777	36,796,892	16,908,978
Debt securities issued	25	1,998,572	295,969	-
Dividends payable		60,000	-	-
Other liabilities	26	147,657	191,971	115,278
		99,998,805	43,885,409	19,954,650
Subordinated debt	25	3,872,876	2,687,415	-
TOTAL LIABILITIES		103,871,681	46,572,824	19,954,650
SHAREHOLDERS' EQUITY:				
Share capital	27	14,989,160	3,575,000	1,945,810
Share premium	27	5,182	-	-
Revaluation reserve of fixed assets		72,861	75,954	34,394
Revaluation reserve on securities available-for-sale		38,422	-	-
Retained earnings/(accumulated deficit)		882,457	78,761	(130,424)
Total shareholders' equity		15,988,082	3,729,715	1,849,780
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		119,859,763	50,302,539	21,804,430

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

18 February 2005
Almaty

Mamyrbekov A.T.
Chief Accountant

18 February 2005
Almaty

The notes on pages F-44-F-76 form an integral part of these financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004

	Share capital KZT'000	Share premium KZT'000	Revaluation reserve on securities available- for-sale KZT'000	Revaluation reserve of fixed assets KZT'000	(Accumulated deficit)/ Retained earnings KZT'000	Total shareholders' equity KZT'000
31 December 2001	1,179,130	-	-	270	(144,223)	1,035,177
Issue of ordinary shares	766,680	-	-	-	-	766,680
Revaluation of fixed assets	-	-	-	34,124	-	34,124
Net profit for the year	-	-	-	-	13,799	13,799
31 December 2002	1,945,810	-	-	34,394	(130,424)	1,849,780
Issue of ordinary shares	1,629,190	-	-	-	-	1,629,190
Revaluation of fixed assets	-	-	-	43,195	-	43,195
Depreciation of fixed assets revaluation reserve	-	-	-	(1,635)	1,635	-
Net profit for the year	-	-	-	-	207,550	207,550
31 December 2003	3,575,000	-	-	75,954	78,761	3,729,715
Issue of ordinary shares	11,043,710	-	-	-	-	11,043,710
Issue of preference shares	500,000	-	-	-	-	500,000
Share capital repurchased	(129,550)	-	-	-	-	(129,550)
Share premium	-	5,182	-	-	-	5,182
Gain on revaluation of securities available-for-sale	-	-	38,422	-	-	38,422
Depreciation of fixed assets revaluation reserve	-	-	-	(3,093)	3,093	-
Dividends declared on preference shares	-	-	-	-	(60,000)	(60,000)
Net profit for the year	-	-	-	-	860,603	860,603
31 December 2004	14,989,160	5,182	38,422	72,861	882,457	15,988,082

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

18 February 2005
Almaty

АЛЬЯНС БАНК
"АЛЬЯНС БАНКІ" АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО "АЛЬЯНС БАНК"

Mamyrbekov A.T.
Chief Accountant

18 February 2005
Almaty

The notes on pages F-44-F-76 form an integral part of these financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income taxes		860,603	236,840	92,665
Adjustments for:				
Provision for losses on loans and advances		1,308,020	1,088,188	235,013
Provision for other assets		2,000	22,352	12,017
Provision/(recovery) for off-balance and other commitments		25,866	(16,000)	-
Depreciation and amortisation		154,870	66,615	34,444
Changes in interest accruals, net		(658,001)	(273,205)	190,341
Loss on sale of fixed assets		-	-	(372)
Cash flow from operating activities before changes in operating assets and liabilities		1,693,358	1,124,790	564,108
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Advances to banks		572,668	74,667	(693,383)
Securities held-for-trading		(29,679,131)	(1,562,297)	-
Securities purchased under agreements to resell		(6,019,127)	106,943	-
Securities available-for-sale		(490,305)	(3,503,954)	-
Securities held-to-maturity		5,585,443	(4,331,171)	(3,811,405)
Loans and advances to customers		(23,370,882)	(16,419,859)	(8,609,879)
Other assets		(34,765)	(265,412)	(62,758)
Increase/(decrease) in operating liabilities:				
Due to the budget of the Republic of Kazakhstan		(249,884)	(192,621)	(41,634)
Deposit from NBRK Kazakhstan		3,000,000	1,000,000	-
Loans and deposits from banks		5,491,213	1,720,700	1,896,290
Securities sold under agreements to repurchase		15,460,000	1,130,001	-
Customer accounts		30,745,315	19,761,852	10,715,745
Other liabilities		(70,180)	196,538	(43,283)
Net cash used in operating activities before income tax		2,633,723	(1,159,823)	(86,199)
Income tax paid		(23,813)	(103,845)	(41,000)
Net cash inflow/(outflow) from operating activities		2,609,910	(1,263,668)	(127,199)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed and intangible assets		(456,947)	(390,151)	(274,305)
Proceeds on sale of fixed and intangible assets		13,976	50,705	8,318
Sales of investment in associates		49,576	(1,746)	-
Net cash outflows from investing activities		(393,395)	(341,192)	(265,987)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary share capital		11,043,710	1,629,190	766,680
Issue of preference share capital		500,000	-	-
Ordinary shares repurchased		(129,550)	-	-
Share premium received		5,182	-	-
Proceeds from debt securities issued		2,843,149	2,974,221	-
Net cash inflows from financing activities		14,262,491	4,603,411	766,680

The notes on pages F-44-F-76 form an integral part of these financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,479,006	2,998,551	373,494
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12	3,970,031	971,480	597,986
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	20,449,037	3,970,031	971,480

Interest paid and received by the Bank in cash during the year ended 31 December 2004 amounted to KZT 4,457,648 thousand and KZT 6,566,998 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2003 amounted to KZT 2,464,917 thousand and KZT 4,118,013 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2002 amounted to KZT 633,843 thousand and KZT 1,554,403 thousand, respectively.

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

18 February 2005
Almaty

АЛЬЯНС БАНК
"АЛЬЯНС БАНКІ" АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО "АЛЬЯНС БАНК"

Mamyrbekov A.T.
Chief Accountant

18 February 2005
Almaty

The notes on pages F-44-F-76 form an integral part of these financial statements.

1. ORGANISATION

Joint Stock Company Alliance Bank (the "Bank") was incorporated in the Republic of Kazakhstan in 1999 under the name of Irtyshbusinessbank as a result of a merger of OJSC Semipalatinsk Municipal Joint-Stock Bank and OJSC Irtyshbusinessbank. The registered address of the Head Office is 80, Satpayev St., 480046, Almaty, Republic of Kazakhstan. The Bank's activity is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan on Financial Market and Financial Organizations Supervision and Regulation ("Supervisory Agency"). The Bank conducts its business under the license No. 250 issued by Supervisory Agency on 31 May 2004 for performing operations in tenge and foreign currencies stipulated by the banking legislation. In accordance with a decision made by the Bank's Shareholders the Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with a subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 the Bank was re-registered as Joint Stock Company Alliance Bank.

At the end of 2004, the Bank had 9 branches located in the territory of the Republic of Kazakhstan.

The Bank's primary business is related to commercial banking activity, originating loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

The number of employees of the Bank at 31 December 2004, 2003 and 2002 was 888, 642 and 462, respectively.

As of 31 December 2004, the following shareholders individually owned more than 5% of the issued shares.

Shareholders	**%**
Seimar Group	9.7%
Other	90.3%
Total	100%

These financial statements were authorized for issue by the Bank's Management Board on 18 February 2005.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), unless otherwise indicated. These financial statements have been prepared on an accrual basis under the historical cost convention, except for the buildings and constructions revaluation which was performed in 2002 and 2003 to record their fair value and amounted to KZT 34,124 thousand and KZT 43,195 thousand respectively and cost of financial assets and liabilities modified for the measurement at fair value of available-for-sale investment securities, financial assets and financial liabilities held-for-trading.

The Bank maintains its accounting records in accordance with Kazakhstani law. These financial statements have been prepared from the Kazakhstani statutory accounting records and have been adjusted to conform with IFRS.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Measurement currency

The measurement currency of these financial statements is the Kazakhstani Tenge ("KZT").

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Kazakhstan with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), and precious metals, which may be converted to cash within a short period of time.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates at 31 December 2004, 2003 and 2002 using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals in other income.

Advances to banks

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

Securities held-for-trading

Securities held-for-trading represent debt securities held for trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer margin. Securities held-for-trading are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's securities held-for-trading. When reliable market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on securities held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collaterized by securities and other assets.

In case when assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. The obligation to return them is recorded at fair value as a trading liability. Any related income or expense arising from the pricing difference between purchase and sale of the underlying securities is recognized as interest income or expense, accrued using effective interest method, during the period that the related transactions are open.

Originated loans to customers

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in a loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as trading investments.

Loans granted by the Bank are initially recognized in accordance with the policy stated above. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for loan losses.

Write off of loans

Loans are written off against allowance for loan losses in case of uncollectability of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has received all available collateral. In accordance with the accounting policy, loans may only be written off with the approval of the Loan Committee.

Non-accrual loans

Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 30 days. Interest income is not recognized if recovery is doubtful. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowance for losses

The Bank establishes an allowance for losses of financial assets when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of financial assets, which are carried at cost or amortized cost. The allowance for losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial asset. For financial assets that do not have fixed maturities, expected future cash flows are discounted using periods during which the Bank expects to realize the loan.

The determination of the allowance for loan losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the risk assets. Specific provisions are made as a result of a detailed appraisal of risk assets. In addition, provisions are carried to cover potential risks, which although not specifically identified, are present in the loan portfolio judging by the previous experience.

The change in the allowance for loan losses is charged to profit and the total of the allowance for loan losses is deducted in arriving at assets as shown in the balance sheet. Management evaluation of the allowance is based on the Bank's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses is adequate to absorb losses inherent in the risk assets.

Securities held-to-maturity

Securities held-to-maturity are debt securities with determinable or fixed payments. The Bank has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment plus accrued coupon income. Amortized discounts are recognized in interest income using the effective interest method over the period to maturity.

Securities available-for-sale

Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such re-measurement included in equity as revaluation reserve. The Bank uses quoted market prices to determine fair value for securities available-for-sale. If such quotes do not exist, management estimation is used. Unrealized gains and losses arising from changes in the fair value of securities available-for-sale are included in equity in the period in which they arise as gain/(loss) on revaluation of securities available-for-sale. Realized gain/(loss) is included in the profit and loss account. Coupon earned on securities available-for-sale is reflected in the profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the profit and loss account.

In year 2004 the Bank had changed accounting policy in relation to securities available-for-sale. Previously unrealized gains and losses arising from changes in the fair value of securities available-for-sale were included in profit and loss account in the period in which they arise as gain/(loss) on investment securities. Change in accounting policy has no material effect on current and prior years' financial statements.

Fixed and intangible assets

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the fixed assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixed assets other than land and buildings and intangible assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation of fixed and amortization of intangible assets, other than land and properties under construction, are charged to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Building	4%
Computers	25-30%
Vehicles	15%
Other	7-30%
Intangible assets	15-30%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Revaluation gains/(losses) arising from changes in the fair value of fixed assets are included in equity in the period in which they arise as gain/(losses) and then amortized over their useful economic lives to the profit and loss account.

In 2003 and 2002 fixed assets of the Bank were revalued by an independent appraiser Spektr Audit. In 2004 fixed assets of the Bank were not revalued.

Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference being an impairment loss is recognized as an expense in the profit and loss account for the year in which it arises.

Operating lease

Lease of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases.

Bank as lessee

Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included in operating expenses.

Taxation

Income tax expense represents the sum of the current and deferred tax expense. The current tax expense is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the amount expected to be payable or recoverable as a result of differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the tax profit nor the accounting profit.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Kazakhstan also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the profit and loss account.

Deposits from banks and customers

Customers and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent bonds issued by the Bank to customers. They are accounted for according to the same principles used for customer and bank deposits.

Share capital

Share capital is recognized at historic cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

External cost directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Preferred shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

Dividends on ordinary shares are recognized in shareholders' equity as the reduction in the period in which they are declared.

Retirement and other benefit obligations

The Bank does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Kazakhstan, the Bank withholds pension contributions from employee salaries and transfers them into state or private pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the above pension funds.

Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis. The recognition of interest income is suspended when loans become overdue by more than 30 days. Interest income also includes interest income earned on investment and trading securities. Commissions and other income are credited to income when the related transactions are completed. Loan origination fees, when significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Non-interest expenses are recognized on an accrual basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Kazakhstani Tenge at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle the liability simultaneously.

Rates of exchange

The exchange rates and prices on precious metals at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2004	31 December 2003	31 December 2002
Tenge/USD	130.00	144.22	155.85
Tenge/EURO	177.10	180.23	162.85
Tenge/ROUBLE	4.67	4.93	4.88
Tenge/silver (1 ounce)	881.40	860.27	726.95

Reclassifications

Certain reclassifications have been made to the financial statements as of 31 December 2003 and 2002 to conform to the presentation as of 31 December 2004.

4. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
Interest income			
Interest on loans and advances to customers	5,997,083	3,585,558	1,521,202
Interest on debt securities	916,079	644,005	242,491
Interest on reverse repurchase transactions	30,544	-	-
Interest on loans and advances to banks	28,998	62,662	9,765
Total interest income	6,972,704	4,292,225	1,773,458
Interest expense			
Interest on customer accounts	3,112,123	2,154,602	967,750
Interest on deposits from banks	557,091	210,585	88,603
Interest on subordinated debt	237,832	200,708	-
Interest on debt securities issued	174,422	18,930	-
Interest on repurchase transactions	92,861	24,982	-
Other interest	31,024	988	44
Total interest expense	4,205,353	2,610,795	1,056,397
Net interest income before provision for loan losses	**2,767,351**	**1,681,430**	**717,061**

5. PROVISIONS FOR LOSSES AND OTHER PROVISIONS

The movements in allowance for losses were as follows:

	Interest earning assets		Provisions for losses on other assets		
	Advances to Banks	Loans and advances to customers	Other assets	Guarantees and other commitments	Total
31 December 2001	-	728,786	1,964	36,191	766,941
Provision for the year	-	235,013	7,132	55	242,200
Assets written off		(173,764)	(9,024)	-	(182,788)
31 December 2002	-	790,035	72	36,246	826,353
Provisions/(Recoveries) for the year	532	1,087,656	22,352	(16,000)	1,094,540
Assets written off	-	(246,886)	(1,015)	-	(247,901)
31 December 2003	532	1,630,805	21,409	20,246	1,672,992
Provisions for the year	-	1,308,020	2,000	25,866	1,335,886
Assets written off	(532)	(332,867)	(169)	-	(333,568)
31 December 2004	-	2,605,958	23,240	46,112	2,675,310

Allowances for losses on assets are deductible from related assets, allowances for losses on guarantees and other commitments are recorded in other liabilities.

6. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
Fee and commission income:			
Documentary operations	321,199	174,022	27,495
Cash operations	292,722	149,188	1,814
Loans to customers	254,194	77,040	13,158
Settlements	242,184	134,846	87,053
Foreign exchange operations	143,948	57,758	8,800
Trust operations	58,247	14,604	68
Other operations	67,942	8,330	5,625
Total fee and commission income	**1,380,436**	**615,788**	**144,013**
Fee and commission expense:			
Settlements	92,366	40,292	8,526
Operations with securities	9,968	6,961	2,238
Foreign exchange operations	4,136	12,700	23,038
Other operations	6,649	1,974	-
Total fee and commission expense	**113,119**	**61,927**	**33,802**

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
Dealing, net	202,967	119,455	97,986
Translation differences, net	(157,174)	115,390	(28,415)
Total net gain on foreign exchange operations	**45,793**	**234,845**	**69,571**

8. OTHER INCOME

Other income includes mainly imposition of fines and penalties.

9. OPERATING EXPENSES

	Year ended 31 December 2004 KZT'000	Year ended 31 December 2003 KZT'000	Year ended 31 December 2002 KZT'000
Staff costs	771,675	433,111	224,963
Advertising and marketing expenses	395,991	275,378	126,570
Taxes, other than income tax	224,741	185,199	94,624
Depreciation and amortization	154,870	66,615	34,444
Expenses on rent	123,380	55,152	47,522
Telecommunication expenses	61,109	45,263	12,930
Business trip and related expenses	57,066	38,804	20,712
Consulting	46,777	22,365	-
Buildings maintenance	33,582	38,914	-
Repair and maintenance	32,052	11,930	6,866
Legal services expenses	25,548	29,997	-
Security service	24,645	18,572	9,289
Charity	-	17,585	8,796
Cash collection	21,573	16,814	5,543
Expenses on insurance	19,349	14,855	-
Transportation costs	16,590	14,400	10,113
Stationery	14,157	8,268	-
Information services	13,787	15,221	-
Maintenance of computers and copy machines	10,985	10,006	-
Postal services	7,360	4,611	-
Membership fees	-	4,939	24,151
Other	27,099	35,220	40,217
	2,082,336	**1,363,219**	**666,740**

10. INCOME TAX

The Bank provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2004, 2003 and 2002 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences at 31 December 2004, 2003 and 2002 were as follows:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Deferred tax assets:			
Accrued interests on loans, written off	148,443	-	-
Loans and advances to banks and customers	-	121,903	372,350
Total deferred assets	148,443	121,903	372,350
Deferred tax liabilities:			
Fixed assets and intangibles, net	(114,398)	(219,537)	(154,507)
Total deferred liabilities	(114,398)	(219,537)	(154,507)
Net deferred assets/(liabilities)	34,319	(97,634)	217,843
Deferred tax assets/(liabilities) at the statutory rate (30%)	10,213	(29,290)	65,353
Valuation allowance	(10,213)	-	(65,353)
Net deferred tax assets/(liabilities)	**-**	**(29,290)**	**-**

Relationships between tax expenses and accounting profit for the years ended 31 December 2004, 2003 and 2002 are explained as follows:

	Year ended 31 December 2004 KZT'000	**Year ended 31 December 2003** KZT'000	**Year ended 31 December 2002** KZT'000
Profit before income tax	860,603	236,840	92,665
Statutory tax rate	30%	30%	30%
Tax at the statutory rate	258,181	71,052	27,800
Tax effect of permanent differences	(218,678)	(136,405)	13,346
Change in deferred tax asset/(liability)	(39,503)	94,643	41,146
Income tax expense	-	29,290	78,866
Current income tax expense	-	-	78,866
Deferred income tax (benefit)/expense	-	29,290	-
Income tax expense	**-**	**29,290**	**78,866**

	31 December 2004 KZT'000	**31 December 2003** KZT'000	**31 December 2002** KZT'000
Deferred income tax (liabilities)/assets			
At beginning of the period	(29,290)	65,353	106,499
Change of the deferred income tax for the period	29,290	(94,643)	(106,499)
At end of the period	**10,213**	**(29,290)**	**65,353**

Income tax assets and liabilities consist of the following:

	2004 KZT'000	**2003** KZT'000	**2002** KZT'000
Current income tax assets/(liabilities)	116,403	72,743	(31,102)
Deferred income liabilities	-	(29,290)	-
Income tax assets/(liabilities)	116,403	43,453	(31,102)

11. EARNINGS PER SHARE

	Year ended 31 December 2004 KZT'000	**Year ended 31 December 2003** KZT'000	**Year ended 31 December 2002** KZT'000
Income:			
Net profit for the year	860,603	207,550	13,799
Less:			
Dividends on preference shares	60,000	-	-
Income less dividends on preference shares	800,603	207,550	13,799
Weighted average number of ordinary shares for basic and diluted earnings per share (pieces)	466,556	326,708	145,275
Earnings per share – basic and diluted (KZT)	1,715.98	635.28	94.99

12. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Cash in vault	2,244,763	1,424,323	592,074
Balance with the NBRK	17,386,721	953,962	136,700
Total cash and balances with the NBRK	**19,631,484**	**2,378,285**	**728,774**

Minimum reserves are determined as a percentage from deposits in accordance with the requirements of the NBRK. As of 31 December 2004, 2003 and 2002, the Bank was in compliance with the NBRK requirements by maintaining the specified cash on hand balances and balances in the correspondent accounts with the NBRK. Thus, the Bank was able to use the amounts.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631,484	2,378,285	728,774
Precious metals	1,866	670	-
Advances to banks in OECD countries	815,687	1,591,076	242,706
Total cash and cash equivalents	**20,449,037**	**3,970,031**	**971,480**

13. ADVANCES TO BANKS

Advances to banks comprise:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Advances to banks	891,672	2,239,729	966,026
Accrued interest income on loans and advances to banks	302	2,454	5,368
	891,974	2,242,183	971,394
Less allowance for advances losses	-	(532)	-
Total advances to banks, net	**891,974**	**2,241,651**	**971,394**

Movements in allowances for advances losses for the years ended 31 December 2004, 2003 and 2002 are disclosed in Note 5.

14. SECURITIES HELD-FOR-TRADING

	Interest to nominal %	31 December 2004 KZT'000	Interest to nominal %	31 December 2003 KZT'000	Interest to nominal %	31 December 2002 KZT'000
Notes of NBRK	5%	25,728,482	5%	1,316,046	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6-8%	3,523,106	6%	248,427	-	-
Euronotes of RK 7th emission	11-13%	506,308	-	-	-	-
Kaz Int B.V	9%	442,879	-	-	-	-
Halyk Bank bonds	5-12%	373,885	-	-	-	-
TexacaBank bonds	11%	224,275	-	-	-	-
Bank CenterCredit bonds	9%	155,733	-	-	-	-
KazPost bonds	8%	151,350	-	-	-	-
TuranAlemFinance B.V.	10%	146,686	-	-	-	-
KazTransCom bonds	8%	71,516	-	-	-	-
Total trading securities		**31,324,220**		**1,564,473**		**-**

As of 31 December 2004, 2003 and 2002 included in securities held-for-trading was accrued interest income on debt securities amounting to KZT 82,792 thousand, KZT 2,176 thousand and KZT nil, respectively.

As of 31 December 2004 securities held-for-trading included notes of NBRK pledged under repurchase agreements with other banks amounting to KZT 16,341,988 thousand. All agreements have maturity within 3 months.

As of 31 December 2003 securities held-for-trading included notes of NBRK and bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreements with other banks amounting to KZT 1,131,451 thousand. All agreements have maturity within 3 months.

15. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As of 31 December 2004, 2003 and 2002 the Bank purchased the following securities:

	31 December 2004 KZT'000	**31 December 2003** KZT'000	**31 December 2002** KZT'000
Bonds of the Ministry of finance of the Republic of Kazakhstan	5,045,330	-	-
Notes of NBRK	1,306,001	-	150,000
Kaztranscom bonds	70,000	-	-
Texakabank bonds	-	325,986	-
Corporation Ordabasi bonds	-	50,016	279,000
RG Brands bonds	-	25,009	-
Ordinary shares of Bank TuranAlem	-	-	44,909
Ordinary shares of Corporation Kazakhmys	-	-	33,913
Total securities purchased under agreements to resell	**6,421,331**	**401,011**	**507,822**

As of 31 December 2004, 2003, 2002 included in securities purchased under agreements to resell is accrued interest income amounting to KZT 1,325 thousand, KZT 132 thousand and KZT nil, respectively. The carrying amount of securities approximates to the market value.

16. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprise:

	31 December 2004 KZT'000	**31 December 2003** KZT'000	**31 December 2002** KZT'000
Originated loans	54,675,614	31,638,615	15,465,642
Accrued interest income on loans and advances to customers	1,238,933	662,127	318,096
	55,914,547	32,300,742	15,783,738
Less allowance for loan losses	(2,605,958)	(1,630,805)	(790,035)
Total loans and advances to customers, net	**53,308,589**	**30,669,937**	**14,993,703**
Analysis by collateral:			
Loans collateralized by real estate	33,894,532	12,677,814	4,542,107
Loans collateralized by guarantees	4,364,328	1,938,606	1,790,183
Loans collateralized by transport vehicles	3,251,823	2,733,914	-
Loans collateralized by goods	3,250,776	3,518,336	1,960,237
Loans collateralized by liquid securities	2,349,151	2,852,505	1,489,415
Loans collateralized by equipment	2,231,005	4,732,731	2,133,552
Loans collateralized by deposits	1,319,379	2,162,544	2,943,832
Other	5,253,553	1,684,292	924,412
	55,914,547	32,300,742	15,783,738
Less allowance for loan losses	(2,605,958)	(1,630,805)	(790,035)
Total loans and advances to customers, net	**53,308,589**	**30,669,937**	**14,993,703**

Movements in allowances for loan losses for the years ended 31 December 2004, 2003 and 2002 are disclosed in Note 5.

As of 31 December 2004, 2003 and 2002 the Bank had loans to customers 16 and 17 totaling KZT 9,831,391 thousand and KZT 5,093,412 thousand, respectively, balance of each individually exceeded 10% of the Bank's equity. As of 31 December 2004 the Bank did not have any loans, which individually exceeded 10% of the Bank's equity.

As of 31 December 2004, 2003 and 2002 included in loans and advances to customers are non-accrual loans amounting to KZT 1,616,631 thousand, KZT 1,277,840 thousand and KZT 380,228 thousand, respectively.

As of 31 December 2004, 2003 and 2002 the Bank had loans totaling KZT 40,899,099 thousand, KZT 25,849,736 thousand and KZT 10,872,605 thousand, respectively, which represent significant geographical concentration in Almaty forming 73%, 80% and 69% of the loan portfolio, respectively.

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Analysis by sector:			
Wholesale	11,302,005	8,872,192	7,495,577
Consumer loans	9,517,444	2,965,573	1,266,058
Construction	8,174,045	2,403,788	457,350
Population related services	3,526,952	2,154,755	989,644
Real estate operations	3,066,551	1,659,744	320,727
Finance services	3,025,224	1,059,388	698,983
Food	2,333,149	2,064,852	1,445,208
Agriculture	2,174,898	1,734,856	675,766
Coal mining	2,005,035	882,669	317,463
ransportation	1,878,385	929,031	570,350
Retail	1,483,375	1,400,309	621,244
Paper manufacturing	1,347,334	1,553,417	172,745
Entertainment and recreational activities	1,155,436	384,294	-
Chemical industry	748,470	633,561	-
Production of metal goods	337,719	146,874	-
Heavy industry	273,459	736,911	-
Mail and Communications	111,432	546,404	-
Publications	72,752	358,055	-
Metallurgy industry	29,029	156,248	-
Services related to oil and gas extraction	16,546	147,586	330,209
Other	3,335,307	1,510,235	422,414
	55,914,547	32,300,742	15,783,738
Less allowance for loan losses	(2,605,958)	(1,630,805)	(790,035)
Total loans and advances to customers, net	**53,308,589**	**30,669,937**	**14,993,703**

17. INVESTMENT SECURITIES

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Securities available-for-sale	5,466,947	4,903,878	1,339,333
Securities held-to-maturity	1,259,762	6,884,316	2,536,628
Total investment securities	**6,726,709**	**11,788,194**	**3,875,961**

Securities available-for-sale comprise:

	Interest to nominal %	31 December 2004 KZT'000	Interest to nominal %	31 December 2003 KZT'000	Interest to nominal %	31 December 2002 KZT'000
Debt securities available-for-sale						
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.1-6.5	1,950,128	6.5	58,090	-	-
Euronotes of RK of 7th emission	11.13	1,558,814	11.13	1,868,433	11.13	928,381
Nurbank bonds	8-9	493,743	9	194,743	-	-
Bank CenterCredit bonds	12.80	310,184	12.10	440,022	-	-
RG Brand bonds	10	270,685	10	266,756	-	-
Kazakhstan Mortgage Company bonds of 2rd emission	8.70	256,853	7.70	190,056	-	-
Kazakhstan Mortgage Company bonds of 3rd emission	9.50	170,819	8.30	198,696	-	-
Kazakhstan Mortgage Company bonds of 4th emission	8.20	168,615	-	-	-	-
Almaty Kus bonds	10	159,205	10	78,993	10	39,549
Development Bank of Kazakhstan bonds	8.50	42,066	8.50	144,970	8.50	154,082
ATF Bank bonds	9	28,206	9	35,082	-	-
Bank TuranAlem bonds	8	9,879	8	9,298	-	-
Euronotes of RK of 4th emission	-	-	13.63	728,475	-	-
ICA bonds	-	-	7.2	187,890	-	-
Vita bonds	-	-	14	263,174	-	-
Eurobonds of the Russian Federation	-	-	-	-	12.75	173,405
Equity securities available-for-sale	**Ownership interest %**		**Ownership interest %**		**Ownership interest %**	
JSC Bank CenterCredit	-	-	0.04	200,000	-	23,916
JSC Alliance Policy	9	27,000	9	27,000	-	-
JSC Processing Center	1.37	10,000	1.37	10,000	1.37	10,000
JSC FK Alliance Capital	9	4,500	-	-	-	-
LLP First Credit Office	14.28	4,050	-	-	-	-
JSC Kazakhstan Stock Exchange	2.32	2,200	2.32	2,200	-	-
JSC Fund of customer loans guarantee	-	-	-	-	10	10,000
Total securities available-for-sale		**5,466,947**		**4,903,878**		**1,339,333**

As of 31 December 2004, 2003 and 2002 included in securities available-for-sale was accrued interest income on debt securities amounting to KZT 94,618 thousand, KZT 60,591 thousand nil, respectively.

As of 31 December 2004 securities available-for-sale included Bonds of Bank Center Credit pledged under repurchase agreement with other banks amounting to KZT 250,000 thousand. All agreements have maturity within 3 months.

Securities held-to-maturity comprise:

	Interest to nominal %	31 December 2004 KZT'000	Interest to nominal %	31 December 2003 KZT'000	Interest to nominal %	31 December 2002 KZT'000
Securities held-to-maturity						
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.1-8.3	821,775	6.3-8.3	3,336,069	7.4-8.3	1,719,053
Notes of NBRK	-	394,182	-	3,499,671	-	-
Astana municipal bonds	8.5	43,805	8.5	48,576	-	-
Eurobonds of the Russian Federation	-	-	-	-	10-11	790,565
Atyrau municipal bonds	-	-	-	-	8	27,010
Total securities held-to-maturity		**1,259,762**		**6,884,316**		**2,536,628**

As of 31 December 2004, 2003 and 2002 included in securities held-to-maturity was accrued interest income on debt securities amounting to KZT 10,022 thousand, KZT 49,133 thousand and KZT 32,616 thousand, respectively.

18. INVESTMENTS IN ASSOCIATE

The following enterprise is accounted for in the financial statements using the equity method:

Name	Country of incorporation	Ownership interest %	2004 KZT'000	Ownership interest %	2003 KZT'000	Ownership interest %	2002 KZT'000
Alliance Investment Management LLP	Kazakhstan	-	-	39	49,576	39	47,830
			-		**49,576**		**47,830**

In 2004 the Bank sold its shares in Alliance Investment Management LLP at their carrying amount.

19. FIXED AND INTANGIBLE ASSETS

	Land and building	Computers	Vehicles	CIP	Other	Intangible assets	Total
At cost							
At 31 December 2002	130,220	61,796	47,979	-	233,407	34,448	507,850
Additions	93,739	75,851	22,543	-	170,054	27,964	390,151
Revaluation	43,195	-	-	-	-	-	43,195
Disposals	(12,758)	(6,267)	(16,842)	-	(28,496)	(1,349)	(65,712)
At 31 December 2003	254,396	131,380	53,680	-	374,965	61,063	875,484
Additions	95,031	82,460	41,340	6,569	173,255	58,292	456,947
Transfers	10	(38,164)	30	-	38,124	-	-
Disposals	(12,123)	(13,816)	(5,305)	-	(6,764)	(2)	(38,010)
At 31 December 2004	337,314	161,860	89,745	6,569	579,580	119,353	1,294,421
Accumulated depreciation and amortization							
At 31 December 2002	18,478	22,679	8,883	-	22,266	3,393	75,699
Charge for the year	5,104	21,233	7,084	-	26,382	6,812	66,615
Disposals	(1,478)	(5,906)	(4,501)	-	(2,056)	(1,066)	(15,007)
At 31 December 2003	22,104	38,006	11,466	-	46,592	9,139	127,307
Charge for the year	10,616	27,716	10,663	-	89,943	15,932	154,870
Transfers	(2)	(9,492)	-	-	9,494	-	-
Disposals	(2,555)	(13,595)	(3,116)	-	(4,766)	(2)	(24,034)
At 31 December 2004	30,163	42,635	19,013	-	141,263	25,069	258,143
Net book value							
At 31 December 2002	**111,742**	**39,117**	**39,096**	**-**	**211,141**	**31,055**	**432,151**
At 31 December 2003	**232,292**	**93,374**	**42,214**	**-**	**328,373**	**51,924**	**748,177**
At 31 December 2004	**307,151**	**119,225**	**70,732**	**6,569**	**438,317**	**94,284**	**1,036,278**

20. OTHER ASSETS

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Prepayments and receivables	279,915	210,686	82,926
Current income tax receivable	116,403	72,743	-
Inventories	44,165	18,492	9,265
Debtors on capital investments	24,495	37,970	-
Other banking debtors	20,322	26,643	9,157
Accrued commission income	20,039	5,671	-
Other non-banking debtors	18,535	1,904	25,170
Debtors on guarantees	-	73,755	-
Taxes receivable, other than income tax	-	12,094	16,587
Accounts receivable from the sale of securities	-	-	100,103
Other	16,678	22,016	3,659
	540,552	481,974	246,867
Less allowance for losses	(23,240)	(21,409)	(72)
	517,312	**460,565**	**246,795**

Prepayments and receivables on other transactions comprise mainly of prepayments of interest on deposits from Banks of KZT 120,821 thousand as of 31 December 2004, for advertising services of CJSC Eurasian plus ORT of KZT 56,376 thousand as of 31 December 2003 and prepayment for lease of KZT 22,265 thousand as of 31 December 2002.

Movements in allowances for losses for the years ended 31 December 2004, 2003 and 2002 are disclosed in Note 5.

21. DUE TO THE BUDGET OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Due to the Ministry of Finance in relation to ADB loan	228,918	437,913	575,791
Due to regional budgets	50,017	88,276	125,899
Due to the State budget	-	2,630	19,750
Accrued loan expenses	4,807	8,815	1,497
	283,742	**537,634**	**722,937**

The Bank participated in various lending programs financed from local budgets. As of 31 December 2004, 2003 and 2002, the amount due to regional budgets comprised:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Ust-Kamenogorsk branch	37,586	50,057	49,797
Petropavlovsk branch	5,891	26,394	12,274
Pavlodar branch	4,048	10,098	49,791
Ekibastuz branch	492	1,727	3,537
Semipalatinsk branch	2,000	-	10,500
	50,017	**88,276**	**125,899**

22. LOANS AND DEPOSITS FROM BANKS

Deposits from banks comprise:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Short-term loans from banks	5,950,778	2,512,900	1,323,980
Time deposits from banks	3,439,652	1,386,317	854,537
	9,390,430	3,899,217	2,178,517
Accrued interest expense on deposits from banks	72,639	32,275	28,940
Total loans and deposits from banks	**9,463,069**	**3,931,492**	**2,207,457**

As of 31 December 2004 the Bank had a short-term syndicated loan from a group of banks from several European countries and Canada of USD 23,500 thousand with interest of 3 months LIBOR plus 3%. The loan exceeded 10% of the Bank's equity. As of 31 December 2003 and 2002 there were not any loans from banks which individually exceeded 10% of the Bank's equity.

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Notes of NBRK	16,341,988	931,450	-
Bank CenterCredit bonds	250,000	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	200,001	-
	16,591,988	**1,131,451**	**-**

As of 31 December 2004, 2003 and 2002 included in securities sold under agreements to repurchase was accrued interest expense amounting to KZT 1,987 thousand, KZT 1,450 thousand and KZT nil, respectively. The carrying amount of securities sold under agreements to repurchase approximates their the market value.

24. CUSTOMER ACCOUNTS

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Time deposits	49,451,049	28,376,336	13,301,375
Deposit on demand	14,427,487	5,400,980	2,227,319
Guarantee deposits	3,051,199	2,407,104	893,874
Accrued interest expense on customer accounts	524,042	612,472	486,410
	67,453,777	**36,796,892**	**16,908,978**

As of 31 December 2004, 2003 and 2002, 10 customers approximated 32%, 37% and 50% of total customer accounts, respectively, which represents significant concentration.

Analysis of customer accounts by industry:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Private sector	21,255,455	11,831,688	9,638,355
Finance services	10,185,509	12,163,448	3,628,079
Trade	7,473,114	323,411	1,515,011
Agriculture	6,081,001	1,473,825	68,752
Other services	5,926,617	-	-
Transport and communication	5,262,877	5,663,772	394,012
State administration	4,536,471	-	-
Construction	2,115,742	1,704,285	424,735
Fuel	1,727,796	2,667	580
Consumer food production	551,056	-	-
Metallurgy	542,916	885,770	509,523
Education	446,757	839,952	413,941
Food production	207,096	499,420	127,875
Chemical industry	149,711	-	2
Machine building	58,232	-	116,484
Real estate	41,391	12,752	571
Health care and social services	28,283	558,778	25,399
Other	863,753	837,124	45,659
Total customer accounts	**67,453,777**	**36,796,892**	**16,908,978**

25. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Bonds	1,970,239	295,969	-
Accrued interest expense on debt securities issued	28,333	-	-
	1,998,572	295,969	-
Subordinated bonds	3,847,131	2,678,252	-
Accrued interest expense on subordinated bonds	25,745	9,163	-
	3,872,876	2,687,415	-
	5,871,448	**2,983,384**	**-**

In May 2003 the Bank issued 3 billion coupon subordinated bonds with a face value of KZT 1 each. The bonds were issued with a discount amounting to KZT 94,397 thousand. The interest rate on these bonds is 8.5% per annum, with a circulation period of 7 years.

In October 2003 the Bank issued 2 billion coupon bonds with a face value of KZT 1 each. As of 31 December 2003 the bonds of KZT 303,400 thousand were partially placed with a discount amounting to KZT 7,561 thousand. During 2004 the bonds were fully placed with a total discount of KZT 47,502 thousand. The interest rate on these bonds is 8.5% per annum, with a circulation period of 3 years.

In October 2004 the Bank issued 3 billion coupon subordinated bonds with a face value of KZT 1 each. As of 31 December 2004 the bonds were partially placed in the amount of 1,483 million bonds with a discount amounting to KZT 69,233 thousand. The interest rate on these bonds is 9% per annum, with a circulation period of 7 years.

The discount on the bonds is amortized over the life of the bond and is recorded in interest expense on debt securities issued using the straight-line interest rate method.

26. OTHER LIABILITIES

	31 December 2004 KZT'000	31 December 2003 KZT'000	31 December 2002 KZT'000
Allowance for guarantees and other commitments	46,112	20,246	36,246
Taxes payable, other than income tax	37,554	-	15,567
Other non-banking creditors	32,242	7,102	-
Other prepayments	16,333	5,749	11,918
Other banking creditors	10,950	38,248	20,445
Accrued commission expenses	3,091	1,307	-
Due to employees	1,375	1,827	-
Prepayment on documentary settlements	-	71,386	-
Income tax payable	-	29,290	31,102
Other transit accounts	-	16,816	-
	147,657	**191,971**	**115,278**

Movements in allowances for advances losses for the years ended 31 December 2004, 2003 and 2002 are disclosed in Note 5.

27. SHARE CAPITAL

As of 31 December 2004 the Bank's share capital comprised the following:

	Authorized share capital KZT'000	Unissued and unpaid share capital KZT'000	Treasury shares KZT'000	Share premium KZT'000	Total share capital KZT'000
Ordinary shares	27,500,000	(12,881,290)	(129,550)	5,182	14,494,342
Preference shares	500,000	-	-	-	500,000
	28,000,000	**(12,881,290)**	**(129,550)**	**5,182**	**14,994,342**

As of 31 December 2003 the Bank's share capital comprised the following:

	Authorized share capital KZT'000	Unissued and unpaid share capital KZT'000	Total share capital KZT'000
Ordinary shares	4,000,000	(425,000)	3,575,000
Preference shares	-	-	-
	4,000,000	**(425,000)**	**3,575,000**

As of 31 December 2002 the Bank's share capital comprised the following:

	Authorized share capital KZT'000	Unissued and unpaid share capital KZT'000	Total share capital KZT'000
Ordinary shares	2,000,000	(54,190)	1,945,810
Preference shares	-	-	-
	2,000,000	**(54,190)**	**1,945,810**

Ordinary shares: As of 31 December 2004 2,750,000 shares were authorized, 1,461,871 shares were issued and fully paid, 12,955 shares were repurchased with value of KZT 9,600. As of 31 December 2003 400,000 shares were authorized, 357,500 shares were issued and fully paid. As of 31 December 2002 200,000 shares were authorized, 194,581 shares were issued and fully paid. All ordinary shares are with par value of KZT 10,000 and carry one vote.

Preference shares: As of 31 December 2004 50,000 shares were authorized, issued and fully paid with par value of KZT 10,000 each with dividend of 12% per share. As of 31 December 2003 and 2002 the Bank did not issue preference shares. All preference shares carry one vote.

28. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance sheet operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2004, 2003 and 2002, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2004		31 December 2003		31 December 2002	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Guarantees issued and similar commitments	4,445,492	4,445,492	1,772,337	1,772,337	1,117,977	945,950
Letters of credit	694,039	326,039	60,065	8,834	-	-

As of 31 December 2004, 2003 and 2002, guarantees and similar commitments issued of KZT 508,821 thousand, KZT 28,989 thousand and KZT nil, respectively, were secured by cash deposited at customer accounts.

As of 31 December 2004, 2003 and 2002, standby letters of credit of KZT 41,962 thousand, KZT 42,397 thousand and KZT nil, respectively, were secured by cash deposited at customer accounts.

The Bank has made a provision of KZT 46,112 thousand, KZT 20,246 thousand and KZT 36,246 thousand against commitments under guarantees issued as of 31 December 2004, 2003 and 2002, respectively.

29. FINANCIAL COMMITMENTS AND CONTINGENCIES

Capital commitments

The Bank had no material capital commitments outstanding as of 31 December 2004.

Operating leases

The Bank's future minimum rental payments under non-cancelable operating leases of buildings for the next 5 years as of 31 December 2004 are presented in the table below:

	KZT'000
2005	190,671
2006	180,549
2007	179,408
2008	178,217
2009	177,643

Operating environment

The Bank's principal activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to frequent changes and the Bank's assets and operations could be at a risk due to negative changes in the political and business environment.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Bank may be assessed additional taxes, penalties and interest. The Bank's management believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Insurance

In 2002, the Bank joined the Kazakhstani Customer Loans Insurance Fund and obtained an insurance coverage for the deposits received from individuals.

30. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 "Related Party Disclosure", are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);

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

(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

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

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major Shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties as of 31 December 2004, 2003 and 2002:

	31 December 2004 KZT'000		31 December 2003 KZT'000		31 December 2002 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Loans and advances to customers, gross	373,674	55,914,547	751,861	32,300,742	2,400,725	15,783,738
Allowance for losses on loans and advances to customers	21,320	2,605,958	1,830	1,630,805	29,195	790,035

During the years ended 31 December 2004, 2003 and 2002 the Bank originated loans and advances to customers - related parties amounting to KZT 240,997 thousand, KZT 291,376 thousand and KZT 2,004,635 thousand, respectively, and received loans and advances repaid of KZT 619,184 thousand, KZT 1,940,240 thousand and KZT 460,513 thousand, respectively. The Bank has interest income accrued in respect of loans and advances granted to related parties totaling KZT 3,599 thousand, KZT 4,837 thousand and KZT 55,984 thousand, respectively, as of 31 December 2004, 2003 and 2002.

Included in the profit and loss account for the years ended 31 December 2004, 2003 and 2002 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2004 KZT'000		Year ended 31 December 2003 KZT'000		Year ended 31 December 2002 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income						
- related companies	14,973		9,232		100,623	
- directors	5,906		8,619		3,636	
	20,879	6,972,704	17,851	4,292,225	104,259	1,773,458
Interest expense						
- related companies	2,069		6,256		99,544	
- directors	4,238		5,866		2,322	
	6,307	4,205,353	12,122	2,610,795	101,866	1,056,397
Fee and commission income						
- related companies	300		200		114	
	300	1,380,436	200	615,788	114	144,013
Operating expense						
- directors	44,285		35,490		20,440	
	44,285	2,082,336	35,490	1,363,219	20,440	666,740

Transactions with related parties entered into by the Bank during the years ended 31 December 2004, 2003 and 2002 and outstanding as of 31 December 2004, 2003 and 2002 were made in the normal course of business and mostly under arm-length conditions.

31. PENSIONS AND RETIREMENT PLANS

In accordance with the Law of the Republic of Kazakhstan "Pension provisioning in the Republic of Kazakhstan" acting from 1 January 1998, and replacing the previous solidarity system of pension provisioning for accumulating system, all employees have the right to receive guaranteed pension benefits if they have a working time record as of 1 January 1998, in proportion to their accumulated working time record. They also have the right to receive pension payments from accumulating pension funds from the individual pension accumulations accounts provided by compulsory pension contributions of 10% from income.

As of 31 December 2004, 2003 and 2002 the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank’s financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2004, 2003 and 2002 the following methods and assumptions were used by the Bank to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the National Bank of the Republic of Kazakhstan

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Advances to banks

As of 31 December 2004, 2003 and 2002, the carrying amount of advances of bank given is a reasonable estimate of fair value.

Loans and advances to customers

The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for loan losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities held-for-trading

As of 31 December 2004, 2003 and 2002 securities held-for-trading are stated at fair value. Fair value of securities held-for-trading was determined with reference to an active market.

Securities purchased under agreements to resell

As of 31 December 2004, 2003 and 2002 the carrying amount of securities purchased under agreements to resell is reasonable estimate of the fair value.

Securities available-for-sale

As of 31 December 2004, 2003 and 2002 securities available-for-sale are stated at fair value. Fair value of securities available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities, the carrying value is an amortized cost approximated to fair value.

Securities held-to-maturity

Securities held-to-maturity are stated at cost and adjusted for amortization of premiums and discounts, respectively, less any allowance for impairment. The fair value of securities held-to-maturity as of 31 December 2004, 2003 and 2002 was KZT 1,263,661 thousand, KZT 6,892,165 thousand and KZT 2,536,628 thousand, respectively. Fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Due to the budget of the Republic of Kazakhstan

As of 31 December 2004, 2003 and 2002 the carrying amount is a reasonable estimate of their fair value.

Loans and deposits from banks

As of 31 December 2004, 2003 and 2002 the carrying amount is a reasonable estimate of their fair value.

Securities sold under agreements to repurchase

As of 31 December 2004, 2003 and 2002 the fair value of securities sold under agreements to repurchase amounting to their carrying amount.

Customer accounts

As of 31 December 2004, 2003 and 2002 the carrying amount of time deposits and current accounts of the Bank customers is a reasonable estimate of their fair value.

Debt securities issued

Debt securities issued are stated at cost, adjusted for amortization of premium and discounts, which approximates their fair value.

33. SUBSEQUENT EVENTS

As of 31 January 2005 subordinated bonds, authorized in October, 2004 with the total amount of KZT 3,000,000 thousand, were fully placed with a total discount of KZT 180,818 thousand.

As of 18 February 2005 the Bank declared and paid dividends on preference shares for the year 2004 at the rate of 12% per face value of the shares. The total amount of dividends, paid, is KZT 60,000 thousand.

In January 2005 the Bank opened two new branches in the Republic of Kazakhstan.

34. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Bank's provisions for the principal risks on condition that the general provision for losses does not exceed 1.25% of the risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	**Description of position**
0%	Cash and balances with the National Bank of the Republic of Kazakhstan
0%	State debt securities in KZT
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
0%	Standby letters of credit secured by customer funds
50%	Other standby letters of credit and other transaction related contingent obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Guarantees issued and similar commitments

The Bank actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual Amount KZT'000	For Capital Adequacy purposes KZT'000	Ratio For Capital Adequacy purposes %	Minimum Required Ratio %
As of 31 December 2004				
Total capital	15,988,082	20,337,734	28	12
Tier 1 capital	15,436,484	15,436,484	21	6
As of 31 December 2003				
Total capital	3,729,715	5,937,799	16	12
Tier 1 capital	3,653,761	3,653,761	7	6
As of 31 December 2002				
Total capital	1,849,780	2,215,470	12	12
Tier 1 capital	1,818,725	1,818,725	8	6

As of 31 December 2004 the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. The debt matures in 7 years and bears an interest rate of 8.5-9% per annum. In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

35. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Banks' operations. The main risks inherent to the Bank operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Management Department performs determination of the optimal structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Management Department performs monitoring of liquidity ratios.

The following table presents an analysis of interest rate risk and liquidity risk on balance sheet. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	Up to 1 month KZT'000	1 month to 3 months KZT'000	3 months to 1 year KZT'000	1 year to 5 years KZT'000	Over 5 years KZT'000	Maturity undefined (incl. allowance for losses) KZT'000	2004 Total KZT'000
ASSETS							
Loans and advances to banks, less allowance for loan losses	891,672	-	-	-	-	-	891,672
Securities held-for trading	25,119,582	6,121,846	-	-	-	-	31,241,428
Securities purchased under agreements to resell	6,420,006	-	-	-	-	-	6,420,006
Loans and advances to customers, less allowance for loan losses	2,432,303	4,878,634	10,824,531	30,284,191	4,639,324	(1,818,301)	51,240,682
Investment securities:							
- securities available-for-sale	-	2,731,969	2,592,610	-	-	-	5,324,579
- securities held-to-maturity	-	-	794,182	455,558	-	-	1,249,740
Total interest bearing assets	**34,863,563**	**13,732,449**	**14,211,323**	**30,739,749**	**4,639,324**	**(1,818,301)**	**96,368,107**
Cash and balances with the NBRK	19,631,484	-	-	-	-	-	19,631,484
Precious metals	1,866	-	-	-	-	-	1,866
Loans and advances to customers, less allowance for loan losses	6,552	129,875	260,700	1,175,199	44,305	(787,657)	828,974
Securities available-for-sale	-	-	47,750	-	-	-	47,750
Fixed and intangible assets, less accumulated depreciation and amortisation	-	39,682	99,205	590,240	307,151	-	1,036,278
Other assets, less allowance for losses	63,278	20,999	431,780	24,495	-	(23,240)	517,312
Interest accrued on interest bearing assets	642,597	571,197	214,198	-	-	-	1,427,992
	20,345,777	761,753	1,053,633	1,789,934	351,456	(810,897)	23,491,656
TOTAL ASSETS	**55,209,340**	**14,494,202**	**15,264,956**	**32,529,683**	**4,990,780**	**(2,629,198)**	**119,859,763**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	1,559	54,509	222,867	-	-	278,935
Deposits from banks	3,265,522	1,173,045	4,761,350	190,513	-	-	9,390,430
Deposits from NBRK	-	4,000,000	-	-	-	-	4,000,000
Securities sold under agreements to repurchase	16,590,001	-	-	-	-	-	16,590,001
Debt securities issued	-	-	-	1,970,239	-	-	1,970,239
Customer accounts	14,633,988	5,807,716	22,441,673	16,553,375	44,023	-	59,480,775
	34,489,511	10,982,320	27,257,532	18,936,994	44,023	-	91,710,380
Subordinated debt	-	-	-	2,433,177	1,413,954	-	3,847,131
Total interest bearing liabilities	34,489,511	10,982,320	27,257,532	21,370,171	1,457,977	-	95,557,511
Customer accounts	7,448,960	-	-	-	-	-	7,448,960
Dividends payable	60,000	-	-	-	-	-	60,000
Other liabilities	40,645	1,375	44,575	14,950	-	46,112	147,657
Interest accrued on interest bearing liabilities	526,042	131,511	-	-	-	-	657,553
TOTAL LIABILITIES	**42,565,158**	**11,115,206**	**27,302,107**	**21,385,121**	**1,457,977**	**46,112**	**103,871,681**
Interest sensitivity gap	374,052	2,750,129	(13,046,209)	9,369,578	3,181,347		
Cumulative interest sensitivity gap	374,052	3,124,181	(9,922,028)	(552,450)	2,628,897		
Cumulative interest sensitivity gap as a percentage of total assets	0.31%	2.61%	(8.28%)	(0.46%)	2.19%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (incl. allowance for losses)	2003 Total
ASSETS							
Loans and advances to banks, less allowance for loan losses	2,086,928	-	142,743	-	10,058	(532)	2,239,197
Securities held-for-trading	1,562,297	-	-	-	-	-	1,562,297
Securities purchased under agreements to resell	400,879	-	-	-	-	-	400,879
Loans and advances to customers, less allowance for loan losses	3,459,460	1,699,111	11,648,619	12,531,261	1,022,324	(1,045,726)	29,315,049
Securities available-for-sale	-	-	1,164,390	2,420,212	1,019,485	-	4,604,087
Securities held-to-maturity	-	-	5,039,490	1,290,080	505,613	-	6,835,183
Total interest bearing assets	7,509,564	1,699,111	17,995,242	16,241,553	2,557,480	(1,046,258)	44,956,692
Cash and balances with the NBRK	2,378,285	-	-	-	-	-	2,378,285
Precious metals	670	-	-	-	-	-	670
Loans and advances to customers, less allowance for loan losses	66,707	82,558	617,007	491,660	19,908	(585,079)	692,761
Investment in associated companies	-	-	-	-	49,576	-	49,576
Securities available-for-sale	-	-	-	-	239,200	-	239,200
Fixed and intangible assets, less accumulated depreciation and amortisation	-	56,752	141,880	317,253	232,292	-	748,177
Other assets, less allowance for losses	434,813	2,652	44,509	-	-	(21,409)	460,565
Interest accrued on interest bearing assets	81,941	38,566	312,326	306,989	36,791	-	776,613
	2,962,416	180,528	1,115,722	1,115,902	577,767	(606,488)	5,345,847
TOTAL ASSETS	**10,471,980**	**1,879,639**	**19,110,964**	**17,357,455**	**3,135,247**	**(1,652,746)**	**50,302,539**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	2,674	-	526,145	-	-	528,819
Deposits from the NBRK	-	-	1,000,000	-	-	-	1,000,000
Deposits from banks	413,103	563,723	2,890,086	32,305	-	-	3,899,217
Securities sold under agreements to repurchase	1,130,001	-	-	-	-	-	1,130,001
Debt securities issued	-	-	-	295,969	-	-	295,969
Customer accounts	7,297,244	7,779,084	12,298,174	3,614,808	97,041	-	31,086,351
	8,840,348	8,345,481	16,188,260	4,469,227	97,041	-	37,940,357
Subordinated debt	-	-	-	193,987	2,484,265	-	2,678,252
Total interest bearing liabilities	8,840,348	8,345,481	16,188,260	4,663,214	2,581,306	-	40,618,609
Customer accounts	1,196,388	1,275,681	2,017,229	593,164	15,607	-	5,098,069
Other liabilities	157,280	14,445	-	-	-	20,246	191,971
Interest accrued on interest bearing liabilities	145,703	156,730	270,069	82,510	9,163	-	664,175
TOTAL LIABILITIES	**10,339,719**	**9,792,337**	**18,475,558**	**5,338,888**	**2,606,076**	**20,246**	**46,572,824**
Interest sensitivity gap	(1,330,784)	(6,646,370)	1,806,982	11,578,339	(23,826)		
Cumulative interest sensitivity gap	(1,330,784)	(7,977,154)	(6,170,172)	5,408,167	5,384,341		
Cumulative interest sensitivity gap as a percentage of total assets	(3%)	(16%)	(12%)	11%	11%		

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Bank liquidity and its susceptibility to fluctuation of interest and exchange rates.

The Treasury Department performs management of interest rate risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Bank to avoid negative interest margin. Risk Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Bank previous experience indicate that these deposits is a stable and long-term source of finance for the Bank.

	2004	
	KZT %	USD %
ASSETS		
Advances to banks	-	-
Securities held-for-trading	7.16	5.33
Securities purchased under agreement to resell	5.56	-
Loans and advances to customers	14.00	12.25
Investment securities:		
- securities held-to-maturity	5.39	8.50
- securities available-for-sale	9.10	4.05
LIABILITIES		
Loans and deposits from banks and NBRK	6.97	3.94
Securities sold under agreements to repurchase	5.70	-
Customer accounts	9.70	7.35
Subordinated debt	9.32	9.10
Debt securities issued	9.30	-
Due to the budget	6.80	7.30

	2003	
	KZT %	USD %
ASSETS		
Advances to banks	-	3.58
Securities held-for-trading	6.3	-
Securities purchased under agreement to resell	7.1	-
Loans and advances to customers	15.1	15.3
Investment securities:		
- securities available-for-sale	9.5	11.6
- securities held-to-maturity	3.5	8.5
LIABILITIES		
Deposits from banks and NBRK	8	6.1
Securities sold under agreements to repurchase	5.1	-
Customer accounts	9.1	8.2
Subordinated debt	-	9
Debt securities issued	9.30	-
Due to the budget	6.80	7.30

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1= KZT 130.00	EURO EUR 1 = KZT 177.10	RUR RUR 1= KZT 4.67	Silver 1 ounce = KZT 881.40	Other currencies	Allowance for losses	2004 Total
ASSETS								
Cash and balances with the NBRK	18,535,802	821,797	204,101	69,164	-	620	-	19,631,484
Precious metals	-	-	-	-	1,866	-	-	1,866
Advances to banks	-	807,607	16,204	66,805	-	1,056	-	891,672
Securities held-for-trading	30,021,934	1,219,494	-	-	-	-	-	31,241,428
Securities purchased under agreements to resell	6,420,006	-	-	-	-	-	-	6,420,006
Loans and advances to customers, less allowance for loan losses	33,303,804	20,047,946	1,323,864	-	-	-	(2,605,958)	52,069,656
Investment securities:								-
- securities held-to-maturity	1,206,016	43,724	-	-	-	-	-	1,249,740
- securities available-for-sale	3,268,470	2,103,859	-	-	-	-	-	5,372,329
Investments in associated companies	-	-	-	-	-	-	-	-
Fixed and intangible assets, less accumulated depreciation and amortisation	1,036,278	-	-	-	-	-	-	1,036,278
Other assets, less allowance for losses	455,702	82,999	1,526	325	-	-	(23,240)	517,312
Interest accrued on interest bearing assets	1,018,772	285,137	123,889	194	-	-	-	1,427,992
TOTAL ASSETS	**95,266,784**	**25,412,563**	**1,669,584**	**136,488**	**1,866**	**1,676**	**(2,629,198)**	**119,859,763**
LIABILITIES								
Due to the budget of the Republic of Kazakhstan	21,142	257,793	-	-	-	-	-	278,935
Deposits from NBRK	4,000,000	-	-	-	-	-	-	4,000,000
Loans and deposits from banks	1,491,740	7,578,871	319,702	117	-	-	-	9,390,430
Securities sold under agreements to repurchase	16,590,001	-	-	-	-	-	-	16,590,001
Customer accounts	53,374,183	12,041,814	1,483,805	28,059	1,866	8	-	66,929,735
Debt securities issued	1,970,239	-	-	-	-	-	-	1,970,239
Dividends payable	60,000	-	-	-	-	-	-	60,000
Other liabilities	96,964	3,046	1,535	-	-	-	46,112	147,657
Subordinated debt	1,420,072	2,427,059	-	-	-	-	-	3,847,131
Interest accrued on interest bearing liabilities	329,654	324,144	3,755	-	-	-	-	657,553
TOTAL LIABILITIES	**79,353,995**	**22,632,727**	**1,808,797**	**28,176**	**1,866**	**8**	**46,112**	**103,871,681**
OPEN BALANCE SHEET POSITION	**15,912,789**	**2,779,836**	**(139,213)**	**108,312**	**-**	**1,668**		

	KZT	USD USD 1= KZT 144.22	EURO EUR 1 = KZT 180.23	RUR RUR 1 = KZT 4.93	Silver 1 ounce = KZT 860.27	Allowance for losses	2003 Total
ASSETS							
Cash and balances with the NBRK	1,738,614	556,224	51,645	31,802	-	-	2,378,285
Precious metals	-	-	-	-	670	-	670
Loans and advances to banks, less allowance for loan losses	303	1,820,067	390,000	29,359	-	(532)	2,239,197
Securities held-for-trading	1,562,297	-	-	-	-	-	1,562,297
Securities purchased under agreements to resell	400,879	-	-	-	-	-	400,879
Loans and advances to customers, less allowance for loan losses	22,963,755	8,624,236	50,624	-	-	(1,630,805)	30,007,810
Investment securities:							
- securities held-to-maturity	6,835,183	-	-	-	-	-	6,835,183
- securities available-for-sale	2,179,572	2,663,715	-	-	-	-	4,843,287
Investments in associated companies	49,576	-	-	-	-	-	49,576
Fixed and intangible assets, less accumulated depreciation and amortisation	748,177	-	-	-	-	-	748,177
Other assets, less allowance for losses	301,307	180,310	355	2	-	(21,409)	460,565
Interest accrued on interest bearing assets	573,491	201,771	1,345	6		-	776,613
TOTAL ASSETS	**37,353,154**	**14,046,323**	**493,969**	**61,169**	**670**	**(1,652,746)**	**50,302,539**
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	91,614	437,205	-	-	-	-	528,819
Deposit from the NBRK	1,000,000						1,000,000
Loans and deposits from banks	-	3,828,362	70,855	-	-	-	3,899,217
Securities sold under agreements to repurchase	1,130,001	-	-	-	-	-	1,130,001
Customer accounts	25,873,518	9,910,182	371,137	29,583	-	-	36,184,420
Debt securities issued							295,969
Other liabilities	171,725	-	-	-	-	20,246	191,971
Subordinated debt	147,482	2,826,739	-	-	-	-	2,678,252
Interest accrued on interest bearing liabilities	523,541	139,353	1,281	-	-	-	664,175
TOTAL LIABILITIES	**28,937,881**	**17,141,841**	**443,273**	**29,583**	**-**	**20,246**	**46,572,824**
OPEN BALANCE SHEET POSITION	**8,415,273**	**(3,095,518)**	**50,696**	**31,586**	**670**		

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations.

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan KZT'000	Other CIS countries KZT'000	OECD Countries KZT'000	Other non-OECD countries KZT'000	Allowance for losses KZT'000	2004 Total KZT'000
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631,484	-	-	-	-	19,631,484
Precious metals	-	-	1,866	-	-	1,866
Advances to banks	7,675	68,612	815,687	-	-	891,974
Securities held-for-trading	30,804,220	-	520,000	-	-	31,324,220
Securities purchased under agreements to resell	6,421,331	-	-	-	-	6,421,331
Loans and advances to customers, less allowance for loan losses	55,475,101	439,446	-	-	(2,605,958)	53,308,589
Investment securities:						
- securities held-to-maturity	1,259,762	-	-	-	-	1,259,762
- securities available-for-sale	5,466,947	-	-	-	-	5,466,947
Fixed and intangible assets, less accumulated depreciation and amortisation	1,036,278	-	-	-	-	1,036,278
Other assets, less allowance for losses	490,617	7,437	42,498	-	(23,240)	517,312
TOTAL ASSETS	**120,593,415**	**515,495**	**1,380,051**		**(2,629,198)**	**119,859,763**
LIABILITIES						
Due to the budget of the Republic of Kazakhstan	283,742	-	-	-	-	283,742
Deposits from NBRK	4,000,000	-	-	-	-	4,000,000
Loans and deposits from banks	5,059,796	65,000	4,319,442	18,831	-	9,463,069
Securities sold under agreements to repurchase	16,591,988	-	-	-	-	16,591,988
Customer accounts	66,307,990	131,075	991,835	22,877	-	67,453,777
Debt securities issued	1,998,572	-	-	-	-	1,998,572
Dividends payable	60,000	-	-	-	-	60,000
Other liabilities	101,545	-	-	-	46,112	147,657
Subordinated debt	3,872,876	-	-	-	-	3,872,876
TOTAL LIABILITIES	**98,276,509**	**196,075**	**5,311,277**	**41,708**	**46,112**	**103,871,681**
NET BALANCE SHEET POSITION	**22,316,906**	**319,420**	**(3,931,226)**	**(41,708)**	**(2,675,310)**	

	Kazakhstan KZT'000	Other CIS countries KZT'000	OECD Countries KZT'000	Other non-OECD countries KZT'000	Allowance for losses KZT'000	2003 Total KZT'000
ASSETS						
Cash and balances with the NBRK	2,378,285	-	-	-	-	2,378,285
Precious metals	-	-	670	-	-	670
Advances to banks, less allowance for loan losses	327,433	30,512	1,591,076	293,162	(532)	2,241,651
Securities held-for-trading	1,564,473	-	-	-	-	1,564,473
Securities purchased under agreement to resell	401,011	-	-	-	-	401,011
Loans and advances to customers, less allowance for loan losses	32,300,742	-	-	-	(1,630,805)	30,669,937
Investment securities:						
- securities held-to-maturity	6,884,316	-	-	-	-	6,884,316
- securities available-for-sale	4,903,878	-	-	-	-	4,903,878
Investment in associates	49,576	-	-	-	-	49,576
Fixed and intangible assets, less accumulated depreciation and amortisation	748,177	-	-	-	-	748,177
Other assets, less allowance for losses	481,974	-	-	-	(21,409)	460,565
TOTAL ASSETS	**50,039,865**	**30,512**	**1,591,746**	**293,162**	**(1,652,746)**	**50,302,539**
LIABILITIES						
Due to the budget of the Republic of Kazakhstan	537,634	-	-	-	-	537,634
Deposit from NBRK	1,000,000	-	-	-	-	1,000,000
Loans and deposits from banks	1,340,390	29,034	2,260,593	301,475	-	3,931,492
Securities sold under agreements to repurchase	1,131,451	-	-	-	-	1,131,451
Customer accounts	36,796,892	-	-	-	-	36,796,892
Other liabilities	171,725	-	-	-	20,246	191,971
Subordinated debt	2,983,384	-	-	-	-	2,983,384
TOTAL LIABILITIES	**43,961,476**	**29,034**	**2,260,593**	**301,475**	**20,246**	**46,572,824**
NET BALANCE SHEET POSITION	**6,078,389**	**1,478**	**(668,847)**	**(8,313)**		

REGISTERED OFFICE OF THE ISSUER

ALB Finance B.V.
Schouwburgplein 30-34
3012 CL Rotterdam
The Netherlands

REGISTERED OFFICE OF THE GUARANTOR

JSC Alliance Bank
80 Satpayev Street
Almaty 480046
Kazakhstan

PRINCIPAL PAYING AND TRANSFER AGENT

JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT
United Kingdom

TRUSTEE

J.P. Morgan Corporate Trustee Services Limited
Trinity Tower
9 Thomas More Street
London E1W 1YT
United Kingdom

REGISTRAR

J. P. Morgan Bank Luxembourg S.A.
6 route de Trèves
L-2633 Senningerberg
Luxembourg

LEGAL ADVISERS

To the Issuer as to Netherlands law:
NautaDutilh N.V.
Weena 750
3014 DA Rotterdam
The Netherlands

To the Guarantor as to English law:
Dewey Ballantine
One London Wall
London EC2Y 5EZ
United Kingdom

To the Guarantor as to Kazakhstan law:
Aequitas LLC
Prospect Abaya 47/49
Almaty 480091
Kazakhstan

To the Lead Manager and the Trustee as to English law:
White & Case
5 Old Broad Street
London EC2N 1DW
England

To the Lead Managers as to Kazakhstan law:
White & Case LLP
64 Amangeldy Street
Almaty 480012
Kazakhstan

INDEPENDENT AUDITORS TO THE GUARANTOR AND THE ISSUER

To the Guarantor:
TOO Deloitte & Touche
81 Abylai Khan Avenue
Almaty 480091
Kazakhstan

To the Issuer:
Mazars Paardekooper Hoffman
Rivium Promenade 200
P.O. Box 23123
3001 KC Rotterdam
The Netherlands

RF62226

Printed by Royle Financial Print